

Child Slavery/Labor and the Chocolate Industry: A Case Study Analysis of the Hershey
Company, an Industry Leader



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Introduction:

Hershey Company (Hershey) is the industry leader for chocolate manufacturing in the United States boasting 44.2 percent market control and annual revenues over 7.1 billion dollars.¹ Established in 1894, the organization's history is synonymous with corporate responsibility, social concern, stakeholder interest, and a philanthropic focus on efforts to improve the well-being of children. However, in 2000 and 2001 the media brought public attention to the use of child laborers/slaves involved in the production of cocoa in Hershey's supply-chains. The organization's involvement in labor practices widely perceived as ethically unsound, juxtaposed the organization's humanitarian, child-centric image, causing an influx of public criticism and reputational damage to the Hershey brand. This case study will seek to analyze Hershey's response to the child labor/slavery crisis and propose crisis management solutions based on the applied theoretical framework of stakeholder theory.

A Closer Look

Child slavery/labor is a complex problem rooted in social, cultural and economic factors including illiteracy, poverty and a lack of economic alternatives.² In regions, like Ghana and the Ivory Coast that supply over half of the world's cocoa, child labor enables impoverished farmers increased earning potential by minimizing or eliminating the cost of worker wages. Child

¹1. Hershey website, "Company Profile," www.thehersheycompany.com.

²2. Aaronson, Susan, "Globalization and Child Labor: The Cause can also be a Cure," *Yale Global Online* (2007): 1, <http://yaleglobal.yale.edu/content/globalization-and-child-labor-cause-can-also-be-cure>.

laborers/slaves are bought and sold within the industry, work wage free and “the children usually experience frequent injuries from working with machetes, carrying heavy loads, or coming into contact with toxic chemicals.”³³ The International Labor Organization classifies labor practices on West African cocoa farms among the “Worst Forms of Child Labor” (WFCL).⁴

Media attention in 2000 and 2001 regarding the prevalence of child labor/slavery in the chocolate industry’s supply-chains spurred legislative efforts to require “slave free” labelling of chocolate products, but the bill failed due to lobbying initiatives by the chocolate industry. Adoption of the Harkin-Engel Protocol as a legislative alternative instead relied on self-regulation of the child labor/slavery problem internally by the chocolate industry. This resulted in minimal industry changes since no legal mandates required participation in the voluntary program.

More recently, a collective of four non-governmental organizations (NGOs) including Green America, Global Exchange, International Labor Rights Forum, and Oasis USA pressured Hershey for supply-chain reforms using the “Raise the Bar Hershey” campaign to increase public awareness and product boycotts.

NGO Prompted Corrective Actions:

³³. Ibid.

⁴⁴. Dark Side of Chocolate website, www.thedarksideofchocolate.org.

- Bliss: The bliss product line gained certification following an NGO threat to air a reputationally damaging commercial about Hershey's use of child labor/slaves during the most watched commercial event of the year, the Super Bowl
- Whole Foods (2012): A public announcement by Whole Foods announced a ban on Scharrfen Berger chocolates until the organization could prove a completely slave free product line. The action triggered a commitment from Hershey to gain 100% Fair Trade certification on all products by 2020.⁵

From a Competitive Standpoint

Since Hershey represents the U.S. industry leader in chocolate manufacturing and is subsequently the largest purchaser of West African cocoa,⁶ industry-wide change is dependent on Hershey's ethical compliance in establishing sustainable sourcing practices. According to Stevens, "From what companies have publicly disclosed, The Hershey Company is the chocolate company that appears to be putting in the least effort to ensure cocoa production in West Africa

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5. Coombs, Timothy, "Hershey, Cocoa, and Child Slavery/Labor Abuse," In *Applied Crisis Communication and Crisis Management*, Sage Publication, 2014, 58.

⁶6. Stevens Stevens, Harry, "Child Labor Concerns across Hershey's Supply Chain Prove it pays to be Proactive," *GreenBiz* (2012): 1, <http://www.greenbiz.com/blog/2012/10/18/child-labor-concerns-hershey-supply-chain>.

is free of forced and child labor.”⁷⁷ This is surprising news from the industry leader, but annual statistics support the claim.

Certified cocoa use in 2014:

Nestle: 27% (up from only 7% last year)⁸

Mars: 30%⁹

Hershey’s: 10%¹⁰

Hershey’s reluctance to join efforts to mitigate the effects of child labor/slavery are highlighted not only in lackluster certification reports, but also in company disclosures on related spending. The below chart shows financial donations made by chocolate manufacturers to the Child Labor Cocoa Coordinating Group to combat child labor and enslavement.¹¹ Hershey’s contributions are significantly less than top competitors’ donations and the organization also lags in adopting the

⁷⁷. Ibid.

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⁸. Nestle website, “Responsible Sourcing,” www.nestle.com/csv/rural-development-responsible-sourcing/responsible-sourcing.

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⁹. Mars website, “Targets and Progress,” www.mars.com/global/about-mars/mars-pia-targets-and-progress.aspx.

¹⁰¹⁰. Hershey’s website, “Cocoa Certification,” www.thehersheycompany.com/social-responsibility/cocoa-sustainability/cocoa-certification.aspx

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¹¹. Ibid.

use of certified cocoa across product lines. Commitments by Mars (30%)¹² and Nestle (27%)¹³ began in 2009 and are experiencing annual increases. Nestle aims to be the first major company to certify 100% of sourced cocoa in the UK/London market in 2015 and both Nestle and Mars show drive toward increasing certification goals in the U.S. However, Hershey’s projected 2020 deadline for 100% sustainability is still six years away and a 90% increase is needed from this year’s achievement. The upcoming deadline will take place twenty-years after the initial onslaught of media attention—assuming Hershey meets the deadline.

Company	Total committed funds	Average commitment per year
Mars	\$2.7 million committed for 2011–2013	\$904,000
Mondelez (Kraft)	\$2.32 million committed for 2009–2012	\$508,000
Ferrero	\$1.14 million committed for 2012–2013	\$570,000
Nestle	\$1.5 million committed for 2012–2015	\$375,000
Hershey	\$600,000 committed for 2011–2014	\$150,000
Barry Callebaut	\$300,000 committed for 2012–2014	\$100,000

Action

The organization’s consistent failure to meet deadlines, identify its cocoa suppliers, employ third-party certification groups, communicate clearly and honestly, and express empathy for the

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12. Mars website, “Cocoa,” <http://www.mars.com/global/about-mars/mars-pia/our-supply-chain/cocoa.aspx>.

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13. Nestle website, “Responsible Sourcing,” www.nestle.com/csv/rural-development-responsible-sourcing/responsible-sourcing.

plight of child laborers/slaves create obstacles for Hershey in restoring the organizational image to its pre-crisis status or an improved post-crisis state.

Communication concerns for Hershey include:

- Asymmetric communications that promote a lack of engagement and listening (press releases, prepared statements)
- Lack of corporate transparency
- Ambiguous and inconsistent communications
- Profits over people approach
- Repeated failure to meet deadlines

The following objectives will encourage promotion of the organization as an industry and ethical leader and contribute to reestablishing stakeholder trust:

- Build a positive corporate image among the general public, stakeholders, customers and employees
- Develop symmetric relationships with influential stakeholders (NGOs)
- Increase corporate transparency
- Promote clear, accurate and honest communications consistently to stakeholders
- Adhere to deadlines (develop achievable goals)

Theory-Based Case Analysis

The current case study will propose solutions for reform at Hershey's organizational level using the value-based theoretical framework of Freeman's stakeholder theory. Instead of defending the brand's reputation on a continual basis using a defense strategy, the organization will adopt a more proactive approach based on ethical action and relationship building that will enable crisis management and ongoing organizational growth.

As a management-based framework, stakeholder theory suggests the two underlying themes of management action are based on creating a shared meaning, or purpose, and developing relationships.¹⁴ The theory builds on Grunig's two-way symmetric communications model in that it relies on a symmetric relationship between organization and stakeholders. Both parties contribute value to the other by jointly working toward a common purpose. For the NGOs and Hershey a common purpose is sought through crisis resolution. For Hershey this is defined by resolving the reputational crisis, but for the NGOs this means eliminating the physical/psychological dangers for child laborers/slaves, or in terms of stakeholder theory, key stakeholders in the crisis.

In stakeholder theory, stakeholders are broadly defined as "any group or individual who can affect or is affected by the achievement of an organization's purpose."¹⁵ While not direct

¹⁴Freeman, Edward, "Stakeholder Theory and "The Corporate Objective Revisited," *Organization Science* 15, no. 3 (2004): 364, doi: 10.1287/orsc.1040.0066.

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15. Smith, Craig, Ansett, Sean, and Erez, Lior, "How Gap Inc. Engaged with its Stakeholders," *MIT Sloan Management Review* (2011): 2, <http://sloanreview.mit.edu/article/how-gap-inc-engaged-with-its-stakeholders/>.

employees of Hershey, the child laborers are the product of a supply-chain financially supported from Hershey's significant monetary contributions. In this way the child laborers are affected in a financial manner by Hershey's actions and additionally are affected by the organization's effort to improve ethical treatment of employees through improved labor conditions (moral stake). Since stakeholder theory is an inclusive approach, a stakeholder map can be practically applied at the organizational level to determine a "hierarchy of salience" ranking stakeholders according to "the relative power of stakeholder, the legitimacy of their claims, and the urgency of their claims on the company."¹⁶ This allows organizations to focus on stakeholders capable of providing the most benefit in achieving the organization's purpose, or the stakeholders in the most need of organizational assistance.

Key Stakeholders

Equity stake:

Employees

Financiers

Industry competitors

Suppliers/potential suppliers

Farmers

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16. Pfarrer, Michael, "What is the Purpose of the Firm?: Shareholder and Stakeholder Theories," *Good Business* (2010): 89, http://www.enterpriseethics.org/Portals/0/PDFs/good_business_chapter_07.pdf.

Moral Stake:

NGOs

Equity and Moral Stake:

Child laborers/slaves

Communities surrounding cocoa farms

Company owners (ideally)

Customers/potential customers

Potential Solutions

1. The previous use of a more extensive version of this plan to increase stakeholder engagement helped Gap to change its organizational reputation and engage in more transparent communications during a similar child labor crisis in Cambodia.

- 1.) Draw a stakeholder map
- 2.) Define new objectives based on stakeholder findings (employ Facebook)
- 3.) Resolve issues collaboratively with influential stakeholders including the Global Exchange, International Labor Rights Forum, Green America and Oasis USA.¹⁷

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17. Smith, Craig, “How Gap Inc. Engaged with its Stakeholders,” 7.

Past experience can be a predictor of corporate success. Gap found that adoption of a proactive approach that included expert advice from activist organizations worked to foster beneficial relationships and partnerships that extended beyond crisis resolution.

2. Develop a social media campaign to promote symmetric communications using Twitter, Facebook and a website. This will allow stakeholders to engage directly with the organization and consistently receive accurate updates on progress toward the 2020 goal of organization-wide sustainability. It will also show a human side to the organization and counteract perceptions of a profit over people approach to business. Since many of the “Raise the Bar, Hershey” campaigns target social media users, this will work to influence the users most likely to be aware of the campaign efforts and crisis situation. A link to philanthropic efforts to support child labor/slavery reforms could be included on all sites.

3. Develop a printable Social Responsibility Report, to be included on the organization’s public website, focused on corporate transparency, accuracy and honesty. Include code of conduct violations regarding labor rights and the supply chain, and efforts made to prevent future occurrences.¹⁸ Credibility and transparency are large hurdles to overcome but providing accurate,

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18. Ibid.

19. Freeman, Edward, “Stakeholder Theory and “The Corporate Objective Revisited,” 364.

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<http://yaleglobal.yale.edu/content/globalization-and-child-labor-cause-can-also-be-cure>.
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negative information in addition to projected goals shows ethical leadership by Hershey and sets a new standard for transparency in the industry, leading to increased stakeholder trust.

All three solutions promote efforts to rebuild stakeholder relationships—a priority in stakeholder theory. Additionally, increased communication of accurate, honest information and development of symmetrical relationships allow stakeholders to directly engage with the organization and gain a sense of shared purpose and organizationally assigned value at the individual level.

However, the first plan involves discussion with opinionated NGOs often interested in different objectives than the organization. Rival histories between the corporate and non-profit sector and discussion of emotionally charged social issues may present potential communication problems for the crisis team. Patience will need to be utilized. The second solution focuses on reputational repair and fails to address the physical safety concerns of child labor and slavery. While a useful method in conjunction with other tactics, it is not comprehensive enough to serve as the focus of this case.

Pfarrer, Michael. “What is the Purpose of the Firm?: Shareholder and Stakeholder Theories.” *Good Business* (2010): 86-93.
http://www.enterpriseethics.org/Portals/0/PDFs/good_business_chapter_07.pdf.

Smith, Craig, Ansett, Sean, and Erez, Lior. “How Gap Inc. Engaged with its Stakeholders.” *MIT Sloan Management Review* (2011): 1-13.
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<http://www.greenbiz.com/blog/2012/10/18/child-labor-concerns-hershey-supply-chain>.

The third solution focuses on increasing corporate transparency and regaining stakeholder trust. By publishing a social responsibility report that provides honest information regarding organizational misdeeds, the organization gains much needed credibility in the industry, and works toward establishing an ethical leadership role. However, readership may be limited and not as far reaching as engagement tactics by the NGO groups' social media campaign.

Crisis Communication Message: created based on the objectives the campaign hopes to achieve:

- At Hershey we are committed to a continued effort to source increasing amounts of cocoa from sustainable supply-chains to decrease or eliminate unethical labor practices from our production lines. We support a collaborative, stakeholder oriented approach to resolving issues and aim to communicate in a manner that promotes our dedication to honesty, transparency, and a shared sense of corporate responsibility with stakeholders ●

Final Solution and Discussion

Child labor/slavery is a complex issue based on cultural, social and economic factors. It cannot be resolved simply by boycotting certain cocoa supply-chains or the efforts of single organization. Resolution of the issue requires a commitment from the chocolate manufacturing industry to universally promote and endorse changes in global production and the sourcing of cocoa. Changes should reflect attention to long term sustainability and the ethical treatment and consideration of all laborers. Since Hershey is engaged in an ongoing reputational battle that will likely not end until the use of child labor in supply-chains ends, Hershey should collaborate with

reputable stakeholders to educate itself on the child labor/slavery issue and simultaneously work to establish credibility as an organization committed to social change. To do this Hershey needs to engage with stakeholders to learn from their insights and perspectives and make changes toward greater stakeholder engagement at the organizational level.

The plan to increase stakeholder engagement is as follows:

1.) Draw a stakeholder map:

Create a list of *all* stakeholders. Rank the stakeholders according to importance. Meet with the highest ranking stakeholders to discuss collaboration on child labor/slavery issues and increase organizational knowledge on the topic. Developing symmetric, transparent relationships with stakeholders involved in positive social action, will benefit Hershey's reputation by association. Developing relationships with influential NGOs, like Green America, will allow both organizations to better understand conflicting organizational perspectives and provide a buffer against relentless attacks on reputation in the media.

2.) Define objectives:

According to stakeholder theory, the organization's purpose or overall objective should be comprised of a shared meaning between stakeholders and management. To better accomplish this task, Hershey needs a better understanding of how stakeholders perceive the organization and what elements are most important to stakeholders. This can be accomplished using Facebook

as a channel for symmetric communications between organization and stakeholders and as a channel of distribution for stakeholder surveys regarding organizational perceptions. The use of Facebook in addition to key meetings with more salient stakeholders will provide a broad range of input for the organization to dissect and combine with existing objectives.

3.) Resolve issues collaboratively:

Freeman suggests that “Today’s economies underscore the fundamental reality we suggest is at the core of stakeholder theory: Economic value is created by people who voluntarily come together and cooperate to improve everyone’s circumstance.”¹⁹ The benefits of cooperation and engagement are numerous. Adopting a collaborative approach based on stakeholder engagement will increase organizational opportunities for transparent and honest communication while additionally increasing the organization’s understanding of stakeholders needs. It will provide increased knowledge on collaborative methods to remedy the child labor/slavery problem, allow for increased relationship development and provide a plethora of resources for organizational use.

Conclusion

The value-based nature of the stakeholder approach aimed at proactive efforts to rebuild not only the organizational reputation, but the ethical conscience of the organization stands out among alternate forms of crisis communication management theories. Most theories aim to deflect and evade responsibility for blameworthy acts and hide behind non-transparency and asymmetrical communications until the crisis blows over. Stakeholder theory instead strives to rebuild and

reshape how the organization operates and thinks by adopting an ethically motivated, value-based method of collaboration and relationship development. This allows even organizations as ethically apathetic as Hershey, a chance at reputation restoration by engaging with critical stakeholders to adopt new methods of management and instead of shying away from an embarrassing moment in the corporate sector, learning from the mistake and using it as an opportunity for growth and greater achievement.

Notes: