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"The Big WHY": Philip Morris's failed search for corporate social value.

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Corporate legitimacy, the public’s general perception that a company’s actions are consistent with shared norms of appropriate behavior, enables corporations to maintain their operating licenses and status as publicly sanctioned institutions. When public approval is threatened, reduced, or withdrawn, however, a legitimacy crisis occurs: a corporation’s practices become something to be addressed and perhaps modified significantly in response. As delegitimation of the tobacco industry and denormalization of tobacco use reconfigure the social meaning of tobacco, the tobacco industry faces legitimacy crises beyond those experienced intermittently by most other corporate entities. In light of the deadly, addictive nature of its products and the tobacco industry’s now well-documented history of deceit, legitimacy crises may be particularly difficult for tobacco companies.

We examined executive deliberations at Philip Morris USA in 2000 to 2002 as the company’s leadership sought to restore legitimacy through a formal corporate social responsibility commitment. Struggling to reconcile responsibility principles with Philip Morris’s history and its products’ deadliness, these executives questioned the purpose and value of Philip Morris itself. Although previous studies have explored Philip Morris’s evolving interest in corporate social responsibility, none have examined the internal processes by which a tobacco company tries to explicitly address its raison d’être. The evolution of this process at executive levels of the largest US tobacco company suggests that tobacco companies face not only ongoing external public relations concerns, but also internalized legitimacy struggles that may create openings for policy innovation to address the tobacco epidemic more effectively on the supply side.

METHODS

Litigation against the tobacco industry has resulted in release of more than 13 million previously undisclosed industry documents, now archived at the University of California, San Francisco library in a full-text searchable electronic repository. We initially searched the archives with broad search terms (e.g., corporate responsibility) and used retrieved documents to identify more specific search terms. We identified 150 Philip Morris documents, spanning 2000 to 2002. More detailed information on tobacco industry document archives and search strategies is available elsewhere.

We analyzed documents with an interpretive approach. In this type of historical analysis, “the focus of attention is on meanings... Each document [is] reviewed carefully and the ‘taken for granted’ assumptions and viewpoints of the author[s] drawn out.” Consistent with the analytic tradition within which we were working, we specified no preanalytic conceptual schema. To develop this interpretive account, one of us (P. A. M.) reviewed all documents, and both authors reviewed selected key documents and took detailed notes. We relied on iterative reviews and discussions of documents and notes to identify common themes and clusters of meaning.

RESULTS

When Mike Szymanczyk became Philip Morris’s chief executive officer in late 1997, he concluded that Philip Morris was “out of alignment with society’s expectations of a socially responsible company.” He based this conclusion on the then-numerous state lawsuits seeking to recover from tobacco companies Medicaid costs related to tobacco-caused disease. Plummeting public opinion and a Food and Drug Administration effort to regulate nicotine as a drug may also have been considerations. Szymanczyk quickly moved to reframe Philip Morris’s mission from a singular focus on being successful to a focus on being “responsible, effective, and respected.”

In early 2000, 16 Philip Morris employees explored this mission and future societal and business trends.
were public demand for greater corporate responsibilities and an expectation that businesses "strive to contribute to individual and environmental wellbeing." The group argued that responsibility was key to the company’s survival and proposed to senior management (see the box on this page) that Philip Morris become a leader in corporate social responsibility, an emerging societal expectation that corporations voluntarily agree to improve their social and environmental practices. One step toward this goal was the formation of a Corporate Responsibility Department through its work, Szymanczyk expected to see an entirely different company in 5 years.

The Corporate Responsibility Task Force

In late 2000, with the support and sponsorship of Szymanczyk, the Corporate Responsibility Department created a 23-member Corporate Responsibility Task Force, made up of high-level Philip Morris employees (selected by senior management for their progressive thinking regarding Philip Morris’s mission) and outside consultants (see the box on the next page). An assistant general counsel served on the task force and reviewed all its documents. The task force’s responsibilities were to develop a corporate responsibility definition for Philip Morris, create an implementation process, and recommend social responsibility–related policies and practices to senior management, who would make final decisions.

Over 9 months, the Corporate Responsibility Task Force met with outside experts, researched other corporations’ social responsibility programs, and attended monthly meetings at which nothing was to be considered off-limits for discussion. At its October 2000 kickoff meeting, Szymanczyk set the task force’s direction with an ambitious, expansive goal: “redefine the role of a corporation in American society.” Central to this task was considering how Philip Morris might “deliver social value on a large scale.” Szymanczyk argued that it was possible for corporations to contribute both social and economic value and that “we have an ENORMOUS opportunity to increase social value . . . in our industry and in others” (emphasis in original). Several months later, he again stressed the importance of social value to the entire company, explaining that “focusing on social value is not only the right thing to do, it’s good for business.”

Social Value

From the beginning, however, the Corporate Responsibility Task Force struggled with how Philip Morris did or could contribute social value, defined in an early meeting as “making the world a better place.” This struggle was linked to what the task force called “The Big Why”: what was Philip Morris’s purpose, its “positive contribution to society”? At several points, the group asked about Philip Morris, “Why do we exist?” The difficulty in identifying Philip Morris’s positive societal contribution stemmed from Philip Morris’s product: as a senior manager observed, “Creating social value starts with the product; yet, except to the smoker, there is no perceived social value to our product. (And smokers’ perceptions may vary.)”

Senior management consulted by the task force suggested that Philip Morris’s social value consisted of “the process of changing for the betterment of society,” echoing the company’s “things are changing” television ad aired in 2000, which highlighted tobacco-marketing restrictions Philip Morris had implemented as part of the Master Settlement Agreement. Senior management also suggested that reduction in harm was the company’s social value, reflecting its goal to develop and launch a cigarette with reduced “potentially harmful smoke constituents” by 2002. Task force members did not initially embrace those suggestions. Although they acknowledged the importance of cigarette harm reduction, task force members noted that “there are also many other broader societal issues we need to put our attention to.” After meeting with senior management, task force members concluded that they still needed to determine the value of what Philip Morris provided and wondered if they would ever come close to answering this question.

The Corporate Responsibility Task Force discussed the idea of pleasure for smokers as a possible social value but appeared to be wary of promoting it. For example, in an early meeting, a task force member wondered whether it was appropriate even to talk about pleasure as a possible product value or benefit. (This was a stark contrast with the early 1980s, when Philip Morris and other tobacco companies funded a “social costs/social values” project in which academics developed arguments promoting smoking’s alleged benefits.) Several months later, the task force was no closer to embracing pleasure as Philip Morris’s social value. One member commented that “there is something about the word that gives me pause”; another noted that the word was open to misinterpretation.

The task force also debated whether the social value discussion should be limited to the product. In its final recommendations to senior management, the Corporate Responsibility

<table>
<thead>
<tr>
<th>Members of Philip Morris USA’s Senior Management Team, 2000–2001</th>
</tr>
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<tbody>
<tr>
<td><strong>Name</strong></td>
</tr>
<tr>
<td>Mike Szymanczyk</td>
</tr>
<tr>
<td>Ellen Merlo</td>
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<tr>
<td>David Beran</td>
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<tr>
<td>Howard Willard</td>
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<td>Craig Johnson</td>
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<td>Roy Anise, Sr.</td>
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<td>Nancy Lund</td>
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<td>Kenneth Murphy</td>
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<tr>
<td>Harry Steele</td>
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<tr>
<td>Carolyn Levy</td>
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<tr>
<td>Marty Barrington (2000); Denise Keane (2001)</td>
</tr>
</tbody>
</table>

Source: Philip Morris internal documents.
Task Force concluded that social value was not a particular thing, but rather an “on-going process of attempting to increase the positive and decrease the negative impacts of our Footprint” (defined by the task force as “what happens in the world as a result of a company’s existence”). Social value was the outcome of Philip Morris living up to its mission of responsibility. Despite its similarity to an earlier senior management suggestion, this definition apparently dissatisfied the senior team: notes from a Corporate Responsibility Task Force–senior team meeting contain the observation that “we may need to strengthen the link between social value and economic value.” The task force agreed that “our contribution to social value is our license to operate which is our return to shareholder [sic].”

Statement of Principles

The Corporate Responsibility Task Force’s difficulties were reflected in the evolution of a Statement of Principles, which explained Philip Morris’s plans for its mission of responsibility and answered the “why are we here” question. An early draft by the task force, dated April 2, 2001, referred to social value in the first paragraph (a preamble), “We believe that for a corporation to be responsible, it must...constantly review and adapt their [sic] activities to assure that they create social value as well as economic value” (Table 1). A week later, the draft offered a less expansive commitment: “We will balance the interests of all stakeholders to ensure that we can contribute both financial and social value in the conduct of our business.” In an implicit reference to the task force’s social value discussion, this draft also introduced principles centered on harm reduction and pleasure (Table 1).

After initial review by senior management, however, this preamble was abandoned, and by April 22 social value appeared only near the end of a list of responsibility-related goals: “Provide economic and social value to our shareholder [Philip Morris Companies] to justify its confidence in us as a responsible and productive member of the company.”76 (Philip Morris Companies was, at the time, the parent company of the tobacco companies Philip Morris USA and Philip Morris International, as well as Kraft Foods North America, Kraft Foods International, Miller Brewing, and Philip Morris Capital Corporation.) A notable addition was the final principle: “Conduct our business so that our policies and actions provide benefits for future generations.” A Corporate Responsibility Task Force member recommended greater clarity, but after further discussion and input from employees and senior management, this principle was removed.

Corporate Affairs reviewed the June 6 version of the statement of principles, raising questions about how to define social and economic value, and pointing out that “we must be financially sound to have the resources to impact social value.” When the Corporate Responsibility Task Force presented its final recommendations to senior management in July, Philip Morris’s chief executive officer asked the task force to “more clearly define our point of view on social... and economic value.”

Although a task force member stated that this could be accomplished by expanding the preamble, the October 2001 version (now referred to as Philip Morris’s Mission and Goals), provided to all company employees, did not refer to either social or economic value. The earlier reference to providing social value to Philip Morris’s parent company had been changed to “provide returns to our shareholder, Philip Morris Companies, to justify its investment and confidence in us.” The company’s current mission statement includes a pledge to “create substantial value for shareholders” by “execute [ing] our business plans to create sustainable growth and generate substantial return for shareholders.”
<table>
<thead>
<tr>
<th>Date</th>
<th>Social Value Principles</th>
<th>Pleasure and Harm Reduction Principles</th>
<th>Marketing Principle</th>
</tr>
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<tbody>
<tr>
<td>April 2, 2001</td>
<td><strong>We believe that corporate responsibility is based on a recognition that a company’s activities impact people and societies in a host of ways that go beyond economic and financial performance. Corporations are citizens in their societies—impacting the environment, social relationships, communities, politics, health, and human development. We believe that for a corporation to be responsible, it must examine all of these impacts, engage in active discussions with stakeholders as to what responsibility means, and constantly review and adapt their activities to assure that they create social value as well as economic value.</strong></td>
<td>None</td>
<td><strong>Assure that cigarette marketing is appropriate, given its health risks, and that marketing is minimally visible to minors.</strong></td>
</tr>
<tr>
<td>April 11, 2001</td>
<td><strong>Philip Morris USA’s commitment to the principles of corporate responsibility is based on our recognition and understanding that a company’s activities and conduct impact the lives of individuals and societies. In our efforts to be a responsible corporate citizen, we will balance the interests of all stakeholders to ensure that we can contribute both financial and social value in the conduct of our business. . . . We are fully committed to acting in accordance with our principles and believe that we can deliver both economic and social value to all of our stakeholders as well as to society in general.</strong></td>
<td><strong>We will manufacture and market the highest quality tobacco products that meet the preferences and provide smoking pleasure to our adult consumers. Because tobacco products pose a major public health problem, we will focus our efforts on harm reduction as it applies to our products and to our policies, programs and positions.</strong></td>
<td><strong>We will market our products to adult smokers in a responsible way. We will seek to develop methods of marketing and promotion that limit their visibility.</strong></td>
</tr>
<tr>
<td>April 22, 2001</td>
<td><strong>Provide economic and social value to our shareholder to justify its confidence in us as a responsible and productive member of the company.</strong></td>
<td>Provide economic and social value to our shareholder to meet the preferences of our adult consumers. Provide smoking pleasure while continually exploring and implementing new methods and technologies to reduce the harm associated with our products.</td>
<td>Market our products to adult smokers responsibly.</td>
</tr>
<tr>
<td>May 21, 2001</td>
<td><strong>Provide economic and social value to our shareholder to justify its confidence in us as a responsible and productive member of the company. Conduct our business so that our policies and actions provide benefits for future generations.</strong></td>
<td>Manufacture and market the highest quality tobacco products that meet our adult consumers’ preferences and provide them with smoking pleasure while continually exploring and implementing new methods and technologies to reduce the harm associated with our products.</td>
<td>Market our products to adult smokers responsibly by ensuring we do not appeal to nonsmokers and that we encourage those who want to quit to do so.</td>
</tr>
<tr>
<td>May 25, 2001</td>
<td><strong>Provide social and economic value to society and justify confidence in us as a responsible and productive member of the company to our shareholder, Philip Morris Management Corporation.</strong></td>
<td>Respect and support our adult consumers by meeting their preferences, providing them with smoking pleasure and continuously exploring and implementing new methods and technologies to reduce the harm associated with our products.</td>
<td>Market our brands to adult smokers responsibly while not advocating smoking or discouraging quitting.</td>
</tr>
</tbody>
</table>
Addressing the Past

Corporate Responsibility Task Force members also struggled with Philip Morris’s past, specifically, “our history and the public’s perception that we lied to them.” Precisely what the public considered the company to have lied about was never described, but a reference to the 1994 “image of the Congressional hearings” at which 7 tobacco chief executive officers swore under oath that nicotine was not addictive and that cigarettes did not cause disease suggested that these lies concerned tobacco products’ deadly and addictive nature. At their first meeting in October 2000, task force members observed focus groups with the public discussing tobacco companies and responsibility. Debriefing notes indicate that the public wanted an apology from tobacco companies, and task force members discussed how Philip Morris might “reconcile with our perceived past to move forward.”

In January 2001, the task force asked whether reconciliation was necessary: “Can we just say ‘This is who we are now . . . ?’” The group identified pros and cons of “reconciling the past” through an apology or acknowledgment. Arguments in favor of an apology included the “tremendous power that can come from the unification around healing and be directed toward creating the future” and consistency with Philip Morris’s stated value of integrity. An apology offered a chance at closing the “partially healed wound that is still easily opened.” The task force also noted the potential for forgiveness: “Our society does allow that one can make serious mistakes even with the best of intentions.” However, an apology’s emotional toll was unpredictable, making it difficult to compare the cost of an apology to that of saying nothing. A task force member also noted that “along with the . . . apology/acknowledgement come defined changes in business practices. Without those changes any acknowledgment will be seen as insincere.”

At least 1 task force member thought that to acknowledge the past and search for healing was the most important advice to the senior team that the Corporate Responsibility Task Force had to offer. Accordingly, addressing the past was included on the group’s list of ideas that should be presented to senior management at a March 2001 meeting (later rescheduled for April). A draft meeting presentation asked senior management, “Do we need to reconcile our past before we can move forward with the present and into the future?” However, later drafts make no reference to this question.

Notes from the April meeting contain only oblique reference to accepting responsibility for the past: “Accepting responsibility for intended consequences is one thing; how do we accept responsibility for unintended results or consequences?”

Later notes contain no further references to a possible apology, and the Corporate Responsibility Task Force’s final July 2001 recommendations do not include reconciling the company’s past as a potential corporate social responsibility focus area. Instead, the task force noted, “We need to connect the past to the present and future by ‘telling our story’ particularly to employees, and assigned this task (without further elaboration) to the senior team.” One component of this story may have been helping employees understand Philip Morris’s evolving positions on tobacco-related issues, an issue discussed at earlier task force meetings.

Another possible component of Philip Morris’s story was the origin of the company’s responsibility, referred to inside the company as “roots of responsibility.” A task force member pointed out that a possible message conveyed by the task force’s creation was that “in the past we’ve been irresponsible and now we’re changing.” To avoid sending this message, several task force members identified examples of the company’s responsible behavior in philanthropy, employee relations, diversity, product development, and organizational culture (e.g., arts sponsorship, funding of student internships, and introduction of domestic partnership benefits).

After a February 2001 presentation detailing these roots of responsibility, a Corporate Responsibility Task Force member reflected, “Once we start connecting all the pieces it becomes clear that we have been doing a lot of really good things for a long time.” Other task force members emphasized the company’s consistent responsible intentions, pointing out that Philip Morris “has always wanted to be responsible” (emphasis added), but “along the way we had a disconnect with society’s expectations of us.” A task force member also suggested engaging in a dialogue (with unnamed others) about the period when Philip Morris was disconnected from these expectations. However, when the task force summarized its work to employees, it did not mention this disconnect, focusing instead on Philip Morris’s
history of responsible behavior. 103 One employee noted a contradiction: “How will we change public perceptions of our business practices if we conclude that we are already a responsible company?” 104

**Marketing**

The Corporate Responsibility Task Force discussed possible social responsibility elements for Philip Morris, such as improved environmental performance and stakeholder dialogue. 105 One of the arguably more radical suggestions concerned “revolutioniz[ing] the way we market and communicate.” 150 Meetings with outside experts confirmed that changing marketing practices was vital to Philip Morris’s social responsibility efforts. 106 In January 2001, the task force discussed what a marketing revolution might entail: “Consider changing the premise of our advertising to an ‘opt in’ approach.” 89 This would involve changing the “presumption from ‘advertise/market visibility to all, and some will choose to smoke’ to ‘advertise/market visibility only to those who have made the informed, adult, choice to smoke.’ And build a business model based on the new presumption.” 89 Under this model, no Philip Morris-branded tobacco marketing would appear in magazines with any youth readership and point-of-sale displays in stores patronized by youths would be curbed. 89 Task force members also asked, “What’s the extra risk on warning and disclosure? On or in packs? On ads? ... We need to know how to communicate risk so that consumers get it.” 107

Notes from subsequent Corporate Responsibility Task Force meetings lack further elaboration on these ideas; however, an early Statement of Principles draft pledged to “work constructively with public officials and others to ... assure that cigarette marketing is appropriate, given its health risks, and that marketing is minimally visible to minors” (Table 1). 74 Initially, changes preserved the emphasis on minimally visible marketing: “We will market our products to adult smokers in a responsible way. We will seek to develop methods of marketing and promotion that limit their visibility.” 79, 104 But after feedback from senior management, 77 this language was changed to “market our products to adult smokers responsibly.” 75 In addition, Philip Morris’s legal review of the task force’s January meeting notes implied that suggestions regarding enhanced consumer risk communication were unwelcome: a handwritten note stated, “Our view is that current warnings are adequate & risks well known. Thus, not clear what this [suggestion] adds/means or that it’s needed.” 107

The task force next sought input on marketing and other responsibility principles from 27 employees; meeting notes contain an employee’s observation that the phrase “responsible marketing” was undefined and a recommendation to define it as marketing that did not encourage youths or nonsmokers to smoke and did not discourage smokers from quitting. 109 The language initially approved by senior management for internal use was a pledge to “responsibly market our brands to adult smokers while neither advocating smoking nor discouraging quitting.” 81 However, after further consideration by senior management and legal and other departments, 82, 86 this statement was changed once again to the more opaque “responsibly market our brands to adults who choose to smoke.” 83

In July 2001, the task force recommended to senior management 3 social responsibility priority initiatives: (1) deal with, in their words, “environmental tobacco smoke,” (2) reduce cigarette litter, and (3) enhance supply-chain management. 110 With the Corporate Responsibility Task Force’s work complete, Philip Morris created an 11-member Corporate Responsibility Team to help implement these recommendations. 111 At this writing, the responsibility section of the company’s Web site includes information on litter-related activities and promotion of sustainable agricultural practices, but nothing on secondhand tobacco smoke. 88

**DISCUSSION**

Organizational legitimacy has both practical and symbolic value to companies. 1,2 From a practical standpoint, a total loss of legitimacy could result in revocation of a corporation’s charter or other state actions. In practice, however, these events are rare because corporate entities are assumed to be contributing in some way to the greater good of society—beyond their return to shareholders. This assumption drives policies that, for example, allow favorable tax status for corporations, because of their creation of jobs or other public benefits.

Symbolically, loss of legitimacy causes corporations to suffer a loss of standing among other companies, 2,6 contributes to ambiguity and anxiety among employees about their work and its role in society, 112 and triggers the kinds of self-examination and reflection that Philip Morris tackled in trying unsuccessfully to reconcile its core business with corporate social responsibility principles. 1

Public demands for greater corporate social responsibility suggest that organizational legitimacy depends in part on sustaining a perception that the company contributes social value. The company’s chief executive officer seemingly recognized this when he directed the Corporate Responsibility Task Force to consider how Philip Morris might deliver large-scale social value. The task force failed in this task: its ultimate conclusion, that the company’s social value was its continued ability to provide shareholder returns, merely restated as a social value all corporations’ standard fiduciary obligation to company owners. The discussions recorded in the company’s internal documents suggest that members of the task force may have recognized that this is not the same as authentic social value—and requires ignoring the vast social harm created by the enterprise. The absence of the term “social value” in Philip Morris’s public Mission and Goals statement 88 suggests that the company has never managed to define it satisfactorily.

Of course, task force members and senior management may have been satisfied with this definition of social value, seeing it as the logical outcome of lengthy deliberations among numerous people. Nonetheless, their struggle to identify Philip Morris’s unique contribution to societal welfare suggests that the time may have arrived when it can be asserted that there is no real argument for the continued existence of the tobacco industry in its current form. This creates an opportunity to consider more radical alternatives, such as various endgame scenarios put forth by tobacco control scholars. 113-118 These scenarios offer policy alternatives that, by providing different incentives and controls that recognize the unique harmfulness of the tobacco business, could enable a tobacco company to contribute authentic social value. For example, Callard et al. recommend creating
incentives for tobacco companies to reduce demand for tobacco products. Others have suggested achieving a de facto prohibition on smoked tobacco through a combination of high tobacco taxes, cigarette advertising bans, comprehensive restrictions on smoking in public places, and policies that encourage smokers to switch to nonsmoked forms of tobacco or (preferably) medicinal nicotine, perhaps even gradually phasing smoked tobacco products out of the market.

Limitations
The document database is so large that we may not have retrieved every relevant document. Some may have been destroyed or concealed by tobacco companies; others may never have been obtained in the legal discovery process. In addition, because many of the documents we found were group meeting notes lacking extensive detail, our knowledge of the specific actors who advocated or opposed particular ideas and the length or intensity of interest in specific topics was limited.

Several Corporate Responsibility Task Force participants were outside consultants whose views may not have reflected company views (although because 3 had previously worked with Philip Morris and 1 was a former Philip Morris vice president, they were likely familiar with the company’s views, policies, and constraints). It is also unknown why particular suggestions were ultimately rejected, although we observed a pattern of changes that occurred after senior management consultation.

Conclusions
Social value, as the Corporate Responsibility Task Force participants have expressed, has become exceedingly difficult for tobacco companies to claim. The Big Why question should be revisited in light of this failure, but asked publicly in a new form: Why should society continue to sanction companies that create no social value and create so much harm for so many, in the process of creating profits for so few?

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