

Case #2. Historical Perspective: Corporate Social Responsibility for Protecting Groups that Cannot Speak for Themselves: Children

Synopsis: Case 2 looks at the corporation and other actors responsible for protecting children and invites you to rank them in their order of responsibility.

Case #2a. Tris and the Children's Sleepwear Industry

In 1953, the **US Department of commerce** established the first set of standards for flammability of clothing, with the result that in mid-1954 the US Congress passed the Flammable Fabrics Act.

In early 1970, the **US Department of Commerce** raised a particular concern about the flammability of children's sleepwear, and new standards specifically for sleepwear sizes 0-6x were proposed. Hearings in the **US Congress** followed in 1971. At the hearings, representatives of the **American Apparel Manufacturers Association** opposed any need for new standards, also asserting that the proposed new standards were not technologically feasible.

The largest US sleepwear manufacturer, **William Carter Company**, claimed it had explored protection through changing (a) changing to flame-resistant fabrics and (b) treating knit cottons with flame-resistant chemical called *Tris*. The first alternative was rejected because the sleepwear yellowed with washing did not adequately absorb perspiration, and high cost.

In 1972, the US Congress passed the *Consumer Protection Act*, creating a new regulatory commission, **The Consumer Product Safety Commission (CPSC)**. Two years later, the **CPSC** "promulgated" (put into existence) new standards, which left the sleepwear manufacturers no choice but to begin to treat their products with *Tris*.

However, in 1973, the **US National Cancer Institute** launched a study of the mutagenic properties of *Tris*. Based on the results of this study, in 1976, the **Environmental Defense Fund**, a US-based NGO, petitioned the **CPSC** to have the use of *Tris* in children's sleepwear outlawed. In 1977 a ban was enacted, and all *Tris*-treated sleepwear had to be recalled, costing the sleepwear manufacturers 10s of millions of dollars.

Case #2b. Infant Formula Marketing in Developing Countries

At the start of the 20th century, technological advances in water purification and milk processing led to a growth in bottle feeding of babies in the developed world. By mid-century, commercial food companies such as Nestles and pharmaceutical companies such as Abbott Ross and Bristol Myers began to develop and market infant formula.

In the mid-1970s, after the percentage of breast-feeding of infants had remained almost constant at 22% for 30 years, there was a resurgence of interest in breast-feeding in developed countries, and the percentage climbed to ~50%.

However, in developing countries, the trend took the opposite direction, with traditional breast-feeding giving way to a greater use of bottle-feeding with a range of fluids, including powdered cow's milk infant formula, and various indigenous foods. By the late 1960s, health officials in developing countries began to note symptoms of malnutrition and

diarrhea in bottle-fed babies. Many health officials attributed to the shift to bottle feeding a direct result of the marketing and promotional activities of Western infant formula companies.

As a result, the decade of the 1970s proved a trying one for these companies. They came under attack from NGOs, from institutions that held shares in the companies, in particular religious groups, the United National Protein Advisory Group, and the media. Most notorious was a pamphlet produced by the **Arbeitsgruppe Dritte Welt (Third World Working Group)** entitled, *Nestle Kills Babies*. Among the charges leveled at the companies was their sending sales representatives into maternity wards of hospitals dressed in white clothing similar to nurses and offering free samples of their formulas and encouragement to use the formula rather than breast feed new-born infants.

In response, a number of companies banded together as the **International Council of Infant Food Industries (ICIFI)**. However, getting agreement between the traditional food retailers like Nestle and the traditional pharmaceutical companies like Abbott-Ross and Bristol Myers proved difficult.

Case #2c. MacDonald's and Childhood Obesity

At the 2012 annual shareholder meeting, **McDonald's Corp** investors soundly rejected a shareholder proposal that would have required the world's biggest fast-food chain to assess its impact on childhood obesity. The shareholder proposal, which also failed the previous year, returned amid growing concern over the social and financial costs of obesity in the United States and around the world - not only in terms of healthcare-related expenses but also lower worker productivity and diminished quality of life.

Nearly one-third of U.S. children are overweight or obese. America is one of the fattest nations on earth, and the **U.S. Institute of Medicine**, in a 2006 report requested by **U.S. Congress**, said junk food marketing contributes to an epidemic of childhood obesity that continues to rise. The institute is the health arm of the U.S. government's National Academy of Sciences.

McDonald's executives defended the brand and its advertising. "We're proud of the changes we've made to our menu. We've done more than anybody in the industry around fruits and vegetables and variety and choice," said Skinner, who received a standing ovation from investors at the 2011 annual meeting.

As one of the largest and most influential companies in the restaurant industry, McDonald's often bears the brunt of criticism from consumers, parents and healthcare professionals, who want it to serve healthier food and curb its marketing to children. While the chain has added food like salads, oatmeal and smoothies to its menu, it has pulled ahead of rivals and delivered outsized returns for investors with help from its core lineup of fatty food and sugary drinks.

Corporate Accountability International, a business watchdog group, for the second year in a row backed the obesity proposal, which was endorsed by 2,500 pediatricians, cardiologists and other healthcare professionals. It called on the company to issue a report on its "health footprint." The document would evaluate how diet-related illness would affect McDonald's profit.

In the time since the last shareholder vote, McDonald's has changed the contents of its popular Happy Meals for children - reducing the "french fry" (pomme frites) portion by more than half and automatically including apples in every meal. It also won the dismissal of a lawsuit that sought to stop the company from using free toys to promote its Happy Meals for children in California.

Dr Andrew Bremer, a pediatric endocrinologist and professor at Vanderbilt University School of Medicine in Nashville, presented the proposal at the meeting and said McDonald's has chosen to employ "countless new PR tactics" that create a perception of change while "unreasonably" exposing shareholders to significant risk. "It is not enough to point to so-called healthier menu items when children are still the target of aggressive marketing of an overwhelming unhealthy brand," Bremer said.

McDonald's board of directors recommended a "no" vote on the proposal, calling it "unnecessary and redundant." Shareholders heeded that call. The proposal received 6.4 percent of votes in support, up from 5.6 percent a year ago.

Incoming CEO Don Thompson, who said his two children eat at McDonald's, was forceful in his response to questions from Corporate Accountability representatives. "I would never do anything to hurt them or any other children, nor would we as a corporation ... Do me the honor, and our entire organization, of not associating us with doing something that is damaging to children. We have been very responsible," Thompson said.

Source: Wall Street Journal May 24, 2012

GRADED ASSIGNMENT #2:

1. Why are societies all around the world constantly having to challenge corporations regarding their irresponsibility toward children in so many areas of business? (100 word maximum)
2. Note the list below of "actors" who play a role in most of the cases. Choose one of the cases above and address the relative capabilities, orientation and (in your view) responsibility of the 7 actors identified for the cause of the problem. (150 words maximum)*
3. In conclusion, specify a relative ranking (1 most responsible to 7 least responsible) for responsibility for the problem in that case.*

***NOTE: Not all of the actors are in the individual cases.**

- the company**
- the children**
- the parents**
- the government**
- the NGOs**
- media, mass and social**
- scientific experts**

Send your answer to Professor Molander (emolander@yahoo.com)