

# Recognition of Ethics and Sustainability: A Case Study of Coca-Cola

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**Abstract:** Corporate ethics and sustainable development are receiving increasing attention in today's society. More and more companies are realizing that ethical and sustainable development is not only a requirement for fulfilling social responsibility but also a key factor for achieving long-term growth and sustainable competitive advantage. As a result, companies are integrating ethics and sustainability into their strategies, decisions, and operations to achieve both business success and social benefit. However, some companies shout sustainability and environmental protection slogans; the actual practice differs from the claim. This paper combined the planning and actual data of the Coca-Cola Company and found that the Coca-Cola Company was suspected of greenwashing. While Coca-Cola does contribute to the environment, there is a difference between what it does and what it says. As for the possibility of this problem, the article also makes a relative solution and assessment.

**Keywords:** Coca-Cola; Ethics; Sustainability; Greenwashing

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## 1. Introduction

Coca-Cola is the world's leading beverage company. Founded in 1886, the Coca-Cola formula, invented by John Stith Pemberton, forms the company's core product. Over time, the company gradually expanded its product line to include Sprite, Fanta, and other brands, and its products are sold in more than 200 countries. With a market capitalization of approximately USD 250 billion as of early 2024, the Coca-Cola Company is one of the most valuable and recognized brands in the world. The Coca-Cola Company's strategic goal is to become the most valuable and respected beverage company in the world, serving the needs of different markets and consumers by providing consumers with beverages they love, innovative packaging, and marketing strategies.

Nowadays, enterprises are increasingly focusing on business ethics and sustainable development, and the Coca-Cola Company is no exception. They came up with several sustainability initiatives, including initiatives on carbon reduction, water management, packaging recycling, and social responsibility. This article aims to analyze the moral issues behind their behavior according to their announced ideas and plans, judge whether their decisions and behaviors are ethical and sustainable, and make corresponding suggestions and solutions.

## **2. Synopsis**

Coca-Cola is spearheading sustainability initiatives within Australian business, aiming to diminish its environmental impact through various innovative policies. These efforts encompass educating residents on recycling plastic bottles and continuous investment in related sectors. As the world's largest beverage brand, Coca-Cola's endeavors hold significant and enduring implications for shareholders and stakeholders like employees, consumers, and residents. Bronfenbrenner posited that the environment is shaped by individual development, suggesting that stakeholder groups possess equal capacity to influence businesses <sup>[1]</sup>. Consequently, companies are increasingly expected to demonstrate ethical decision-making and conduct beyond legal mandates.

### **2.1. PESTEL analysis**

To maintain stable business operations, managers must navigate the dynamic external environment <sup>[2]</sup>. Employing a PESTEL analysis facilitates a comprehensive evaluation of factors affecting the business. PESTEL encompasses Politics, Economics, Society, Technology, Environment, and Legal considerations, aiding in understanding potential influences on events.

### **2.2. Politics**

Although Coca-Cola is a non-alcoholic beverage, it falls under the regulatory purview of the Australian Food and Drug Administration. Thus, companies must consistently adhere to the standards set forth by the local regulatory authority. In certain instances, Coca-Cola may need to adjust to policy changes to ensure compliance and adaptability.

### **2.3. Economics**

Amidst the current epidemic-induced economic downturn, companies are compelled to undertake significant restructuring of their sales and marketing activities. As profits decline, internal downsizing and reassessment of market penetration strategies may become necessary.

### **2.4. Society**

As global resources continue to deplete and the climate undergoes changes, there's a heightened awareness of environmental issues, leading to increased environmental expectations for businesses. Corporate social responsibility now includes environmental protection, with a growing number of consumers willing to pay extra for eco-friendly products. Consequently, companies must adapt positively to environmental concerns. Moreover, businesses must navigate cultural differences worldwide, a pertinent consideration given Australia's cultural diversity. For instance, religious festivals in certain regions may influence marketing strategies, necessitating adjustments by Coca-Cola.

### **2.5. Technology**

Technology plays a crucial role in a company's operations. Coca-Cola must continually innovate to keep pace with evolving technological structures, incorporating safer, more efficient, and environmentally friendly production techniques. Additionally, it's essential to consider how today's youth utilize technology to engage with the world, thereby enhancing brand recall and engagement over time.

### **2.6. Environment**

As companies increasingly prioritize environmental concerns, they demonstrate their societal responsibility

and appeal to consumers who prioritize sustainability. Therefore, it's crucial for companies to promptly address environmental issues and actively contribute to this cause.

## **2.7. Legal**

A comprehensive understanding of macro factors serves as the foundation for analysis and problem-solving. In this case study, emphasis will be placed on social and environmental factors.

At the social level, there is a growing awareness of environmental issues as resources are depleted and the global climate undergoes changes. Hitt and Collins highlighted that public demand for corporate ethics surpasses legal requirements <sup>[3]</sup>. Consumers increasingly prioritize environmental protection, prompting companies to respond positively to these demands. Consequently, companies must carefully evaluate decisions and actions lacking specific rules or restrictions.

Regarding the environment, companies are increasingly prioritizing environmental concerns. Coca-Cola, for instance, must maintain a leading role in this sphere to fulfill its societal responsibilities and attract environmentally conscious consumers who share similar values.

## **3. Summary of the issue**

The mass use of single-use plastics poses a significant environmental challenge. In response, Coca-Cola Australia has taken steps to address this issue by partnering with Planet Arc to educate residents on plastic bottle recycling. Additionally, they've initiated a plastic recycling program across the majority of Australian cities, offering a 10-cent incentive for recycled plastic bottles. These bottles are manufactured using 100% recyclable materials, with Coca-Cola aiming to transition to entirely recycled plastic bottles by the end of 2019.

While this program appears comprehensive, there are indications that it may not fully meet the commitments outlined in their statement. This raises concerns about potential discrepancies and suggests the possibility of the company attempting to portray a more favorable image than warranted.

## **4. Analysis**

Coca-Cola's statement, while seemingly comprehensive, must consider the diverse impacts its decisions have on stakeholders.

As a multinational corporation, Coca-Cola's actions have significant implications for various stakeholders. Utilizing the third and fourth steps of the 7-step ethical framework, stakeholders will be identified, and Coca-Cola's responsibilities to them will be evaluated alongside the potential consequences of its actions.

In recent decades, businesses have increasingly prioritized sustainable development. However, the United Nations' 17 sustainable development goals (SDGs) offer a more robust framework for sustainability <sup>[4]</sup>. Recycling plastic bottles to create new ones aligns with several SDGs, including goals 7, 12, 13, and 14. This practice not only reduces environmental pollution and energy consumption but also indirectly safeguards the health of residents and marine life.

The identities of stakeholders are diverse. For example, for shareholders, there may be potential benefits to the recycling and reuse of plastic bottles. By recycling and reusing plastic bottles, the company may establish a good image in terms of sustainability, thereby increasing the company's brand value and market share.

In addition, the program could have a positive impact on the beverage industry as a whole. By recycling and reusing plastic bottles, the industry can reduce the demand for plastic materials and thus reduce the negative impact on the environment. This initiative can also drive other companies in the industry to adopt similar

sustainability initiatives and develop common environmental awareness and industry standards.

For the job market, the plan could lead to some positive changes. Recycling and reusing plastic bottles will require more human resources to implement and manage related activities, which may provide more job opportunities and career development space for the local labor market.

For the masses, too, the plan is beneficial. By recycling and reusing plastic bottles, consumers can participate in environmental action, actively participate in sustainable practices, and may receive certain economic benefits, such as recycling gold obtained by recycling plastic bottles. Moreover, recycling and reusing plastic bottles can directly reduce the amount of plastic waste and the consumption of natural resources, thereby reducing environmental pollution and damage to the ecosystem. All mankind would benefit from such activities, which would be wise and responsible in the long run.

While this plan is beneficial for most parties, there may be some losses for some related parties. For example, producers of plastic bottles may face pressure from declining sales, while competitors who do not participate in the program may be marginalized in the market. For the company itself, the cost of recycling and reusing plastic bottles may be higher than buying a new plastic bottle. With such a large volume of sales, costs may rise significantly, affecting the interests of shareholders.

In 2019, the purpose of a company's existence underwent redefinition to prioritize benefiting all stakeholders and fostering societal economic development, as opposed to solely serving the interests of shareholders<sup>[5]</sup>. This shift aligns with the ethical philosophy advocated by the Business Roundtable.

Once implemented on a large scale and effectively supervised, the action is anticipated to yield overwhelmingly positive impacts on all stakeholders. While it may result in a partial reduction of shareholder interests, the decision ensures the protection of the interests of all involved.

'Storytelling' is a strategic behavior employed by companies to attract customers who share similar beliefs by crafting and presenting their image and emphasizing the founder's philosophy<sup>[6]</sup>. While these actions are comprehensive and beneficial to stakeholders, Coca-Cola's actual operations raise suspicions of greenwashing.

According to a Coca-Cola statement in 2020, the company aimed to use recycled plastic bottles for all bottles by the end of 2019. However, reports indicate that only 9% of bottles are currently made from recycled plastics, significantly below their commitment. Moreover, Coca-Cola has been consistently identified as the top plastic waste generator globally for four consecutive years (2018–2021) in the Break Free From Plastic report.

Many companies rely heavily on mission statements and slogans without allocating sufficient resources for implementation<sup>[7]</sup>. Similarly, while Coca-Cola has repeatedly pledged to address environmental concerns, Senior Vice President Perez stated in an interview that the company has no plans to reduce its reliance on single-use plastics.

Coca-Cola's actions are disappointing, particularly considering the worsening climate change and waste issues alongside their unfulfilled promises. While consumers share some responsibility, other global franchises have demonstrated effective ways to reduce carbon footprints. For instance, brands like Starbucks and McDonald's have transitioned to paper packaging or eliminated packaging.

While Coca-Cola's conduct raises suspicions of greenwashing, its actions can be examined through the ethical framework from two distinct perspectives.

From a deontological standpoint, Coca-Cola's behavior is deemed immoral. Their commitment appears to be solely aimed at attracting more consumers and portraying themselves as an environmentally conscious company to enhance profits.

Conversely, when analyzed from a consequentialist perspective, Coca-Cola's actions can be seen as beneficial to stakeholders. Despite falling short of their stated goals, they have implemented measures aimed

at environmental protection, albeit not meeting the expectations outlined in their statements. Although their portrayal as an environmentally friendly company may be deceptive, their efforts do contribute to reducing environmental pollution to some extent.

## 5. Solution and evaluation

Two solutions could be implemented to address the aforementioned issues.

The first solution involves reducing the reliance on plastic bottles and increasing investment in research on environmentally friendly materials. Coca-Cola could opt to augment the proportion of aluminum bottles, which pose a lesser environmental impact compared to plastic bottles. Aluminum cans are infinitely recyclable, significantly reducing the need for raw material extraction and energy consumption while minimizing waste generation. Furthermore, the recycling and re-manufacturing process of aluminum cans is more energy-efficient and produces less waste gas and wastewater compared to plastic bottles. By effectively recycling and reusing aluminum cans, the pressure on mining resources can be alleviated, thereby conserving limited natural resources. Transitioning to aluminum bottles would necessitate increased research investment in novel materials to acquire more sustainable and environmentally friendly packaging options.

The second method involves establishing a dedicated environmental protection fund. For instance, Coca-Cola could allocate 1% of its annual profits to this fund, which would be managed by specialized institutions. Additionally, the fund's investment returns would sustain its regular operations, while any surplus income, combined with Coca-Cola's contributions, would finance environmental projects. This approach ensures a consistent commitment to environmental stewardship and facilitates the implementation of beneficial initiatives.

Another approach involves the development of new materials, with a focus on degradable options being one potential research direction. These materials, when discarded into land or oceans, undergo degradation without causing harm to the environment. Such materials present a promising solution for mitigating environmental damage.

Step 6 and Step 7 are pivotal stages in evaluating the above two viable solutions. These steps allow for a comprehensive assessment of each solution's feasibility, effectiveness, and potential impact.

For the first scheme above, there are the following difficulties in the implementation process. The first is recycling. Although recycling aluminum cans has many advantages over plastic bottles, it is only possible to recycle them. Most containers are not recycled but go directly to landfills, so the advantages of recycling are reduced. The second difficulty is capacity. Today's plastic bottle production capacity can meet the needs of Coca-Cola. If a sudden sharp reduction in the use of plastic bottles instead of increasing the demand for aluminum cans, it may lead to insufficient capacity and affect the company's interests. The third point is that aluminum cans are heavier than plastic bottles, which means that transporting them emits more carbon dioxide, which is also an issue that must be considered.

The second approach, which prioritizes stakeholders and environmental responsibility, is crucial for sustainable business practices. While concerns exist regarding the potential misuse of funds, Coca-Cola ensures oversight by third-party organizations, ensuring transparency in all processes and decisions. As public awareness of supervision mechanisms increases, trust in the management of funds will be strengthened, further bolstering accountability and integrity.

While the third proposal heavily relies on funding and entails a lengthy research cycle that may not immediately meet market demand, its significance and necessity cannot be overstated. Enterprises must prioritize social responsibility while ensuring their competitiveness. Despite concerns about the time required

for material development, abandoning this approach would be shortsighted. This path represents a crucial step forward, even if its success is not immediate, as it aligns with long-term sustainability goals and societal expectations.

## 6. Conclusion

Overall, while Coca-Cola's behavior may raise suspicions of greenwashing, it has undeniably made contributions to society. By reducing the proportion of plastic bottles, increasing investment in research on environmentally friendly materials, and establishing an environmental protection fund, Coca-Cola can not only address environmental concerns but also fulfill its social responsibilities. Coca-Cola must respond proactively as awareness of environmental protection and stakeholder welfare becomes increasingly widespread among enterprises. This proactive approach can help rebuild trust and reshape public perception of Coca-Cola's commitment to sustainability.

## Disclosure statement

The author declares no conflict of interest.

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