

EJSBS

The European Journal of Social &
Behavioural Science

ISSN: 2301-2218 (ONLINE)
OPEN ACCESS



The European Journal of Social and Behavioural Sciences
EJSBS Volume XXVIII, Issue II (eISSN: 2301-2218)

ETHICS IN BUSINESS: A CASE STUDY OF A PHARMACEUTICAL COMPANY

Ramesh S. Ganesan^a, Roslind Xaviour Thambusamy^{b*}

^aINTI International College, Subang Jaya, Selangor, Malaysia.

^bINTI International College, Subang Jaya, Selangor, Malaysia



Abstract

Ethics has long been a catchphrase that has come to mean different things to different people. Business ethics, in particular, has been known to mutate according to the context and requirements of the business entity in question. This paper seeks to elucidate the concept and application of ethics within the context of a particular industry and uses a case study approach to investigate the workings of a company with a focus on the operations of a local company in terms of its alignment to ethical norms. The methodology used was content analysis of documents pertaining to the company's operations. The findings revealed that the company did use an ethical approach in its business operations thereby proving that a business enterprise can succeed without having to resort to unethical practices to secure profits.

Keywords: Business ethics, pharmaceutical industry, business operations

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*Corresponding author.

E-mail address: rxt56@live.com

doi: 10.15405/ejsbs.273



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Received: 13 January, 2019; Revised: 07 February, 2020; Accepted: 14 March, 2020

1. Introduction

It is indisputable that the bottom line for all business is profit. That is the biggest motivator for anyone involved in running a business. It would be pointless to be in business but profess that money is not the objective. According to neoclassical economic theory, a lack of suitable rewards discourages entrepreneurs to take on risk and put in extra effort, without which the world becomes stagnant. Government authorities rightly offer entrepreneurs special rewards through patents, copyrights and royalties. Entrepreneurs are less likely to invest their time, effort, energy and money without the reward of profits (Seth, 2018)

It has been established that businesspeople are basically profit oriented which leads inevitably to unethical practices. Multiple cases of fraud by major organisations too numerous to cite here all underscore the premise that where money is to be made, there is ample opportunity for fraudulent practices to occur. This is especially so with the advent of online transactions, where consumers fall prey very easily to promises of great products and services with very little accountability on the part of businesspeople to deliver said promises. Consumers are likely to be cheated in business transactions despite the fact that laws have been passed to protect these consumers. The Consumer Protection Act 1999 of Malaysia provides for the protection of consumers, the establishment of the National Consumer Advisory Council and the Tribunal for Consumer Claims, and for matters connected therewith (Consumer Protection Act, Malaysia, 1999)

Undergraduates are taught how to be ethical, especially in disciplines which have life and death outcomes like medicine, law and engineering. Some losses are monetary and may be compensated, recovered and replaced but the same cannot be said of the losses of lives. Pharmaceutical companies, in particular, have come under tremendous pressure and scrutiny in recent years. Many people have fallen victim and lives needlessly lost due to the unethical practices of some corrupt corporations. Of these, the most heartbreaking are those involving the death of children from poisoning caused by contaminated products. Between November 2008 and February 2009, 84 Nigerian children died from acute kidney failure caused by the industrial solvent diethylene glycol in teething syrup (Buckley, 2013). An exhaustive investigation of deaths and injuries caused by fraudulent pharmaceutical practices undertaken by Buckley (2013) provides a horrendous list of the unethical practises of pharmaceutical companies which have passed off poisons as medicines for children and adults resulting in numerous deaths and injuries. All this has happened and is still happening despite laws and agencies to protect consumers and regulate pharmaceutical practices, for instance those FDA (Food and Drug Administration) of the United States, the European Medicines Agency which governs the European Union's pharmaceutical practices, the Therapeutic Goods

Administration of Australia, the National Administration of Drugs, Foods and Medical Devices of Spain, and the National Pharmaceutical Regulatory Agency (NPRA), under the auspices of the Ministry of Health Malaysia. Almost every country in the world has a regulatory body which oversees the pharmaceutical industry within its jurisdiction. Surprisingly, this has not stopped the virulent death and injury inducing practices of this industry.

2. Background of the Study

Knowing that corporations have a life changing impact on people and the environment in which they are located, they are now expected to contribute more actively to the well-being of the people and environment. Business laws, ethics and corporate social responsibilities are mechanisms to protect the consumers against the corporations who have and can at any time defraud consumers out of their rightful dues in terms of proper products and services. This is especially so for the pharmaceutical industry with the strict regulatory confines within which its practises need to operate. However, as mentioned earlier, this has not stopped the unethical players within this industry from becoming grim reapers; reaping their profits by causing the deaths of their customers.

Strangely, although consumers are technically the larger player in the commercial scenario, in terms of power, large corporations have the upper hand due to financial and sometimes political clout. Although regulatory and preventive mechanisms are already in place, laws and ethics seem to carry very little weight with these unscrupulous corporations as evidenced by the examples provided earlier.

3. Purpose of the Study

This paper discusses the concept and application of ethics within the context of a particular industry to highlight the need for ethical standards of behaviour in a business and consequences of such behaviour upon the consumers.

4. Research Questions

The paper sought to first, explain what is meant by the term ‘business ethics’ in context with a particular industry and second, explain how an understanding of various ethical issues can contribute to the competitive advantage of a target company’s business.

5. Research Designs and Methods

The research design is qualitative in nature and the methodology used was a case study approach where content analysis of documents pertaining to the company's operations was undertaken to derive information that could be used to answer the research questions. An extensive literature review of this area also provided the sources from which the general background information was drawn. The data to answer the research questions was drawn out through a process of induction, deduction and generalisation of sources related to the company under study.

6. Findings and Discussion

“Given that qualitative studies often contain rich descriptions of study participants, confidentiality breaches via deductive disclosure are of particular concern to qualitative researchers. As such, qualitative researchers face a conflict between conveying detailed, accurate accounts of the social world and protecting the identities of the individuals who participated in their research” (Kaiser, 2009, p. 1632). In accordance with the tenets of confidentiality in qualitative research, the company's name and related sources are not divulged in this paper. The company under scrutiny is one of the many that produce and sell herbal based beauty products in Malaysia. Using herbal-based beauty products is a long-cherished tradition in the Eastern cultures with thousands of years of practice in making and using herbal based beauty and health products. With the onslaught of modern commercialisation, many of these herbal based concoctions were transformed into products to be sold in various locations including pharmacies. According to Popattia, Winch, and La Caze (2018) “Many consumers choose to purchase complementary medicines from a pharmacy. Consumers often perceive that complementary medicines are natural and therefore safe. Some consumers perceive complementary medicines sold in pharmacies to be more effective and safer than the complementary medicines available in supermarkets” (p. 94). This underscores the perception of the consumers that products sold in pharmacies are dependable and worth their money. This is inextricably linked to the concept of business ethics which has been defined as “moral principles that act as guidelines for a business conducts itself and its transactions” (<https://corporatefinanceinstitute.com>). In this case, because the consumers have placed their trust in the pharmacy, it is only right that the pharmacy reciprocates the consumers' trust by selling products that meet ethical standards of production and transaction. This is because “business ethics are important for every company as they...help trade and interactions...honest and fair and generally make for better goods and services...and helps keep the company honest and productive” (<https://corporatefinanceinstitute.com>). It is clear

that business ethics are not a one-sided relationship which benefits only one party. Maintaining an ethical business is a two-way process with mutual benefits to both the buyer and the seller.

In terms of keeping to its end of the ethical bargain, the company under investigation has shown itself to be highly commendable in its chain of production, from sourcing its herbs to the production process and the costing which has helped to build their consumers' trust. This is especially important for a pharmaceutical entity as their products can have injurious or life and death outcomes. In this sense, this company has shown itself to be responsible and dedicated to the welfare of its customers, keeping them in mind from the onset of the production process right to the costing mechanism. Consumer well-being has been prioritised at all levels of the business chain of production since, other than hospitals and clinics, pharmacies have become a point of contact between consumers with professionals with specific knowledge on health and complementary health products. Pharmacists have come to be seen as professionals who are much more approachable than doctors in terms of the convenience of walking into the pharmacy without having to set appointments and wait for hours to see a physician. During times of emotional and physical discomfort what most people need is a professional who understands them and wants to make them feel better. Pharmacists are under an obligation to assist individuals to optimise on their medication and other related products. Guidelines have been established to guide pharmacists in relationships with patients, and society (Alpha, 1994). Hence, pharmacies, seen by consumers as an alternative to health care, have a responsibility to maintain ethical standards in ascertaining that their products are top quality and in their business norms and behaviour.

The company under investigation has passed with flying colours in all aspects of ethical business operations. In this, the company has displayed respect for consumer rights by firstly, providing natural options to their existing range of beauty and health related products. Responding to the current cry for more natural beauty and health related products, the company has undertaken the effort to source out natural ingredients for their beauty and health formulations with the ultimate aim of giving their consumers options for healthier, more natural lifestyle choices. In this, the company has been shown to respect the consumers' dignity and basic rights as consumers. It is clear that this is a company that prioritises customers' health and well-being over profits, which works well as this justifies the previously mentioned perspective that "business ethics are important for every company as they...help trade and interactions...honest and fair and generally make for better goods and services...and helps keep the company honest and productive" (<https://corporatefinanceinstitute.com>).

7. Conclusion

Pharmaceutical companies have done much damage to their reputation and the only way to regain consumer confidence is ensure a scrupulous adherence to ethical practices at all levels of the business chain of operation. Pharmacies, by and large, are microcosmic reflections of the pharmaceutical industry, and as such, have a major role to play in ensuring that customer confidence is established and sustained in their (pharmaceutical industry) ability to play by the rules.

This study of a single pharmaceutical entity, albeit small, shows that there are “good guys” in the industry. As a business entity, they have been doing well in terms of the profit margins and as an ethical business entity, they have done a good job in fulfilling their bottom line while upholding ethical standards.

In terms of the following aspects, the company under investigation has successfully upheld its ethical obligations to itself and its customers.

- a) **MORAL OBLIGATIONS** were maintained in return for the trust put in them by the customers. By giving prominence to organic product lines, they have been shown to be committed to the customer’s well-being. Building trust is the crux building a loyal customer base in business and sustaining customer loyalty.
- b) **FAIRNESS** – By adopting the fairtrade policy, the company has shown that it stands for fairness by prioritising the economic capacity of its customers. It has demonstrated that its primary modus operandi is not taking customers’ money but providing them with an investment into their overall health and well-being by offering a range of natural, organic products.
- c) **ACCOUNTABILITY** – As a pharmaceutical entity, the company is responsible for customer health. Pharmacists may recommend a new drug or health product in the market to a customer. When the client returns with some form of reaction, the pharmacist is responsible for addressing the issue to the customer’s satisfaction. This kind of accountability is a given in the pharmaceutical industry, in particular, pharmacies. Acknowledging and accepting accountability shows maturity and humanity which is appreciated by all customers and keeps them returning to the company. Such accountability being taken seriously, as with the company under investigation, is the cornerstone of building a loyal customer base (Lumens, n.d.).

“There is one and only one social responsibility of business – to use it resources and engage in activities designed to increase its profits so long as it stays within the rules of the

game, which is to say, engages in open and free competition without deception or fraud” (Freidman, 1970, as cited in Fox, 2012).

It can be concluded then that the playing field in business can be both open and fair, if one adheres to ethical standards at all levels of operation. While there are numerous laws regulating business entities, it is clear that laws alone cannot ensure adherence to ethical practices. Enforcement of laws have also not stopped certain corporations from indulging in unethical behaviour. Millions of dollars may be imposed in terms of fines and even incarceration of offenders have not successfully eradicated unethical practices. Hence, it boils down to individual corporation and company stakeholders’ commitment to and responsibility for upholding ethical behaviour while making profits. If one small company can do it, then every company and corporation can surely do it...if they have their priorities in the right place. For as Henry Ford rightly said “A business that makes nothing but money is a poor business” and Anita Roddick, the founder of Body Shop, who said “Being good is good for business”.

Acknowledgements

The author(s) declare that there is no conflict of interest.

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