Philip Morris USA Inc.
&
Corporate Social Responsibility

- going up into flames?

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Abstract

Today businesses should do more than just generate maximum financial returns. It has become important that businesses operate in a socially responsible way which is accepted by its different stakeholders. Therefore, it is important for businesses to be aware of who their stakeholders are, to come up to their expectations, and also to realize how they can affect the business and vice versa. Due to the awareness amongst the public on issues such as human rights, child employment, and environmental impacts, the demands from stakeholders are not only on the product, but also the way the products have been manufactured. In this project the Stakeholder Theory by Edward Freeman will be used to help defining and analyzing the stakeholders of Philip Morris USA Inc. Furthermore, the Pyramid of Corporate Social Responsibility by Archie B. Carroll will be used a method for this project. Carroll’s Pyramid is split into four responsibilities which all have to be fulfilled simultaneously for a business to be successful in the field of CSR.

CSR and the tobacco industry is seen as an “inherent contradiction” (WHO 2004) and the issues around this specific matter are complex. Philip Morris USA Inc. argues on its website that it is engaging in CSR activities for the benefit of the stakeholders. Philip Morris USA Inc. has recognized that some argue that an operation which produces addictive and harmful products cannot be socially responsible however, Philip Morris USA Inc. describes itself as a responsible organization. Criticism is often leveled against larger businesses which products are hazardous to the health of consumers as critics understand their engagement as a way to promote themselves.

In the project the stakeholders of Philip Morris USA Inc. will be determined and it will be revealed which roles the different stakeholders play for the organization. Second, Carroll’s pyramid of CSR will be used to analyze how Philip Morris USA Inc. is fulfilling the economic-, legal-, ethical-, and philanthropic responsibilities. And finally, the issue concerning the tobacco industry dealing with CSR activities will be discussed. The analysis is made from an overall social constructivist point of view as it is essential to understand the history of Philip Morris USA Inc. and to understand how it has been formed through its communication on its website. Furthermore, the project will be deductive as theories and principles will be analyzed and used as point of departure.

The results of the analysis suggest that Philip Morris USA Inc. has several stakeholders to be aware of both primary and secondary. The primary stakeholders are those who are directly involved with the organization at some level such as employees, suppliers, financiers, communities, and customers. The secondary stakeholders on the other side are those who are not directly connected with the business, but
instead these stakeholders at a minimum have the ability to affect the primary stakeholders. The secondary stakeholders of Philip Morris USA Inc. could be government, media, special interest groups, and competitors. According to Freeman (2010) it is important for managers to create value for any group or individual who is affected or can affect the business.

With a view to Carroll’s Pyramid of CRS Philip Morris USA Inc. seems to fulfill all four responsibilities. It is generating financial returns, it is obeying the law, it deals with ethics (though some NGOs argue that tobacco companies cannot be considered as ethical companies), and it is engaging in social activities and donating contributions to communities.
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1. Introduction

*Corporate Social Responsibility* (CSR) is a term that has made companies think in a broader perspective instead of only focusing on how to generate maximum profit. Today, companies have acknowledged the fact that to be competitive in their field they should engage in corporate social responsibility to fulfill the responsibilities to their stakeholders, amongst other issues. In addition, in the society of today it has become a norm for most businesses to make their CSR strategies public on their website to give the opportunity for users to access the strategies online (Murray 2010). Businesses are becoming conscious about the fact that corporate responsibility reporting is beneficial as it generates financial value and “drives innovation” (KPMG 2011: 2). CSR is still a topic of great interest and it can be assumed that the trend continues in the future. Furthermore, some argue that those businesses that, up until now, have not started reporting on their corporate responsibilities are under great pressure in proportion to “stay competitive in a societal context, but also to gain a better understanding of how CR activities impact and benefit the business in areas such as cost savings and new business opportunities” (KPMG 2011: 2). Hence, most companies publish their annual Corporate Responsibility Report which then can be downloaded by all those interested (Murray 2010).

CSR is such an important element in business strategies that it should be incorporated in the business concept (Roepstorff 2010: II) and moreover, it should be closely connected with the culture of the organization, the values, visions and missions. In that way CSR can become a code of conduct meaning that the company always keeps CSR in mind when doing business. Companies are spending time and money on CSR activities for different reasons and CSR activities have been designed with various purposes e.g. improvement of reputation, notions of corporate citizenship or for a business to fulfill its stakeholders needs for goods, employment, and financial returns, followed by a wide range of other reasons (Murray 2010).

This project will investigate the relationship between CSR and the tobacco industry, which has been characterized by disputed connections (WHO 2004). The issue has been much debated as it has been argued that tobacco companies only engage in CSR activities to promote their brands following that their options of marketing themselves are limited. At this moment of time knowledge about how dangerous smoking is and the awareness amongst the public that smoking is very harmful to health has made the number of smokers in the United States decrease (CDC 2011). Moreover, the decrease in number of smokers may also have been caused by anti-smoking campaigns in the mass media, warnings on cigarette packages and other tobacco products and smoke-free policies in public and private places.
(CDC 2011). With all the anti-smoking campaigns and other initiatives it can be assumed that keeping a positive linkage to a cigarette brand name such as Marlboro Cigarettes will be difficult.

The tobacco giant, Philip Morris USA Inc., is fully aware of the fact that being a tobacco company entails dealing with complex issues (Phillip Morris USA 2011c). Like many other major companies, Philip Morris has followed the development in CSR and has recognized that it has to deal with its stakeholders’ wants and needs. Philip Morris has developed different social programs, for example a program which seeks to reduce underage smoking or programs focusing on reducing the environmental impact of the business. These initiatives have been criticized by non-governmental organizations such as the World Health Organization (WHO) who has questioned how tobacco manufacturer, who sell such a harmful product as cigarettes, can even engage in social programs as they, according to the WHO, should be based on moral principles. Furthermore, the WHO claims that the tobacco industry has been trying to conceal its main purpose of business, which it argues to be generating the maximum profit. In connection with these assertions the WHO called the connection between CSR and the tobacco industry an “inherent contradiction” (WHO 2004: 1).

Being a tobacco company is complex, not only are non-governmental organizations (NGO) such as the WHO heavily criticizing its engagement in CSR activities, but furthermore the entire industry is regulated and strictly controlled by the U.S. Government. Advertising for tobacco products is a highly regulated form of marketing and in most developed countries it is banned. In the U.S. advertising for tobacco products is illegal also in the form of tobacco companies sponsoring events such as athletic, musical or cultural (U.S. Food and Drug Administration 2012). In the U.S. it is the Food and Drug Administration, who through regulations and supervision, promotes and protects public health issues. For example in 1998 the Master Settlement agreement was entered by Philip Morris together with other leading tobacco manufactures. The agreements basically include different restrictions on the marketing and sale of tobacco products and moreover, it changed how tobacco products can be advertised and sold in the U.S. (Philip Morris 2011e).

1.1 Motivation for choosing the topic

CSR is an interesting concept as it is very topical and much debated. Combining CSR with the tobacco giant Philip Morris made the concept even more interesting due to the contradictory elements between the two. CSR deals with businesses’ responsibilities to their different stakeholder groups which also includes that businesses should act in an ethical and socially responsible way (David 2005). As opposed
to the tobacco industry which produces products that are hazardous to the health of its consumers. Therefore, it would be interesting to research and analyze the stakeholders of Philip Morris USA Inc. to understand why the organization is very proactive in the field of CSR and furthermore, to gain more information on the issue around the tobacco industry dealing with CSR.

1.2 Problem statement

On the basis of the general demands on businesses’ CSR and the often severe criticism leveled against larger businesses that manufacturer products which are harmful to the consumers and the environment the following questions will be researched and answered by using the tobacco giant Philip Morris USA Inc. as a case study:

1. Who are the stakeholders of Philip Morris USA Inc. and which roles do the stakeholder groups play for the business?

2. How is Philip Morris USA Inc. fulfilling the four responsibilities in Carroll’s Pyramid of Corporate Social Responsibility?

3. Philip Morris USA Inc. dealing with CSR – is it an ‘inherent contradiction’?

1.3 Theory and Method

This bachelor project will be made from an overall social constructivist point of view as for this project it is important to understand how the history of Philip Morris has been constructed through its different communication strategies. In this project the website of Philip Morris will be used to get an understanding of how Philip Morris sees itself and how it wants to be understood by others. As stated in social constructivism, knowledge is evolved solely by people through social interactions (Appendix D). Furthermore, in this project, the approach of social constructivism will be used to analyze the CSR of Philip Morris USA and to give a new and more critical perspective on the topic than what Philip Morris writes about itself on the website (Appendix D). Moreover, I will be working deductively meaning that the fundamental basis will be taken in theories and principles which will then be analyzed to examine how they work in practice.
In this light the more specific “Stakeholder Theory” by Edward Freeman will be used in this bachelor project to help gain understanding of the specific field. Furthermore, to answer the questions in the problem statement the method by Archie B. Carroll called the “Pyramid of Corporate Social Responsibility” will be used.

The stakeholder theory by Edward Freeman has been chosen to be used as the theory for this bachelor project as it gives the possibility to analyze the different stakeholder groups which can impact a business, and in this case the stakeholders of Philip Morris (Morrison 2011: 402). Furthermore, the stakeholder theory gives the opportunity of analyzing the philanthropic component of Carroll’s pyramid of CSR, which will be discussed further on. The stakeholder approach is a broad theory which includes business, social considerations, and ethics (Freeman 2010: 263).

Carroll’s pyramid of CSR has been chosen due to the fact that it takes four different dimensions into account. The four dimensions are depicted as a pyramid (Morrison 2011: 202) which is then split into four levels of responsibility: economic, legal, ethical and philanthropic.

The aim of this project is thus to look at the corporate social responsibilities of Philip Morris and see it in a broader perspective than the one Philip Morris presents on its website (Philip Morris 2011e).

1.4 The Structure

In line with the deductive approach, this project is divided into four chapters which will depart in theories and principles to reveal how they work in connection with the case study Philip Morris. The first chapter of this thesis will provide background information on the tobacco giant Philip Morris including a concise historical background of the organization will be presented, followed by the marketing practices, and finally, an introduction to the 2010 Corporate Responsibility Report will be presented. In the first part of chapter two the stakeholder theory by Edward Freeman will be accounted for, after which the theory will be applied to the stakeholders of Philip Morris. Thirdly, Archie B. Carroll’s Pyramid of Corporate Social Responsibility will be accounted for. The fourth chapter of this project will apply Carroll’s method onto the CSR of Philip Morris. Furthermore, in chapter four the issue of tobacco and CSR will be discussed with some critical aspects. Finally, the thesis will be concluded by summing up the main points, and moreover Philip Morris and CSR will be put into perspective.

1.5 Choice of Sources
In this project secondary data will be used to answer the above-mentioned problem statement. The sources have been selected with great source criticism by either evaluating the material with a view on the authors or to see if the source was published from a known and well-respected source. The website of Philip Morris has been used several times in this project as it is used as a case study. The websites of Philip Morris is understood as the company’s own point of view on the selected topics. Hence, sources that present another view or a more critical view point on the tobacco company dealing with CSR issues have also been used in the project. All the different sources have been chosen to give the project a well-adjusted view on the problem statement as some of the sources have a critical point of view on CSR and on how useful CSR strategies are in connection with the tobacco industry. Moreover, both books, e-books, journals, reports and websites have been used to help create a well-balanced project with a broad understanding on the problem statement.

1.6 Clarification of Concepts

Corporate social responsibility (CSR) is used by several theorists and authors and it goes by numerous of different definitions. In the following some concepts will be defined to make a clear framework for this bachelor project.

A stakeholder can be defined as “any group or individual that can affect or be affected by the realization of an organization’s purpose” (Freeman 2010: 26).

Corporate Social Responsibility is a term that covers businesses voluntary activities dealing with, for example, charities concerning social issues and environmental issues. Archie B. Carroll’s once defined CSR as “the social responsibility encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll 1979: 500). The four different responsibilities need to be fulfilled simultaneously and all four should be incorporated with equal importance to business strategy.

Corporate citizenship is a concept that seeks to underline when a business is fulfilling the role as a good citizen which means that the business takes an active part in society. Corporate citizenship also deals with businesses establishing a good working relationship with their stakeholders (Roepstroff 2010).

Ethics in Business (corporate ethics) is a term used to consider ethical principles in business environments, such as the judgment of what is right and what is wrong (Morrison 2010: 398). Ethics is a system of values which are different from culture to culture and therefore, a business should be knowledgeable
about its objectives and how it will achieve them, thus it is operating in a way consisting with the expectations and values of its stakeholders.

1.7 Delimitations

When choosing to write about a broad topic such as CSR it has been necessary to delimit and make a choice about what will be included in the project and thereby also to deselect interesting aspects. In this paper Freeman’s definition of stakeholders and his Stakeholder Theory will be used along with Carroll’s definition of CSR. Furthermore, as a case study for this project Philip Morris will be used as organization meaning that there will only be focus on Philip Morris being a tobacco manufacturer and the stakeholders in the U.S. In addition, due to the limited space it will not be possible to deal with the stakeholders in depth and moreover, the competitors of Philip Morris will be excluded, though despite the strong brand image and strong market position, Philip Morris does still have competitors to take notice of. Other stakeholder groups which have been excluded are the business partners and suppliers; this would be a large area to cover as there are several ethical questions to answer. For example the fact suppliers and business partners will be associated with Philip Morris will by some be seen as an unethical organization. Thus, some suppliers and business partners might not be interested in doing business with an organization as such Philip Morris due to the fact that they might ruin their relationship with their other business partners.

This project will mainly focus on three levels of Carroll’s pyramid of CSR, legal-, ethical- and philanthropic responsibilities, as it has been difficult to get access to enough material about the economic responsibilities of Philip Morris. The final result of this bachelor project would have ended up with another result and would have had another direction if the main focus had been mainly on the economic responsibilities.

The legal responsibilities for a tobacco manufacturer are many, therefore, this project will primarily use the Master Settlement Agreement (Philip Morris USA 2011e) to illustrate which legal responsibilities Philip Morris needs to be aware of and obey. The Tobacco Settlement Agreement deals with different issues such as marketing, advertising, sponsoring, promotion, product placement amongst other which will be relevant for this particular project. However, some of the restrictions by the U.S. Food and Drug Administration will be applied to Philip Morris as well.

2. Philip Morris USA Inc.
Philip Morris is one of the world’s leading tobacco companies with its different products sold in about 180 countries around the world. Moreover, with its most know brand Marlboro Cigarettes, Philip Morris is the largest tobacco company in the U.S. (Philip Morris 2011a). Philip Morris markets its brands both under premium – and discount tobacco brand names. Philip Morris has a long story to tell with its more than 160 years in the tobacco industry. The first Philip Morris tobacco shop was opened in London in 1847 and later in 1902 a small tobacco company was incorporated in New York. In 1960 in the U.S. Philip Morris was the smallest tobacco company amongst the six major ones however, already by 1983 it had grown to the largest tobacco company in the U.S. (Philip Morris USA 2012a). During its business time several acquisitions have been made and in 2003 Philip Morris became a subsidiary of Altria Group Inc. (Philip Morris 2011a). Altria Group Inc. was known as Philip Morris Companies Inc. until 2003 where it changed the name. Other subsidiaries of the company are U.S. Smokeless Tobacco Company, John Middleton, Ste. Michelle Wine Estates, and Philip Morris Capital Corp (Altria 2012c).

Philip Morris being a subsidiary of Altria Group Inc. means that it is guided by the mission and values that has been shared by Altria Group Inc. (Philip Morris USA 2012b). The mission and values are set out by the parent company Altria Group Inc. which are then explained in the Code of Conduct. The Code of Conduct is central to the decision-making when doing business for all operating organizations of Altria Group Inc., and employees are advised by the Code of Conduct as well (Philip Morris USA 2012). Furthermore, all subsidiaries are advised to follow the guidelines in the Code of Conduct for different stakeholder groups (Altria 2011a). In the Code of Conduct the mission is determined “to own and develop financially disciplined businesses that are leaders in responsibly providing adult tobacco and wine consumers with superior branded products” (Altria 2011a: 3) and the values “to guide our behavior as we pursue our mission and our business strategies” (Altria 2011a: 3).

According to Philip Morris social responsibility is very important, and for that reason it supports different causes and initiatives in local communities where its employees live and work. Also Philip Morris believes that it is possible for a tobacco manufacturer to be responsible despite the fact that its products are hazardous and are causing addiction (Philip Morris 2011c). Hence, Philip Morris is being aware that tobacco products can be disease-causing and is proactive in the working with governments and stakeholders to promote health regulations (McDaniel 2005: 193).

2.1 Philip Morris USA Inc. Marketing Practices
Additionally, the Code of Conduct guides the organization’s marketing practices to make sure that this is done in a responsible way. In 1998 the Master Settlement Agreements entered, which basically changed the way tobacco products are sold, marketed and advertised in the U.S. (Philip Morris 2011e). Due to the variety of restrictions on the marketing strategies Philip Morris has designed its marketing program to increase brand recognition and awareness and to grow its market share among its adult consumers. It is important that Philip Morris is focusing all marketing activities towards adult tobacco consumers and at the same time limiting reach to underage and unintended audiences (Philip Morris 2011f). One way that Philip Morris uses to avoid reaching underage and unintended audiences is by age verification, for example on one-to-one communication with adult consumers, where a person needs to be verified to be 21 or older to be allowed access to the consumer website, to receive direct mail etc. (Philip Morris 2011f).

2.3 Philip Morris USA Inc. 2010 Corporate Responsibility Report

In the 2010 Corporate Responsibility Report it can be read that Philip Morris USA together with U.S. Smokeless Tobacco Company (another subsidiary of Altria Group Inc.) cooperated with the U.S. Food and Drug Administration on issues dealing with tobacco products (Appendix A).

In 1998 Philip Morris developed a Youth Smoking Prevention department whose main purpose is to prevent young people from smoking in the U.S. (Philip Morris 2011d). In 2010 the tobacco companies of Altria Group Inc. provided grants that should make it possible for kids in the U.S. to keep away from underage tobacco use and other risky behaviors. In the report it can be read that it is expected that these grants have had impact on around 1.4 million kids and 829,000 adult influencers (Appendix A: 33).

The performance the of tobacco companies of Altria Group Inc. was greater than the 2010 targets in reducing the energy use, greenhouse gas emissions and water use. Initiatives on environmental sustainability have been designated as being very important and to be prioritized (Appendix A: 34). Second, in 2010 work was done for sustainable agriculture to secure the work safety on tobacco growers. Furthermore, in the report it can be discovered that progress has been made in different fields in the communities, such as the urban school in Richmond or donations to cultural activities, which are caused by CSR initiatives (Appendix A: 36). Finally, it the report it can be read that Altria Group Inc. was named No. 1 on FORTUNE Most Admired list in tobacco industry for corporate responsibility (CNN Money 2009). And moreover, that Altria in 2011 will increase stakeholder engagement actions (Appendix A: 37).
3. The Stakeholder Theory

The stakeholder theory gives an opportunity to analyze the philanthropic component of Carroll’s pyramid of CSR, which will be discussed below. The stakeholder theory was developed by Edward Freeman and gives directions to different types of stakeholders that can impact a business (Morrison 2011: 402). A stakeholder is a “broad category including individuals, groups and even society generally, that exerts influence on the company or that the company is in a position to influence” (Morrison 2011: 466). This reveals that stakeholders are a broad term that includes those who have an interest or a stake in the business, and who are somehow affected by what the business is aiming to accomplish and how it is achieving its objectives.

The stakeholder theory is basically a theory which deals with how businesses operate most successfully and how businesses could work (Freeman 2010: 9). Freeman understands stakeholder theory as a theory consisting of more than just one theory, but rather he understands the theory as a “genre of theories, all of which explicitly address the central questions he poses: what is the purpose of the business? And to whom does the corporation have responsibilities?” (Freeman 2010: 216). Stakeholder theory is about creating as much value and trade as conceivable and furthermore, it deals with how to run a business effectively. To create value for stakeholders, Freeman (2010), argues that stakeholder interests should be perceived as an entity even though it might sometimes be difficult to find a method that will adapt all stakeholder interests.

According to Freeman (2010) a business can be seen as a group of relationships with different stakeholders who all have a stake or interest in the organization’s activities and that all together compose the business. Some of the stakeholders are customers, suppliers, employees, financiers, communities, and according to Freeman (2010) a business is all about how managers and these stakeholders interact and create value. Knowing how the relationships between stakeholders work will help managers understand a business (Freeman 2010: 24). The stakeholder theory is clearly a managerial theory and it was developed to assist managers when dealing with the complicated reality of a business. Managers can be helped in their day-to-day decision making by accepting the relevance of the stakeholder theory. Furthermore, businesses should be run in the interest of all value-chain stakeholders (Freeman 2010: 224).

The stakeholder theory has become an influential and connecting factor between business and ethics. Running a business is no longer only about economic gain, but rather today’s businesses wish to be seen as ethical and social responsible and therefore, ethics has become central to the core operations of the business and furthermore, managing a business today also needs to be done in a morally way (Freeman
2010: 232). “Along with discussions of CSR, charity, and the ethical duties to society of companies, stakeholder theory provides an important conceptual innovation that gives expression to these concerns while simultaneously refocusing attention on business and the value-creating activity of corporation” (Freeman 2010: 232). According to the stakeholder theory the main purpose of CSR activities is to create value for key stakeholders of a business and to meet the responsibilities to the key stakeholders (Freeman 2010: 263). By undertaking CSR initiatives businesses can show that they actually care about more than just the wealthy and powerful shareholders. It is important to remember that the stakeholder theory understands the financial and social value as a unified whole and dismisses that the two components can undertake a hard separation (Freeman 2010: 260).

Though the stakeholder theory by Freeman is well-respected by many and has been used as basis for different types of work by scholars, it has been criticized for putting techniques into focus rather than theory (Key 1999: 320). Amongst other things, it has been argued that the stakeholder theory does not consider the system in which organizations operate and that it embodies poor environmental evaluation, and finally, that the link between internal and external stakeholders are deficient (Key 1999: 321). However, it is still judged to be very usable for this project.

3.1 The Stakeholders of Philip Morris USA Inc.

Philip Morris has several stakeholders both internal – and external that the organization needs to be aware of when doing business. Examples of the internal stakeholders of Philip Morris are employees, shareholders and suppliers whereas customers, communities, governments, society, and the media are examples of external stakeholders of the organization. Furthermore, Freeman (2010: 24) has divided stakeholder into two groups called “primary stakeholders” and “secondary stakeholders” these two groups should be understood as the words “primary” and “secondary” indicate. Primary stakeholders are those who the business is directly concerned with at some level: employees, suppliers, financiers, communities, and customers. When examining the figure “Creating Value for Stakeholders” (Appendix E), the primary stakeholders are depicted in the inner circle closest to the firm. The secondary stakeholders are those who at a minimum affect the primary stakeholders such as government, media, special interest groups, consumer advocate groups, and competitors (Appendix E). The secondary stakeholders are those placed in the outer ring in the figure (Appendix E). For managers it is important to take the secondary stakeholder into consideration as well as the primary stakeholders as Freeman (2010) argues that value should be created for any individual or group who is affected or can affect by the business organization (Freeman 2010: 26).
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Philip Morris believes that identifying and engaging with its different stakeholder groups can help the business understand the wants and needs of its stakeholders. Furthermore, Philip Morris will get a chance to realize which issues are relevant for its particular stakeholder groups and then find the best solutions to resolve them. By identifying possible issues Philip Morris has the opportunity to pay regard to them when making business decisions (Philip Morris 2012c). “We have an impact on or can be impacted by stakeholders — from shareholders to tobacco growers, trade partners and public health organizations. Likewise, our business actions can affect or be affected by those in government and the regulatory sector, as well as the regions and towns where we live, work and do business.” (Philip Morris USA 2011c). From the quote it can be concluded that Philip Morris is affected by its stakeholders’ opinions and that it has recognized the fact that it has an impact on its stakeholders as well.

In the following the primary stakeholders of Philip Morris will be analyzed with the idea “that business can be understood as a set of relationships among groups which have a stake in the activities that make up the business” (Freeman 2010: 24) and that knowing these relationships will help understand how a business works. The stake of the employees at Philip Morris is their jobs and thereby also their source of income. Employees who have worked for a long time in the business will be skilled for exactly their job at Philip Morris hence; it might be difficult to find a similar job. In return for their work efforts they expect security, benefits, payment and fulfilling employment by Philip Morris (Freeman 2010: 25). Philip Morris has stated on its website that in 2010 the average time of service amongst its employees were eighteen years and that furthermore, are employees rewarded with benefits and the opportunity to attend leadership programs (Philip Morris USA 2012g).

The customers and suppliers of Philip Morris “exchange resources for the products and services of the firm, and in return receive the benefits of the products and services” (Freeman 2010: 25). For Philip Morris it is important to have suppliers who are committed to making the business better and therefore, Philip Morris is cooperating with several different suppliers to get new ideas among other things (Philip Morris USA 2011h).

The shareholders, or financiers as they are called by Freeman (2010: 24), of Philip Morris are expecting to get some financial return as they have invested money in the organization in the form of bonds, stocks etc. and thereby they have a financial stake in the organization (Freeman 2010: 24). Finally, the communities in which Philip Morris operates need to be taken into consideration as communities allow the organization to build establishments, and in return the communities will benefit from Philip Morris both on the economic field in the form of taxes and dues, but also in the form of social donations. Establishing a business in a welcoming community makes it easier to create value for its stakeholder groups.
as the atmosphere around the business will be more positive. It is expected by businesses organizations
to be good corporate citizens and a business should never bring a community into contact with any kind
of risky behavior for example in the form of environmental impacts et cetera (Freeman 2010: 25).

One of the secondary stakeholders of Philip Morris is the media, which is also as an external stakehol-
der. As a tobacco company operating under strict restrictions, the media is important for Philip Morris as
media coverage can influence its market position and the brand name. Getting negative press coverage
can be harmful to the brand name whereas positive media coverage, for example portraying Philip Mor-
ris as a social responsible business, can help create a positive reputation around the tobacco company
and its brand name. However, it can be argued that bad press coverage is better than no press coverage,
but that discussion will not be entered as it is outside the scope of this report. Having a positive reputa-
tion around the business may in the long run lead to attracting new customers or investors which in the
end will result in profit for the shareholders. Philip Morris communicates with “investors, media, elect-
ed officials, community leaders, public health professionals, scientists and other members of the public
who are interested in tobacco issues. We also monitor news reports, attend conferences, survey public
opinion and use other means to stay informed about emerging trends and views of our business.” (Philip
Morris 2011c). Interacting with these internal stakeholders gives Philip Morris USA the possibility to
step in when concerns or problems emerge amongst its stakeholders.

Philip Morris is involved with its stakeholder in different ways, as can be read in the 2010 Corporate
Responsibility Report (Appendix A) where some of the stakeholder initiatives are listed. To mention a
few examples of the initiatives for the internal stakeholders in the section “Sustainable Agriculture”
(Appendix A: 34) it can be read that issues on safety for the tobacco growers have been expanded in
2010 moreover, in the section “Supply Chain Responsibility” (Appendix A: 35) it can be read that an
event with workshops led by suppliers was hosted focusing on CSR. In addition, with the purpose of
doing business Philip Morris arranged for employees to meet with retailers, growers, suppliers and con-
sumers over the age of twenty-one.

Philip Morris emphasizes the importance of interaction with its several stakeholders and from what it
learns from the engagement that is put into operation in four main points (Philip Morris USA 2011c):

- identify and manage emerging issues
- inform our business processes, including our annual strategic planning and risk management
  processes, and other decision making
- continue our efforts to align with society
• build a better understanding of Altria Group and its companies.

Engagement with stakeholders needs to be well-balanced and a business should try to operate with respect to all of them in trying to avoid a potential stakeholder conflict from emerge (Appendix C: 44). One way to prevent a potential stakeholder conflict is by communicating to the different stakeholder groups to get an understanding of what stakeholder wants, needs and expect and this understand of the stakeholders can then be used by management when taking decisions that have impacts on its stakeholders.

It can be assumed that Philip Morris is involved in stakeholder engagement to try and differentiate from its competitors. Focusing on value creation for its stakeholders might spread around and as research has showed that consumers are willing to switch brands to business organizations that are social responsible (David 2005: 7).

4. Carroll’s Pyramid of Corporate Social Responsibility

Carroll’s pyramid of CSR is a model which takes four dimensions (responsibilities) into account when looking at the CSR of a business. The four responsibilities are the range of a business’ social responsibilities that should be looked at (Carroll 1999: 40). The four dimensions constitute the total CSR of businesses, and Carroll (1999: 40) has depicted the four as a pyramid which is split into the four levels: economic -, legal -, ethical - and philanthropic responsibilities. The first three dimensions mentioned are essential for a business to exist however; the philanthropic responsibilities can be a way of standing out among other businesses (Morrison 2011: 402). Carroll’s pyramid of CSR is very tangible with its four levels of responsibilities that are all expected of society to be seen as a social responsible business.

![Diagram of Carroll's Pyramid of Corporate Social Responsibility](image-url)
4.1 Economic Responsibility

The economic responsibility of a business is placed at the base of the pyramid, which indicates that a business must generate economic profit to continue to exist. If a business is not economically profitable the business will not have the resources to deal with the other responsibilities as they are based on the economic responsibilities (Carroll 1999: 41). Therefore, business organizations are expected to create income adequate to settle accounts and to generate return on investment for investors. Carroll (1999: 40) mentions other important economic responsibilities that business organizations should be aware of: “To maintain a strong competitive position. To maintain a high level of operating efficiency. That a successful firm be defined as one that is consistently profitable.”

4.2 Legal Responsibility

In the pyramid above the economic responsibility the legal responsibility is placed. The legal obligations of a business deal with several areas, but as a minimum the law determines the basic requirements that a business should obey (Morrison 2010: 402). The basic principles under which a business should operate is determined by laws and regulations which have been established by legislators of federal, state, and local governments (Carroll 1999: 41). Examples of some of the obligations that business organizations should obey are employment law, environmental law, and health and safety regulations followed by many more, which also differ from country to country. Furthermore, it is important that successful business organizations are fulfilling their legal responsibility to be marked out as one that obeys the law (Carroll 1999: 40).

Carroll (1999:41) termed the legal obligations “codified ethics” as these laws and regulations have been passed by legislators hence, obeying the law and regulations does not mean that the business has to come up with any new initiatives by itself to be fulfilling these responsibilities.

4.3 Ethical Responsibility

On top of the legal responsibility in the Pyramid of CSR, the ethical responsibility is placed as Carroll sees the need for business organizations to not only deal with the minimum legal requirements, but also to include ethical considerations (Morrison 2010: 402). Even though economic responsibilities and legal responsibilities do encompass some issues dealing with ethics such as fairness and justice, the ethical responsibilities can be described as those obligations that are not codified by lawmakers, but which are
expected or forbidden by society for organizational activities (Carroll 1999: 41). “Ethical responsibili-
ties embody those standards, norms, or expectations that reflect a concern for what consumers, employ-
ees, shareholders, and the community regard as fair, just, or in keeping with the respect or protection of
stakeholders’ moral rights” (Carroll 1999: 41). However legal obligations and ethical responsibilities are
according to Carroll (1999:41) “in dynamic interplay” as some ethical issues that have been brought into
the light, for example by civil rights movements, will later result in legislation as the ethical responsibil-
ities forces the legal responsibilities to expand. Hence, ethical obligations can be seen as new emerging
issues that society believes in this case that organizations should be aware of. As a result of this, ethical
responsibilities are often difficult for businesses to manage as they can be difficult to understand cor-
rectly and are constantly changing (Carroll 1999: 41). Dealing with ethical responsibilities businesses
are expected to behave in a way that is fair and right to avert wrongdoing to their stakeholder groups
(Carroll 2009: 20).

4.4 Philanthropic Responsibility

At the very top of the pyramid the philanthropic responsibility is placed as this responsibility is that
which is desired by society, but which is not required (Carroll 1999: 42). Today philanthropic responsi-
bility is expected by society and businesses should be good corporate citizens and give back to the soc-
ity in which they operate (Carroll 2009: 20). The definition of philanthropy responsibility is numerous,
however, Carroll (1999) defines these responsibilities to be those dealing with charitable giving and
promoting the welfare of others which is often expressed by money donations or corporate activities
(Carroll 1999: 42). Furthermore, these responsibilities embody different aspects examples of them are;
voluntary giving, voluntary service, and voluntary association (Payton 2008: 6). The three concepts will
be elaborated to give a better understanding of philanthropic responsibilities. Voluntary giving involves
for a business to donate money in cash or property to stakeholders. Second, the voluntary service in-
volves for the business and its employees to spend time on stakeholder projects or issues which its
stakeholders are concerned about. And finally, the voluntary association deal with the organizational
activities that needs to be there to even take part in voluntary giving and services (Payton 2008: 6).

The distinction between the ethical – and philanthropic responsibilities is first and foremost that the
philanthropic responsibilities are not anticipated in an ethical and moral perception (Carroll 1999: 42).
By this, Carroll (1999) argues that stakeholders do not think of business organizations as unethical if
they do not contribute the wanted level to philanthropic responsibilities nonetheless, are corporate ac-
tions in the form of money contributions, facilities and time spend by employees to socially concerned
programs or reasons well desired by stakeholders. Therefore, the philanthropic responsibilities are by some authors named ‘discretionary responsibilities’ (Freeman 210: 240) as these are non-compulsory, but businesses should remember that community expects business organizations to be good corporate citizens, which also includes giving back to the community (Carroll 1998: 5).

Since the philanthropic responsibility is placed on the top level of Carroll’s Pyramid of CSR, it is indicated and used as a metaphor that these responsibilities are the “icing on the cake” (Morrison 2010: 402) as they are not required and can be seen as less important than economic-, legal-, and ethical responsibilities. As mentioned earlier the philanthropic responsibility is desired and wanted by community as business organizations has the opportunity to “contribute financial and human resources to the community and to improve the quality of life “(Carroll 1999: 42). Hence, remembering that all four dimensions of the pyramid should be fulfilled at the same time in order to improve a business’ stakeholder environment (Freeman 2010: 255).

Finally, it is important to underline that the four components of Carroll’s Pyramid of CSR should not be seen as four incoherent levels, but the pyramid should be considered as a joint entity and furthermore, all four dimensions should by managers be considered important to corporate strategy (Morrison 2010: 402). Carroll’s Pyramid of CSR has been depicted in a pyramid consisting of four levels to make it more manageable as it makes it uncomplicated for managers to overcome the different responsibilities that are in a continual yet dynamic correlation (Carroll 1999: 42). Some people might see a conflict between ‘making profit’ and ‘being social responsible’, but having a stakeholder or CSR perspective will understand Carroll’s Pyramid of CSR as one where the four dimension are all incorporated into the strategy (Carroll: 1999: 42). Most business organizations seek to link the philanthropic responsibilities with the corporate strategy and its objectives. The fundamental advantages of social responsibility have been determined in a major report and were said to be: “a better public image/reputation, greater customer loyalty, a more satisfied/productive workforce, fewer regulatory/legal problems, long-term viability in the marketplace, and a stronger and healthier community” (Carroll 2009: 21). All these factors are important for an operation such as Philip Morris as it manufactures a product that is harmful to health and hence, creating a better public image essential as well as customer loyalty. Non-smokers might be very skeptical about tobacco companies, but by engaging in CSR activities Philip Morris might be portrayed as kind of a responsible organization.
5. Philip Morris USA Inc. and Corporate Social Responsibility

As mentioned previously, CSR basically deals with an organization’s obligations to the stakeholders, environment and communities where it operates. Engagement in CSR can be done for several reasons, but some argue that a business should be considered as a “multipurpose social institution” (Carroll 2009: 15) and that “business organizations are intended to satisfy the needs of society to the benefit of society” (Carroll 2009: 15). Followed by these two statements it can be argued that the main purpose for a business is not only to generate as much profit as possible, but on the contrary financial returns should be considered as a reward to investors due to the fact that the business has accomplished its broader objectives (Carroll 2009: 15). Though, the economic responsibility of a business does have to be taken seriously as it is essential for a business to exist however, the three other levels in Carroll’s pyramid are to be taken seriously as well.

CSR is incorporated into the business strategy of Philip Morris which also includes focusing and trying to understand its stakeholders (Philip Morris USA 2012c). Philip Morris does embody several stakeholders to whom the business has obligations to fulfill responsibilities and to create value (Freeman 2010: 263). As a business organization Philip Morris should perform in a manner consistent with the interests of its stakeholders. By recognizing these stakeholder responsibilities, Philip Morris can strengthen its “license to operate” (Freeman 2010: 260). By the title is meant that a business should operate in a responsible way thus, that communities will accept that the business is operating in their community. This is done by fulfilling its shareholders’ expectations on performance levels, produce its tobacco products in a way which live up to the expectations that are accepted by the adult consumers, and also creating jobs with acceptable salaries and furthermore, to create a good working environment that will make the employees retain their jobs (Freeman 2010: 260).

Through engagement in CSR, Philip Morris can prove to its stakeholders that it is acting in a morally correct course of action (Palazzo 2005: 390). Hence, engaging and investing in CSR can help improve the brand name and create a positive reputation for Philip Morris and thereby, it may be possible to win the trust of adult consumers and furthermore, it may be possible to make it more attractive for investors to invest in Philip Morris (Appendix B: 42). Americans used to have a very negative image of Philip Morris (McDaniel 2005: 197) and having a negative public image can influence the business in different ways; the stock prices can be affected, political influence may change, sales may decrease, and the morale of employees might be affected as well. Working for a business with a negative reputation can be demotivating for employees, whereas working for a business with a reputation of being social responsible will create a better work atmosphere and thereby hopefully making employees feel proud of working
there. The positive company image will keep its employees working in the business for longer and in the long run the company will save money on induction training of new employees (Smith 2011: 232). Having a positive image is important for Philip Morris and it can be generated by dealing with philanthropic responsibilities. Philip Morris needs to prove for governments that it is managing in a responsible way in order to get new licenses to operate for example in a new state or country. This also includes that Philip Morris is paying taxes, creating jobs, takes care of the environment, etc (Appendix C: 45).

Philip Morris and its parent company Altria Group Inc. are focusing their engagement in social activities and donations on four main areas “arts & culture, education, environment, and positive youth development” (Philip Morris 2012i). Furthermore, the employees of Philip Morris USA are encouraged to get involved in the Altria Group Inc.’s “employee and community involvement programs” (Philip Morris 2012i).

5.1 Philip Morris USA Inc. and Economic Responsibility

Philip Morris naturally has an economic responsibility to fulfill as there would not be a business if it did not generate any profit. Philip Morris is the leading tobacco company in the U.S. which can be seen by the fact that it has a market share of 53.4 percent (DataMonitor 2011: 1). Philip Morris, together with its parent company Altria Group Inc. and its other subsidiaries, from 2009 to 2010 had an increase in profit by 21.8% and in the revenue by 3.4% ending up with revenue of $24.4 billion in 2010. Also the cigarettes division experienced a revenue increase by 3.4% resulting in revenue of 21.6 billion (DataMonitor 2011: 21). As can be observed on table six and seven (Appendix F) it can be concluded that Philip Morris is fulfilling its economic responsibility as it is profitable and from the two tables it appears that the financial situation of Philip Morris and its parent company is healthy. The economic stability of Philip Morris reveals that it has the qualifications to take an active part in the philanthropic responsibilities to fulfill what is desired by its stakeholders. However, important to point out is that it cannot be concluded from the available information if the revenue is caused by their CSR policies.

5.2 Philip Morris USA Inc. and Legal Responsibility

The legal responsibility basically deals with obeying the law (Carroll 1999: 42). Philip Morris, being a tobacco company, entails taking several legal responsibilities into consideration when doing business
for example in a marketing perspective. In the following, some examples of the legal responsibilities of Philip Morris will be given to illustrate just how much Philip Morris needs to pay close attention to when doing business in making sure that all laws and regulations are being followed. Tobacco companies such as Philip Morris is amongst others obliged to follow The Family Smoking Prevention and Tobacco Control Act, referred to as Tobacco Control Act, which authorizes the U.S. Food and Drug Administration (FDA) to “regulate the manufacture, distribution, and marketing of tobacco products to protect public health” (U.S. Food and Drug Administration 2012b). The main aim of the Tobacco Control Act is to reduce underage tobacco use as FDA argues that young people are not old enough to understand that the use of tobacco products are lethal and the other risks that follows with being a user of tobacco products.

The Master Settlement Agreement was entered in 1998 by the attorneys general of 46 states and the leading cigarette manufacturer in the U.S.; naturally Philip Morris was amongst those. Before 1998 the Master Settlement Agreement was known as the Tobacco Settlement Agreements by Philip Morris, other tobacco manufacturer and the states Florida, Minnesota, Mississippi, and Texas (Philip Morris USA 2011e). After these agreements was entered the way tobacco products could be sold, marketed, and advertised in the U.S. changed. Several restrictions on the before mentioned areas were incorporated into the agreements and furthermore, different issues were outlawed: “the use of cartoons in advertising, promotion, packaging, or labeling of tobacco products; most outdoor advertising, including billboards and stadium ads; paid product placement; brand name sponsored concerts; distribution of merchandise with cigarette or smokeless tobacco brand names and logos” (Philip Morris USA 2011e). Furthermore, the tobacco companies agreed on paying an annual amount of money to the state and also to finance a $1.5 billion anti-smoking campaign (State of California Department of Justice).

5.3 Philip Morris USA Inc., Ethical – and Philanthropic Responsibilities

The ethical – and philanthropic responsibilities of Philip Morris will be analyzed together in one paragraph as they are closely connected and sometimes it may be difficult to separate them from each other. The ethical responsibility of Philip Morris deals with its obligation to run the business in a fair and righteous way. Furthermore, Philip Morris has to make sure that it is doing its business in a way that is not harmful to its stakeholders (Carroll 2009: 20). An example of how Philip Morris is fulfilling some ethical responsibilities is that it has a Code of Conduct (Altria 2011) with guidelines for all employees and other internal stakeholders of Philip Morris to follow.
The philanthropic responsibility deals with a business’ responsibility to give back to the communities in which it operates. Philip Morris is proud of its engagement in CSR and its possibility to give “back to the communities that we call home, including providing grants to community organizations” (Philip Morris USA 2011b). Philip Morris, together with its parent company, has decided to focus their donations on four key areas in the U.S.: arts and culture, education, environment and positive youth development. Altria Group Inc. and its subsidiary Philip Morris spend millions of dollars on charitable giving yearly and over the last ten years they have donated more than $1.3 billion to non-profit organizations (Altria 2012).

Philip Morris is not only donating money to different causes and communities to make a difference, but by donating and supporting different causes and communities it shows the general public Philip Morris’ values and mission. The entire process of being social responsible is beneficial for many different stakeholder groups. Dealing with philanthropic responsibilities often entails that employees are actively part in social programs (Carroll 2009: 20), and the employees at Philip Morris and its parent company Altria Group Inc. are encouraged to take an active part in one of the many areas in the communities where the employees live. A social responsible business motivates its employee and in the case of Philip Morris the mother company Altria has invented a program called “Contributing Together”. There are several programs to get involved in and which are supported by money donations and volunteerism by Altria Group Inc (Altria 2012b).

By supporting programs such as those that have been established to reduce the underage tobacco use Philip Morris has acknowledged that young smokers exist and that these underage consumers may very well be using one of Philip Morris’ products. Engaging in these different programs Philip Morris has the opportunity to show to the public that it is aware that underage tobacco users is a problem and by recognizing these issues Philip Morris can make itself appear as a social responsible operation. Whereas denying the fact that underage consumers exist, the operation would probably have been heavily criticized by the public and NGOs for not helping in the reduction of underage tobacco use and be considered as an even more irresponsible organization.

To conclude on Philip Morris’s engagement in CSR, it should be said that it has been proven that there is a connection between CSR engagement and a business’ corporate image (David 2005: 295). Furthermore, a survey made by KPMG (2011) on corporate responsibility reporting reveals that nearly half of the largest companies in the world (G250 companies) said that they are gaining financial returns from their corporate responsibility engagements. Also, the survey reveals that today corporate responsibilities have turned into to a critical business issue instead of being just a moral necessity (KPMG 2011: 18).
has also been proven that on the basic level, CSR initiatives have favorable impacts on the image of the business organization. As some research has shown that CSR initiatives could result in affecting the consumers’ purchase intentions and some consumers would be prepared to change to another brand if the competing business was more social responsible (David 2005: 295).

6. Philip Morris USA Inc. and the Tobacco Issue

Being a tobacco company entails dealing with several complex issues as the product is harmful both to the consumers and to the surroundings. The World Health Organization (WHO) argues that up to fifty percent of all people who use tobacco products will end up passing away because of a tobacco-related illness (WHO 2011: IV). Therefore, a tobacco company such as Philip Morris needs to promote itself twice as hard as a ‘regular’ company to be seen as a social responsible company (Palazzo 2005:1). Furthermore, the WHO argues that most of the major tobacco companies engage in what is described as “ineffective youth smoking prevention programs” (WHO 2004: 3) as a way for tobacco companies try improve their corporate image and thereby also to use the youth smoking prevention programs as a form of publicity. The contrary is being said by Philip Morris who states on its website “kids should not smoke or use any tobacco products. As the largest tobacco manufacturer in the U.S., we believe we have an important role to play in helping reducing underage tobacco use” (Philip Morris USA 2012d). Moreover, Philip Morris argues that along with the Master Settlement Agreement marketing strategies for tobacco products and the way that they can be sold have changed extensively. So despite that fact that the WHO claims that youth antismoking programs actually has contrary impact on the youth, as tobacco use is being portrayed as an adult activity, makes the use of tobacco more interesting for young people (WHO 2004: 3). Philip Morris still believes that its engagement in its own ‘Underage Smoking Prevention’ program does make a different as it has been developed over a period of time, and also the programs are based on research that aim to prevent youth from tobacco use and that helps young people stop smoking (Philip Morris USA 2012d). Furthermore, to reduce the access to tobacco products for young people under the age of 21 years Philip Morris supports legislative efforts. And finally, to reduce underage exposure to the marketing efforts and brand name of Philip Morris it has developed an age limit of 21 for visitors to access its branded website and to receive direct mails and applicable for one-to-one marketing practices. However, the efficiency of this can be argued since it is unproblematic to lie about your age online.
Another important factor that might also explain why the tobacco giant Philip Morris’ engagement in CSR is seen with great skepticism and mistrust by critics such as non-government organizations has to do with the fact that Philip Morris in the past denied that smoking was addictive or lethal. In 1982 Philip Morris Companies Inc. stated “It is important to know as much as possible about teenage smoking patterns and attitudes. Today’s teenager is tomorrow’s potential regular customer, and the overwhelming majority of smokers first begin to smoke while still in their teens.. The smoking patterns of teens are particularly important to Philip Morris” (cited in Mackay 2002: 28). This statement is the opposite of what Philip Morris at the present time expresses is its attitude towards underage tobacco use where it states that young people should not use any tobacco products and that Philip Morris has an influential role in the work of reducing the use of tobacco products amongst the youth (Philip Morris USA 2012d). Hence, it can be understood that NGOs and other critics see the engagement of Philip Morris and other tobacco companies in the field of CSR solely as a way of promoting themselves to be perceived by the public as socially responsible. Due to the previously strategy where Philip Morris Companies Inc. refused the fact that the use of tobacco products were harmful or addictive it is comprehensible that opposed NGOs have lost the trustworthiness of Philip Morris that there is hidden agenda behind its CSR engagement (Palazzo 2005: 2).

7. Conclusion

Today CSR is an important element for businesses to incorporate into their business strategy. Businesses should incorporate the latest trends, expectations and development in social responsibility to understand and satisfy the expectations of their stakeholders. Social responsibility is such an important issue today that businesses should be aware of the development in CSR. In today’s society consumers are not only making high demands on products, but moreover consumers are expecting that products are being produced in a socially responsible way. For businesses such as Philip Morris the issue around CSR is more complex as its products are harmful and addictive and therefore, it also has several ethical issues to deal with.

The objective of this bachelor project was to analyze the different stakeholders of the tobacco giant Philip Morris USA Inc. and to determine which roles they play. Furthermore, the project has also worked towards an analysis that reveals Philip Morris’ fulfillment of the four responsibilities depicted in Carroll’s pyramid of CSR. Finally, the project aimed at looking at a tobacco company like Philip Morris
dealing with CSR, how it by some critics such as the WHO, is seen as an “inherent contradiction” (WHO 2004: 1).

The stakeholder theory by Edward Freeman has been used as the theory for this project to help determine the different stakeholder groups of Philip Morris and furthermore, the theory gives directions to the ways that these stakeholders can affect a business and vice versa. According to Freeman, a business can split its stakeholders into two: primary and secondary. The primary stakeholders of Philip Morris are the stakeholders such as financiers, employees, suppliers, communities, and customers. The primary stakeholders are connected with the business organization at some level, whereas the secondary are those who can exert influence on either the primary stakeholders as a minimum or directly on the business organization. Examples of the secondary stakeholders are media, special interests groups, and government. In the case of Philip Morris the WHO is an example of one of its secondary stakeholders.

The method used for this bachelor project is Carroll’s pyramid of CSR as it takes four different components into account which are depicted in a pyramid as an illustration. For a business to be successful it needs to incorporate all four elements into its business strategy at the same time. In this bachelor project the focus has been on legal-, ethical-, and philanthropic responsibilities. If instead the focus primarily had been on the economic responsibility the result would have been different. As a result from analyzing the four responsibilities of Carroll’s pyramid, it can be concluded that Philip Morris based on the information on its website seems to be fulfilling all of the responsibilities in Carroll’s pyramid. However, due to the fact that Philip Morris is a tobacco manufacturer it is being criticized by non-governmental organizations such as the WHO that claims that businesses which produce a product that is harmful and addictive to its consumers are not suited to engage in CSR.

Philip Morris believes that its long-term business success is created by its engagement with its different stakeholder groups as it helps it understand that wants, needs and expectations of its stakeholders, which than can be used in its business strategy and when it has to make decisions. Furthermore, Philip Morris together with its parent company Altria Group Inc. donate a large amount of money to different projects and programs and the employees are encouraged to take an active part in volunteering in the area where they live. On the contrary the WHO argues that tobacco companies such as Philip Morris only engage in these programs and projects generate profit and to propose solutions to the problems that the tobacco companies have created themselves.

To sum up, the analysis of the empirical materials as a whole reveals that Philip Morris USA Inc. is positioning itself as a social responsible business by engagement in CSR activities. Through involve-
ment with its stakeholders in different programs and the encouragement that it presents for its employ-
  ees to get involved, it can be argued that Philip Morris manages to create a positive reputation around its
  brands. Though, others would argue that Philip Morris solely engage in CSR activities to promote itself
  as its marketing possibilities are limited.

8. Perspectives

Business today is no longer only about generating as much profit as possible, but business is also about
being social responsible. The term CSR has developed over the years and in the future the term will
probably remain. Society is more concerned about the climate, being sustainable, working standards,
ecology etc. than before and it can be expected that the focus on these issues will only increase in the
future. In spite of the fact that it would be very interesting find out why Philip Morris together with its
parent company Altria Group Inc. spend a great amount of money on donations and that time is spend
on other CSR activities such as encouraging employees to volunteerism (Altria 2010). It would howev-
er, not be possible to get the needed information to make such a conclusion. Some argue that Philip
Morris’s engagement in CSR activities solely has to with the organization trying to establish a positive
reputation around its brand amongst its stakeholders (Joyner and Payne 2002, cited in Palazzo 2005: 4),
whereas Philip Morris itself states on its website that it cares about social issues. Furthermore, it could
be argued that its CSR policies actually are aimed at the non-smokers who might have a more critical
view on the organization than the ones who use its tobacco products.
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  (Appendix A, printed 1 March 2012)


Philip Morris USA Inc. & Corporate Social Responsibility
- going up into to flames?

Appendix A: 2010 Corporate Responsibility Report
(Philip Morris USA Inc.)

2010 Corporate Responsibility Report

TOBACCO PRODUCT ISSUES

2010 Progress Summary
- Philip Morris USA and U.S. Smokeless Tobacco Company shared perspectives and information with the Food and Drug Administration on important tobacco product issues through written submissions, meetings and presentations.
- Altria Group adopted and communicated its Standards for Underage Tobacco Prevention to its tobacco operating companies to guide their efforts to help reduce underage tobacco use.
- Altria's tobacco companies provided grants to help kids avoid risky behaviors like tobacco use in 2010. These grants are expected to reach approximately 1.3 million kids and 829,000 adult influencers, primarily in the Southeast.
- Altria's tobacco companies provided funding to support Search Institute's launch of ParentFurther.com, a new resource for parents and other caring adults. First-year visits exceeded Search Institute's goal by 82 percent.
- Duke University completed its PM USA-funded evaluation of the QuitAssist® website.

2011 Initiatives
- Continue to engage with the FDA and other key stakeholders to inform the development of tobacco product regulation and to promote effective approaches to reducing underage tobacco use.

MARKETING PRACTICES

2010 Progress Summary
- Altria's tobacco companies adopted a uniform age requirement of 21+ for one-to-one, age-verified communications (e.g. websites, direct mail, consumer experiences) to adult tobacco consumers.
- Integrated acquired tobacco companies into a uniform Marketing Materials Review Process; a consistent five-step process that helps ensure all marketing materials comply with all legal requirements, agreements and policies.
- Ste. Michelle Wine Estates implemented an age verification process for direct-to-consumer sales through its branded websites and a process for website visitors to affirm that they are at least 21 years of age, consistent with industry practices, before entering winery websites.

2011 Initiatives
- Identify and support programs to help communicate the importance of responsible wine consumption to adult wine consumers.

COMBATING ILLEGAL TRADE
2010 Progress Summary

- Supported the federal Prevent All Cigarette Trafficking "PACT" Act which became law on March 31, 2010. The passage of the PACT Act represents a proactive effort to end tax-evading Internet sales and to impose rigorous age-verification requirements for remote sales of cigarettes and smokeless tobacco products.
- Supported the passage of new New York state legislation that requires state cigarette excise taxes to be paid on tribal sales to non-tribal members. The law effectively ended New York's longstanding policy of not collecting state cigarette excise taxes sold on reservation land to non-reservation residents.
- Extended our law enforcement engagement program to provide training and support on preventing illicit trade.
- The Federal Appellate Court affirmed the granting by the International Trade Commission of a General Exclusion Order covering illegally imported Marlboro® Cigarettes.

2011 Initiatives

- Implement further approaches to help counter the sale and distribution of illicit cigarettes in New York City and Los Angeles.
- Expand infrastructure to address the exportation of counterfeit cigarettes from China.
- Take action through litigation and engagement to address China-based websites selling counterfeit cigarettes.

ENVIRONMENTAL MANAGEMENT

2010 Progress Summary

- Altria's tobacco companies exceeded 2010 performance targets for reducing energy use, greenhouse gas emissions and water use, achieving their 2013 goals.
- Implemented a process to generate and prioritize environmental sustainability ideas and to track progress.
- Integrated environmental data reporting systems across John Middleton and USSTC.
- Responded to CDP Water Disclosure, a program of the Carbon Disclosure Project.

2011 Initiatives

- Establish new environmental performance goals.
- Begin integration of Ste. Michelle into environmental management framework.

SUSTAINABLE AGRICULTURE
2010 Progress Summary

- Required self-certification of Good Agriculture Practices (GAP) requirements by tobacco growers and merchants.
- Expanded PM USA and USSTC communications to their tobacco growers on worker safety issues.
- Launched GAP assessment process with contract tobacco growers and international tobacco merchants to better understand contract growers’ operations and drive continuous improvement in the tobacco supply base. Retained third-party assessor to independently verify our results.
- Cold Creek, Canoe Ridge Estate and Northstar Estate vineyards achieved third-party sustainability certifications.

2011 Initiatives

- Complete on-farm GAP assessments of 100 percent of domestic contracted tobacco growers and key tobacco merchant locations by end of 2011.
- Engage with other U.S. agricultural stakeholders to encourage broader adoption of common good agricultural practices standards.

SUPPLY CHAIN RESPONSIBILITY

2010 Progress Summary

- Developed and implemented Supplier Code of Conduct.
- Received the following awards for Supplier Diversity Development:
  - “Raising the Bar” and “Lasting Impressions” awards by the Virginia Minority Supplier Development Council. From 2006-2009, Altria received the Virginia Council’s “Corporation of the Year” award.
  - Among the top 15 companies in the 2010 competition for Corporation of the Year from the National Minority Supplier Development Council.
  - Named one of “America’s Top Organizations for Multicultural Business Opportunities” by DivBusiness.com.
- Hosted a Supplier Engagement & Recognition event focused on corporate responsibility. The event included supplier-led workshops on responsibility best practices and presentation of the first corporate responsibility award to Sonoco, a USSTC packaging supplier.

2011 Initiatives

- Implement training on the Supplier Code of Conduct for supplier managers.
- Host a forum on child and forced labor for suppliers and key internal stakeholders.
- Complete integration of Supplier Diversity Development process at Middleton, USSTC and Ste. Michelle.

OUR EMPLOYEES
2010 Progress Summary

- Extended Altria companies' compensation framework to salaried USSTC, Middleton and Ste. Michelle employees.
- Introduced USSTC and Ste. Michelle employees at all levels to Altria companies’ people development programs, including orientation, leadership development and executive leadership programs and the performance management and advancement planning processes.

2011 Initiatives

- Continue to extend our recruiting, leadership development and advancement planning systems to Ste. Michelle.
- Further establish Altria's injury Free Career Culture within all operating companies.
- Continue to enhance our leadership development system to meet the needs of our multi-category, FDA regulated business.

INVESTING IN COMMUNITIES

2010 Progress Summary

- Extended support for Richmond's urban school system by committing $1 million to bring Higher Achievement, a proven middle-school enrichment program, to Richmond Public Schools.
- The Altria Companies Employee Community Fund contributed about $2.3 million to 90 grantees in central Virginia and expanded its reach to plant communities in Illinois, Kentucky, Pennsylvania and Tennessee.
- Engaged audiences of nearly 900,000 through Altria-sponsored arts and culture exhibitions and events in Richmond and Washington, D.C.
- Altria's 2009 and 2010 grants to the National Fish & Wildlife Foundation, totaling $1 million, allowed the foundation and its grantees to obtain an additional $14.5 million in local matching funds and grants from federal agencies.

2011 Initiatives

- Develop comprehensive community involvement plans for facility communities outside of Richmond.
- Identify and invest in leading national organizations that have a presence in plant communities.

GOVERNANCE & COMPLIANCE

2010 Progress Summary

- Completed third-party assessment of Compliance & Integrity program.
- Established Enterprise Risk Management process to identify highest potential enterprise-level risks, and incorporated it into annual strategic planning process.
- Delivered Compliance Leadership Training to director-level employees of Altria and its companies.

2011 Initiatives

- Launch refreshed Altria Code of Conduct with improved readability, length and tone.
& Compliance Facts.

- Enhance a culture of compliance through communications on the Altria Code of Conduct and four additional topics.
- Enhance our policy guidance by simplifying policy content and usability.

CORPORATE RESPONSIBILITY PROCESSES

**2010 Progress Summary**

- Completed third-party assessment of responsibility program and efforts.
- Established process for internal data gathering and responsibility reporting to executive leadership.
- Enhanced online communication about responsibility actions.
- Altria Group named No. 1 in tobacco industry for corporate responsibility on *FORTUNE* Most Admired list.

**2011 Initiatives**

- Launch first online corporate responsibility report aligned with the Global Reporting Initiative.
- Enhance stakeholder engagement processes.