

A case study of the h.b. fuller case on hondura

Business



I have a great degree of first-hand knowledge and can honestly say that when it comes to business ethics, few American corporations have a better image than the H. B.

Fuller Company of SST. Paul, Minnesota. We are a leading manufacturer of industrial glues, coatings and paints, having won various awards, honors and inclusion in a variety of socially conscious mutual funds, all of which attest to our standing as a good corporate citizen. Recently, however, its handling of a stubborn image-stalling problem has tainted our reputation.

Specifically, there was illegal abuse of its shoemaker's glue by homeless Central American children who became addicted to the product's intoxicating and dangerous fumes (Henequen, 1995, p.

1). By ignoring this very serious issue we are indirectly saying to businesses and stakeholders, the community and society in general that we are concerned with financial gain at the expense of people's safety. Such perceptions, however, are in direct contrast to our vision statement and it is of the utmost importance that we make all necessary changes to restore the faith of both the public and private sectors.

One of the ways that this can be accomplished is through a series of commercials that address the fatal effects of "huffing" glue and which will erase the pairing of our brand name to drug use. In conjunction with various subsidized drug awareness programs, we can save costs in combating our recent negative publicity, restoring our profits and, more importantly, saving lives. A first step will be to add a warning label or disclaimer directly to each tube of glue that may be harmful if inhaled.

An additional and well-documented plan is to add oil of mustard to the product, which will make it less attractive to inhale.

In addition, for approximately one year a portion of our proceeds will be reinvested into programs that will provide counseling to children about the dangers of drug abuse. Furthermore, we plan to work with the local government to educate locals about financial opportunities in their area, the lack of which is the primary cause of escape and overdosing. The overriding and primary plan will be to implement a well thought out CARS (corporate social responsibility) plan, the foundation of which has been outlined above. Our vision statement ought to serve as our guide.

Vision Statements.

B. Fuller's following vision statement includes our purpose and mission to be a leader in our industry as well as our commitment to our stakeholders: our purpose is to deliver value to our customers using knowledgeable people and the best technologies. Our mission is to be a leading worldwide formulator, manufacturer and marketer of technology-driven specialty chemical products and related services and solutions. We are committed to the interests of our customers, employees, shareholders and communities.

We will conduct business ethically and profitably, and exercise leadership as a responsible corporate citizen. Our commitment is to continually: Enhance our capabilities; Expand our presence in existing markets and our brand identities; Extend our reach geographically and through new businesses; Execute our strategies with urgency and discipline; Energize our employees

by creating a culture that recognizes performance, values contributions, celebrates success, and respects work-life balance (H.

B.

Fuller, 2006, p. 1-2). H. B. Fuller's environment, health and safety efforts are guided by the following misstatements: " We will be a responsible company with respect to the environment, health, and safety by operating in a manner that protects our customers, employees, shareholders and communities.

We will provide the resources and technology to develop, implement, and maintain environmental, health and safety programs that support the achievement of company goals" (H. B. Fuller, 2006, p. 1 -2).

According to our vision and mission statements we are fundamentally responsible for the way we do business, " and the company's progressive and proactive environment, health, and safety efforts reflect this philosophy" (H. B.

Fuller, 2006, p. 2). One of our remarry goals is to continually progress toward reducing, and where possible, eliminating, the release of substances that cause environmental damage by the use of " periodic self-examinations of manufacturing plants which help the company identify risks and exposures that may exist or develop, so that best management practices can be proposed and implemented" (H.

B. , 2006, p.

2). Corporate Environment, Health and Safety Programmer have already implemented a corporate Environment, Health, and Safety program, including a team of experts who provide specialized expertise to all H. B. Fuller operations worldwide. Standardized policies and practices, often more stringent than local regulations, are implemented and managed by regional and local SHE specialists around the world (H. B.

, 2006, p. 2). This team will be responsible for working with local drug agencies to provide public service announcements.

According to Jeffrey, “ the H. B. Fuller Company’s employee profit sharing, corporate giving and funding of a University of Minnesota chair in corporate ethics won it rave reviews from the Socially Responsible Investment (SIR) community and a listing in the book *The 100 Best Companies to Work for in America*” (1995, p.

L). Elmer L. Andersen, founder and president of the H. B. Fuller Company which he bought in 1941, was a liberal Republican who as governor of Minnesota pressed for new park land and human rights and helped turn Fuller into a Fortune 500 company (“ E.

L.

Andersen,” 2004, p. 1). However, “ South of the ROI Grandee, this transnational with 1995 revenues of \$1. 1 billion supplied the drug of choice to Latin American street children seeking an escape from poverty, abuse and Tamely Legislator Ion 5, p. As sun, It Is Important donate Instill I n ten centre the sense that their lives are not hopeless and that they do in fact have

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opportunities. According to Henries, “ some child welfare advocates have demanded for years that the company add a noxious oil to its glue to discourage abusers.

The company had resisted that approach, possibly because it might reduce the glue’s effectiveness, possibly because the smell would be irritating to legitimate users. ” We have done all we reasonably could to prevent abuse. But by some estimates, tens of thousands of Central American children sniff some sort of glue. These kids are often called roisterer’s, a reference to Fuller’s Resistor glue” (par. 1995, p. 1).

This is a dangerous association, which must be erased. By speaking with coal and national news media, we can insist that the media not refer to those who sniff our glue as roisterer’s.

Although our main consumers are shoemakers and leather workers, a vast though unknown quantity ends up under the noses of street kids. “ The adhesive’s fumes go straight to the frontal lobes, the switchboard of the brain, and to brain areas that control emotions. Resistor turns off the brain’s connection to reality, neutralizing stress, pain and fear, taking the place of parental affection.

Short-term use can produce nosebleeds, rashes and headaches. It can also lead to long-term use because toluene is psychologically addictive. Chronic abuse can cause neurological damage, kidney or liver failure, paralysis and death” (par.

Jeffrey, 1995, p. 1). There is no doubt that our glue was designed for shoes, not immature brains, and although we are not responsible for product abuse, we do feel a moral and social responsibility to rectify this situation.

' We don't sell to street children. We sell to legitimate users who are manufacturing a product,' says Dick Johnson, Fuller's executive vice president for investor relations. ' If people, children or adults, get it illegitimately, that's a concern to us, but you've got to remember that's to our main focus'" Jeffrey, 1995, p. 1).

In contrast, activists argue that glue makers can speak to the abuse dilemma in the manufacturing process.

In 1968, the U. S. Based Tester Corporation became an industry model as soon as it added mustard oil to its model airplane glue. Mustard oil made the glue difficult to inhale, dramatically reducing Tester glue abuse and sales. Confronted with rising toluene addiction ten years ago, children's activists in Central America requested manufacturers to learn from Tester's case.

Activists did not think that the additive would get rid of inhalant buses, because hard-core users could turn to other substances.

Instead, it was argued that additives would discourage first-time users and do away with the most available inhalant. Glue makers refused (par. Jeffrey, 1995, p. 1 - 2).

Consequently, the Honduras Congress passed a law in 1989 that required the addition of mustard oil to toluene-based products to which we responded with a lobbying blitz. " David Calvert, an advocate for street children in the <https://assignbuster.com/a-case-study-of-the-hb-fuller-case-on-hondura/>

Honduras capital, Tegucigalpa, stated that Fuller barraged shoemakers with claims that mustard oil would endanger our health, tactic he called ' a campaign of lies'" Jeffrey, 1995, p. 2).

In retrospect, the triple bottom line could actually be greater with the added mustard oil because of the positive publicity it would likely generate. In addition, by adding mustard oil, we can use this distinguishing factor as a selling point. Concerned friends and family who care about their loved ones would certainly be more likely to purchase a product with the additive if they know it will deter the temptation for abuse.

In conjunction with net-Aragua campaigns we can rolling ten place AT Inhaling chemicals to ten surface. Once this issue is acknowledged, we can pair the additive with reduced levels of abuse.

As such, there would likely be a subsidy for our commercials. We could recommend that people buy only glue with mustard oil, such as our particularly. Our lobbying campaign worked and a government commission decided that toluene products in Honduras do not have to contain any mustard oil. This resulted in controversy and poor media publicity.

In 1992, a few days before NBC ' Dateline' was to tape a critical Fuller piece, we pledged to " discontinue its production of solvent adhesives where we are known to be abused" Jeffrey, 1995, p.). In addition to this, any loss of profits could be remade by concerned people who do not want their loved ones to be tempted by inhalants. Asynchronous' economy has a GAP per capita of \$2, 050. 00 (U. S.

) per year (1999). It has persisted to increase gradually but the sharing of wealth continues to be quite popularized; normal wages are persistently low. Economic growth is approximately 5 percent per year. Nevertheless, several people stay below the level of poverty. It is anticipated that there are over 1. Million unemployed people.

The rate of unemployment is 28 percent. The World Bank and the International Monetary Fund corded Honduras as eligible for debt relief. This debt relief was given in 2005 (par. Wisped, 2006, p. 1).

According to the Global Business Center, U. S. GAP per capita for 1999 was roughly \$30, 200. 00 and the GNP was \$8. 083 trillion (GAP, 2001, p.

1). In addition, there is greater distribution of wealth among the U. S. Population as well as a democratic form of government and free economy.

In contrast, Honduras has a centralized government that shows little concern for the welfare of its people resulting in poor economic growth and lack of stabilization in that country.

“ Both the electricity services (KNEE) and land line telephone services (HANDOUTS) were run by government monopolies, with the KNEE receiving heavy subsidies from the government because of its chronic financial problems. HANDOUTS, however, is no longer a monopoly, the telecommunication sector having been opened after December 25, 2005... “(Wisped, 2006).

Although there is a somewhat overwhelming and even helpless sense of unemployment rate in Honduras, there are in fact opportunities.

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Regardless of education, the tourism industry is booming and if the locals are educated about such opportunities. With the knowledge of how to break into the tourism industry, kids and teenagers who are more likely to be attracted to drug abuse may realize that there are in fact other opportunities. Whether it be selling trinkets to tourists, taking them on guided tours or other opportunities, tourism can offer people from Honduras a constant flow of cash.

With these opportunities the sense of hopelessness which breeds drug abuse in general and huffing of our glue in particular, will be greatly reduced. To implement such an educational program would not be very costly and could make a significant difference in many people's lives.

The Honduras government started to actively encourage tourism in the late asses (Ritchie et al 1965). Emphasis was placed on building three separate physical as well as cultural geographical areas wanly Include ten Toweling: " ten Amman archeological site of Copal, the beaches and colonial history of the North Coast, and the coral reefs of the Bay Islands (ibid).

La Mosquito and the ROI Plano Biosphere Reserve were added as costumers became a popular world trend in the asses" (Rivals 1990). In the asses, the government of Honduras established a set of laws that established special tourism zones. " These zones were helpful in drawing foreign investments by making available liberal tax and import enticement.

Nonetheless, Article 107 of the Honduras Constitution prohibits foreign land ownership within 40 kilometers of the Caribbean Sea and the Gulf of Offence

as well as the international borders of Nicaragua, El Salvador, and Guatemala.

Aware of this barrier, in 1990 the Honduras National Congress passed Decree Law 90/90 to permit foreign property purchases in specific tourism areas, recognized by the Ministry of Tourism. This was done to construct ever-ending or vacation homes (Tourism as a Geographical Phenomenon, 2006) Regions all along the North Coast and the Bay Island were among the most well- liked for investment. Sustained speeding up of these “ unilateral” financial policies took place during the asses in particular with the formation of Tourism Free Zones in 1993 (Decree Number 98-93 1993).

Tourism investors were give the same benefits as the private Export Processing Zones.

This includes 100 percent “ foreign ownership of property, federal and municipal tax exemptions, tax free imports for any materials needed to further the industry” (Decree Number 98-93, 1993). Within the beginning five months of 1995 the tourism industry in Honduras produced \$90 million US dollars, a 62 percent increase from 1994 (Duran, 1995). The Bay Islands made up nearly 25 percent of this total.

According to Maria Callers De Duran (1995), Senior Commercial Officer for Honduras, in 1995 tourism ranked fifth in the revenue generation for the country, but it did not reach its full potential. Despite the tourist attractions offered by the continuously warm weather, it was believed that the country still lacked supplemental motivation in the areas in which the flow of foreign suitors was the highest. “ Nevertheless, with the institution of the Tourism <https://assignbuster.com/a-case-study-of-the-hb-fuller-case-on-hondura/>

Free Zone Law, costumers programs, and the national demand for additional tourism projects, she felt tourism had the potential to become the country's leading industry (Duran 1995).

By 1997 tourism ranked third in foreign exchange earnings (US \$ 143 million) behind coffee (US \$330 million) and bananas" (US \$ 239 million) (Tourism as a Geographical Phenomenon, 2006). Social Conscienceless claimed that that mustard oil was itself a toxic substance which cause harm to the respiratory system and mucous membranes stating that it id not make sense to add toxic chemicals to our products when our goal was to reduce overall toxicity. When asked about the Tester decision, Fuller responded ' that maybe 50 percent of our sales of glue went down when we added oil of mustard. Were we only selling to abusers' (par.

Jeffrey, 1995). ' The Fuller experience provides a textbook example of the thorny moral equations that lie beyond the simple arithmetic of the bottom line (Henries, 1995).

Did we leave themselves open for attack? Or does tens case emphasize ten Importance AT a corporation to live up I TTS sell-create image? Fuller does repeatedly present itself as a good citizen. Year after year it sprinkles its annual reports with statements proclaiming that it has a commendable corporate conscience" (Henries, 1995). Fuller must live up to its " good citizen" image if it wants to survive. " A September 1995 study by the Washington, D.

C.

Based Social Investment Forum (SIFT) found that \$639 billion, or one out of every 11 professionally managed investment dollars, is held in a fund subject to some kind of ethical screen. More than 1, 000 members of SIFT, which includes large institutional investors, technical analyst, foundations and individual investors, pledge to invest responsibly by applying ' honest, thorough and diligent methods of research and evaluation' to investment picks. Interviews with SIR firms, many of which are bullish on Fuller stock, suggest that this pledge is easier to take than to practice" Jeffrey, 1995).

We are not the only company guilty of exaggerating its adherence to its " good citizen" principles. In addition, glue-sniffing is not a new issue for the makers of solvent- based adhesives.

' The Tester Corporation added a noxious ingredient to discourage abuse of its hobby glue in July 1969. And Hinkle, a German chemical company that competes with Fuller, stopped making certain toxic glues in Central America... In 1994" (Henries, 1995) We too plan to add a similar additive to discourage such abuse.

Nevertheless, our company dominates the Central American market with its Resistor brand of glue and it seems to have been singled out.

If we had a lesser reputation we would be less of a target (Henries, 1995).

Finally, Fuller's board adopted a resolution in 1992. " For years, the directors had been under pressure by a loose alliance of child advocacy groups concerned about the hazards of glue-sniffing among the homeless children of Central America. Then, on July 16, 1992, the board abruptly but unanimously voted to stop selling Resistor adhesives in Central America.

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As the company explained in its 1992 annual report: ' Faced with the realizations that a suitable replacement product would not be available in the near future and that the illegitimate distribution was continuing, the Board of Directors decided that our Central American operations should stop selling those solvent-based Resistor adhesives that were commonly being abused by children'" (Henries, 1995). Unfortunately, " by October 1992, the advocates had learned that we had not stopped selling Resistor in Central America and did not intend to.

It no longer sold the glue to retailers and small-scale users in Honduras and Guatemala, but it did sell large tubs and barrels of it to industrial customers in those countries, and to a broader list of commercial and industrial users in neighboring countries" (Henries, 1995). Consequently, we have since taken other steps to address the abuse. We have " changed the product's formula, dropping the sweet-smelling but highly toxic solvent lounge and substituting the slightly less toxic chemical cyclopean. It has tried to develop a water-based glue, which is not intoxicating.

It has studied the issue ' thoroughly and carefully' and has contributed to community programs for homeless children in Central America" (Henries, 1995). Many of our critics and experts in business ethics have accused the company of image polishing but " the company has Eden parallel Tort a malign level AT corporate pennyroyal, Including Glenn percent AT its profits to charity in each country where it operates" (Henries, 1995).

Nevertheless, " on Jan. 3, 1995, Mr.. Handler and a co-counsel, Michael Brinkman of Charleston, S. C.

Filed a wrongful-death claim against Fuller in state court in Dallas which was eventually dismissed. We stopped distributing solvent-based glues in Latin America on November 30, 1999. We spent the better part of the past decade trying to make our solvent-based glues harder for children to obtain and less attractive to inhale, while at the same time developing water-based alternatives (par. Keen, 2000). Industry watchers, however, suspected that our change in policy may also have to do with shifts in Fuller management. The president and chairman tired and I was brought in to head the firm.

Another theory is that the company pulled out of Latin America for fear of litigation and poor sales due to the change in the formula (par. Keen, 2000). Concessionaires failing to keep our initial heralded promise to withdraw abused adhesives, we eventually pulled our glue off the market. “ Even with such skillful management, another company might not have been able to escape further scrutiny. But Fuller has a bid advantage: Its good name, its dollars, and its employees are woven so deeply into local politics, business, media, and nonprofits that to tug at its petition means to rip big holes into the fabric of Minnesota Nice.

In addition to its network of community and business connections, Fuller has taken advantage of a key principle of corporate relations: Get your story out first, and your critics will bear the burden of refuting it. That’s how the glue issue could be defined as a “ blemish” on an otherwise spotless reputation, rather than as one of the problems created by a large, multinational chemical company” (Nausea, 1993). “ The solution is not for Fuller and other companies to stop selling toxic glues, but rather to help get children off the trees and into productive lives.

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Fuller has said previously that its goal is to help get children off the streets in Central America. It donates thousands of dollars each year to children's groups aiding in that effort" (Seersucker, 1995). Like Central America and the Honduras, the US also has social issues such as illicit drug use and homeless children.

Fuller and other companies should use their resources for improving the quality of life for the citizens of the US and Central America. And we have the money to do just that.

According to Shah, Fuller's global adhesive revenues grew 13% for its fiscal first quarter ended February 2005 and our sales were strong in Europe, as well, during the quarter (Shah, 2005). We plan to help children by introducing them to opportunities such as tourism; this will hopefully allow them to realize that there is in fact hope for the future. In partnership with anti-drug campaigns, we can raise awareness of the dangers of inhaling glues and the benefits of buying only products that contain mustard oil and which are simultaneously less harmful.