International Ethics and Social Responsibility with the Case Study of Phillip Morris Organization

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Abstract
In fact the concept of “ethics and social responsibility” has been the subject of controversial debate in our modern world as many organizations are now faced with challenges when it comes to executing of daily business operation. This piece of writing, however, intends to investigate the nature of the concept of international ethical and social responsibility along with the reasons underpinning the decision whether or not the firms are considered ethical or socially responsible. To thoroughly accomplish this short communication, however, the theories, information and models pertaining this subject will be discussed in connection Phillip Morris as one of the world tobacco and cigarette giant.

1. Introduction

Basically, sustainable business has been the very significant sources of development in many societies. In this respect, therefore, a number of multinational organizations have grown hot to establish and expand both domestically and globally. It is argued, however, that many of these organizations have little regard or not at all when it comes to ethical and social responsibility. However, before discussing the concepts which underpinning the phrase “Ethical and Social Responsibility”, it is far too significant to consider the originality of the thoughts more deeply. While that is in mind, however, the concept of ethics and social responsibility has been originated from Moral Philosophers who came out with ethical theory whereby in this paper have been divided into two categories. Normative theorists who simply investigate the attempts normatively and reach to conclusion about what things are good or bad and indeed what action is right or wrong. This branch of moral philosophers supported by philosophers such as John Stuart and Jeremy Bentham (1806-1873) and (1748-1832) respectively. Moreover, it involves sub-branch such as Teleology (Consequentialist Theory) and Deontology (Non-consequentialist Theory) which simply fall under the above branch of philosophers (Normative Theory) that based on case to case and believe that two situations must not be similar.

Perhaps even more importantly, the Descriptive Theory is another branch of moral philosophers who basically investigate the matter but do not try to reach any conclusion over what thing is good or bad or what action is right or wrong. However, instead, descriptive study attempts to describe and explain the World without reaching any conclusion about the matter. This branch supported by Universalism Theory (Deontology) during the (1724-1804). Immanuel Kant’s theory who suggested that, “the means are more important than the end results” was indeed called into consideration. This approach was overwhelmingly echoed by the very popular English saying “The means justify the ends”. More occasionally, the Virtual Theory founded under this branch has been championed by Lacziniak and Murphy in (1993) who believes that acting beyond the call of duty based on personal self-interest is the spirit of goodness (The ends justify the means). Very interestingly, based on Justice Theory founded as the sub-branch in the Descriptive theory which supported by John Rawls (1971) believes on justice and fairness in the social contracts. In other

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words, this theory constitutes the fact that, the agreement may well be fair if the circumstance of the choice itself is fair (equal opportunity).

Until recently, however, ethics has been well defined as a “moral philosophy” based on the study of the moral values and rules, therefore it is concerned with moral principles, value systems and orientations- with the concepts of right or wrong which is accepted by individuals or social groups and govern acceptable conduct on both a personal level and groups Bruce Weistein (2007). At the same time, the phrase “Social Responsibility” may well be defined as the concept which refers to the overall way upon which the businesses try to balance their commitment to certain groups as well as the individual in the society. However, the phrase “corporate social responsibility” refers to the ideas that the business leaders should not function amorally, however, should concentrate on contributing to the welfare of the society based on the organization activities Philip Kotler & Nancy Lee (2004).

Until recently, many organizations have tried their best to come up with several strategies in order that they could well be able to build upon the sense of personal ethics and social responsibility. This starts from code ethics and conducts to the overall programs on social responsibility as organized by corporate level of the organization. Despite all these attempts toward ethics and social responsibility, however, only four ways may well define whether or not the organization fall under high or low standard of ethical consideration in the society. Obstructionist-considered to be the lowest standard as the firm do very little to whether deny or eventually avoid responsibility. Defensive stance- it is regarded as the up level standard whereby the organization performs its operation based on legal approach rather than the ethical requirements. Accommodative stance- followed by defensive stance, this approach takes second as the organization become socially responsible only when required to do so and will not completely engage in proactive behaviour to seek such opportunity. Proactive stance- considered to be the highest degree of social responsibility as the managers behave as the citizen of that particular society and actively seeking the opportunity to contribute positively Griffin R and Pustay M (2005).

As far as this piece of literature is concern, Phillip Morris is the conglomerated cigarettes giant organization which has been established since 1847 and was located in London whereby single shop was opened selling tobacco and cigarettes for the first time. The firm current operation centre is located in Lausanne in Switzerland and possesses 7 out of 15 tobacco brands globally. Among its popular brands including, Dji Sam Soe 234 was launched on 1913 and the premium brands of Kretek cigarette, L&M was launched by Liggett & Myers on 1953 with tagline, Longbeach include on Australia and Indonesia on 1999, Marlboro was launched on 1904, ST Dupont Paris is the brand cigarette designed by Simon Tissot Dupont on 1902 and U Mild was launched on Indonesia on May 22, 1998 after Indonesian revolution.

It is noted, however, that the company gives $25 million per year (approximately 0.29% of 2013 net income) to charitable causes worldwide including domestic violence, emergency housing, education, combating extreme poverty, teaching sustainable agriculture techniques in Africa and others. The current members of the board of directors including Harold Brown, Mathis Cabiallavetta, Louis C. Camilleri – Chairman, J. Dudley Fishburn, Sergio Marchionne, Lucio A. Noto, Carlos Slim Helú, and Dr. Sana Premji - Owner of 72%. What and even more remarkably, Philip Morris sponsored sports event include Racing, Football, Badminton, Golf, Cricket, and Ice Hockey.

On the other hand, the firm has been faced with a series of controversies including (2011) where the firm announced its plan to use ISDS (Investor State Dispute Settlement) provisions in Australia-Hong Kong Bilateral Investment Treaty to demand compensation against Australia plan cigarette packaging on Anti-smoking legislation on the grounds that the precedent would be applied for other industries such as alcohol and food. Also, there was concern over the possibility of encouraging counterfeit cigarette and indeed argued that the plain packaging would not help the customers to distinguish between the premium brand and cheaper ones and eventually would reduce the sales as well as devastating damage on property rights. However, WHO and some healthy research institutions backed Australian government on the move to rescue public health as the country aimed to bring down smoking rates from 16.6 per cent in 2007 to less than 10 per cent by 2018. Indeed, tobacco companies were also reported to have provided legal advice and funding to the
Ukraine and Honduras Governments to launch a complaint in the World Trade Organization (WTO) on the grounds that the Australian legislation is contrary to a WTO intellectual property agreement.

In 2010 Philip Morris also launched legal action against Uruguay Government over its Anti-Smoking Legislation. The company complains that Uruguay's anti-smoking legislation devalues its cigarette trademarks and investments in the country and so is suing Uruguay for compensation under the Bilateral Investment Treaty between Switzerland and Uruguay but this time using International Centre for Settlement of Investment Disputes (ICSID) as part of World Bank. The Uruguay government put much emphasis on its legislation based on six strategies including banning on selling different types of presentations of the same brand of cigarettes, dissemination of images warning about the risks of smoking and covering at least 80% of the cigarette pack, raising of taxes, banning cigarette advertising in the media, banning sponsorship of sports events, as well as the banning smoking in the public places such as offices, student centres, bars, restaurants, dances and public places.

Perhaps even more significantly, Philip Morris also sued Norway over the country's ban on displaying tobacco products in stores but lost the case in 2012. However, in August 2014 the company foreshadowed legal action against the UK Government if it went ahead with plans to introduce plain packaging. If not enough, the firm announced an overhaul of its human rights protections of tobacco workers in Kazakhstan and 30 other countries after critical reports over maltreatment.

Very critically, following the on-going misunderstanding between the firm and the countries from different part of the world one could raise many questions without answers especially to whether or not both countries and the company was right or wrong. The beauty about this point is basically, the government is simply member of WTO and based on the government arguments on anti-smoking legislations raise serious questions as why it agreed with WTO regulations but on the other hand it refused to comply with the international treaties. However, the argument whether the plain packaging would help to solve problem related to smoking was too subjective. One could argue, however, if the government objective was to protect the national health it would be quite reasonable to totally banning of cigarette smoking in the country as allowing it would still be harmful to the citizens especially vulnerable people despite that reduction of cigarette smokers rates may well be achieved. On the other hand, the government was also supposed to put on close eyes on other food products such as alcohol which seems to pose similar considerable damages to the welfare of the society.

Looking it on different perspective, however, in order for the organization to operate efficiently and effectively eventually raising sales and lucrative profits, it is far more important that it follows the rules and regulations of the countries it operates. The firm must employ a very competent stuffs to be able to foreseen the future risks and uncertainties and prepare for contingency plan and reasonable solution. The PESTEL analysis and firm strengths and weaknesses are very significant as it helps to understand the environment and increase awareness. In fact, the organization should create friendly relationship with the society it operates. The attempts made by Philip Morris to ignore the legislation were regarded as ignoring public health-customers health in which the company itself depends on them. Instead, the organization was required to use every necessary measure to solve problem as the government is also responsible to protect the health of its own citizens. Very significantly, the company allegation of maltreatment against it employees working condition in both tobacco plantations and the office may well be deeply regarded as unethical in the modern society. The organization should be aware about that, it is the employees who work hard and help to the growth of the organization profit. Therefore, in order to remain constant the firm human resources management strategies must enhanced to retain the employees by giving them incentives such as health and safety, wages and salaries to get motivated.

Conclusively, the question of ethics and social responsibility is very important for any organization not just Philip Morris. This will help the organization to achieve its intended objectives and goals by making maximum sales and gain market share. However, this matter remains controversial because it involves people from different back ground with different customs, values and traditions. In this respect therefore, the international managers must have sufficient knowledge, skills, experience diversity and creativity about the
culture of the society they operate. This will help to solve the problems related to cultural dilemma and also help to the prosperity of the both organization and the society by reducing the unnecessary misunderstanding or legal actions.

Figure

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