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THE UNIVERSITY OF NEW SOUTH WALES

# **COMP4920 Management and Ethics**

Company Case Study

Baidu Search Engine – Medical Bidding Ranking

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## Background

Wei Zexi, who is a 21-year-old student in computer science in Shanxi Province, suffered from synovial sarcoma and died in April 2016. Wei posted on [Zhihu.com](https://www.zhihu.com), a Chinese equivalent of Quora, detailing he tried the DC-CLK cell-based therapy through the Beijing Armed Police Second Hospital recommended by Baidu. His death triggered public opinion on Baidu's medical advertising supervision, medical fraud, and the promotion of unreliable information <sup>(1)(4)(8)</sup>.

Wei's case profoundly reflects the blind areas of Internet governance and the corrupt practices of medical marketization. First, Baidu needs to improve the quality of advertising <sup>(2)(8)</sup>. Second, Chinese regulators need to strengthen the supervision of the Internet giant Baidu <sup>(3)(12)</sup>. Third, corporate social responsibility (CSR) and ethical responsibility are very important <sup>(4)</sup>.

## Ethical Discussion

### Stakeholders

The stakeholders in Baidu are Baidu users, operators and corporate employees, and governments, such as China's cyberspace and health authorities. Baidu users are stakeholders who are directly influenced by Baidu Engine. These users rely on Baidu's search information without any additional knowledge and do not realize the reliability of the information <sup>(5)</sup>. In the past few years, Baidu's search engine has remained chaotic, and its bidding ranking advertisements are still being promoted, such as 'putian' medical ads and misleading visa ads <sup>(1)(6)(7)</sup>. The Chinese government said that it had set up an official investigation into Baidu's business model <sup>(2)(8)</sup>. Regulators ordered Baidu must mark the ads. Chinese state media, the People's Daily, condemned Baidu for Wei's death and emphasized the company is obliged to assume its social responsibility <sup>(9)</sup>.

### Ethical Issue

The main ethical issue of the Baidu search engine is keyword bidding ranking results. Baidu's bidding ranking mechanism artificially changes the search results returned by user ranking and relevance in natural search technology and cooperates with businesses to achieve the purpose of promotion. This article stated that medical

advertising consists of about 30% of Baidu's ad revenue and most of them come from Putian hospitals <sup>(10)</sup>. This mechanism has problems with excessive weight in bidding ranking and unclear labels of commercial promotion. The unethical business behavior is not only affecting the fairness of the search engine but also influence the future of the Chinese Internet. Baidu has begun to lose its trust even though Baidu can make quick profits from this bidding ranking mechanism <sup>(11)</sup>.

## Kant (Duty)

Duty-based ethics (Deontological) is a concept in moral philosophy. It advocated a person should adhere strictly to the principle of behavior itself but not the result of behavior <sup>(12)</sup>. Bidding ranking is the core business model in Baidu and it uses the monopoly of search business to force untrust company information to appear on the search page of users, depriving users right to choose information <sup>(13)</sup>. The purpose of people using a search engine is to find correct effective information <sup>(14)</sup>. However, Baidu pays more attention to the interests rather than CSR. It did not conduct a prudent review of information from bidding ranking companies and provided a platform for the proliferation of fraudulent keyword advertising. Therefore, according to duty-based ethics, Baidu's bidding ranking is unethical.

## Mill (Consequence-based)

Consequence ethics advocates the morality by which the results of action bring benefits to the actor <sup>(15)</sup>. Internet search engines could effectively reduce the cost of information and improve the efficiency of access to information <sup>(13)</sup>. The user should be able to access effective information and correspond to Baidu's core value of "simple and reliable". Thus, Wei should have been possible to gain reliable medical information through Baidu. However, his family knew that the hospital provided an unuseful treatment after paying exorbitant treatment cost, which eventually caused his death <sup>(1)(2)(4)</sup>. Between its core value and great profits, Baidu chose the latter. Therefore, Baidu has an inescapable ethical responsibility in consequence-based ethics.

## Code of ethics/conduct

In 2016, the China Cyberspace Administration (CAC), the top regulator of Chinese Internet space, request rectification <sup>(2)(3)(7)(16)</sup>. Baidu cooperated in the

comprehensive implementation of the rectification of the promotion <sup>(1)(3)(17)</sup>. According to the 'Baidu Corporate Social Responsibility Report from 2014 to 2016' <sup>(18)</sup>, it claimed Baidu takes responsibility as an important dimension in the future and protect the rights of users. It also stated that they provide a 'simple and reliable' platform for customers. The search result should not artificially interfere. Baidu said it agrees with fairness and objectivity standards in search engines, but it disagrees with not interfering with search results at all.

## Conclusion

Large companies need to take their responsibilities and keep the company's ethics, rather than putting interest above social responsibilities. Baidu's business model is not a fail model, but it violates its code of conduct. Internet companies should consider how to reform their corporate value and core value <sup>(4)</sup>. If they remain escaping to take responsibilities, they will lose people's trust. In conclusion, Baidu does not meet the expected standards of ethical behavior and code of ethics/conduct.

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