

Corporate social responsibility within phillip morris essay sample



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I will in this essay assess the efforts of the two chosen companies, Altria's Phillip Morris USA and Phillip Morris International, in Corporate Social Responsibility (CSR). Before tackling this, a brief explanation of CSR and its introduction in the companies will be provided. Thereafter, I will deal with domestic issues within the United States regarding health deterioration caused by tobacco, state intervention and youth smoking prevention, by assessing how Phillip Morris USA has dealt with these. While these CSR issues mainly deal with the consumption of cigarettes – I will afterwards move on to the other company, Phillip Morris International, and evaluate CSR efforts relating to its supply chain. This discussion will mainly entail the issue of abusing labor. Make note, that the two companies used to be one, but were split in 2008. However, they created their CSR policies as one, and still share similar views on it, so for the purpose of this assignment, they will be treated alongside one another.

In order to discuss Corporate Social Responsibility, a definition must be provided, as the term has undergone much debate through time. CSR is by Griseri & Seppala (2010) broadly defined as “ the accommodation of corporate behavior to society's values and expectations”. CSR goes beyond legal and economic responsibility, which is the important distinction to make. Within Phillip Morris USA, CSR was introduced towards the end of the 90s, when in 1997 the “ PM21” public relations strategy was launched (Hirschhorn, 2003). In the preceding years of the launch, the company had been suffering from an increasing number of lawsuits from US state attorneys, arising from public protest against tobacco products and their harmfulness. PM21 “ intended to burnish the company's image by stressing

its humanitarian and environmental good works” (Hirschhorn, 2003), or in other words, the company wanted to improve its public image by switching the focus from their lethal products to their good deeds and efforts.

One might deem this corporate identity change as an immoral way of winning back the trust of consumers – to encourage them to carry on smoking cigarettes. Heavy criticism of Phillip Morris’ attempt at CSR came in part from the World Health Organisation (2003), outlined in a report appropriately titled “ Tobacco industry and corporate responsibility.. an inherent contradiction”. The Tobacco-Free Initiative, within the WHO, argue how all attempts at CSR by any tobacco company cannot be taken seriously along with other consumer good companies, as tobacco is the only product that in fact kills fifty percent of its regular consumers (WHO, 2003). One may therefore argue that tobacco companies should take CSR even more seriously, as their final products directly kill its consumer and deteriorate health and life expectancy. Phillip Morris USA carries the largest proportion of this responsibility as it, in the USA, possess 49 % of the market share (PM USA, 2011).

Phillip Morris USA have also continuously been involved in trouble with the US government, as reducing tobacco consumption remains of highest priority to the state. This has created a special legal framework for the tobacco industry, forcing them to deal with the ethical issues of tobacco consumption. The most important deal ever to be made in history is the Master Settlement Agreement (MSA) signed November 1998, which changed the way tobacco products are advertised, marketed and sold in the US (PM USA, 2013). Since over 80% of adult smokers start when they are under 18, <https://assignbuster.com/corporate-social-responsibility-within-phillip-morris-essay-sample/>

youth smoking prevention was the biggest issue in the agreement (CDC, 2012). With regards to this issue, Phillip Morris USA has adapted several business practices, beyond the ones mandated by law, to discourage youth smoking. These for example include, age-verification tools, signage to warn adults purchasing for minors, as well as the we-card program that aims to educate retail employees to sell in compliance with the law (PM USA, 2013). These steps may or may not have had a significant effect, but according to several surveys, it seems that in the years after the MSA was signed, youth smoking has actually declined as illustrated in Fig 1.

Fig 1. Percentage of high school cigarette smokers from 1991-2011.

(Source: Centers for Disease Control and Prevention 2012)

The diagram in Fig 1 shows how trends in smoking cigarettes among high school students had been increased in the years preceding the MSA, which proves the necessity of the settlement. Following the settlement, cigarette smoking has been on a somewhat steady decline, showing the effectiveness of it. Despite this decline however, Phillip Morris USA has still in recent years been under pressure. Therefore, in June 2009, the Family Smoking Prevention and Tobacco Control Act was introduced, granting the Food and Drug Administration (FDA) all regulatory power over manufacturing, marketing and selling of tobacco products (Business Wire, 2012). However, Phillip Morris USA continues to support various youth smoking prevention programs, which demonstrates that the company is still exercising serious CSR in the area, aiming to further attempt to improve their public image.

David Needle (2010) argues, when discussing CSR, that “ Ethical business is profitable business”, which may offer the incentive to Phillip Morris USA’s <https://assignbuster.com/corporate-social-responsibility-within-phillip-morris-essay-sample/>

contradictory marketing policy. Although selling tobacco, which is marked as a harmful and dangerous product in today's world, seems hopeless – Phillip Morris USA has to make an effort to gain favor with customers in order to keep cigarettes in demand.

Moving on to Phillip Morris International, the company has often been criticized in the media for purchasing tobacco harvested using child labor. When dealing with CSR issues related to the supply chain, the use of child or forced labor is often frowned upon by the developed world (Hawkins, 2006). Sometimes, what the western world considers exploitation of children is in fact considered a decent living in many developing countries around the world. Furthermore, David Hawkins emphasizes that child labor “ remains a serious economic need in many countries for survival”, which explains why developing countries may not be making an effort to abolish it.

For example, in Malawi, an estimated 80, 000 children as young as the age of five are working in tobacco fields, of which many are suffering from illnesses caused by the toxic nicotine (Guardian, 2011). The official minimum working age of the country is 14, however, since 70% of Malawi's GDP depends on tobacco exports, nothing is done to solve the problem (ibid). At the consuming end of the chain, Malawi is in top 10 of the countries where Phillip Morris International purchases tobacco (PMI, 2011). Each year, the U. S. Department of Labor publishes a report with a list of goods sold in the United States produced by the use of child labor or forced labor. The following table shows the countries that use child labor and forced labor in tobacco production, and how many of these are supplying countries of Phillip Morris International. I have composed this table using information from the <https://assignbuster.com/corporate-social-responsibility-within-phillip-morris-essay-sample/>

U. S. Department of Labor report (2012), and information from an official Philip Morris International report (2011).

Table 1: Phillip Morris tobacco grown using child/forced labor Country| Child

Labor| Forced Labor| PMI supplier|

Argentina| x| | xx|

Brazil | x| | xx|

Cambodia| x| | |

Indonesia | x| | xx|

Kazakhstan| x| x| x|

Kenya| x| | |

Kyrgyz Republic| x| | |

Lebanon| x| | |

Malawi| x| x| xx|

Mexico| x| | x|

Mozambique| x| | xx|

Nicaragua| x| | |

Philippines| x| | xx|

Tanzania| x| | x|

Uganda| x| | |

Zambia| x| | |

(Source: U. S. department of labour & Phillip Morris International) * Countries in PMI's list of top 10 suppliers are marked xx

Note that a direct relation between the tobaccos purchased by Phillip Morris and the child or forced laborers, does not necessarily exist, table 1 simply

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establishes the suspect relation. Phillip Morris purchases tobacco from 9 countries that are all known to use child labor (and 2 of them forced labor as well) in tobacco agriculture, according to the U. S. department of labor. This data provides evidence that the company does not have a clean slate regarding child labor in their supply chain. To no surprise, the company distances itself from engaging in any trade that has connections with child or forced laborers. However, “ PMI recognizes that labor abuse can often have underlying systemic causes” (PMI, 2011), which they as a company cannot be held responsible for. As mentioned earlier, many developing countries rely heavily on child labor, which Phillip Morris International seems to be doing what it can to change. It is currently in the process of implementing the Agricultural Labor Practices Code to train employees better, while also making other contributions to programs across the globe to eradicate child labor in tobacco growing communities (PMI, 2011).

On the other hand, from a critical view, Phillip Morris International has been able to hide behind the complexity of the supply chain to take social responsibility. Hawkins explains: “ The production and delivery process is a complex chain that bridges many countries before reaching the consumer” (Hawkins, 2006). This could suggest that Phillip Morris International is taking advantage of this phenomenon, and putting on a ‘ fake’ mask to the public of being socially responsible. In 2010, the Human Rights Watch (HRW) documented in a report that child and forced laborers were being used on farms that supplied a factory owned by Phillip Morris International in Kazakhstan (NY times, 2010). The children were paid per ton of tobacco harvested, which offered the money-incentive for parents to bring their

children to work in the fields. HRW researcher and author Jane Buchanan said in an interview “ A company like Philip Morris certainly has the resources to put an end to these practices” (ibid), putting a lot of public pressure on the company. One may argue that since the children are not directly employed by Philip Morris, but by the farmers, then Philip Morris cannot be held responsible. However, according to the rules of Corporate Social Responsibility, the company carries a moral responsibility, and should have policies dealing with human rights in their supply chain – and not just within their own rows.

To conclude, CSR within Philip Morris is without doubt evident in their actions. It seems obvious, that they as a company have to be more careful and responsible than other companies, as their products are strongly disapproved of by the public. In the area of preventing youth smoking they make significant CSR efforts to improve their public image, as well as supporting the government and the FDA in any decision they make. In this area, it appears that the company is doing what it can to be socially responsible. However, moving on to CSR in their supply chain, the company is not doing enough to prevent child labor. As this is happening at the tobacco growing stage of the supply chain, the company seems to have allowed itself to neglect the fact of it. But this is simply not good enough on a CSR level. Therefore, it seems that Philip Morris have prioritized its public image through marketing to maintain sales, while everything going on in the background has been discretely hidden behind empty words of good intention.

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