FEEDBACK TUTORIAL LETTER

2\textsuperscript{nd} SEMESTER 2019

ASSIGNMENT 1

BUSINESS ETHICS
(BBE612S)
ASSIGNMENT 1 FEEDBACK TUTORIAL LETTER

SECTION A

Question 1

Answer the questions in this section by writing the correct letter in your answer book.

1.1 According to the principle of utilitarianism, an action is moral if:
   a. It produces the greatest benefits for the person who does it.
   b. It produces more happiness than another action that might have been taken.
   c. It is based on the moral virtues.
   d. It produces the greatest net benefits or the lowest net cost to the society.

1.2. Which statement reflects the "punishment and obedience orientation" stage (stage one) of moral development?
   a. I don't steal because I don't want to be spanked.
   b. I don't steal because my friends don't steal.
   c. I don't steal because it would harm society as a whole.
   d. I don't steal because it wouldn't be fair to everyone else if I did.

1.3 Competition fosters efficiency because:
   a. the government regulates prices
   b. producers have to offer the best products at reasonable prices
   c. supply depresses prices
   d. businesses can set whatever prices they want.

1.4 If Toyota raises the prices of its new models of pickup trucks by 4 percent and General Motors and Ford follow by raising prices by a similar amount, then this is evidence of:
   a. a monopoly.
   b. an oligopoly
   c. pure competition
   d. monopolistic competition.

1.5 Fish Delish is chain of food stores whose major product is fish. Fish Delish would sell a franchise license to a person only if the person also agreed to purchase a certain number of cookers, fryers, and other supplies. This is an example of:
   a. Tying arrangement
   b. Exclusive dealing arrangement
   c. Retail price maintenance agreement
   d. Manipulation of supply
1.6 Which of the following makes freedom of choice impossible?
   a. Information
   b. Probability
   c. **Misrepresentation**
   d. Ignorance

1.7 In Karl Marks' view, how many sources of income do Capitalist systems offer?
   a. 2
   b. 0
   c. 4
   d. 1

1.8 Which statement is not true of Kant's categorical imperative:
   a. We should act only on maxims that can be universally accepted and acted upon.
   b. **The inability to universalize the maxim of an act may sometimes be ignored if the act in question will produce the greatest good for the greatest number.**
   c. Universalization of maxims prohibits us from giving our personal point of view privileged status over the points of view of others.
   d. Our fundamental ethical duty is to treat other human beings as autonomous persons who may choose their own ends and purposes, not simply as means for the ends of others.

1.9 In this view, the employee's main moral duty is to work toward the goals of the firm. This view is referred to as:
   a. Law of Legitimacy
   b. Law of Structure
   c. **Law of Agency**
   d. Law of Duty

1.10 Kevin and his friends dislike their seventh-grade math teacher. They decide to scratch his car in the school parking lot. Kevin knows that this is wrong but doesn't want his friends to think he is not part of their group. According to Kohlberg, what stage of moral reasoning is Kevin in?
   a. Law and Order Orientation
   b. Social Contract Orientation
   c. Punishment and Obedience Orientation
   d. **Interpersonal Concordance Orientation**
China Rotten Meat Scandal Spreads to Starbucks, Burger King

Reuters | By Adam Jourdan
Posted: 07/22/2014 8:23 am EDT Updated: 07/22/2014 8:59 am EDT

(Reuters) - The latest food scandal in China is spreading fast, dragging in U.S. coffee chain Starbucks, Burger King Worldwide Inc and others, as well as McDonald's products as far away as Japan.

China is McDonald's third-biggest market by number of restaurants and Yum's top market by revenue. McDonald's is due to report quarterly earnings later on Tuesday.

McDonald's Corp and KFC's parent Yum Brands Inc apologized to Chinese customers on Monday after it emerged that Shanghai Husi Food Co Ltd, a unit of U.S.-based OSI Group LLC, had supplied expired meat to the two chains.

On Tuesday, Starbucks said some of its cafes previously sold products containing chicken originally sourced from Shanghai Husi, a firm that was shut down on Sunday by local regulators after a TV report showed staff using expired meat and picking up meat from the floor to add to the mix.

A Tokyo-based spokesman at McDonald's Holdings Co (Japan) Ltd said the company had sourced about a fifth of its Chicken McNuggets from Shanghai Husi and had halted sales of the product on Monday. Alternative supplies of chicken have been found in Thailand and China, he added. The company's shares briefly fell as much as 1.4 percent to a 15-month low before closing down 0.4 percent.

China's food watchdog said it ordered regional offices to carry out spot checks on all firms which had used Shanghai Husi products, and would inspect all of parent OSI's sites around China to see if enough has been done to ensure food safety. It said the case could be handed over to the police.

The regulator's Shanghai branch said in a statement on Tuesday it had demanded production, quality control and sales records from OSI. It added it already ordered McDonald's to seal over 4,500 boxes of suspected meat products and Yum's Pizza Hut to seal over 500 boxes of beef.

Fast-food chain Burger King and Dicos, China's third-ranked fast food chain owned by Ting Hsin International, said they would remove Shanghai Husi food products from their outlets. Pizza chain Papa John's International Inc said on its Weibo blog that it had taken down all meat products supplied by Shanghai Husi and cut ties with the supplier.
FOOD SAFETY CONCERNS

The scare has stirred local consumers and become one of the most discussed topics online among the country's influential 'netizens', with some users spreading long lists of firms thought to be tarnished.

Starbucks said on its Chinese microblog site that it had no direct business relationship with Shanghai Husi, but that some of its chicken acquired from another supplier had originally come from Husi for its "Chicken Apple Sauce Panini" products. This had been sold in 13 different provinces and major cities. The company added that all the products had already been removed from its shelves.

Burger King said in a Weibo statement posted late on Monday that it had taken off its shelves all meat products supplied by Shanghai Husi Food and had launched an investigation.

Dicos said it pulled all ham products supplied by Shanghai Husi, and would stop serving its ham sandwich product for breakfast. "We will continue to carry out a probe into Shanghai Husi Food and its related firms, to understand whether or not it followed national regulations," Dicos said in a statement.

Swedish furniture firm IKEA [IKEA.UL], which has in-store food outlets, said on Weibo that Shanghai Husi had previously been a supplier, but had not provided the firm with products since September last year. Domino’s Pizza Inc and Doctor’s Associates Inc’s Subway brand, which were named in online reports as being supplied meat from Shanghai Husi, said their outlets in China did not use meat products from the firm.

Source:  http://www.huffingtonpost.com/2014/07/22/china-meat-scandal-starbucks-burger-king_n_5608941.html
Rotten Meat Scandal: China Detains Employees, Official Says Misconduct A Company Effort

BEIJING, China - Five employees of a company accused of selling expired beef and chicken to McDonald's, KFC and other restaurants in China were detained by police Wednesday after an official said illegal activity was an organized effort by the supplier.

China's food safety agency said on its website that its investigators found unspecified illegal activity by Husi Food Co. but gave no confirmation expired meat had been found or other details.

Some of the illegal conduct was an "arrangement organized by the company," the deputy director of the agency's Shanghai bureau, Gu Zhenghua, told the official Xinhua News Agency.

Those in criminal detention include Husi's quality manager, the Shanghai police department said on its microblog account. The one-sentence statement gave no details of possible charges or the employees' identities.

The scandal surrounding Husi, which is owned by OSI Group of Aurora, Illinois, has alarmed Chinese diners and disrupted operations for fast food chains.

It erupted Sunday when a Shanghai broadcaster, Dragon TV, reported that Husi repackaged old beef and chicken and put new expiration dates on them. It said they were sold to McDonald's, KFC and Pizza Hut restaurants.

Xinhua said the manager of Husi's quality department, Zhang Hui, told investigators "such meat had been produced under tacit approval of the company's senior managers." It said the company "has been conducting the malpractice for years."

An employee who answered the phone at the food agency office in Shanghai declined to give any additional details.

A woman who answered the phone at Husi's Shanghai headquarters said the company would not comment until the investigation was completed. She declined to give her name.

Restaurant operators that have withdrawn products made with meat from Husi include McDonald's Corp., KFC owner Yum Brands Inc., pizza chain Papa John's International Inc., Starbucks Corp., Burger King Corp. and Dicos, a Taiwanese-owned sandwich shop chain.

The scare has also spread to Japan, where McDonald's said 20 per cent of the meat for its chicken nuggets was supplied by Husi.

Husi said in a statement earlier this week it was "appalled by the report" and believed it to be an "isolated event." It promised to co-operate with the investigation and to share the results with the public.
The State Food and Drug Administration's statement Wednesday said investigators seized 160 tons of raw material and 1,100 tons of finished products from Husi. The agency said earlier its investigation would extend to Husi facilities in Shanghai and five other provinces.

During a conference call Tuesday to discuss its financial results, McDonald's Corp. CEO Don Thompson said the company felt a "bit deceived" about the plant in question.

Foreign fast food brands are seen as more reliable than Chinese competitors, though local brands have made big improvements in quality.

KFC, China's biggest restaurant chain with more than 4,000 outlets and plans to open 700 more this year, was hit hard by a report in December 2013 that some poultry suppliers violated rules on drug use in chickens. Sales plunged and KFC overhauled quality controls, cutting ties with more than 1,000 small poultry suppliers.

Five men arrested in China 'rotten' meat scandal

Husi Food operations have been suspended by Chinese regulators as the investigation into allegations that it falsified expiry dates on meat continues

China has arrested five people in connection with an ongoing probe into allegations that a Shanghai-based food firm supplied "rotten" meat to clients, including McDonald's, KFC and Pizza Hut.

The Shanghai Public Security Bureau has confirmed five men, including a quality manager at Shanghai Husi Food- the firm at the centre of the food scandal- have been detained on suspicion of "illegal conduct" but did not name them.

The scandal erupted after an undercover television report aired on Sunday featured footage apparently showing Husi employees tossing meat around, picking up chicken from the floor and reprocessing what appeared to be rotten meat that was allegedly later sold with a fake expiry date to international clients operating in China such as KFC and McDonald’s, which used Husi chicken for its McNuggets.

Chinese authorities already have suspended Husi operations, which is owned by Illinois-based OSI Group, and ordered its products to be recalled while the investigation continues.

American fast food giant McDonald's and Yum! Brands, the owner of Pizza Hut and KFC, have stopped buying meat from a Shanghai-based supplier following allegations that it 'falsified expiry dates on rotten chicken and beef' Reacting to the footage, McDonald's and Yum! Brands, which owns KFC and Pizza Hut, vowed to stop using meat from Husi and issued an apology to its Chinese customers on Monday. Husi Food has been supplying McDonald's in China since 1992 and Yum since 2008, according to its website.

The scandal is a setback from Yum, which saw Chinese sales decline following a food scare in 2012, but had recovered in recent months posting a 19 per cent increase in second-quarter profits last week, boosted by its KFC in China.

Yesterday, Starbucks joined the list of American companies hit by the scandal, admitting that, while it does not have direct business links with Husi, one of its suppliers had purchased chicken from the embattled firm and was forced to remove its "Chicken Apple Sauce Panini" sandwich from its cafes.

Burger King and Papa Johns also moved to reassure its clients about their hygiene standards in the country, vowing to stop using meat from Husi.

Five detained in rotten meat scandal in China

By PTI | Posted 23-Jul-2014

Beijing: As part of a probe into a new food scandal in China, five persons, including the quality manager of a company that allegedly supplied expired meat to global fast food chains like McDonald's, KFC and Starbucks, were detained today.

Zhang Hui, manager of Shanghai Husi Food Co Ltd's quality department, confessed during investigations that the company has been conducting the malpractice for years under tacit approval of senior managers. The quality manager of the company was among the five detained by the Shanghai police, state-run Xinhua news agency reported. The company produced 5,108 crates of meat products, including McNuggets, pork patties and beef steaks using out-of-date or mouldy materials, according to the bureau and Shanghai's food and drug administration, which are jointly investigating the case.

The products were sold to brands including McDonald's, KFC, Pizza Hut, Burger King, 7-Eleven, Taiwanese-owned Dicos and Starbucks, investigators said. About 100 tonnes of the Husi products have been sealed up, said Xu Wei, a spokesman for the Shanghai municipal government. Shanghai-based Dragon TV aired a news programme on Sunday claiming that Shanghai Husi, a unit of US-based OSI Group LLC, had supplied products tainted with reprocessed expired meat to a string of fast food chains and restaurants across China.

The TV report prompted Shanghai authorities to suspend production, while cities and provinces across China on Monday moved to seal Husi supplies at local fast food chains. The food and drug administration of Chengdu, capital of Sichuan Province, sealed 9.6 tonnes of Husi products at warehouses and outlets of McDonald's, KFC and Dicos, a Chinese chain owned by Taiwan's Ting Hsin International Group. Meanwhile, Starbucks has also withdrawn products from its shelves in the wake of the scandal that has shaken China's fast food industry. Mainland fast-food chain Dicos also said it had taken breakfast sandwiches off its menu because its 'Ham' had been sourced from the meat processing firm. Other provincial-level regions, including Guangdong, Guangxi and Inner Mongolia, have also reported sealing the products and ordered companies to stop selling products supplied by Husi.


2.1 With reference to the case explain how the prisoners dilemma is convincing us that ethics is needed in business.

The unethical behaviour of Shanghai Husi Food Co Ltd is going to cost them more because as it is now this will and is already costing them customers (no customers will trust them again),
there might be lawsuits against the company and this will cost them a lot. Secondly, there is widespread bad publicity about their company and this will not only keep customers away but also potential investors. Thus, had they acted in line with the prisoners dilemma by being ethical and cooperating with their customers none of that would have happened. Their gain was for a short time only.

Comments

Your discussion was supposed to centre around the points identified above. Instead most of you just gave a description of the prisoners dilemma and that did not earn you marks.

2.2 In this course, you learned that Business Ethics investigate three types of business issues. Clearly state which issue or issues is or are addressed in this case. Substantiate your answer. (8)

Systematic: The laws that Husi Company violated
Corporate: Questions about the morality of Husi Company’s actions and
Individual issues: The moral character of those individual employees that were involved in the whole scandal.

Comments

All three issues were addressed, and you were suppose to incorporate evidences from the case in support of your findings. This was to be done in a discursive form.

2.3 It is alleged in the cases that Shanghai Husi Food Co Ltd has been supplying “rotten” meat to its clients. You are required to identify the basic ethical principles that were violated in the article. (NOTE: The principles should be the ones discussed in this course, failure to do that will not attract marks). (8)

The following are the violated principles

- Utilitarianism
- Rule Utilitarianism
- Rights:
  - Kantian rights
  - Negative and Positive rights
  - Contractual rights
- Justice
- Ethics of Care

Comments

It is evidenced from your performance in this question that some of you do not understand these principles and neither do you make any effort to seek assistance from the tutors. As a result, although most of you had correctly identified them some of you simply downloaded your own concept from the internet instead of making an effort to consult the study guide and the prescribed textbook. Students please, it is of utmost importance to note that a study guide is just meant to guide you, you need a copy of the prescribed book.

These principles are well discussed in chapter 2 of the prescribed textbook. In addition, you were only required to list the principles, explanations and discussions were not required.
Lastly, please note that these principles are the cornerstone of this subject and it is therefore important that you understand them.

2.4 It is stated in the cases that Shanghai Husi Food Co Ltd has been shut down by authorities and that five employees have been arrested in connection with an ongoing probe into allegations that a Shanghai Husi Food Co Ltd has been selling expired beef and chicken to its clients. In your view who should be held morally responsible for the wrong actions committed by business organisations? Should it be business organisations or individuals within organisations? (6)

*Individuals are agents that act on behalf of companies. If they are not held responsible there will be nothing that will compel them to avoid unethical practices as they themselves as individuals will not be held responsible. As a result, companies will continue with unethical practices which is harmful to the stakeholders and the society at large.

On the other hand, companies should also be held responsible or otherwise they will force their employees to engage in wrongful acts knowing that the individual employees will be the lambs to be sacrificed for the company’s wrong deeds.

Therefore, both companies and individuals should be held responsible as this will discourage unethical behaviour in organisations.*

Comments

You could only earn marks if you indicated that both individual and organisations should be held responsible of course provided you had given good convincing arguments. You could also have used the case as a base for your answer.

**Question 3** [12 Marks]

Read the case below and answer the questions that follow.

**Drug Company Monopolies and Profits?**

Drug companies in the United States are granted a patent on any new pharmaceutical drug they develop, which gives them a monopoly on that drug for 20 years. Not surprisingly, high monopoly profits (i.e., profits well beyond the average rate of profits in other industries) are characteristics of the pharmaceutical industry. In a 2003 study entitled *The Other Drug War II*, Public Citizen’s Congress Watch noted that during the 1970s and 1980s, drug companies in the Fortune 500 had average profits rates (i.e., as a percent of revenues) that were double the average for all other industries in the Fortune 500. During the 1990s drug company profits rates averaged 4 times the average profits rates of all other industries, and during the first 5 years of the twenty-first century, drug company profit rates were about 3 times the rates of other industries.
According to the U.S. Census Bureau’s Quarterly Financial Reports, in the first quarter of 2007 and 2008, average drug company profit rates were about 3 times the average of other manufacturing companies. In the first quarter of 2009, average drug company profit rates were close to 7 times the average for all other manufacturing companies, and in the first quarter of 2010, they averaged close to 3 times the average for other manufacturing companies. Drug companies say they need these profits to cover the costs of research for new drugs. But while drug companies put only 14 percent of their revenues into research, they siphon off 17 percent of their revenues into dividends they hand out to shareholders and plough 31 percent into advertising and administration. A study of drug manufacturing costs (see www.rense.com/general54/preco.htm) found that prescription drugs have markups of 5,000%, 30,000% and 500,000% over the cost of their ingredients.

The ingredients in 100 tablets of Norvasc, which sold for $220, cost 14 cents; of Prozac, which sells for $247, 11 cents; of Tenormin, which sells for $140, 13 cents; of Xanax, which sells for $136, 3 cents, and so on.

Source: Velasquez M G, Business Ethics Concepts and Cases 7th Ed., page 218

3.1 Identify the type of market structure observed in the case study above. (1)

Monopoly

3.2 What makes it possible to have the market structure identified above in the pharmaceutical drug industry? (2)

Patent rights that are given by the state to drug companies and this serve as a barrier for other firms to enter.

3.3 With reference to the case, what are the ethical weaknesses of the market structure identified in 4.1? Motivate your answer. (9)

- **Violation of capitalist justice**
- **Economic inefficiency**
- **Lack of respect for negative rights**

Comments

The majority of you had correctly identify the weaknesses. However, you failed to apply the weakness to the case in question or analysing the weaknesses with reference to the case.