

CASE ANALYSIS: MATTEL RESPONDS TO ETHICAL CHALLENGES

1. Introduction

This is a case analysis on Mattel's response to ethical challenges. Being a multinational company majoring in the sale of children toys, this analysis focused on various ethical challenges that are associated with the company's products at various levels of supply chain. The analysis tried to reveal the people who should be held responsible for such unethical behaviors in the case. Apart from justifying why such people are responsible, the analysis employed various theories to justify why the identified behaviors in the case were actually unethical. Finally, the analysis revealed some of the core values at Mattel that could be used to show how the company is committed to good corporate social responsibility for the benefit of both shareholders and stakeholders.

2. Unethical Behaviors in the Case

Sales of unsafe products

The analysis established that despite good efforts that Mattel puts to ensure high standards, some of the company's manufacturers abroad have not adhered to this. There was a recall of toys by this company in 2007 due to discovery of lead on their surface by a European retailer. When this problem was traced, it was found that the company's manufacturer in China, Lee Der was responsible for the mess, and an estimate of 10million personal toys produced in this country was affected.

In a separate incidence later that month, Mattel was compelled to recall many toys because of powerful magnets, which could easily come loose and expose a choking hazard to young children. In this regard, it was reasoned that swallowing of one magnet can attract more magnets in the child's stomach, thus causing fatal complication. Hence, this led to several parents filing lawsuits that the toys harmed their children.

3. More Important Values in the Case

a) Respect and Privacy

Respect for privacy could be noticed in the company's online marketing policy. This seems to be a value at this company because Mattel has repeatedly addressed children's privacy with regard to the use of technology in marketing their products. The company recognizes the parents

of the children to help it make decisions on the fate and details of online marketing tools. Hence, the company sets children, through their parents, to leave or not leave their personal details in the marketing website.

Mattel has taken steps to inform both children and adults about its philosophy regarding Internet-based marketing tools, such as the Hot Wheels website. By assuring parents that their children's privacy will be respected, Mattel demonstrates that it takes its responsibility of marketing to children seriously.

b) Commitment

There is much commitment shown in the company's treatment of various social, economic and technological issues. The company is said to be committed to implement and ensure that the Global Manufacturing Code of Conduct is followed by all its manufacturers and contractors across the globe. The company shows serious commitment to business ethics while dealing with other manufacturers as well as industries. In this commitment, the company wants to ensure that all Mattel-owned as well as contracted manufacturing facilities should work in agreement with company standards. Other principles in this commitment relates to improved safety, wages, and observance of local laws. The company is committed through its global standards to prevent but not to punish the victims of the act, thus its main goal is to create and encourage responsible business practice. Moreover, the company is committed to its workforce by improving their skill level. As a result, this gives it more productivity and opportunities. In another view, it shows a commitment to good relationship between employees and its business partners. Finally, the company's global code of conduct is an indication that it is committed to foster and uphold ethical values.

c) Excellence and Success

Excellence and success values could be noticed in the manner the company would only like to partner with businesses that holds high ethical standards. In this excellence and success strategy, Mattel requires that a partner must comply with both local and national laws. The partner should also respect the company's intellectual property and support Mattel in the protection of its assets. For instance, protection of Mattel's patents and copyrights would ensure that the company would have sustainable business ties with partners.

Excellence and success could also be noticed in the Mattel's bid to achieve high product safety and quality as well as the bid to protect the environment and customs. Moreover, Mattel encourages thorough monitoring, evaluation and compliance on its products. On this note, the company's business partners must exhibit high product standards, safety, and quality as well as adhering to practices that satisfy Mattel's safety and quality standards.

In their assistance to compliance, Mattel maintains that all manufacturing facilities should provide explicit access for on-site inspection by either a party assigned by Mattel or by Mattel itself. Besides, quality assurance requires that such partners should give full access to records and annual compliance statement.

Mattel having created an independent monitoring body (MIMCO) emerged to have positive global branding. The company expects to keep this body for continuous checks and balances for achievement of high standard products. If some elements of quality and standard products are not being met by a partner, Mattel is ready to work with them so that they fix the problem together. This is an indication of team work. However, the business will be broken if the partner does not observe recommended corrective measures, and this is recognized as party of business improvement process.

d) Philanthropy and Community Development

It can be deduced that Mattel values philanthropy and community development through the children foundation. Both the company and its employees are encouraged to support children project in the community through personal contributions that runs on annual basis.

The company donated a multi-year, \$25 million grant to UCLA children Foundation. This donation was meant to support the hospital in establishing a new-state-of-art facility.

The company, through its Family Learning Program utilizes computer learning labs as a means to improve children's basic skills.

e) Equality and Fairness

This company values equality and fairness as shown in the manner in which its treats its employees and business partners. The company's Global Manufacturing Principles reflects the company respects cultural, philosophical, and ethical differences of the countries of their operation. These principles also set uniform standards on the company's manufacturers hence benefiting both consumers and employees.

The company's principle address employees' working hours, forced labor, wages, discriminations, and freedom of association. On this note, employees are paid a minimum wage that meets local industry standards. The company respects employees' rights, beliefs, and provides safe working environment to all employees.

4. Responsible People in the Unethical Behavior in the Case and Why They Were Responsible

There are three broad players that could be blamed for the unethical behavior in case. These are the Chinese government, Mattel's business partner, and Mattel Inc. With regard to lead paint that was discovered on the toy surface, and loose magnet, the Mattel Inc. could be held responsible for failing to implement effective inspection and monitoring in the entire supply chain. In response to the claims, it could be noted that Mattel had poor product design and supervision on product quality. Thus, Mattel's design engineers and quality assurance managers should be held responsible for this.

On the other hand, the company's manufacturer in China, Lee Der, could be held responsible for the lead paint issue. This is due to the fact that they knew very well how Mattel prohibits contracting third party suppliers but defied this and went ahead to be involved with a contractor, which supplied lead-tainted paint hence leading to the whole problem. Lee Der Company seems to have committed this mistake knowingly on the basis of cutting costs associated with rising costs of labor and raw material. Thus, responsible people in this case were procurement manager and human resource manager as well as top level managers of Lee Der Inc.

The government of China is held responsible for the unethical behavior given that they failed to properly protect citizens. Thus, in their bid to strengthen supervision of export goods, it suggests that her international trade minister contributed to not only the lead issue but also the loose magnet problem in the toys.

5. Theories to Justify Unethical Behaviors in the Mattel's Case

There were four types of theories that were considered to justify unethical behaviors in Mattel's case. These include: Utilitarianism theory, Deontological theory, Stakeholder theory, and Shareholders theory.

a) Utilitarianism Theory

This theory was used to justify that the acts were unethical based on the consequences of actions that are committed (Baier, 1994). This theory purports that unethical behavior suggest that the action committed led to negative consequences while positive consequences implied that the action was ethical. It could be noticed that use of lead-tainted paint on toys resulted in poor corporate and business relations between Lee Der and Mattel. Hence, this must have caused a negative impact on Lee Der. It could also negatively affect Lee Der with regard to its global brand image. Logically, both Lee Der and Mattel were most likely to face decline in business revenue due to recall of many toys that did not sell in that particular year. Therefore, based on the negative consequences that justify an action as unethical (Cornman and Lehrer, 1974), it was evident that the use of lead-tainted paint on toys resulted in negative impacts on both companies. By blaming Mattel's quality assurance department and product design, blames on Chinese government on its failure to protect citizens, and blames on intentional use of unqualified contractors at Lee Der to supply paints, it can be learnt that there might be negative consequences on the people directly involved in these acts. Hence, all these justify that the behavior was unethical. Finally, lead is a lethal metal when ingested. Thus, by painting toys with lead paint can highly increase death risks, which is a negative consequence. Moreover, loose magnet in the toys can be lethal when swallowed by children since it can attract other magnets to the child's stomach.

Based on the above, utilitarian theory considers all the victims by negative consequences, which also inflict pain on them at the same time (Donaldson and Preston, 1995; Sherman, 1981; DiMaggio and Powell, 1991). If all human beings seek pleasure (Mill, 1979; Gold, 1995), it implies that there will be no pleasure when children die and employees fired due to use of lead paint on toys and loose magnets in such products.

b) Deontological Theory

This theory was based on two principles to justify that the behaviors were unethical. These were *univerzability* and *hypothetical imperative* concepts (DiMaggio and Powell, 1983; Lehrer, 1974). Based on these concepts of deontological theory, an individual's behavior is unethical if the person would also not wish the same to be done unto him/her. Thus, no one working at Mattel

Inc. or at Lee Der would wish that their children are provided with toys that have loose magnet and lead paint on their surface. In other words, no one would wish that his/her child dies from the threats of these conducts. In another view, the theory holds that human beings should be treated with dignity and reverence, and that every individual has feelings and values to pursue (Carroll, 1993; Boatright, 1994; Burrell and Morgan, 1979). On this note doing the reverse of these is unethical. In Mattel's case, sales of unsafe and hazardous toys indicated that Lee Der in conjunction with their mother company Mattel Inc. did not value human dignity hence made the act unethical. Finally, the government of China failed on the basis of deontological concepts, which requires an individual to fulfill a duty but not based on personal interest.

c) Stakeholders and Shareholders Theory

The theories concern: the purpose of a business (Wicks and Freeman, 1998; Hawke, 2005; Jones, 1995a), what makes a business a good business (Evan and Freeman, 1983), and the moral responsibilities/obligations of a business (Wicks et al., 1994; Weaver and Trevifio, 1994). Hence, an unethical behavior does not balance the three elements as was noted in Mattel's case.

Contracting the company, which provided lethal paint, was an economic move to serve to the shareholders' interest and increase shareholder value (Phillips, 1997; Etzioni, 1988; Jones, 1994). However, the company failed to satisfy managerial duty in the stakeholder's theory to ensure that the welfare of all stakeholders was considered while maximizing profits or minimizing costs to satisfy the shareholders' goal (Donaldson and Preston, 1995; Jones and Wicks, 1999). As a result, the behaviors were unethical.

6. Conclusion

The case analysis of Mattel revealed that the company has some unethical behavior with regard to sales of unsafe products where one incident reported lead on the toys' surface and in another incidence reported powerful magnets in the toys. However, the company has core values in: respect and privacy, commitment, excellence and success, philanthropy and community development, and equality and fairness. In this analysis, the responsible people in the unethical behavior in the case were noted to be the Chinese government, Mattel's business partners, and the Mattel Inc itself. Thus, four major theories that were employed to justify the identified

unethical behaviors were utilitarianism theory, deontological theory, stakeholders' theory and shareholders' theory.

7. REFERENCES

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