BUILDING THE BODY OF KNOWLEDGE

JOURNAL OF THE 2007 CASE STUDY COMPETITION IN CORPORATE COMMUNICATIONS

ARTHUR W. PAGE SOCIETY

Institute for Public Relations
FOUNDED 1956

ARTHUR W. PAGE SOCIETY

VISION

The Arthur W. Page Society is committed to the belief that public relations as a function of executive management is central to the success of the corporation. The membership of the Society will embraced those individuals who epitomize the highest standards of public relations practice, as exemplified by the Page Principles.

MISSION

To strengthen the management policy role of the corporate public relations officer by providing a continuous learning forum and by emphasizing the highest professional standards.

CONTENTS • 2007 CASE STUDY COMPETITION JOURNAL

2 Introduction

5 Grand Prize

Google: Entrance into the Chinese Market and Government Censorship.
Brynn Harris, Allison Ogilvy
Mendoza College of Business, University of Notre Dame

18 First Prize–Business Schools

Bristol Myers Squibb: Patents, Profits and Public Scrutiny
Meghan Carter
Mendoza College of Business, University of Notre Dame

25 First Prize–Communications/Journalism Schools

McDonald's Corporation and the Issue of Health and Nutrition
Terri Ann Bailey
University of North Carolina at Chapel Hill

Presentation materials and teaching notes for each case study are available on our web site at www.awpagesociety.com in the Resources section.

INTRODUCTION

As part of its mission to strengthen the management policy role of the corporate public relations officer, the Arthur W. Page Society has long been interested in increasing awareness among future business leaders of the value of public relations as a central function of management. Over the last six years, the Page Society has made an effort to increase this awareness by issuing a call for original case studies written by business school and communications/journalism school students that focused on corporate communications and the practice of public relations applied to real-world business problems.

Since the case study competition's inception, the Page Society, in alliance with the Institute for Public Relations, has solicited case study submissions from more than 1,000 accredited faculty advisors at schools of business, communications and journalism throughout the world. And each year, the competition attracts an increasingly higher caliber of case studies. This year's competition drew a total of 39 entries, a 56% increase over 2006. The submissions came from the U.S., Singapore and Spain, 19 of which were from business schools and the remainder from communications/ journalism schools.

The goals of this competition are to:

- Introduce the practical applications of the core principles that define public relations as a critical function of management to scholars, teachers and students
- Encourage research that contributes to the profession's body of knowledge and provide practical suggestions on how to improve the corporate public relations function

The judges awarded three prizes in this year's competition. The student authors and their faculty advisers are awarded cash prizes and their prize-winning entries are published in the following pages of this Journal and also can be found on the Society's Web site at www.awpagesociety.com. The Grand Prize winners are recognized at a dinner that is part of the Society's annual Spring Seminar. This year, the dinner is scheduled for April 12 at The Millennium Broadway Hotel in New York City.

About the Sponsors

The Arthur W. Page Society is a select membership organization for senior public relations and corporate communications executives who seek to strengthen the management policy role of the corporate public relations officer. It is committed to the belief that public relations is a function of executive management and is central to the success of the corporation.

The Institute for Public Relations is an independent foundation dedicated to the science beneath the art of public relations. It exists to build and document research-based knowledge in the field of public relations, and to mainstream this knowledge by making it available and useful to practitioners, educators, researchers and the clients they serve.

About Arthur W. Page

Considered the father of corporate public relations, Arthur W. Page (1883–1960) was the first person in a public relations position to serve as an officer and member of the Board of Directors of a major corporation. He viewed public relations as the art of developing, understanding and communicating character—both corporate and individual. Page believed the successful corporation must operate in the public interest, manage for the long run and make customer satisfaction its primary goal.

The principles of business conduct for which he became known have influenced thousands of thought leaders and have earned the support and respect of chief executive officers throughout the country. The Society bearing his name is built upon a foundation of management concepts that have been tested for more than half a century. Page practiced these principles of public relations his philosophy.

Guidelines and Judging for the Competition

A panel of judges representing the corporate, agency and academic sectors of public relations reviewed all case studies that were entered in this year's competition, which began with a nationwide call for entries in August, 2006. The judging was completed in March, 2007. In all instances, the judges for this competition are experts in the field. They have no specific association to either the case writers or the universities they attend, nor to the companies or organizations that may be the subjects of the cases they review.

This year's distinguished panel of judges included:

Paul Argenti
Professor of Corporate Communication
Tuck School of Business at Dartmouth

Lynn Casey
Chair and Chief Executive Officer
Padilla Speer Beardsley

Mike Fernandez
Vice President—Public Affairs
State Farm Insurance

Janis Forman, Ph.D.
Director—Management Communications
Anderson Graduate School, UCLA

Michael Goodman, Ph.D.
Director
Corporate Communication Institute

Stephen Greyser, DBA
Richard P. Chapman Professor of Marketing and Communications
Graduate School of Business Administration
Harvard University

Sandra Macleod
Chief Executive
Echo Research Ltd.

Elliot Schreiber, Ph.D.
Visiting Professor of Communications
Arthur Page Center for Integrity in Public Communication
Penn State University

Ward White
Managing Director
Marcus Corporation Foundation

Art Wiese
Vice President—Corporate Communications
Entergy Corporation

The judges had the authority to make a final determination regarding any or all of the posted prizes and also the authority to make no awards if none seemed appropriate. Criteria used to judge all entries included the following:

- The purpose of the case study, its relevance and timeliness.
- The significance of the business problem (not the communications problem) and the critical issues identified and explored.
- How the effective use of the Page Principles generated constructive action and support from affected constituencies or, conversely, the outcomes generated from the ineffective use or non-use of the Page Principles.

- How well the problem addresses a substantive challenge and its importance to the organization.
- How the interests of the organization and its constituents were served.
- How the impact of the communication is measured.

The judges were also asked to weigh a submission's usefulness and general value to the profession as well as its educational value.

Competition judge Sandra Macleod, CEO, Echo Research Ltd., summed-up the caliber of entries in this year's competition:

> "Fascinating—all. And very hard to chose between them as the levels of professionalism, rigour and analysis were uniformly impressive. A tremendous overview and insight into how public relations is critical to sustainable success—and great materials in training tomorrow's influencers and leaders... Many were particularly good at considering a wider range of stakeholders and points of view than may be immediately apparent—so rightly thoughtful and challenging."

Art Wiese of Entergy Corporation expressed the judges' views on this year's Grand Prize winner this way:

> "Google: Entrance into the Chinese Market and Government Censorship—Excellent and deserving of the Grand Prize. Thorough, well-organized, well-written, focused on the communications issues (as many of the other case studies were not), strong teaching guide with a solid application of the Page Principles and good questions. This, in my view was the best of the best by a significant margin."

Awards and Prizes

Cases submitted for this competition may address any category or specialty within the field of corporate communications or public relations. At the discretion of the judges, 1st, 2nd and 3rd prizes may be presented. The Grand Prize is awarded to the best overall entry. The posted prizes for the 2007 competition were:

Prize	Student(s)	Faculty Adviser(s)
Grand	$5,000	$1,500
1st	$2,500	$650
2nd	$1,500	$350
3rd	$800	$200

Eligibility Requirements

Any student, graduate or undergraduate, who is enrolled in an accredited school of business, communications or journalism and is pursuing a degree (full or part time, regular or adjunct, tenured or non-tenured).

The Arthur W. Page Society and the Institute for Public Relations wish to thank all who participated in this year's competition, and we look forward to honoring the winners at our Spring Seminar in April.

GOOGLE: ENTRANCE INTO THE CHINESE MARKET AND GOVERNMENT CENSORSHIP

Brynn Harris and Allison Ogilvy
Eugene D. Fanning Center for Business Communication
Mendoza College of Business
University of Notre Dame
James Scofield O'Rourke, IV, Ph.D., Faculty Adviser

On January 25, 2006, Google, Inc. announced that it would provide access to the Internet in China through a new portal, Google.cn. At the same time, Google executives agreed to censor all search results which included content considered objectionable by the Chinese government. This decision was announced in the wake of Google's very recent refusal to provide user information to the United States Government case against child pornography.

Wall Street's response confirmed the profit potential of the venture, as the company's share price rose 3.6% in just one day.[1] However, the company's announcement brought strong reaction from the press and human rights organizations, as well. Within days, headlines were screaming across the United States and around the world, accusing Google of abandoning its principles all in pursuit of profit.

Two Kids in a Sand Box

As a graduate student at Stanford University, Sergey Brin led a tour for a prospective classmate, Larry Page. Both were strong willed and very opinionated, the two disliked each other immediately. Soon, however, they were practically inseparable because of a shared interest in technology. For years, the two Ph.D. students in computer science worked to develop a search engine they believed would revolutionize the use of the Internet. One of Page's Stanford professors literally laughed at his assertion that he could change the way early search engines were working.

By 1998, the duo founded a company known as BackRub, a name meant to reflect the technology's use of backward links to find useful websites. BackRub operated out of a dorm room until the duo received their first investment, a check for $100,000 from an angel investor. Within two weeks, they rented out a space in a friend's garage and officially founded Google, Inc. By definition, Google refers to the number one followed by 100 zeros and was meant to represent the vast amount of data available on the Internet. The company was founded with a mission to "organize the world's information and make it universally accessible and useable."[2]

By 1999, less than one year later, Page and Brin had secured more than $25 million in venture capital funds. Google had grown to just over sixty employees, and began to develop its own very unique culture. During that same year, the company relocated to the "Googleplex," an imposing office complex in Mountain View, California.

Page and Brin remained in executive roles, imparting their unique visions on the development of the company. They had successfully developed a business model which brought in large advertising revenues while maintaining a reputation as a free, user friendly search engine. Programs such as AdWords and AdSense allowed Google advertisers to target users according to keywords used in searches. Although the company seemed incredibly successful, their unique management styles led to the reputation that these two executives were still just kids playing in a sand box. The long-term success of the company was widely doubted, though, both in the press and on Wall Street.

Don't Be Evil

Over the next few years, Google continued to grow at a rapid pace. Although competitors such as Microsoft's MSN relied on traditional advertising, Google grew solely by word of mouth. The search engine's speed and ability to deliver highly accurate results drove its increasing popularity. The company developed multiple products meant to complement its search engine, including the Google Toolbar, Google Image Search, and Froogle an Internet shopping tool.

By 2001, Brin and Page sought outside industry experience to fill the role of CEO, and found this expertise in Eric Schmidt. While Schmidt has taken official leadership of the company, the two founders remain in active roles as Presidents. Decisions are made by committee, with all three participating.

In 2004, Brin and Page took the company public. The Initial Public Offering was controversial, due to its unorthodox style. Despite SEC investigations and negative attention on Wall Street, the offering was highly successful and valued the company in excess of $100 billion.

At the time of the IPO, the company released a letter from the founders. The public document reasserted the mission of the company: "We believe strongly that in the long term, we will be better served . . . by a company that does good things for the world even if we forgo some short-term gains. We aspire to make Google an institution that makes the world a better place." Google's popularity and rapid growth are often attributed, in part, to the company motto which embodies these ideals: "Don't Be Evil."[3]

Google has since grown to become the 5th most popular website in the world, with more than 380 million visitors per month. More than 50 percent of all users are international. Since the IPO, Google's stock price has rocketed to an astounding price.[4]

The company is continuing its tradition of branching out into multiple product lines. By 2006, they had projects in development that included programs which would allow individuals the ability to track DNA history for themselves online. Google believes this will provide individuals the ability to take ownership of their own healthcare through identification of potential hereditary health risks.

Department of Justice Request

In December of 2005, the Department of Justice requested all major search providers submit user information in an effort to investigate the prevalence of child pornography on the Internet. The ongoing investigation is an attempt to support the Child Online Protection Act, which imposes on all web sites the legal responsibility of shielding minors from harmful materials.

The subpoena requested a sampling of 1 million searches initiated through Google within a one-week time frame. Competitors MSN and Yahoo were also subpoenaed for similar information, and have complied with Department of Justice requests. Google refused to provide any information, citing the importance of user privacy, and has chosen to fight the subpoena in federal court.[5, 6]

The Chinese Market

With a population of 1.3 billion and a growing economy, China represents an enormously important market for the future of U.S. companies. The number of Internet users in the country has grown substantially over the past few years, and is currently estimated to have reached 111 million regular users. China, in fact, is now ranked as the second largest Internet market in the world. The Chinese government gives all Internet search providers a difficult choice: either censor results or do not do business in China.

The primary Internet search provider in China is Baidu.com, a Chinese company which owns approximately 48% of the search engine market.

Baidu has been ranked with the fastest responsiveness rate by users in China. The site is accepted as a clear leader in the market for both brand recognition and usage rates.

A study by Keynote Customer Experience Rankings acknowledges that the competitive advantages maintained by Google in the United States would be easily transferable to the Chinese market. Chinese customers ranked Google first, beating Baidu, Yahoo, and MSN in categories such as search quality, image search, and reliability. According to director of research and public services for Keynote, "we see that Chinese consumers really like the overall Google experience better. Eventually, this promises to translate into increased market share, particularly given Google's strong resources and focus on the market." [7]

Google did have a presence in the Chinese market prior to the announcement on January 20, 2006. However, the company had been unwilling to censor information on behalf of the Chinese government. A typical user search request initiated through the Google.com website would then would be filtered by the Chinese government to remove objectionable material. This process slowed Google's search results significantly, making it difficult for the company to compete in the market.

Google.cn

With the introduction of Google.cn, Chinese Internet users could access the same search engine with a speed similar to that of Google.com in the United States. Instead of the Chinese government filtering search results, Google now routes the inquiry through their own servers and removes any officially banned content. Search results are typically returned within only a fraction of a second. Although Chinese users would have previously received the same limited results, Google had no role in the actual censorship of information until the debut of Google.cn.

The filtered search results remove any reference to a number of subjects deemed by the Chinese government to be objectionable. Any content including mention of topics such as Tibet, Taiwan, Falun Gong, or the Dalai Lama is banned. A search on Google.cn for the phrase Tiananmen Square returns results showing a smiling couple in the square at spring, or the large photo of Chairman Mao, which is permanently displayed. Absent are any links to the massacre of 1989. The same search on Google.com would include pages showing the all-too-familiar image of a student standing in front of line of tanks in protest.[8] See Appendix A for images.

Press Coverage

The decision to censor their Chinese service turned Google, which had been heralded by an adoring press just months earlier for their exceptional stock performance, into the newest poster child for the more controversial elements of competing in the Chinese market. The fact that Google's actions appeared to be completely at odds with their motto of "Don't be evil" was an irony not lost on their critics, who quickly drew attention to the inconsistency. While a December 2005 issue of *Business Week* magazine had "Googling for Gold" as their cover story, February 2006 saw them headlining *Time* magazine with the less flattering, "Can We Trust Google with Our Secrets?" [9,10] The situation escalated when Tom Lantos, member of the United States House of Representatives and a Holocaust survivor and human rights advocate began to publicly speak out against the Internet providers, comparing their actions to those of the U.S. companies that collaborated with Nazis prior to World War II.[11]

Non-Government Organizations

Reporters Without Borders (RWB). RWB is a Paris-based public interest group that acts as a media watchdog on an international level, condemning any attacks on what it considers to be the rights and freedoms of the press.[12] They quickly established themselves as the leading critic of those U.S. search engines that agreed to censor their material in order to gain access to international markets, beginning back in 2004 by writing top U.S. officials and pleading for a code of conduct regarding oversees Internet filtering.

They said in their letters that "(the U.S.) places no restrictions on private-sector activity even when firms work with some of the world's most repressive regimes."[13] When Google decided to enter into the Chinese market two years later, the interest group was able to bring the issue more squarely into public attention, and Google became their top target.

"Google's statements about respecting online privacy are the height of hypocrisy in view of its strategy in China," said RWB in a January 25, 2006 press release issued in response to Google's announcement regarding its upcoming Chinese operations.[14] They argued that the censorship would result in China, which was already ranked 159th out of 167 counties in a 2005 RWB survey of press freedom, becoming even more isolated from the outside world.[15,16] "When a search engine collaborates with the government like this, it makes it much easier for the Chinese government to control what is being said on the Internet," said Julien Pain, head of RWB's Internet desk.

Human Rights Watch (HRW). HRW is the largest human rights organization based in the United States, with offices in regions around the world. The group investigates key human rights abuses both within the United States and internationally, and then publishes their findings in an effort to draw exposure to the issue.[17] Their testimony before the Congressional Human Rights Caucus on February 1 made a compelling argument that the Chinese government would be unable to carry out its censorship effectively without the cooperation of U.S. search engines:

> One lesson of China's experience with the Internet is that repressive governments cannot exercise full control over this medium without the willing cooperation of the private sector companies that are leaders in the industry . . . . China sought and received the cooperation of global Internet companies in limiting access to information.[18]

HRW argued that the U.S.'s dominance in the search engine market gave them considerable leverage against any country that hopes to benefit from the information age. The group proposed that if all the search engines acted together in refusing to comply with Chinese censorship rules, they would be in a very strong position to push for free access.[19] Despite their strong stance, the group has so far made no threat of a boycott. "How much choice do you have if all of these companies are doing this?" asked Mickey Spiegel, Senior Researcher at HRW. "We're not going to stop using the Internet."[20]

Competitor Response

Top competitors Yahoo and Microsoft's MSN pose tough competition for market share in China. Yahoo is placing very different bets on the future for search engines, and Microsoft has the resources to really challenge Google in search capability and advertising.[21] Both companies were complying with Chinese censorship regulations before Google began to, and have had their own negative publicity to manage.

Yahoo!. Yahoo came under fire for giving the Chinese government information that was used to convict Chinese Internet journalists Shi Tao in 2004 and Li Zhi in 2003.[22] The company defended its actions by saying that it didn't know how the information would be used. "I do not like the outcome of what happens with these things," said Yahoo co-founder Jerry Yang. "But we have to follow the law."[23] They also publicly encouraged the U.S. government to handle the issue, although they stated that it was too early for them to recommend how.[24]

MSN. In December 2004, Microsoft complied with an order from the Chinese government to close a site belonging to Michael Anti, a Beijing-based employee of *The New York Times* and one of China's most popular bloggers, which had been addressing sensitive political issues.[25] Microsoft Chairman Bill Gates responded by stating that "The ability to really withhold information no longer exists," and by outlining a policy in which sites blocked by government restrictions will still be available in all other parts of the world.[26]

Cisco Systems. While not a direct competitor for Chinese market share, the physical networking provider is one of the two U.S. companies the Chinese government relied on for the 2004 network upgrade that substantially improved their ability to track Internet searches.27

Microsoft and Yahoo issued a joint-statement on February 1 showing their support for collaboration with Google, Cisco, and the U.S. government in order to create industry guidelines for handling governmental restrictions.[28]

Google's Response

Page, Brin, and CEO Eric Schmidt have been open in admitting that suppressing free speech for a totalitarian government is more than a little controversial. However, in this case they argue the benefits outweighed the costs. Senior Policy Council Andrew McLaughlin issued a statement defending Google's decision on the day of the announcement. "While removing search results is inconsistent with Google's mission, providing no information—or a heavily degraded user experience that amounts to no information—is more inconsistent with our mission."[29]

Vint Cerf, who serves as "Chief Internet Evangelist" at Google further justified the move in an interview with *Time* magazine. "There's a subtext to 'Don't be evil,'" he explained, "and that is 'Don't be illegal.'"[30] McLaughlin outlined the dilemma behind the decision in a Google Blog posted on January 27. See Appendix B for the full statement.

> We ultimately reached our decision by asking ourselves which course would most effectively further Google's mission to organize the world's information and make it universally useful and accessible. Or, put simply: how can we provide the greatest access to information to the greatest number of people?[31]

Essentially, the Chinese market is simply too important for any major search engine to miss out on, regardless of the cost, and U.S. companies point out that if they withhold their expertise then firms from other countries will just step in.[32] Yahoo, MSN, and Google have also defended their actions by pointing out that the simple availability of the Internet, even if limited in scope, is considered a powerful engine spurring democratization. Then-President Bill Clinton observed in 2000 that "By letting our high-tech companies in to bring the Internet and the information revolution to China, we will be unleashing forces that no totalitarian operation rooted in the last century's industrial society can control."[33]

Congressional Human Rights Caucus Briefing

The U.S. Congressional Human Rights Caucus held a briefing on February 1, addressing "Human Rights and the Internet: The People's Republic of China" in an effort to encourage policy discussion among Internet companies. Attendance at the briefing was optional, and Yahoo, Google, MSN, and Cisco all chose not to attend.[34,35] Google released a statement on the day of the briefing, thanking the Caucus for the invitation, and citing a previously scheduled commitment as their reason for not attending.[36] See Appendix C for the official Google Blog.

The statement also outlined Google's strategy for its operation in China, emphasizing the protection features put in place in order to minimize the harmful effects their filtering system has on information seekers: First, Chinese users are notified when their search has been altered by the filtering system. Second, services such as GMail, chat rooms and blogging that involve users' personal information will not yet be offered out of concern that the Chinese government could demand such information, as they did from Yahoo in prior years. Third, large investments are to be made that encourage research and development within China.[37,38] These features, when combined with Google's decision to continue to provide users with the Chinese version of their unfiltered U.S. site, were intended to minimize the backlash for the agreement to censor in the first place. For Representative Tom Lantos, head of the House International Relations Committee, this statement was not enough.

"These massively successful high-tech companies, which couldn't bring themselves to send representatives to this meeting today, should be ashamed," he said. "They caved in to Beijing for the sake of profits."[39] While attendance at this meeting was optional, a February 15 hearing was called by Representative Chris Smith for which subpoenas were threatened. All four major companies indicated their plans to attend.

Legislative Action

Global Internet Freedom Act. On the day before the congressional hearing, February 14, Secretary of State Condoleezza Rice proposed the Global Internet Freedom Act. A resolution under this name has been proposed by Congress every year since 2002; this version would commit $50 million to the creation of a global Internet freedom policy and a task force to fight Internet-jamming by governments around the world.[40]

Congressional Hearing. A hearing called by Representative Smith, chairman of the House International Relations subcommittee on Africa, Global Human Rights and International Operations, was held on February 15 to officially examine the operating procedures of U.S. Internet companies in China. Smith questioned representatives from Yahoo, Google, Microsoft, and Cisco, as well as state department officials, and representatives of several human rights NGOs. The search engines faced harsh questioning and criticism in regards to their actions in China, and were even accused by Smith and Lantos of collaborating with persecutors who torture and imprison Chinese citizens, comparing the roles of US companies in China to the collaboration of American companies with the Nazis prior to WWII.

When Google was asked by Representative James Leach if they tried to negotiate at all with the Chinese government, Elliot Schrage, Google's Vice President for Corporate Communications and Public Affairs had to admit that they did not. "We did not have much of a negotiating position," he began. "It was a condition of doing business. Lots of businesses in China perform filtering and censorship."[42]

Representative Lantos, who is also a Holocaust survivor and human rights advocate, was not impressed with the performance of the search engine representatives. "I believe their performance at the hearing was worse than dismal," he said. "They were unprepared to admit to any mistake, to any shame, to any responsibilities for what their behavior had brought."[43]

Representative Smith had already begun drafting legislation that would regulate the relationship between U.S. companies and nations that place restrictions on the Internet, though Representative Lantos admitted that the proposal's chances of passing would be hurt by the controversial nature of the legislation.[44]

Global Online Freedom Act. Representative's Smith's legislation, titled the Global Online Freedom Act of 2006 was introduced on February 16. The act would forbid U.S. Internet companies from locating content servers inside China or any country that abuses human rights, and from cooperating with officials of such countries in effecting political censorship of online content.[45] Yahoo, Microsoft, and Google have all expressed support for the pending legislation.

Shareholder Reaction

In the weeks leading up to the release of its fourth-quarter earnings report, Google's stock fell nearly 7.5% from its high of $471.63 on January 11 as a result of the controversy concerning their refusal to supply the Department of Justice with the user information it requested.[46] The January 25 announcement to enter the Chinese market was met favorably by investors, with share price increasing 3.6% overnight. (See Appendix D for a chart of stock price.) The stock price was at $432.66 when the market closed on Tuesday, January 31 prior to disappointing fourth quarter results: the 23% increase over the company's third quarter revenue fell short of the 30% investors were expecting.[47] The result was an Earning Per

Share (EPS) figure of $1.54 instead of the estimated $1.76. It was the first time Google had missed its earnings expectations since going public in August 2004.

The stock dropped by over 16% at one point in after-hours trading, and opened at $389.03 with a loss in value of nearly $15 billion on Wednesday morning, February 1. The stock rebounded modestly that day, closing at $401.78.[48] Google blamed their disappointing figures on a higher effective tax rate than they had expected, but the market was not forgiving. The share price continued to fall as investors awaited the results of the Congressional Hearing on February 15. After hitting a low on the day of the hearing of $342.40, the stock began to improve, ending the week after the Congressional Hearing at $368.75.[49]

Under Investigation in China

In addition to all the problems at home, Google found themselves facing trouble in China as well. A state-run newspaper called the *Beijing News* reported on Tuesday, February 21 that Google was under investigation by Chinese authorities for operating in China without a proper license.[50] The ad ran alongside an editorial that harshly criticized the service provider for entering into the Chinese market only to complain about being required to follow Chinese law. Additionally, Chinese authorities had recently begun pressuring Google to remove the notification that appears on the bottom of every page filtered due to government regulation, to cut off access in China to its regular, unfiltered search engine, and to offer GMail and blogging services.[51] So far, Google has refused, but the fact that the license they use in China is standard for foreign Internet firms has raised speculation that the Chinese Ministry of Information Industries only brought up the license issue in order to put pressure on Google to comply with the demands of the Chinese government.[52] If this is the case, Google's legal issues in China will not be easily solved.

Current Dilemma

The image of Google in the media and among investors has been severely damaged. Their

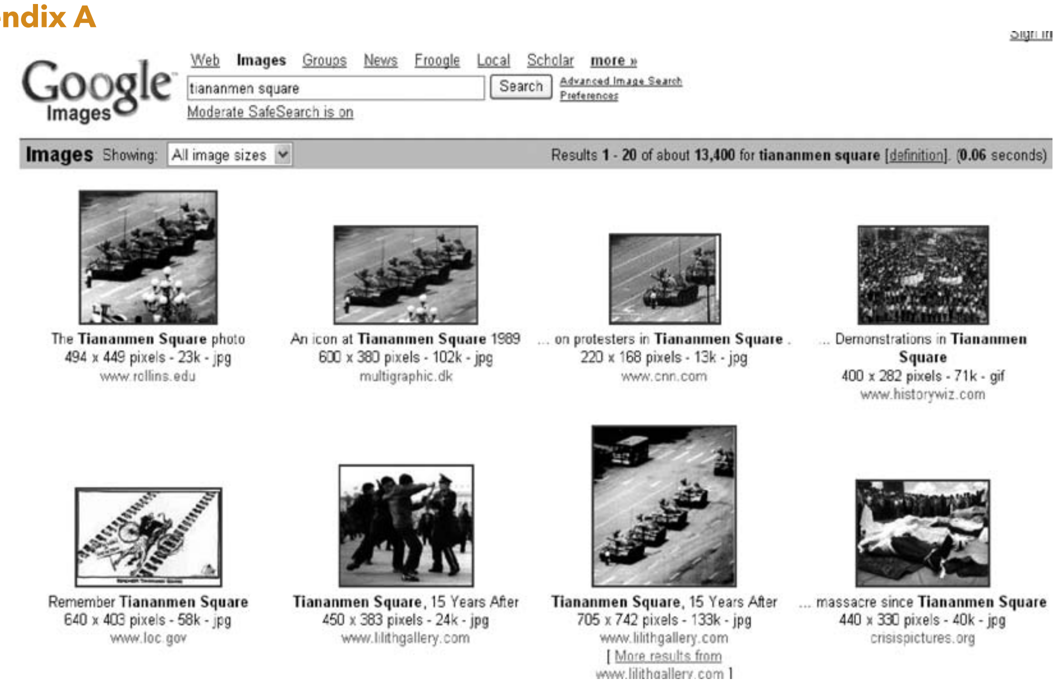
refusal to provide the U.S. Justice Department with the user information it requested contrasts sharply with the perceived desertion of their principles that seemed to accompany their entry into the Chinese market. The combination of this inconsistency and the disappointing fourth quarter earnings results had many investors wondering if Google had finally lost its momentum, and if a company that prided itself on "not being evil" would be able to uphold their ideals while growing internationally. Brin, Page, and Schmidt knew they would have to develop a strategy that would convince the market that Google could handle the balancing act, and reestablish themselves as the innovative leader with a conscience they had been in the past.

Discussion Questions

1. Did Google's decision to censor information for Chinese users compromise their business principles, or is providing some information better for the Chinese people than providing none at all?
2. Was Google's refusal to comply with the Department of Justice investigation inconsistent with the company's cooperation with Chinese censorship policies?
3. How, if at all, did the company's philosophy of "Don't be Evil" influence their decision?
4. Why was Google subjected to so much more scrutiny than their competitors were in this case? Should they embrace this higher standard, or find a way to separate themselves from it?

5. What effects did Google's decision to not attend the Congressional Human Rights Caucus briefing have?
6. As Google continues to grow, is it possible to maintain the same corporate structure and philosophy the company was founded upon?
7. How should Google respond to organizations protesting their entry in the Chinese market? What about press coverage?
8. Do businesses have a responsibility to uphold human rights when entering international markets?
9. Can Google remain competitive in the Chinese market without offering blogging and GMail services? If not, how can they protect themselves and their users' privacy?
10. What long-term implications will this decision have on Google's reputation?

Appendix A



Appendix B

Google Blog

Googler insights into product
and technology news and our culture.

Google in China

1/27/2006 11:58:00 AM

Posted by Andrew McLaughlin, Senior Policy Counsel. Google users in China today struggle with a service that, to be blunt, isn't very good. Google.com appears to be down around 10% of the time. Even when users can reach it, the website is slow, and sometimes produces results that when clicked on, stall out the user's browser. Our Google News service is never available; Google Images is accessible only half the time. At Google we work hard to create a great experience for our users, and the level of service we've been able to provide in China is not something we're proud of. This problem could only be resolved by creating a local presence, and this week we did so, by launching Google.cn, our website for the People's Republic of China. In order to do so, we have agreed to remove certain sensitive information from our search results. We know that many people are upset about this decision, and frankly, we understand their point of view. This wasn't an easy choice, but in the end, we believe the course of action we've chosen will prove to be the right one. Launching a Google domain that restricts information in any way isn't a step we took lightly. For several years, we've debated whether entering the Chinese market at this point in history could be consistent with our mission and values. Our executives have spent a lot of time in recent months talking with many people, ranging from those who applaud the Chinese government for its embrace of a market economy and its lifting of 400 million people out of poverty to those who disagree with many of the Chinese government's policies, but who wish the best for China and its people. We ultimately reached our decision by asking ourselves which course would most effectively further Google's mission to organize the world's information and make it universally useful and accessible. Or, put simply: how can we provide the greatest access to information to the greatest number of people? Filtering our search results clearly compromises our mission. Failing to offer Google search at all to a fifth of the world's population, however, does so far more severely. Whether our critics agree with our decision or not, due to the severe quality problems faced by users trying to access Google.com from within China, this is precisely the choice we believe we faced. By launching Google.cn and making a major ongoing investment in people and infrastructure within China, we intend to change that. No, we're not going to offer some Google products, such as Gmail or Blogger, on Google.cn until we're comfortable that we can do so in a manner that respects our users' interests in the privacy of their personal communications. And yes, Chinese regulations will require us to remove some sensitive information from our search results. When we do so, we'll disclose this to users, just as we already do in those rare instances where we alter results in order to comply with local laws in France, Germany and the U.S. Obviously, the situation in China is far different than it is in those other countries; while China has made great strides in the past decades, it remains in many ways closed. We aren't happy about what we had to do this week, and we hope that over time everyone in the world will come to enjoy full access to information. But how is that full access most likely to be achieved? We are convinced that the Internet, and its continued development through the efforts of companies like Google, will effectively contribute to openness and prosperity in the world. Our continued engagement with China is the best (perhaps only) way for Google to help bring the tremendous benefits of universal information access to all our users there. We're in this for the long haul. In the years to come, we'll be making significant and growing investments in China. Our launch of google.cn, though filtered, is a necessary first step toward achieving a productive presence in a rapidly changing country that will be one of the world's most important and dynamic for decades to come. To some people, a hard compromise may not feel as satisfying as a withdrawal on principle, but we believe it's the best way to work toward the results we all desire.

Appendix C

Google Blog

Googler insights into product
and technology news and our culture.

Human Rights Caucus briefing

2/01/2006 08:26:00 AM

Posted by Andrew McLaughlin, Senior Policy Counsel. For today's Member Briefing of the U.S. Congressional Human Rights Caucus on "Human Rights and the Internet—The People's Republic of China," we've submitted the following statement:

> Congressional Human Rights Caucus Members' Briefing"Human Rights and the Internet—The People's Republic of China" Submission of Andrew McLaughlin, Google Inc. February 1, 2006

On behalf of Google, I would like to thank the Members of the Human Rights Caucus for inviting Google to participate in today's Member Briefing on Human Rights and the Internet in China. Though previously scheduled commitments prevent me from appearing in person today, I reiterate Google's offer to participate in a Member Briefing on another date, to brief Members individually, and to continue briefing staff on our activities in China.

I. Google.cn in China

The rationale for launching a domestic version of Google in China—a website subject to China's local content restrictions—is that our service in China has not been very good, due in large measure to the extensive filtering performed by Chinese Internet service providers (ISPs). Google's users in China struggle with a service that is often unavailable, or painfully slow. According to our measurements, Google.com appears to be unavailable around 10% of the time. Even when users can reach Google.com, the website is slow, and sometimes produces results that, when clicked on, stall out the user's browser. The Google News service is almost never available; Google Images is available only half the time.

These problems can only be solved by creating a local presence inside China. By launching Google.cn and making a major ongoing investment in people, infrastructure, and innovation within China, we intend to provide the greatest access to the greatest amount of information to the greatest number of Chinese Internet users. At the same time, the launch of Google.cn did not in any way alter the availability of the uncensored Chinese-language version of Google.com, which Google provides globally to all Internet users without restriction. In deciding how best to approach the Chinese—or any—market, we must balance our commitments to satisfy the interests of users, expand access to information, and respond to local conditions. Our strategy for doing business in China seeks to achieve that balance through improved disclosure, targeting of services, and local investment.

A. Improved Disclosure to Users of Google.cn.

In order to operate Google.cn as a website in China, Google is required to remove some sensitive information from our search results. These restrictions are imposed by Chinese laws, regulations, and policies. However, when we remove content from Google.cn, we disclose that fact to our users. This approach is similar in principle to the disclosures we provide when we have altered our search results to comply with local laws in France, Germany, and the United States. When a Chinese user gets search results from which one or more results has been filtered, the Google webpage includes an explicit notification—an indication that the search results are missing something that might otherwise be relevant. This is not, to be sure, a tremendous advance in transparency to users, but it is at least a meaningful step in the right direction.

B. Targeting of Services on Google.cn.

Google.cn today includes three basic Google services (web search, image search, and Google News), together with a local business information and map service. Other products—such as Gmail and Blogger—that involve personal and confidential information will be introduced only when we are comfortable that we can provide them in a way that protects users' expectations about that information. We are conscious of the reality that data is subject to the laws and regulations of the country in which it is stored, and we make decisions about where to locate our services with that reality squarely in mind.

C. Local Investment and Innovation. Looking beyond the Google.cn launch, we will continue to make significant investments in research and development in China. We believe these investments—and the innovations that will result—will help us to better tailor our products to user demands and better demonstrate how the Internet can help advance key objectives supported by the Chinese government, such as building stronger, more efficient, and more equitable markets, promoting the rule of law, and bolstering the fight against corruption.

While China has made great strides in the past decades, it remains in many ways closed. We are not happy about governmental restrictions on access to information, and we hope that over time everyone in the world will come to enjoy full access to information. Information and communication technology—including the Internet, email, instant messaging, weblogs, peer-to-peer applications, streaming audio and video, mobile telephony, SMS text messages, and so forth—has brought Chinese citizens a greater ability to read, discuss, publish and communicate about a wider range of topics, events, and issues than ever before. We believe that our continued engagement with China is the best (and perhaps only) way for Google to help bring the tremendous benefits of universal information access to all our users there.

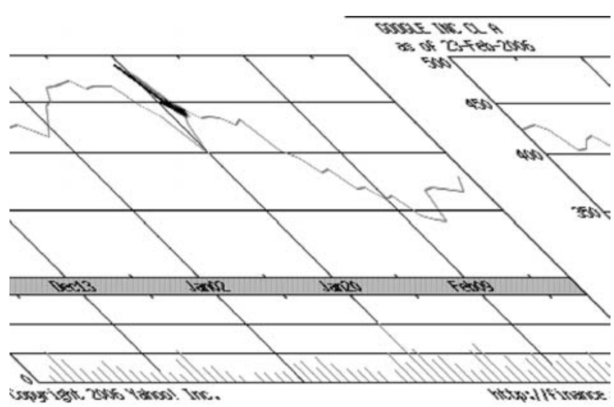
II. Next Steps

1. Expanded Dialogue and Outreach. For more than a year, Google has been actively engaged in discussion and debate about China with a wide range of individuals and organizations both inside and outside of China, including technologists, businesspeople, government officials, academic experts, writers, analysts, journalists, activists, and bloggers. We aim to expand these dialogues as our activities in China evolve, in order to improve our understanding, refine our approach, and operate with openness.

2. Voluntary Industry Action. Google supports the idea of Internet industry action to define common principles to guide technology firms' practices in countries that restrict access to information. Together with colleagues at other leading Internet companies, we are actively exploring the potential for Internet industry guidelines, not only for China but for all countries in which Internet content is subjected to governmental restrictions. Such guidelines might encompass, for example, disclosure to users, and reporting about governmental restrictions and the measures taken in response to them.

3. Government-to-Government Dialogue. In addition to common action by Internet companies, there is an important role for the United States government to address, in the context of its bilateral government-to-government relationships, the larger issues of free expression and open communication. For example, as a U.S.-based company that deals primarily in information, we have urged the United States government to treat censorship as a barrier to trade. On behalf of Google, I would like to thank the members of the Human Rights Caucus for their attention to these important and pressing issues.

Appendix D



References

1 "Googling Oppression," Ottawa Citizen, January 28, 2006, Final Edition, Page B6.

2 Google, "Corporate Information," http://www.google.com/intl/en/corporate/index.html

3 Ibid.

4 Yahoo Finance, http://finance.yahoo.com

5 "Google Refusal Raises Online Privacy Issue," *PRWeek,* January 30, 2006, pg. 10.

6 "Court Date Set for Google Lawsuit," http://news.com.com/Court+date+set+for+Google+lawsuit/2100-1030_3-6031941.html

7 "Google Poses Strong Challenges to Leader Baidu in China, Reports Keynote," *Business Wire,* January 18, 2006.

8 "How Google Censors Its Chinese Portal," *The San Francisco Chronicle,* February 2, 2006.

9 Ignatius, Adi. "In Search of the Real Google," *Time,* February 20, 2006, pgs. 36-49.

10 Farzad, Roben and Elgin, Ben. "Googling for Gold," *BusinessWeek,* December 5, 2005, pgs. 60-66.

11 "Q&A: Congressman Tom Lantos," *Red Herring,* February 17, 2006, http://www.redherring.com/PrintArticle.aspx?a=15779&sector=QAndA

12 Reporters Without Borders, "About Us," http://www.rsf.org/rubrique.php3?id_rubrique=280

13 "Rights Group Slams Google, Yahoo! Self-Censorship in China," *Radio Free Asia,* August 1, 2004, http://www.rfa.org/english/news/technology/2004/08/01/142626/

14 "Google Move 'Black Day' for China," BBC News, January 25, 2006, http://news.bbc.co.uk/1/hi/technology/4647398.stm

15 Ibid.

16 French, Howard. "Despite Web Crackdown, Prevailing Winds are Free," *The New York Times,* February 9, 2006.

17 Human Rights Watch, "About HRW," http://www.hrw.org/about/whoweare.html

18 Malinowski, Tom. "U.S.: Put Pressure on Internet Companies to Uphold Freedom of Expression," Testimony before the Congressional Human Rights Caucus, February 1, 2006, http://hrw.org/english/docs/2006/02/01/china12592.htm

19 Ibid.

20 Kirby, Carrie. "Chinese Internet vs. Free Speech Hard Choices for U.S. Tech Giants," *San Francisco Chronicle,* September 18, 2005.

21 Ignatius, Adi. "In Search of the Real Google," *Time,* February 20, 2006, pgs. 36-49.

22 Delaney, Kevin. "Yahoo Outlines Stance on Privacy and Free Speech," *The Wall Street Journal,* February 13, 2006, page A8.

23 Kirby, Carrie. "Chinese Internet vs. Free Speech Hard Choices for U.S. Tech Giants," *San Francisco Chronicle,* September 18, 2005.

24 Delaney, Kevin. "Yahoo Outlines Stance on Privacy and Free Speech," *The Wall Street Journal,* February 13, 2006, page A8.

25 French, Howard. "Despite Web Crackdown, Prevailing Winds are Free," *The New York Times,* February 9, 2006.

26 McMahon, Robert. "Q&A: The Great Firewall of China," The Council on Foreign Relations, February 16, 2006.

27 Ibid.

28 "Lawmakers Blast Internet Firms over China," *Associated Press,* February 1, 2006, http://www.msnbc.msn.com/id/11134689/from/ET/

29 Yang, John. "Google Defends Censorship of Web Sites," ABC News, January 25, 2006, http://abcnews.go.com/Technology/print?id=1540568

30 Ignatius, Adi. "In Search of the Real Google," *Time,* February 20, 2006, pgs. 36-49.

[31] McLaughlin, Andrew. "Google in China," Google Blog, January 27, 2006, http://googleblog.blogspot.com/2006/01/google-in-china.html

[32] McMahon, Robert. "Q&A: The Great Firewall of China," The Council on Foreign Relations, February 16, 2006.

[33] Ma, Ying. "Democracy's Slow Boat to China," *The Wall Street Journal,* February 15, 2006.

[34] "Lawmakers Blast Internet Firms over China," *Associated Press,* February 1, 2006, http://www.msnbc.msn.com/id/11134689/from/ET/

[35] McLaughlin, Andrew. "Human Rights Caucus briefing," Google Blog, February 1, 2006, http://googleblog.blogspot.com/2006/02/human-rights-caucus-briefing.html

[36] Ibid.

[37] Ibid.

[38] "Google Censors Itself for China," BBC News, January 25, 2006, http://news.bbc.co.uk/1/hi/technology/4645596.stm

[39] "Lawmakers Blast Internet Firms over China," *Associated Press,* February 1, 2006, http://www.msnbc.msn.com/id/11134689/from/ET/

[40] Ma, Ying. "Democracy's Slow Boat to China," *The Wall Street Journal,* February 15, 2006.

[41] Kirchgaessner, Stephanie. "US Congressman Takes Google to Task on China," Financial Times, January 26, 2006, http://www.freepress.net/news/13563

[42] "Net Showdown in Washington," *Red Herring,* February 15, 2006, http://www.redherring.com/Article.aspx?a=15737

[43] "Q&A: Congressman Tom Lantos," *Red Herring,* February 17, 2006, http://www.redherring.com/PrintArticle.aspx?a=15779&sector=QAndA

[44] Ibid.

[45] McMahon, Robert. "Q&A: The Great Firewall of China," The Council on Foreign Relations, February 16, 2006.

[46] Monica, Paul. "Google: Party Over," CNNMoney, January 31, 2006, http://money.cnn.com/2006/01/31/technology/google_analysis/

[47] Delaney, Kevin. "Google Net Soars, but Not Enough: Stock Plummets," *The Wall Street Journal,* February 1, 2006, page A3.

[48] Yahoo Finance, http://finance.yahoo.com

[49] Ibid.

[50] Pan, Philip. "Chinese Media Assail Google," *The Washington Post,* February 22, 2006, pg. A09.

[51] Ibid.

[52] Ibid.

BRISTOL MYERS SQUIBB: PATENTS, PROFITS, AND PUBLIC SCRUTINY

Meghan Carter, Matt McHale and Tom Triscari
Eugene D. Fanning Center for Business Communication
Mendoza College of Business
University of Notre Dame
James Scofield O'Rourke, IV, Ph.D., Faculty Adviser

"All the World's a Stage"

Bob Zito let out a deep breath as he hung up the phone in his office. It was 11:07 a.m. on Saturday morning, and the weather was perfect for the first college football game day of the season. He opened his office window to let in the brisk autumn air of September 2, 2006, and tried to relax for the first time in what felt like weeks. His corporate counsel had called to tell him that the U.S. District Court for the Southern District of New York had just granted Bristol-Myers Squibb a preliminary injunction against the Canadian generic drug producer Apotex. Zito leaned back in his chair, thankful for the breathing space. In the past month alone, Apotex's generic version of Bristol-Myers' Plavix had siphoned off almost 75 percent of the $4-billion annual market for the blockbuster blood thinner. Many pharmacies had already stocked up multiple months' worth of the product, but this injunction would prevent Apotex from shipping any more of the generic until the patent-protection question was resolved.

Zito was grateful for the temporary respite, which he hoped to use to construct and implement a corporate communication strategy to help the embattled pharmaceutical giant. Such a strategy would have to be comprehensive and incredibly detailed, addressing the widely-publicized Apotex negotiation scandal, the potential loss of patent protection (and revenues) for the company's best-selling drug, and the looming dismissal of Bristol-Myers' CEO, while simultaneously steering attention away from the company's past ethical troubles. Zito opened his laptop and checked the time. With a sigh, he resigned himself to the fact that he wasn't likely to make it home in time to watch the game.

The History of Bristol-Myers Squibb

Bristol-Myers Squibb is the leading worldwide provider of anti-cancer therapies, as well as a leader in the discovery and development of innovative treatments to fight heart disease, stroke, and infectious diseases including HIV/AIDS. Its areas of specialization include most of the pharmaceutical spectrum, from oncology to cardiovascular disease to infectious diseases (including HIV/AIDS) and mental illness. The company enjoys a distinguished history: in the early 1960s Bristol-Myers produced its first anti-cancer medicine (still in use today), while the 1980s witnessed Squibb market the first of an important new class of medications, called ACE inhibitors, for the treatment of hypertension. In 1989 these two companies joined forces in one of the largest mergers in corporate history. During the 1990s, Bristol-Myers Squibb brought to market the first medicine specifically designed for the treatment of HIV/AIDS, as well as a breakthrough therapy "hailed as the most important cancer medication in 20 years."[1]

Bristol-Myers. In 1887, William McLaren Bristol and John Ripley Myers invested $5,000 into a failing drug manufacturing firm located in Clinton, New York. The company was officially incorporated on December 13, 1887, and in May 1898 changed its name to the Bristol, Myers Company (a hyphen would replace the comma when the company became a corporation in 1899). The partners strove to grow the business in a challenging environment, maintaining two rules above all: an insistence on high quality products and the maintenance of the firm's good financial standing at all costs. With these two priorities in mind, Bristol-Myers became profitable for the first time in 1900, and from 1903 to 1905 saw a tenfold increase in sales. Bristol-Myers was transformed from a regional to a national company, soon to become an international one. With the company's products being sold in 26 countries, gross profits topped $1 million for the first time in 1924. At the same time, "the shares held by John Myers's heirs became available for sale, triggering a series of moves that in 1929 turned Bristol-Myers into a publicly held company, listed on the New York Stock Exchange."[2] Subsequent business decisions saw Bristol-Myers take over smaller, well-managed pharmaceutical firms in a strategy of growth through judicious acquisition that has continued to this day.[3]

Squibb. Edward Robinson Squibb founded his pharmaceutical company in 1858, headquartered in Brooklyn, New York. He dedicated Squibb to the production of "consistently pure medicines", a cause that claimed his lifelong interest. In 1906, six years after Edward Squibb's death, Congress passed the Pure Food and Drugs Act. As related in company lore, the law still stands as the triumph of his lifelong crusade for safe, reliable pharmaceutical products.[4] In 1921, Squibb adopted a slogan that reflected the ideals of its founder: "The priceless ingredient in every product is the honor and integrity of its maker." The company enjoyed respectable growth, and the company expanded into South America and Europe. Squibb International was incorporated in 1946, and built manufacturing facilities in Mexico, Italy and Argentina. Squibb researchers made a significant breakthrough in 1975 with the creation of Capoten®, the first of a brand-new class of antihypertensive agents called ACE inhibitors.

Bristol-Myers Squibb (BMS). Bristol-Myers merged with Squibb in 1989, creating a global leader in the health care industry. The merger created what was then the world's second-largest pharmaceutical enterprise. BMS core products include: Videx (1991), Monopril (1991) and Pravachol (1991, expanded usage granted in 1995 by the FDA), TAXOL Injection (1991), Glucophage (1993), Avapro (1997), Plavix (1997), Excedrin (1998), Sustiva capsules (2001), Coumadin Crystalline (2001), Abilify (2002), Reyataz (2004), Orencia (2005), EMSAM transdermal (2006), SPRYCEL (2006), and ATRIPLA (2006). Bristol-Myers Squibb received the National Medal of Technology in December 1998, an award widely respected as America's highest honor for technological innovation. The company received outstanding recognition "for extending and enhancing human life through innovative pharmaceutical research and development, and for redefining the science of clinical study through groundbreaking and hugely complex clinical trials that are recognized models in the industry."[5] BMS attempts to act as a good global corporate citizen and live the ideals of its founders through its outreach programs.

In 1999, the company announced Secure the Future, a $100 million commitment to advance HIV/AIDS research and community outreach programs in five southern African countries. In 2000, BMS and four other pharmaceutical companies and international agencies joined the UNAIDS "Drug ACCESS Initiative," which aims to make antiretroviral medicines and therapies widely available in African countries that have developed a coherent national AIDS strategy. As part of the program, the company offered to lower the prices of HIV/AIDS medicines in those countries by 90 percent.

More recently, Bristol-Myers Squibb took its access efforts a step further, offering HIV/AIDS drugs below cost in Africa. The company is also ensuring that its patents do not prevent inexpensive HIV/AIDS therapy in Africa.[6] BMS had 2005 revenues of approximately $19 billion, with profits of $3 billion. This is a -7.6% decrease and 25.6% increase, respectively, on 2004 results.[7] R&D expenditures in 2005 were $2.7 billion, up 10% from 2004. This included $2.5 billion in payments for in-licensing and development programs. The first quarter of 2006 saw $750 million spent on R&D, up 22% from the previous year.

BMS is determined to retain its position as a leader in drug development. Current strategies include: in-house development and collaboration, the acquisition of smaller dynamic pharmaceutical companies, the divestiture of non-core assets (including the May 2005 sale of BMS' Oncology Therapeutics Network distribution business, as well as the divestiture of the US and Canadian Consumer Medicines business to Novartis).

BMS' forecast for the future is cautiously optimistic. New BMS blockbuster drugs may strengthen the company's financial position. In the first half of 2003 two major drugs were approved: Abilify, an antipsychotic, and Reyataz, the first once-daily protease inhibitor for the treatment of HIV/AIDS. The FDA also granted limited clearance to Erbitux, the sidelined cancer drug that BMS developed in conjunction with ImClone. Analysts at SunTrust Robinson Humphrey estimated that Erbitux sales could peak at more than $700 million. These promising drugs signal a potential new beginning for the company. Morningstar projects an average revenue growth rate of 3 percent through 2007. However, generic challengers continue to enter the market at a steady pace, and there is the constant threat of competition from the large drug developers (Merck, Novartis, and Pfizer) in BMS's core territories. If the first quarter is a trend indicator, 2006 will be more profitable for BMS: the company reported a 34% increase in first-quarter profit to $714 million, helped by higher sales of heart and blood-pressure drugs, and a $200 million gain from the sale of assets. Erbitux sales were $413 million for the year up 58%. Plavix, Abilify, and Reyataz sales were up 15%, 54% and 68% respectively—definitely a bright spot for the company. Nevertheless, revenues were up only 3% to $4.7 billion, while the average U.S. pharmaceutical industry revenues rose 7% to $2.1 billion.[8] In February 2001, Fortune magazine named Bristol-Myers Squibb "America's Most Admired Pharmaceutical Company." One month later, Peter R. Dolan, a 13-year veteran of the company, succeeded Charles A. Heimbold, Jr., as chief executive officer.[9]

Peter R. Dolan

Peter R. Dolan was born on January 6, 1956, in Salem, Massachusetts. He received his BA from Tufts University in 1978, and his MBA from Dartmouth College in 1980. He began his career at General Foods from 1983–1987, but by 1988 had transferred to Bristol-Myers Squibb as Vice-President of Marketing.

Dolan served as president of the Mead Johnson Nutritional Group from 1995–1996. Under his direction, the company opened related manufacturing facilities in four countries and international sales climbed to 40 percent of the corporation's revenue by 1996.

Dolan was named CEO in February 2001 and made Chairman of the Board in 2002. He was infamous within the company for setting "Big Hairy Audacious Goals", such as his 2001 promise to double BMS revenues within five years. He would come to regret that particular statement, as 2002 sales totaled $18.1 billion, down 1% from 2000.

Robert Zito and BMS Corporate Communications

Robert T. Zito joined Bristol-Myers Squibb as Chief Communications Officer (CCO) in June 2004. Zito received his BA in English from Fairfield University and is a 1998 Ellis Island Medal of Honor recipient.[10] He is responsible for implementing external and internal communications initiatives, as well as developing a long-term corporate strategic communications plan for BMS. He oversees all aspects of communication and public relations for the company, including corporate brand management, advertising, media relations, employee and policy communications, executive prep and communications, creative services and community affairs.[11]

Before accepting his current position with BMS, Zito was the EVP of Communications at the New York Stock Exchange, where he was responsible for developing and building the NYSE's brand. He has also worked as VP of Corporate Communications at Sony (North America), VP of CN Communications, and as an account executive at the public relations firm of Hill and Knowlton.[12]

What is Plavix?

Plavix was a FDA-approved anti-platelet daily medication that reduced the risk of heart attack, stroke or vascular death in patients with established peripheral arterial disease (PAD).[13] The drug had also been shown to reduce occurrences of peripheral artery disease and stroke. Plavix was brought to market through a partnership between Bristol-Myers Squibb and French drug maker Sanofi-Aventis, the world's third largest pharmaceutical company and the largest in Europe.

Plavix Function

Clot formation is a natural defense mechanism of the body that protects excessive bleeding in the case of an injury. When the skin is cut, particles in human blood called platelets bond together to form a clot. Clot formation can also be triggered by the rupture of plaque, which is a buildup of cholesterol and other materials in the walls of the arteries. When platelets clump together on or near the plaque, they can form a clot that may limit or completely stop the flow of blood to various parts of the body. If a clot forms in an artery leading to the heart, heart-related chest pain or a heart attack may occur. If a clot forms in an artery leading to the brain, it can cause a stroke. Plavix prevents platelets from sticking together and forming clots, which keeps blood flowing and helps protect against future heart attack or stroke.

Plavix Revenues

Plavix 2005 global sales were $5.9-billion, up more than 15% from 2004.[14] According to Pharmaceutical Business Revenue and Data Monitor, sales were expected to peak at $6-billion in 2011, when the Plavix patent was expected to expire. Bristol-Myers Squibb total 2005 revenues were $19.2-billion; Plavix sales thus represented 30% of the company's total revenues.

The Pharmaceutical Industry

The global pharmaceutical sales market in 2005 was $565-billion, growing at an estimated 7% per year.[15] Generic competition is currently the principal threat to branded drug makers. Between 2006 and 2010, at least 70 innovative brand-name drugs are expected to go off-patent in the United States. 19 of these drugs are "blockbusters," meaning that they have annual sales of more than $1-billion. This accounts for $45-billion in revenues, or roughly 8% of the global market.[16]

Generic Drug Competition

A generic drug may be comparable to a brand name drug in dosage form, strength, performance characteristics and intended use. Brand name drug patents are usually protected for 20 years from the date of the patent submission.[17] The patent protects the drug manufacturer that incurred the costs of researching, developing and marketing the drug. Once a drug's patent has expired, any other drug company may release a generic version. Generic drugs tend to be drastically cheaper than brand-name drugs, with prices ranging from 20–70 percent of the brand-name version.

FDA Approval: Brand Name and Generic Drugs

All new drugs must be approved for human use by the United State Food and Drug Administration. The approval process includes laboratory, animal and human testing. Human testing is completed in three phases and may include data collected from thousands of patients. It is not uncommon for a drug to take as long as eight years to be approved.[18] Generic drugs must also obtain FDA approval. However, generic drugs may take advantage of an abbreviated process wherein they do not have to submit the generic drug for animal or human tests, as the drug's safety and effectiveness were already established in the initial clinical trials.

Accounting Irregularities: Dolan's Troubles Begin

On March 10, 2003, just over two years after Dolan's took over as CEO, Bristol-Myers Squibb announced that it had overstated sales by $2.5-billion over a three-year period. The earnings overstatement was due to Bristol-Myers employing "channel surfing" scheme in which the company used financial incentives that rewarded wholesalers for buying and holding larger prescription drug inventories. The scheme resulted in wholesalers acquiring almost $2-billion in excess inventories. Bristol-Myers eventually admitted that the incentives were designed to help the company meet its quarterly sales projections.[19]

Bristol's accounting troubles continued when former CFO Frederick S. Schiff and former executive vice president Richard J. Lane were indicted and charged with securities fraud for artificially inflating sales through the channel surfing scheme. Schiff and Lane were also charged with signing inaccurate SEC filings and purposely misleading investors through press releases and conference calls that masked the increasing wholesaler drug inventories. Both were asked to leave in 2001.

At the end of the scandal, Bristol-Myers Squibb reduced net sales figures by $1.4-billion for 2001, $678-million for 2000, and $376-million for 1999.[20] A total of $839 million was paid to shareholders harmed by BMS' fraudulent conduct.[21] The Department of Justice agreed to dismiss criminal complaints against the company if it cooperated with the legal investigation, admitted wrongdoing, and adopted strict internal compliance controls.

Plavix Generic Drug Agreement

In July 2006, BMS announced that the U.S. Justice Department was investigating the company's March 2006 agreement with Canadian generic drug manufacturer Apotex. The agreement was intended to delay the Apotex's release of an inexpensive generic version of Plavix. The investigation led FBI agents to search Dolan's office in New York the day before the announcement was made.

Under the terms of Bristol-Myers' ill-conceived agreement with Apotex, BMS offered Apotex $40 million to halt production of the generic Plavix until June 1, 2011. This date was five months before the Plavix patent was set to expire.[22] Bristol-Myers also agreed not to release its own non-branded Plavix until six months after Apotex began to sell its generic version of the blood thinner. When asked to approve the agreement, the U.S. Federal Trade Commission and state Attorneys General objected to these provisions. They labeled the Bristol-Myers concession anti-competitive because it assured that Apotex would be the sole market vendor of cheap, generic Plavix for at least six months.[23] Bristol-Myers Squibb agreed to remove the anti-competitive provision from the contract. Nevertheless, the Federal Trade Commission began questioning Apotex regarding the revised agreement. During these questioning sessions, Apotex told the federal regulators that Bristol-Myers had given Apotex private assurance that it would not release a general version of Plavix to the market.[24] These statements, which contradicted statements made by Bristol-Myers to the FTC, led the Federal Trade Commission to pursue a criminal investigation into the rejected contract.

When the agreement did not receive approval, Apotex quickly introduced its generic version of Plavix (which had obtained FDA approval earlier that year), and the drug became universally available in August 2006. While Plavix cost about $4 per dose in the US, Apotex priced the generic version at an estimated 10 to 20 percent discount.[25] Apotex's generic Plavix quickly gained 75% market share of new prescriptions.[26] Within the month, Bristol-Myers Squibb was able to get a United States District Judge to order a temporary injunction halting further sales of the generic Plavix. However, the judge did not order a recall of generic Plavix. The District Court set January 22, 2007 as the start of the patent trial. The Court required Bristol-Myers and Sanofi-Aventis (BMS' Plavix development partner) to post a $400-million bond to the court. The bond provided security to Apotex in the event that the Court ruled that Apotex had the legal right to sell its generic version of Plavix.

After only one month of generic Plavix competition, BMS was forced to reduce its 2006 earnings forecast by 25%. Bristol-Myers's reduced per share earnings estimate was below the company dividend, meaning that Bristol would be paying more to shareholders than it actually earned.[27] Citing the threat of generic competition, Moody's Investor Services downgraded Bristol-Myers' debt from A1 to A2. The BMS Board stated that it still intended to declare its regular 28-cents per share quarterly dividend, but some analysts predicted that the lost Plavix sales would force Bristol-Myers to slash the dividend in half. In sum, over the five years of Dolan's tenure, the stock price of Bristol-Myers Squibb had declined by over 60%.[28]

The Board Decides to Act

On September 12, 2006, CEO Peter Dolan and General Counsel Richard K. Willard were dismissed by the Bristol-Myers board. Dolan was replaced on an interim basis by James M. Cornelius, a Bristol-Myers director and former executive at Guidant Corporation. The board maintained that it would search both internally and externally for a permanent replacement, but Dolan's firing increased Wall Street speculation that Bristol-Myers would be acquired.

The Uncertain Path Ahead for Bristol-Myers Squibb

As Dolan's rocky tenure came to a close, CCO Zito wondered what he needed to communicate to stakeholders to overcome Bristol-Myers' poor financial projections questionable practices over the past five years. With the threat of acquisition looming larger, Zito began to brainstorm, crafting a communications strategy that would help retain investor, employee and customer confidence in the pharmaceutical giant.

With the January 22, 2007 patent trial date approaching rapidly, Zito also knew he had to consider if and how corporate communication could help Bristol-Myers win its patent dispute with Apotex. If Bristol-Myers lost the legal case, it risked losing 30% of its revenues and would forfeit its share of the $400 million bond set by the U.S. District Court.

Discussion Questions

- What are the critical issues facing Bristol-Myers Squibb in this case?
- Who are the key stakeholders in this case? How would a patent case verdict for or against Bristol-Myers Squibb affect the stakeholders?
- What messages does Zito need to communicate to the stakeholder groups? How should he deliver his message to them?
- Does Bristol-Myers Squibb need to retain an external firm to help it craft an effective public response to Dolan's firing or the patent dispute?
- What other actions (if any) should the board take in response to the accounting and patent protection scandals?
- What mistakes did Dolan make while negotiating with Apotex? What else could he have done to protect the Plavix patent?

References

1 BMS Official Site: Company History. Last updated: August 2006. Website: http://www.bms.com/aboutbms/content/data/ourhis.html

2 *Ibid.*

3 *Ibid.*

4 *Ibid.*

5 *Ibid.*

6 Paraphrased from: Bristol-Myers Squibb Homepage. Last updated: August 2006. Website: http://www.bms.com/aboutbms/content/data/ourhis.html

7 CNN Money.com, Fortune 500 2006 rankings

8 Website: http://www.contractpharma.com/articles/2006/07/bristol-myers-squibb.php

9 Quote from: BMS Official Site: Company History. Last updated: August 2006. Website: http://www.bms.com/aboutbms/content/data/ourhis.html

10 Biography of Robert Zito. Last updated 2006. Website: www.bms.com/news/pressroom/content/data/zito.pdf

11 Biography of Robert Zito. Last updated 2006. Website: www.bms.com/news/pressroom/content/data/zito.pdf

12 Adapted from *Ibid.*

13 Plavix Website (Bristol Myers Squibb). Last updated: 2006. Website: www.plavix.com

14 S&P Market Insight: Pharmaceuticals Industry Survey

15 *Ibid.*

16 Medco Health Solutions Inc. & S&P Market Insight

17 Generic Drugs: Questions & Answers. Website: http://www.fda.gov/cder/consumerinfo/generics_q&a.htm

18 "Solving The Drug Patent Problem." Last updated: May 2, 2002. Website: http://www.forbes.com/2002/05/02/0502patents.html

19 "Bitter Pill? Bristol-Myers Squibb Off by $900 Million." Last updated: March 11, 2003. Website: http://www.cfo.com/printable/article.cfm/3008682?f=options

20 *Ibid.*

21 "Bristol's Former CFO Indicted." Last updated: June 17, 2005. Website: http://www.cfo.com/article.cfm/4096065?f=related

22 "Bristol stock hurt by generic Plavix." Last updated: August 8, 2006. Website: http://money.cnn.com/2006/08/08/news/companies/plavix/index.htm?postversion=2006080812

23 "Bristol-Myers Probed For Deceiving U.S. Regulators." Last updated: July 29, 2006. Website: http://www.investmentsmagazine.com/ManageArticle. asp?C=160&A=17351

24 *Ibid.*

25 "Battle over a Blood Thinner Goes to Court."
Last updated: August 18, 2006. Website: http://www.npr.org/templates/story/story.php?storyId=5673477

26 "Bristol-Myers Ousts CEO Dolan, Willard."
Last updated: September 12, 2006. Website: http://www.wtopnews.com/?nid=111&pid=0&sid=909672&page=2

27 "Bristol-Myers Chief Fired Over Patent Dispute." Last updated: September 12, 2006. Website: http://www.nytimes.com/2006/09/12/business/13bristolcnd.html?pagewanted=1&ei=5088&en=829899f21a96a8a2&ex=1315713600&partner=rssnyt&emc=rss

28 "Bristol-Myers CEO Forced Out." Last updated: September 12, 2006. Website: http://news.yahoo.com/s/nm/20060912/bs_nm/bristolmyers_dc

MCDONALD'S CORPORATION AND THE ISSUE OF HEALTH AND NUTRITION

Terri Ann Bailey
University of North Carolina at Chapel Hill
Assistant Professor Elizabeth Dougall, Faculty Advisor

Introduction

From humble beginnings of only three restaurants in 1955, McDonald's® has grown to be a powerful multinational corporation with more than 31,000 restaurants in 119 countries.1 McDonald's employs more than 1.5 million people and serves more than 46 million customers per day.2 McDonald's Corporation has long held the number one ranking in the fast food industry3 (See Appendix 1). Across industries, McDonald's restaurants rank in the top three American brands4 (See Appendix 2).

Being a major corporate force does not come without its drawbacks. By virtue of its leadership position, McDonald's is also the global fast food industry's biggest target.[5] One issue in particular—that of increasing obesity rates and health risks caused by diets high in fat and sugar—has been critical for McDonald's. The corporation took its first major hit on this issue in the highly publicized "McLibel" suit in England in the mid 1990s. That court case came about as a result of protestors distributing pamphlets titled "What's Wrong with McDonald's: What They Don't Want You to Know" that included numerous criticisms that McDonald's charged were libelous. An unflattering documentary based on this case, entitled *McLibel,* was released in 2005[6])

In 2001, Eric Schlosser published a scathing criticism of fast food in his *New York Times* bestseller book, *Fast Food Nation: The Dark Side of the All-American Meal.* A fictionalized account of this book was released as a motion picture of the same name in November, 2006[7]. Schlosser has also published a version of Fast Food Nation, designed specifically for 11- to 15-year-old children and entitled *Chew on This.* Attacks on McDonald's nutrition and health impacts continued in 2002 when two American teenagers filed a lawsuit against McDonald's claming that the corporation was responsible for their weight problems. But perhaps the most publicized and widely distributed charge of all came in 2004 when Morgan Spurlock released a motion picture directly aimed at McDonald's, *Super Size Me,* a documentary presenting "one man's journey into the world of weight gain, health problems, and fast food."[8] Spurlock more recently released a modified version of the film geared specifically to children.

In 2002, McDonald's posted the first quarter loss ever in the company's history.[9] Although the fast food giant has since managed to recoup system-wide revenue gains and incremental increases in per share stock prices from 2003 to 2005, these gains were modest. In 2005, while McDonald's Corporation remained number one in the fast food market, it dropped to number 29 in growth.[10] *PR Week* reported that "the explosive growth of the golden arches was checked in this decade as fast food chains became identified as prime culprits in fuelling the obesity epidemic among children. Books such as Eric Schlosser's *Fast Food Nation* and films such as Morgan Spurlock's *Super Size Me* have served to popularise [sic] McDonald's bashing."[11] Public charges of knowingly providing fare that is potentially dangerous to the health and well-being of consumers has had a detrimental effect on McDonald's corporate reputation and image as well as stunting its growth.

This case study provides the opportunity to assess the critical corporate communications function of issue management for McDonald's. More specifically, the case explores the company's strategic communication responses to more than 15 years of criticism from mainstream and marginal advocacy and activist groups for promoting obesity and health problems among the populace at large.

1. History

1.1 The Early Years: 1950–1964

The first McDonald's hamburger stand was owned and operated by two brothers, Dick and Mac McDonald, in California in the early 1950s. In 1954, Ray Kroc was an exclusive distributor for a milk shake mixer used by the McDonald brothers. Kroc visited the McDonald's brothers' establishment and observed first-hand how they used his milk shake mixers to serve a large number of customers quickly. Realizing that opening more McDonald's hamburger stands would mean multiple sales of his milk shake mixer, Kroc suggested the brothers expand their business. When they agreed, Kroc volunteered to take charge of opening a chain of new McDonald's hamburger stands.[12]

One year after that visit to California, Kroc opened a Des Plaines, Illinois McDonald's restaurant.[13] The explosive, rapid growth of McDonald's is evidenced by the 100th restaurant being opened only four years later in 1959. Success continued, and Ray Kroc purchased all rights to McDonald's in 1961 for $2.7 million. By 1963, the fast food phenomenon had sold a billion hamburgers, producing a net income in excess of $1 million.[14] Also in 1963, McDonald's introduced Ronald McDonald®, a clown character designed to engage and delight children.[15]

1.2 Public Owned Company and Industry Leader: 1965–1970s

McDonald's went public in 1965, and the corporation's tremendous success and exponential growth would continue over the next 3.5 decades. On the first day of trading McDonald's stock, 100 shares cost a total of $2,250. By 2003, those same 100 shares had grown to 74,360 shares with a value of more than $1.8 million.

By 1972, McDonald's assets exceeded $500 million and sales surpassed the $1 billion mark. A new McDonald's restaurant was opening every day.[16] Recording the highest system-wide sales among the top 100 chains in 1972, McDonald's commanded 16.7% of the total fast food market.[17]

Part of the company's exponential growth was attributed to going international.[18] In 1967, the first McDonald's outside of the United States opened in Richmond, British Columbia; many more international restaurants followed. Clever marketing, tasty products, and super-fast service underpinned McDonald's success. Now a household name, the Big Mac™ was introduced in 1968, followed by the Egg McMuffin™ in 1973, and the Happy Meal™ for children in 1979. In the 1970s McDonald's continued innovations in convenience and speedy service, establishing the first drive-through. The company was even innovative in philanthropy, opening the first Ronald McDonald House™ in 1974 for the families of critically ill children needing a place to stay while young patients were undergoing medical treatment.

Operationally, much of McDonald's early growth was attributed to Kroc's vision and leadership in establishing an efficient franchise operation. McDonald's was able to offer customers, employees, and managers a maximum degree of efficiency, calculability, predictability, and control through non-human technology.[19] Consumers were quick to accept McDonald's as a branded product serving the same food, atmosphere, and value at each and every location.[20]

1.3 Continued Expansion: 1980s

McDonald's entered the 1980s as the fast food industry leader with 18%—triple the share of its closest competitor, Burger King™.[21] Further attesting to its mega-corporate stature, McDonald's Corporation was added to the 30-company Dow Jones Industrial Average in 1985.[22]

McDonald's innovative advertising strategies further propelled its growth. In the 1970s, customers were told "You Deserve a Break Today™," a message tied into a society with families looking for convenience as more women joined the work force.[23] During the 1980s, McDonald's continued to tap into cultural change through public messages that reflected the values of mobility, economy, and convenience. While Wendy's™ and Burger King provided intense competition in the early 1980s, McDonald's emerged as the clear winner in system-wide sales due to "advertising messages that symbolically reconstituted the family and relocated it under the golden arches."[24] McDonald's became the place for being a family.[25]

In the 1980s, as competitors adopted McDonald's recipe for success, ever-more sophisticated differentiation strategies emerged.[26] While most menu options had been duplicated by other fast food companies, McDonald's chose marketing communication strategies centered not on products, but on human needs and feeling. The theme "McDonald's and You—We Grew Up Together™" evoked McDonald's as part of the family experience. Advertisements featured vignettes and slice-of-life stories.

1.4 Issue Brewing with the "McLibel" Suit: 1990s

By 1990, more than seven cents out of every dollar spent by Americans on food consumed outside the home was spent at McDonald's.[27] McDonald's per share stock price was $14.63 in 1994 and rose to its all-time high of $40.31 in 1999.[28] During that same time period, total revenues rose from $8,321 million (1994) to $13,259 million (1999).

McDonald's had always been adept at attracting children using a formidable combination of child-friendly advertising showcasing the Ronald McDonald character as well as child-focused products like the Happy Meal, which came with child-sized portions and a free toy for the kids plus a lower price tag for parents. The ubiquitous Ronald McDonald is not confined to television, but has made countless personal appearances at events, school programs and restaurant openings around the glove. By 1999, Ronald McDonald had his own home video series and Internet site.[29] In Australia, where the number of fast food restaurants roughly tripled during the 1990s, one survey revealed that half of the nation's nine- and ten-year-olds thought that Ronald McDonald knew what kids should eat.[30] A study in the 1990s showed that 96% of American children recognized Ronald McDonald.[31]

As the 1990s dawned, Shelby Yastrow, a Senior Vice President at McDonald's, reported that McDonald's owed its success to sticking to what it does best.[32] He reported that top management at the corporation "tastes and discusses the sandwiches instead of worrying about the economy, politics and demographic trends."[33] He also advocated a program of knowing when to leave well enough alone, saying that if you are happy with where you are in the present, figure out how you got to that point and do the same things to prepare for the future. Shelby did, however, acknowledge the need to embrace change when necessary. By the early 1990s customers' new tastes and nutritional concerns compelled McDonald's to expand its product range to include salads, decaffeinated coffee, skim or two percent milk, and fish and chicken sandwiches.

All was not perfect for McDonald's in the nineties. It had become the target of activists and advocacy groups that criticized the fast food giant for a range of evils including: paying low employee wages and providing poor working conditions, resisting unionization attempts, encouraging low farm labor wages, enabling (albeit passively) cruelty to animals through its reliance on so-called factory farms that mass-produce meat and poultry, and providing unhealthy food high in fat and sugar. The first major attack on McDonald's came from a Greenpeace activist group in England in a pamphlet titled, "What's Wrong with McDonald's? What They Don't Want You to Know." Labeled as libelous by McDonald's, a major court case against two of the protestors turned into a classic David-and-Goliath struggle in which McDonald's was cast at the corporate bully. Even though the final judgment in the case favored McDonald's, its reputation suffered internationally, precipitating the first institutional acknowledgement of a link between the type of food McDonald's served and heart disease in the form of the ruling made by an English appellate court.[34] The publicity was persistently negative and globally pervasive, with McDonald's cast, for the first time, as a transnational villain. The stage was set for a long and ugly battle on the issue of fast food, nutrition, and health.

1.5 The Health and Nutrition Movement Gains Momentum: Late 1990s–2003

The success and ubiquity of the fast food industry catapulted it into the increasingly prominent public health issue of nutrition and obesity in the developed world. In the new millennium, McDonald's remains the world's most recognized brand—more so than the Coca-Cola™.[35] While cookie, candy, and ice cream manufacturing companies are ostensibly all in the business of producing food with questionable nutritional value, advocacy groups focused on nutrition and obesity concerns are much more interested in challenging the major fast food players. By the mid-2000s, one in four Americans visited a fast food restaurant every day and spent more than ever. While Americans spent 3 billion a year on fast food in 1979 they now spend more than $110 billion per year—an astronomical increase even after accounting for inflation.[36]

The "McLibel" suit of the 1990s was just the start of a serious challenge to McDonald's for providing fare that was dangerous to consumers' health. In 2001, Eric Schlosser released *Fast Food Nation,* a best-selling book critical of the fast food industry. In 2002–2003, a group of obese American teenagers sued McDonald's in the so-called "McLawsuit," alleging that the corporation caused their obesity, diabetes, coronary heart disease, high blood pressure, elevated cholesterol intake, related cancers, and/or other detrimental health effects.[37]

1.5a Repercussions

From the high of $40.31 per share in 1999, McDonald's stock price started a three-year long downward spiral, reaching a low of $16.08 in 2002.[38] In its 2000 Annual Report, McDonald's reported that global fears concerning the spread of Bovine Spongiform Encephalopathy (BSE)—mad cow disease—was responsible for stock not performing well.[39] In 2001, McDonald's Annual Report cited both the continuing cloud over beef safety and the strong American dollar for disappointing sales growth.[40] New menu items introduced in 2001 were, among other things, unapologetically high in fat: the McPhilly Cheesteak™, the Cheddar Bacon Sausage McMuffin™, Chicken Strips™, and Tin Roof Waffle Cone Sundae™.[41]

By 2002, McDonald's posted its first quarterly loss *ever.*[42] McDonald's responded to the historic loss with a cost-cutting strategy that included terminating 600 jobs and closing 175 stores.[43] McDonald's cost-cutting extended to suppliers, even demanding that its ad agencies cut their fees by as much as 25%. McDonald's new CEO, Jim Cantalupo, attributed McDonald's disappointing financial performance due to weak economic conditions and the nature and size of the business.[44] He did not openly address the continuing effects of the "McLawsuit," including the demonization of McDonald's across traditional and new media outlets; in the debate raging over obesity, the McDonald's brand had become the biggest, baddest target of all. Cantalupo did, however, call for a revised business plan, with the aspirational label *The Plan to Win* (CITE). A key component of this plan was the provision of a more varied menu with new healthy choices. Salads were made a permanent menu item for the first time in the organization's history.[45] The addition of white chicken meat and salads in 2003 contrasted markedly with the fatty-food menu items introduced in 2001.

1.6 2004 to Present

In 2004, some much-needed good business news came for McDonald's and other fast food companies when a congressional ruling banned lawsuits by obese customers alleging that fast food restaurants are responsible for their conditions.[46] This ruling limited lawsuits that could have potentially resulted in financial ruin across the fast food industry. The bill passed 276 to 139, and a comment by the bill's author, Rep. Rick Keller, R-Florida echoed McDonald's view that consumers need to embrace the principle of personal responsibility for their eating choices.[47]

Unlike Congress, the court of public opinion was not prepared to give McDonald's a break and more bad news came in the form of Morgan Spurlock's documentary *Super Size Me.* Just as media coverage of the 2002 lawsuits fueling the obesity debate had run its course, and McDonald's had launched its *Plan to Win* business initiative, *Super Size Me* hit major theatres in 2004 with a scathing, direct attack on McDonald's regarding the issue of health and nutrition. The movie attracted both audiences and critical acclaim, winning honors at the Sundance Film Festival and an Oscar nomination. Other lobbyist and advocacy groups joined *Super Size Me* director Morgan Spurlock in pushing the message that McDonald's food was bad for everyone.[48]

In spite of its tarnished reputation, McDonald's overall performance from 2003 to the present has shown modest but continuous improvement. The per share stock price increased in 2004 from $16.08 in 2002 to $24.83 and continued to rise to $32.06 in 2004 and to $33.72 in 2005. In an article titled "Supersized PR," *Advertising Age* reported that McDonald's sales grew "despite the flurry of negative publicity surrounding government probes on obesity, the low-carb diet craze and the theatrical release of *Super Size Me*".[49] From 2003 to 2006, McDonald's continued its three-year run of growth with 5–6% per quarter sales increases on a consistent basis.[50]

McDonald's return to growth is tempered when considering other factors. For example, after ten years of joint marketing, Disney® will not renew its exclusive agreement to provide Disney character toys in Happy Meals.[51] McDonald's vehemently denies that the non-renewal has anything to do with Disney wanting to distance itself from the nutrition and obesity controversy surrounding McDonald's.[52] Gains made by McDonald's compare poorly with the growth of some smaller competitors. Despite its number one ranking in terms of system-wide sales in 2005, McDonald's was ranked number 29 in growth.[53] There is evidence of changing preferences in variety and choice, fueled in part by the health and nutrition debate. Fast- food companies such as Chipotle® (owned in part by McDonald's Corporation), Buffalo Wild Wings®, Panera Bread®, Panda Express®, Quiznos®, Starbucks®, and Jason's Deli® top the rankings in growth with double-digit advances. While the big three hamburger establishments—McDonald's, Burger King, and Wendy's—rank one, two and three respectively in system-wide sales, their growth has been modest to non-existent with McDonald's at 5.1%, Burger King at 2.6%, and Wendy's with 0%.

1.7 Corporate Social Responsibility

While McDonald's reputation has taken a beating in the health and nutrition arena, it has a stellar record for good corporate citizenship in other arenas. From the first Ronald McDonald House in the 1970s, McDonald's has built up a formidable social responsibility program. In addition to the Ronald McDonald houses and several Ronald McDonald children's charities, McDonald's sponsors a variety of educational and sports programs.[54] In 2000, McDonald's ranked number one for social responsibility in *Fortune's* listing of America's Most Admired Companies.[55] In 2004, *Fortune* ranked McDonald's number 5 in the same category.[56] McDonald's was named by *Fortune* as one of the top 50 places for minorities to work in 2003 and 2004. There are now more than 259 Ronald McDonald houses in communities around the world and the Ronald McDonald Care Mobile program offers medical, dental and education services to poverty-stricken children in their own neighborhoods.[57]

The question of whether corporate social responsibility initiatives are enough to counter negative perceptions of McDonald's is an important one; most pundits are prepared to offer a resounding "No." Stephen Doherty, the CEO of international PR firm Cohn & Wolfe, said, "I've never seen a reputation tracker for food companies that didn't have McDonald's ranking near, or at, the bottom. Climbing out of a hole that deep and longstanding requires a Herculean effort. The fundamental challenge lies in the demonisation of its core products over the past five years. You can spend millions on CSR [corporate social responsibility] and community work, but that counts for very little if burgers and fries remain 'evil' in the eyes of the public" (p. 15).[58]

2. The Issue of Fast Food, Nutrition, and Health

The fast food sector has been right up there with the oil industry and tobacco companies as a target for negative press.[59] In 2003, *Fortune* magazine even ran a cover story asking, "Is fat the next tobacco?[60] Concerns about the nutritional content of fast food have risen in concert with rising obesity rates.[61] The Executive Summary of the "Calories Count: Report of the Working Group on Obesity" summarizes the problem:[62]

> Since the late 1980s, adult obesity has steadily and substantially increased in the United States. Today, 64 percent of all Americans are overweight and over 30 percent are obese; in 1988 through 1992, fewer than 56 percent were overweight and fewer than 23 percent of American adults were obese. The trends for children are even more worrisome. Recent research by the U.S. Centers for Disease Control and Prevention (CDC) shows that 15 percent of children and adolescents aged 6 to 19 are overweight—double the rate of two decades ago. As Americans get heavier, their health suffers. Overweight and obesity increase the risk for coronary heart disease, type 2 diabetes, and certain cancers. According to some estimates, at least 400,000 deaths each year may be attributed to obesity.[63]

While there is no single cause for obesity, or single solution to reduce its incidence in America, the FDA's Working Group on Obesity suggests voluntary nutritional labeling at the point of sale for restaurant foods so that consumers can accurately assess the amount of calories and fat content. They also advocate that restaurants replace saturated, or "trans" fats used in cooking oils with zero/mono and/or polyunsaturated fats, which do not raise "bad" cholesterol (low density lipoprotein, LDL) and even have health benefits when eaten in moderation.[64]

Fast food chains have long been targeted as providing "junk food" high in calories and trans fats, which thereby contribute to the growing problem of obesity and health problems such as high cholesterol, diabetes, and heart disease. The pervasiveness of the perception linking fast food to unhealthy diets is illustrated in a humorous brief from *AARP: The Magazine* naming the "Riskiest Places on Earth."[65] On their list is "fast food drive-through, but only if you order food" (p. 74).

The recommended calorie intake for an average female is approximately 1400–1700 calories per day with 20% of calories from fat (no more than 30–40 grams). For an average male, it is 1800–2200 calories per day with the same 20% from fat (no more than 40–50 grams).[66] McDonald's hotcakes with syrup and butter provide 700 calories, 33 grams of fat, and 45 grams of sugar.[67] The chocolate triple shake has 1,160 calories and 27 grams of fat, more than half the recommended daily amount for a woman.[68] The Big Mac serves up 560 calories and 30 grams of fat.[69] A large order of French fries contains 570 calories and 30 grams of fat.[70]

The average American gets approximately 45% of his or her calories from fat, exceeding standard health recommendations by 25%.[71] Trans fats in cooking oils, such as those used by McDonald's are considered artery-clogging and are linked to heart disease.[72] They significantly raise the level of "bad" cholesterol. The *Miami Herald* reported that trans fats "are the new boogeyman of the table, a fat so insidiously unhealthy that one Harvard scientist calls it 'metabolic poison.'"[73] Research has shown that trans fats contribute to 30,000 U.S. deaths per year.[74]

The issue of diets high in fat and sugar is linked to fast food partially because of fast foods' popularity with Americans, particularly adolescents. One in four children and 40% of teenagers eat fast food daily.[75] It has also been shown that 90% of children eat at McDonald's at least one time each month. Furthermore, children see $3 billion of fast food advertising in a single year.

3. Opposition

3.1 In General

The issue of fast food as an enemy of the health and nutrition standards in developed nations has been established and growing for well over a decade. Consequently, many organizations, associations, government agencies, consumer groups, activists, advocacy groups, bloggers, and others continue to oppose so-called "junk" or fast food. Opposition to the type of food served by fast food restaurants such as McDonald's has become popular—even politically correct. Just some of the groups advocating for healthier nutrition for the American public include the American Dietetic Association, Center for Science in the Public Interest, the Food and Drug Administration, the Department of Health and Human Services, the Physicians Committee for Responsible Medicine, and the Harvard School of Public Health. Non-institutional opponents have multiplied, forming online communities using new media outlets such as blogs, personal web sites, and discussion forums. These online activists produce literally thousands of commentaries, much of which targets the fast food industry.

A battle is raging against food that is high in calories and trans fats because of the inherent health risks in consuming such foods. The challenge to McDonald's reputation, if not its business, is indeed fundamental. For the sake of parsimony, this case study focuses only on the major turning points in the development of this issue. These events are now elaborated.

3.2 McLibel

In 1994 a Greenpeace chapter in England accused McDonald's of peddling food harmful to human health and well-being. The group had produced a pamphlet entitled, "What's Wrong with McDonald's? What They Don't Want You to Know." Some protestors had then distributed the pamphlet on the streets of London. In a heavy handed response to this otherwise isolated and unremarkable incident, McDonald's Corporation issued writs to five protestors demanding that they either apologize for their statements against McDonald's or appear in court as defendants in a libel suit McDonald's filed against them. Three of the five protestors agreed to apologize, but two—Helen Steel and Dave Morris—refused and went to trial. Steel and Morris had no legal representation, virtually no expense funds, and they were denied their request for a jury trial.[76] Still, the relatively impoverished and inexperienced defendants managed to put up a substantial legal argument against McDonald's in a trial that would run for two and a half years, becoming the longest-running English trial in history at that time. Although Steel and Morris failed to prove all the accusations made in the pamphlet were true and the court ruled in McDonald's favor, the court of public opinion ruled decisively against the fast food giant. Two samples of the extensive and damning press coverage of McDonald's role in the the "McLibel" suit are shown in Appendix 3.

The McLibel suit presented a tantalizing David-and-Goliath media story that pitched McDonald's formidable legal team and million dollars outlay in battle against two "ordinary" young citizens who represented themselves with little financial support. The *Observer* reported that the court case made McDonald's look like a bully and was, in sum, a public relations disaster.[77] Steel and Morris then took the British government to the European Court of Human Rights to defend the public's right to criticize corporations and won. In a recent update, on February 2, 2005 the *Guardian* newspaper described the victory in the following way:

> It was the greatest legal victory against corporate power in living memory. Last week, two penniless activists, Dave Morris and Helen Steel, persuaded the European court of human rights that Britain's libel laws, under which they had been sued by McDonald's, had denied them their right of free speech. The law will probably have to be changed, depriving the rich and powerful of their most

> effective means of stifling public protest. So why aren't they hopping mad? The company that sued Dave and Helen will say only that "the world has moved on . . . and so has McDonald's".[78]

In 1999, the Court of Appeals ruled that it was true that eating enough McDonald's food could contribute to a diet high in fat, which carries with it the risk of heart disease. Again, the press picked up the story. *Associated Press* reported:

> A pair of vegetarian activists won a partial victory Wednesday in their struggle to overturn a court decision that they libeled McDonald's Corp. by accusing it of selling food that can cause heart disease. Three Court of Appeal judges ruled that Dave Morris and Helen Steel were justified in claiming that regular customers of the hamburger chain face a heightened risk of heart trouble.[79]

Five long years after an amateurish pamphlet precipitated a long and bloody court battle that built the media's agenda on issues unfavorable to McDonald's, spurred development of the McSpotlight web site where the original pamphlet was reproduced and easily distributed to a worldwide audience, and provided the material for a feature length documentary released in 2005, *McLibel,* Steel and Morris's message continued.

3.3 McLawsuit

In 2002 and 2003, a group of obese teenagers filed suit in a series of court cases against McDonald's, alleging that the fast food giant had caused their weight problems.[80] The teens had eaten at McDonald's three to five times per week over a period of six years and charged that:

- "The combined effect of McDonald's various promotional representations during this period was to create the false impression that its food products were nutritionally beneficial and part of a healthy lifestyle if consumed daily;
- McDonald's failed adequately to disclose that its use of certain additives and the manner of its food processing rendered certain of its foods substantially less healthy than represented; and
- McDonald's deceptively represented that it would provide nutritional information to its New York customers when in reality such information was not readily available."[81]

The court ruled in McDonald's favor. The judge for the Second Circuit explained that it was impossible to blame McDonald's for obesity without considering individual health variables such as exercise, family history, and overall dietary habits. Again, however, the negative publicity and consequences of the lawsuit would prove a public relations nightmare for McDonald's. Media coverage of the lawsuit heightened attention to criticism of McDonald's approach to nutritional labeling and child-focused advertising strategies. Morgan Spurlock maintains that this lawsuit was the catalyst for his documentary, *Super Size Me.*

3.4 Super Size Me

The film *Super Size Me* documents the experiences of journalist and director, Morgan Spurlock, as he makesa 30-day commitment to eating only McDonald's food. Spurlock's objective was to explore the issues of corporate responsibility, nutritional education, and "how we as a nation are eating ourselves to death."[82] Making no pretense of objectivity, Spurlock set out to prove that eating at McDonald's is a health hazand. A physician supervised his health and weight changes throughout the experience. He gained 25 pounds and suffered a variety of health problems. Spurlock uses the documentary to criticize McDonald's marketing to children.[83] In the film, Spurlock also calls for McDonald's to provide easy access to nutritional information and to cancel the super sizing option.

Super Size Me was released on May 7, 2004 to critical acclaim and box-office success. Its worldwide total theatre gross from release date to a close date of September 30, 2004 was $28,575,078, [84] which is impressive given the modest production budget of $65,000. Furthermore, *Super Size Me* won Best Director at the 2004 Sundance Film Festival, Best New Director at the Edinburgh International Film Festival, the MTV best News Documentary award, and was nominated for an Academy Award.[85]

The powerful punch of *Super Size Me* continued past the box-office release of the film. Not only was distribution continued beyond theatres with a DVD available through companies such as Blockbuster and NetFlix, Spurlock scheduled tours to schools across the country to get his anti-McDonald's message out to young people.[86] In addition, two modified versions of the film incorporating educational lessons for middle and high school students were also made available.

The *Super Size Me* web site parodies McDonald's in every way with colors that mimic McDonald's traditional red and yellow (See Appendix 4). It features a game the object of which is for players try eat as many burgers as they can. Traditional movie ratings are replaced with new categories including "F for Fat Audiences" and the tagline "Some food may not be suitable for children."

3.5 Fast Food Nation and Chew on This

Author Eric Schlosser first started what would become the book and then movie, *Fast Food Nation,* as an article for *Rolling Stone*.[87] Schlosser, teaming with co-author Charles Wilson, also produced the book, *Chew on This,* which duplicates the message of *Fast Food Nation* specifically for the 11- to 15-year old audience.[88] *Fast Food Nation* does not target McDonald's specifically as did *Super Size Me,* and it covers a much wider range of issues beyond nutrition and health. Both the book (published in 2001) and the movie (released in November of 2006) present scathing attacks on the fast food industry. The movie's tag line states, "The truth is hard to swallow."[89]

Along with targeting fast food as the cause of the obesity epidemic, Schlosser criticizes fast food chains' marketing efforts to reel in susceptible youngsters.[90] The movie has been released to critical acclaim, garnering Official Selection status at the Cannes Film Festival in 2006.[91] A *New York Times* article called *Fast Food Nation* the "most essential political film from an American director since Michael Moore's 'Fahrenheit 9/11.'"[92] Promotional materials for the movie label it "a groundbreaking work of investigation and cultural history that may change the way America thinks about the way it eats."[93]

The book version of *Fast Food Nation* geared toward children, *Chew on This,* hopes to accomplish the same ends. The publisher states in a press release that:

> *Chew on This* addresses some of the most serious issues affecting our society, and its strong, fact-based narrative style, startling statistics, and eye-opening photographs will keep readers turning the pages. The average American child views forty thousand television commercials per year, almost half of which promote junk food. There are roughly nine million overweight or obese children in America and there's no reason to think that this number is shrinking.[94]

4. Responses by McDonald's

4.1 Denial and Avoidance

McDonald's declined an invitation to appear with Schlosser, the author of *Fast Food Nation,* on NBC's *Today* show,[95] providing instead a statement of facts and an invitation for them to visit the McDonald's web site. Schlosser commented that McDonald's has "refused to discuss any of the issues raised by my work or to appear in any public forum with me."[96]

Even the appearance of compromise or consensus with critics is denied by McDonald's. For example, the company insisted that its decision to withdraw the super size option just six weeks after *Super Size Me* premiered had nothing to do with the film's release.[97] Additionally, *Super Size Me* called for McDonald's to make nutritional information easily accessible to customers; McDonald's consistent response message was that it has offered nutritional information available for over 30 years.[98] Easy-access nutritional information labeling was finally introduced in 2006 in Italy for the winter Olympics. Plans to have such labeling available in 20,000 McDonald's restaurants within 12 months were announced.[99]

McDonald's claim that they are not concerned with any negative media coverage the 2006 release of the film *Fast Food Nation* generates.[100] McDonald's reported having no proactive public relations initiatives planned regarding the release of the film. Walt Riker, Vice President of Corporate Communications and Media Relations at McDonald's explained in a *PR Week* article that:

> Our results show that when we focus on our restaurants and our customers, we will do well. The four-year run we've had on our business is the best we've ever had. The key is not losing focus on your core business. We have media days and fact sheets that are available through our Web site, as well as platforms that will afford us any opportunity to talk about what's important to McDonald's.We cannot be overly concerned about anyone else (p. 8).[101]

In a press conference McDonald's CEO, Jim Skinner, suggested that McDonald's needed to do a better job of communicating its story to consumers and the media.[102] The message that "we need to do a better job of communicating our story" became the prime response to the issue of health and nutrition and was repeated by several top McDonald's corporate officers. At the same press conference Riker reported that McDonald's theme in ramping up its media and consumer relations program was to continue the corporate commitment to transparency that has been in place for years. McDonald's initiative for better media and consumer relations included increasing media tours, increasing the number of corporate responsibility reports, and implementation of an Open Doors program where customers can get behind-the-counter tours of McDonald's restaurants.

Citing an Associated Press report *Bulldog Reporter* indicated that McDonald's took a rare offensive stance to counter negative publicity expected from the new children's book, *Chew on This,* and soon-to-be-released film version of *Fast Food Nation.*[103] At McDonald's annual meeting in 2006, CEO Jim Skinner urged shareholders not to believe the criticism against fast food and promised that McDonald's would be more aggressive and creative in setting the record straight. While an article in *Advertising Age* reports that McDonald's is "running scared" over the publication of *Chew on This,* Riker, Vice President of Corporate Communications and Media Relations, denies it. He does, however, vow that "if there's misinformation out there, one of our jobs is to correct it."[104]

An article by *The Wall Street Journal* reports that McDonald's plans to take a stronger defensive strategy in light of the release of the movie *Fast Food Nation* and children's book *Chew on This.* One reason for this new aggressive response strategy may be because McDonald's was caught "flat footed" by the book *Fast Food Nation* in 2001 and documentary *Super Size Me* in 2004.[105] Another reason may be because the book *Chew on This* targets McDonald's most valuable customers, children.[106] A memo outlining a plan sent by McDonald's to franchisees referred to possible attempts to "discredit the message and the messenger" in preparation for the release of the movie, *Fast Food Nation,* and referred to the release of the film as a "big concern to us."[107] McDonald's has denied the memo.

The publisher of *Chew on This* claimed that the fast food industry's response to the book has been a "Swift Boat-style campaign against Eric [Schlosser, the author] rather than focusing on ways to improve adolescent health. Clearly the industry believes that when you cannot refute the message, it is better to go after the messenger."[108] An example of this type of tactic by McDonald's surfaced when their Vice President of Corporate Communication attended a book signing event Schlosser held at a school.[109] The VP sat next to a reporter covering the event and explained to the reporter that Schlosser was not presenting a balanced perspective or providing an accurate portrayal of McDonald's.

4.2 McDonald's Blog

One initiative toward more open dialogue about the issues for which McDonald's has been criticized for more than a decade is a new corporate blog introduced in February, 2006 by McDonald's Senior Director for Corporate Responsibility, Bob Langert.[110] Langert announced:

> "We want to open our doors to corporate social responsibility at McDonald's—to share what we're doing and learn what you think. I want to use this blog to introduce you to some of the people, programs, and projects that make corporate social responsibility a reality at McDonald's—to take you along with me as I engage with some of our internal and external stakeholders in various parts of the world and to highlight our accomplishments, as well as the challenges we continue to face."[111]

Skepticism about the degree of openness McDonald's would actually provide on the blog was evident in a *Bulldog Reporter's* headline regarding the announcement that read, "Embrace or exploitation?" The blog entry for "Engaging in the Global Obesity Dialogue" stresses that health professionals erroneously use McDonald's as a generic term for unhealthy food consumption; that they don't seem to know what McDonald's serves; and they don't understand what McDonald's is doing to be "part of the solution.'"[112] Like CEO Jim Skinner and Vice President of Corporate Communications and Media Relations, Walt Riker, Langert emphasized that McDonald's strategic direction is to "do a better job of telling our story." The audience response comments posted on the blog regarding the obesity issue were favorable to McDonald's (See Appendix 5).

4.3 Action Promised but Not Delivered

In 2002, McDonald's stated that it would be replacing its trans fat oil with healthier cooking oils. This announcement caused enough complaints from loyal customers that McDonald's did not follow through with its promise.[113] Four years later, McDonald's maintains that they are still working on developing a trans fat alternative that would not diminish the taste and quality of their world-famous French fries. McDonald's may soon be forced to make the switch they promised long ago; in 2006, The Food and Drug Administration began pushing a proposal to ban trans fats from restaurants. To put this action in context, trans fats are being removed from many fast food kitchens as companies try to improve offerings to health-conscious diners. Wendy's and Kentucky Fried Chicken® have said they were switching to zero-trans fat oils.[114] Taco Bell® announced the change and shares of its parent company rose 16 cents to $62.29 on New York Stock Exchange.

4.4 Marketing Actions

While McDonald's has excelled in taking decisive and aggressive action in its corporate marketing programs. Indeed, the fast food industry has a long-established tradition of being marketing innovators.[115] Following McDonald's financial losses in 2002, the *Plan to Win* initiative was introduced in 2003. The *"I'm Lovin' It"*™ advertising campaign that targeted young adults, women and families was also introduced. McDonald's recognized changing consumer taste preferences and started providing salads and "other wholesome offerings"[116] McDonald's introduced Go Active! Happy Meals™ for adults, promoted a walking program, and gave out free pedometers. They produced a program titled "Get Moving with Ronald McDonald," and used a cartoon character, McMunchright™, to present health and fitness messages on television programs targeted to children. Additionally, at the end of 2003, McDonald's appointed a Director of Worldwide Nutrition, Dr. Cathy Kapica.[117]

By 2004, McDonald's had introduced a key component of the *Plan to Win,* the Balanced, Active Lifestyles initiative. The initiative addressed three critical areas: adding more menu choice and variety, providing nutrition education, and supporting physical activity.[118] McDonald's still resisted placing nutritional information directly on their product packaging, stating that they have been providing nutritional and ingredient information for over 30 years, and that such information was accessible through brochures, tray liners, the corporate web site, and customer service center.

As far back as 1986, an executive working with a public relations firm handling the McDonald's account recommended a focus on "balance" with the following explanation:[119]

> McDonald's should attempt to deflect the basic negative thrust of our critics by creating a scenario where we take the high road. How do we do this? Talking balance. We can't—at this stage of the situation—really address or defend nutrition. We don't sell nutrition and people don't come to McDonald's for nutrition. Rather than fight a defensive war of attrition by responding to constant nutrition attacks, let's not even deal with it.[120]

In 2005, McDonald's modified their advertising message to "It's What I Eat and What I Do™. . . I'm Lovin' It™" to reflect a new public awareness campaign to help consumers understand components of living active lifestyles.[121] As part of the campaign, McDonald's signed several celebrity brand ambassadors such as the music group Destiny's Child, tennis champion Venus Williams, and fitness expert Bob Greene, among others. In addition, several press events were staged to showcase the introduction of McDonald's Premium Salad line.

The Asian salad was introduced in 2006 and heavily promoted through consumer advertising. Going into 2006, McDonald's reaffirmed its commitment to "providing information on nutrition and promoting physical activity to support our customers' needs to make the best choices for their lifestyles."[122] *The Wall Street Journal* reported in April of 2006 that:

> McDonald's has spent the past few years revamping its menu to include more-nutritious foods such as apple dippers and a new line of premium salads. It is also shifting its marketing to emphasize exercise. It has repositioned Ronald McDonald as an "ambassador of balanced lifestyles" and depicts him in publicity photos in a running position.[123]

In 2006, McDonald's also introduced nutritional labeling directly on its products in a roll-out campaign that would be in effect in 20,000 of its restaurants in a one-year time period.

McDonald's has also announced that it will collaborate on research and education initiatives with the Scripps Research Institute to fight childhood obesity and Type 2 diabetes.[124] Ralph Alvarez, President and Chief Operating Officer of McDonald's, stated that "McDonald's overall goal is to make a difference in the lives of children. The collaboration with Scripps Research is an extension of McDonald's long-standing commitment to the well-being of children around the world."[125] Of the press releases available on McDonald's web site that deal with the issue of nutrition and health, all describe the actions McDonald's has taken to promote healthy lifestyles.

5. McDonald's Challenge

The main question facing McDonald's is whether they can continue their world dominance in the fast food industry by promoting active, healthy lifestyles when their core business comprises products that continue to be linked to obesity and related health problems. McDonald's has done a laudable job in marketing the concept of consumer choice and in establishing a generous corporate social responsibility program. However, in the U.S. at least, McDonald's has not reduced advertising to children, reformulated its trans fat cooking oil, or lowered fat, salt, and/or calorie counts on its core products. Rather than diminishing, the issue of health and nutrition continues to grow and McDonald's remains a key target in 2006.

Appendix 1

2005
The QSR 50 and The QSR 50 by Change in Systemwide Sales
QSR Magazine, August, 2006, Issue 92
Top 20 Shown

Ranking by System-wide Sales		Ranking by Growth in System-wide Sales		% of Growth
1	McDonald's	1	Cold Stone Creamery	44.2
2	Burger King	2	Chipotle	33.4
3	Wendy's	3	Buffalo Wild Wings	28.4
4	Subway	4	Panera Bread	28.0
5	Taco Bell	5	Panda Express	24.3
6	Pizza Hut	6	Quiznos	23.0
7	Starbucks	7	Starbucks	17.8
8	KFC	8	Jason's Deli	17.6
9	Dunkin' Donuts	9	Papa Murphy's Take 'N Bake	14.4
			Pizza	14.4
10	Domino's Pizza	10	Subway	14.4
11	Arby's	11	Dunkin' Donuts	13.9
12	Sonic Drive-In	12	Culver's	13.7
13	Jack in the Box	13	Chick-fil-A	13.1
14	Dairy Queen	14	CiCi's Pizza	12.8
15	Chick-fil-A	15	Sonic Drive-In	12.4
16	Papa John's Pizza	16	Blimbie Subs	11.9
17	Hardee's	17	El Pollo Loco	11.6
18	Panera Bread	18	Little Caesars Pizza	11.4
19	Popeyes	19	Whataburger	11.4
20	Quizinos Classic Subs	20	Del Taco	10.8

The Big Three Hamburger Chains Ranking by Growth in System-wide Sales

29	McDonald's	5.1
39	Burger King	2.6
45	Wendy's	0

Appendix 2

America's Top 2000 Brands (Top 10 Shown)
Brandweek
6/19/2006, Vol. 47, Issue 25

Legend for Chart:
A - RANK/BRAND
B - 2005 TOTAL SALES
C - 2004 TOTAL SALES
D - % CHG.

A	B	C	D
1	VERIZON WIRELESS SERVICE		
	1,251,348.8	1,113,645.0	12.4%
2	CINGULAR WIRELESS SERVICE		
	1,127,952.9	842,561.8	33.9%
3	MCDONALDS RESTAURANT		
	705,215.8	660,562.6	6.8%
4	HOME DEPOT HOME CENTER		
	526,947.1	570,416.6	-7.6%
5	T-MOBILE WIRELESS SERVICE		
	469,208.4	411,324.2	14.1%
6	LOWES BLDG SUPP STR		
	419,946.9	364,976.9	15.1%
7	NEWS AMERICA FSI		
	417,571.1	360,568.4	15.8%
8	GENERAL MOTORS CORP VAR AUTO&TRK		
	416,905.1	326,628.5	27.6%
9	VONAGE INTERNET PHONE SERVICE		
	413,311.7	63,358.2	552.3%
10	SPRINT PCS WIRELESS SERVICE		
	396,612.7	363,407.2	9.1%

Appendix 3

Two Samples of McLibel Press Coverage

1. Roberts, A. (2004, August 27). We're simply lovin' it... *Evening Standard.*
Accessed October 14, 2006, from
http://www.mcspotlight.org/media/press/mclibel/eveningstandard270804.html

We're simply lovin' it...

The bookshelves in Dave Morris's modest north London terrace strain under the weight of grey plastic ring-binders. There are many thousands of documents here, all relating to the longest trial in English legal history - and for the past few weeks, Morris has been attempting the Herculean task of summarising them all in just 10 A4 pages.
It's been seven years since the original McLibel trial (dubbed "the best free entertainment in London" by Auberon Waugh) was brought to a close by Mr Justice Bell in a packed courtroom, after 313 record-breaking days of controversial testimony and argument.

But now Morris and his co-defendant, Helen Steel, accused of libelling the burger chain in a samizdat leaflet distributed outside McDonald's restaurants in 1990, are taking their case to the European Court of Human Rights in Strasbourg on 7 September.

"We're going to be staying at a nice hotel, apparently," says Morris, who rarely stays in hotels anywhere. "We're submitting five or six ring-binders of documentation, but we've also got to condense the case into 10 pages." He looks down at the mass of paper on the floor. "And that's almost impossible."

Alas, Euro-McLibel is somewhat esoteric compared to the original warts 'n' all trial, in which Morris and Steel successfully proved that the world's most famous multinational corporation exploited children with its advertising, falsely advertised its food as nutritious and was "culpably responsible" for cruelty to animals—yet still lost the case overall and were ordered to pay £60,000 in damages.

This time Morris and Steel will argue that the original hearing contravened the right to a fair trial and the right to freedom of expression enshrined in the European Convention of Human Rights. Essentially the McLibel Two want English law to be changed so that multinational corporations are not allowed to sue for libel (just as governmental bodies are not allowed to). The court will also be asked to consider whether the trial was fair given the comical discrepancy between the two sides' resources.

In one corner stood Morris and Steel, a former postman and gardener, who defended themselves, had a combined annual income at the time of £7,500 and raised a war chest of just £35,000, including a £1,000 donation from the late Linda McCartney.

The two vegans—Morris, the son of a Labour-supporting north London door-to-door salesman, and Steel, the daughter of a Lancashire teacher and branch union secretary—had met in a Haringey community action group. Their friendship was cemented when they hitchhiked to Yorkshire to support the miners' strike in 1983 and together they campaigned against everything from road schemes to the poll tax, before upsetting McDonald's.

Occasionally mistaken for a couple, they were actually just friends, neither of whom had any higher education. What they did have was the fierce determination of the British underdog. Morris said his parents had always "encouraged me to think for myself—I've wanted to change the world since I was 17".

Steel seems to have inherited her fighting spirit from her mother, who once told her to go outside and punch the local bully when she was just eight years old. "So I did—well, she says I did, and he didn't bother me again," she explains.

But on paper, they seemed to have little chance against the might of a global corporation. In contrast to their paltry financial resources, McDonald's spent an estimated £10 million on a small army of legal representatives and costs.

And yet at the end of the original trial in June 1997, both sides claimed victory. Some of the points in the anti—McDonald's leaflet had been proved, others hadn't. Steel and Morris refused to pay the £60,000 and, two days after the verdict, were back outside the golden arches distributing the leaflet again.

But for McDonald's, the lengthy and detailed trial was an undoubted PR disaster. At one point, when asked about the nutritional content of Coca-Cola, McDonald's senior vice president of marketing, David Green, said it provided "water, and I think that is part of a balanced diet". It even emerged that McDonald's infiltrated spies into the north London Greenpeace group which printed up the leaflet (a radical environmental group not tied to Greenpeace International), and that one of the spies tried to find out Morris's address by offering to send baby clothes for his young son.

Since then, prompted by books such as Eric Schlosser's Fast Food Nation and an increasing awareness of the dangers of obesity, our attitude towards US-bred fast-food culture has undergone a radical shift. In 2002 McDonald's announced its first quarterly loss in 47 years, and began to change its menus in response.

A bubble has burst," claims Morris. "Most people no longer think of McDonald's in the way it portrays itself, as this kind of benevolent organisation that makes children happy. Instead they think of it more realistically—as a kind of mediocre company that sells mediocre products. Even people who eat there have ambivalent attitudes towards it." If McLibel began the backlash, it is documentary filmmaker Morgan Spurlock, already compared to Fahrenheit 9/11's Michael Moore, who is twisting the knife. Next month's release of Super Size Me, in which Spurlock spends four weeks eating nothing but McDonald's, with near-catastrophic consequences for his cholesterol levels and liver, merely confirms what Morris and Steel maintained from the start: that a diet based on burgers, fries and fat-laden milkshakes is very bad for your health.

It goes without saying that Steel and Morris, now 38 and 50 respectively, are seen as heroes within the anti-globalisation and vegetarian movements. Yet the case also struck a chord with a broader and less militant audience, who simply admired their refusal to back down in the face of overwhelming corporate power. It was a David-and-Goliath battle, and of course the silent majority sided with David.

The pair don't much like this cult status, however. "I think it disempowers people because they think, oh you have to be some sort of superhero to take these multinationals on—whereas, in reality, we're very ordinary people and anyone can do it," says Steel a little disingenuously. By definition, the McLibel Two are not ordinary: they describe themselves as "anarchists" for a start (in the sense that anarchism means people power, a society without controlling governments or private corporations). For Morris, McDonald's has been a bête noire for almost 30 years. "I remember going into the second branch they ever opened in this country," he says. "It was in Holloway, in 1975, and I had to deliver their post every day. I thought there was something pretty sinister about it, this new café with the workers in colourful uniforms and little name tags, smiling all the time." Morris was branch secretary of the postal workers' union, and one day asked a burger-flipper at McDonald's if the restaurant was unionised. "I remember he gave me this bizarre look, like, 'What are you talking about? This is McDonald's!'"

A single dad to 15-year-old Charlie, Morris nowadays spends most of his time doing unpaid community work. He is acutely aware of the ways in which advertising turns children into raging consumers and of the "pester power" factor upon which fast-food outlets often rely. I wonder whether Charlie has ever eaten at a McDonald's. "I think he's had fries a couple of times with friends," says Dave warily. "But I haven't," declares Steel, who nowadays works as a qualified electrician. "I've used their loos once or twice and that's it."

McLibel dominated their lives for at least three years. Without legal aid they had to learn complex areas of libel law, seek witnesses and work out technical strategies almost entirely by themselves.

"Of course our personal lives suffered," says Steel.

"There were points when I did feel like, 'Oh I can't carry on. This is driving me mad, I've really had enough and I want my life back.' The fact that there were two of us helped. One of us was able to carry the load while the other drew breath."

Were they ever frightened by what they had got themselves into, this extraordinary legal fight with a global corporation more powerful than many national governments?

"When we first got the writs, we took legal advice," says Steel, "and the advice was basically, 'It's really hard to defend a libel case at the best of times, but if you haven't got any resources, against such wealthy opposition, well, forget it'.

"And, of course, we stood the risk of being ordered to pay X amount of costs and damages, and having an injunction against us, and the threat of going to jail. That was very intimidating and daunting." She pauses briefly and looks me right in the eye.

"But, for me, it would have been much worse if I'd apologised for something that I didn't believe deserved an apology. Living with that feeling would have been worse."

A film about the trial by documentary maker Franny Armstrong, titled McLibel: Two Worlds Collide, has yet to be shown on British TV despite strong initial interest from both the BBC and Channel 4. Broadcasters are worried that the film is libellous and do not want a legal head-to-head with the US giant.

Yet if Steel and Morris win their case in Europe next month it's unlikely that McLibel could ever happen again. And if they don't, well, that's the end of McLibel anyway.

"You can't go to a higher court, so that really would be the end of legal proceedings," says Steel, relief in her voice. "But, obviously, it's not the end of the campaign, not the end of people challenging multinationals and the effect they have on society."

Dave nods vigorously. "No, no. That's a struggle that will go on for a very long time."

2. Bentley, S., & Vidal, J. (1997, June 26). Big Mac Under Attack. Marketing Week.
Accessed October 14, 2006, from http://www.mcspotlight.org/media/press/marketwk_26jun97.html

Big Mac Under Attack (Cover Story)
It may have won the McLibel trial but the case has exposed an arrogance which threatens to shake McDonald's from its pole position. With rival chains eating into its market share and a poor new product development record, can it get back on course? Stephanie Bentley and McLibel book author John Vidal report. John Vidal is the author of McLibel, Burger Culture on Trial (Macmillan, £15.99) and environment editor of The Guardian

McDonald's may have won the McLibel case, but what a lot it lost besides. The criticisms of a small and insignificant group of anarchists—an irritating pinprick on McDonald's big toe—became a weeping sore all over the body corporate as McDonald's found itself having to fight a labyrinthine legal case estimated to have cost £10m.

Hindsight, as they say, is an exact science. Even in their worst nightmares McDonald's management could never have imagined the incredible tenacity of the two defendants and the resulting public relations disaster and sky-high costs of the McLibel trial.

Yet it is tempting to see the corporate paranoia evident in McDonald's original decision to take Helen Steel and Dave Morris to court as symptomatic of an insularity and arrogance that threatens to undermine McDonald's long-term future in key Western markets, crucially the US.

For 40 years the world's appetite for Big Macs has been insatiable. Still the McDonald's formula rolls relentlessly on into more and more markets, with 2,600 new stores expected to open this year (three-quarters of them outside the US) and more than 100 countries already blessed with the Golden Arches.

But in the US, signs of desperation, some might say panic, are setting in. The world's biggest restaurant chain continues to grow, but only through aggressive expansion. Like-for-like store sales, the barometer of a fast-food chain's underlying health, were down between four and six per cent in May, according to US analysts.

Marketing strategies keep going as soggy as an old cheeseburger. New products have repeatedly flopped; the last major pricing strategy—launched on April 25 and designed to run well into 1998—has all but foundered in a the most humiliating of circumstances.

Mitchell Speiser, analyst at Lehman Brothers in New York, says: "In the US its business is weak. McDonald's has not put together an effective message. Its strategic direction is unclear."

The corporation's overreaction to a couple of penniless environmental activists handing out libellous leaflets in the UK is perhaps symptomatic of a company so insular and so rigid it has lost its perspective.

Everywhere else in the world McDonald's continues to grow. International expansion is good for the bottom line because international sales are more profitable than sales in the domestic market. Competition is much less intense outside the US, so McDonald's gets more people flocking to its stores and can charge higher prices.

The power of the brand sweeps everything before it. The arches are a potent symbol of democracy and freedom of choice, as witnessed so poignantly in Moscow when McDonald's opened its first restaurant and citizens queued for hours to buy the luxury of a burger and fries.

But in the US, where that symbolism is largely meaningless, selling cheap burgers fast is not enough to keep attracting new customers. There is unprecedented domestic competition for "share of mouth", from big rivals Burger King and Wendy's and new chains of quick-service restaurants offering everything from tacos to pizza to sushi. McDonald's wins the war of convenience hands down, with 12,000 US restaurants compared with its nearest rival Burger King with 7,000, but some observers argue the corporation has become a victim of its own success.

As McDonald's opens more units in this saturated market, so it cannibalises existing restaurant sales and squeezes franchisees' profits.

According to research from Technomic, a Chicago-based restaurant consultancy firm, the number of McDonald's units grew in 1996 by 6.4 per cent but sales increased by only 2.9 per cent, which means sales per restaurant have dropped. In contrast, Burger King outlets increased by 6.9 per cent, and its sales grew by 9.2 per cent.

Meanwhile, in McDonald's international division—where 80 per cent of profits come from the UK, France, Germany, Canada, Japan, Brazil and Australia—the company is having to open smaller, lower volume stores because prime sites in the big cities are already established.

It is also a victim of demographics. America's population is ageing and the teenagers who grazed on hamburgers in their teens are now middle-aged and more health-conscious.

Last year the company launched the Arch Deluxe, a "sophisticated" adult burger with a secret sauce of mayonnaise and two mustards, and an optional slice of bacon, in a bid to appeal to this "baby boomer" generation, who are supposedly more interested in taste.

But the Arch Deluxe has not proved to be the saviour McDonald's hoped it would. It is high in fat, high in calories and expensive—baby boomers decided that if they were going to be unhealthy and eat a burger, they would rather eat a "vulgar" one at 99 cents than a "sophisticated" one at $1.79. And of course the Arch Deluxe, in trying to be the perfect junk food for adults, failed to appeal to McDonald's core market—children.

Ron Paul, president of Technomic, says the hype surrounding the launch of the Arch Deluxe put too much consumer expectation on the product. "The Arch Deluxe was less than industry observers expected. It was not good enough or different enough to move anyone away from their favourite sandwiches elsewhere," he adds.

Earlier this year, in a dramatic shift in direction, McDonald's moved away from concentrating on upmarket, added-value burgers to a discount strategy: Campaign 55 (1955 was the year of the chain's inception).

Under Campaign 55, the company slashed the price of a sandwich, such as an Egg McMuffin or a Big Mac, down to the very appealing 55 cents (30p). Sort of. What many customers failed to understand was that they could only get their 55-cent sandwich if they bought a drink and French fries as well, and if the particular sandwich they wanted was on offer that month.

Campaign 55 confused and annoyed consumers, and importantly, it failed to deliver on what it promised. After six weeks the company pulled the promotion, except for a variant on the breakfast menu. It is a humiliating climbdown for a company not used to reverses.

McDonald's is also suffering from a quality perception problem—observers just do not rate the taste of its burgers.

Damon Brundage, an analyst at NatWest Securities in New York, says: "Frankly the future isn't very good. There has been deterioration in the quality of McDonald's products where Burger King and Wendy's have got better."

He adds: "McDonald's stock in 1995 had a terrific year. It convinced management that there is nothing wrong with McDonald's product, and that there is nothing wrong with marketing strategy."

Campaign 55 was interpreted as a means of buying time for McDonald's, while the company worked on upgrading its products in the long term. But this has not worked, and with no replacement for Campaign 55 on the horizon, it is not easy to see how McDonald's can add lustre to the Golden Arches.

Brundage says: "There is only one way out at this point. It must improve product quality, for example by increasing the size of the patty (the meat in the burger) or enhancing flavours, and it must bring out two, three or five new products."

He forecasts more aggressive pricing activity in the short-term, for example on brands such as the Big Mac, but with no strings attached to the promotion. Pressure is growing on McDonald's from its 2,700 US franchisees. They are increasingly confused and perturbed by the company's strategic U-turns and angry at the apparently unaccountable marketing and management executives. Plans and schemes are launched, they don't work, and the same people are still in place to dream up the next strategy.

There has been much speculation that senior heads would roll after the failure of Campaign 55, but as one analyst says: "They'll just hunker down in Oak Brook [company headquarters in Illinois]."

McDonald's vice-chairman Jack Greenberg and senior vice-president of US marketing Brad Ball are being held responsible for Campaign 55. But as one observer says: "Both these men were promoted by Mike Quinlan, the chairman and chief executive. They are his boys. He is not going to take one of them outside and shoot him."

Brundage adds: "McDonald's is an extremely insular organisation and perhaps there is a fair amount of arrogance. The top executives feel they know their business better than anyone and therefore there is no need to listen to anyone outside Oak Brook. That attitude hasn't shown many signs of changing." McDonald's has for years confounded its critics and continues to post record global growth and profits. But with such sluggish growth in its domestic market, the corporation faces the rockiest patch in its 40-year history. The company is imprisoned by its need to stay cheap, and is under intensifying pressure to compensate by finding a quick fix to move product and fill cash tills. Suddenly Ronald McDonald's carefree youth has been replaced by a mid-life crisis.

Speiser says: "McDonald's is a big machine, so when there is negative momentum, it takes time to turn it around. But on the positive side, once you get it rolling, don't ever underestimate the power of brand McDonald's."

Judgement rocks Ronald

Ray Kroc, the testy founder of the mighty McDonald's empire, will be cussing in his grave. A senior English judge has just found that the corporation which spends $2bn (#1.3bn) a year promoting itself and advertising its products "exploits children".

Mr Justice Bell didn't mince words at the end of the epic McLibel trial: "In my judgment", he said, "McDonald's advertising and marketing makes considerable use of susceptible young children to bring in custom, both their own and that of their parents who must accompany them, by pestering their parents." Ouch.

Precisely focused marketing and advertising is the core of the McDonald's empire. The business is nothing without it. The whole $30bn (#19bn) a year enterprise depends on building brand loyalty and attracting impressionable children, as young as two years old.

For a judge to even question the ethics of the company's relationship with little people is bad enough; to spend weeks listening to the best arguments of its top US executives, and the defence given by some of Britain's leading marketing people, and then to reject them and conclude that it is frequently exploitative should scare the daylights out of the industry. This was not a judgment on one isolated campaign but on a great plank of McDonald's day-to-day business.

It's a miserable judgment for the corporation that spends #55m promoting itself in Britain each year. What happens now to McDonald's fabled code of conduct? Did not David Green, senior vice-president of marketing, spend four days in the witness box and say that McDonald's had this code precisely to prevent the exploitation of children? Has not the company always painted itself as ethical and socially responsible? Is it time for Ronald to change his message? McDonald's has said it will have an internal inquiry, but it's hard to see what can be done. It could sit tight and hope the fuss will go away and, indeed, it is not bound to change because nothing it does in this area is illegal. But if it wants to avoid being branded cynical by an increasingly ethically-aware public, it has a duty to respond fully and clear its name.

Appendix 5

Comments and Responses on "Engaging in the Global Obesity Dialogue"

Posted on the McDonald's corporate social responsibility blog, http://csr.blogs.mcdonalds.com/default.asp?item=198222

Posted By: Russell Faraday (14/11/2006 8:07:31 PM)
Comment: Thank you for your interest in attempting to make the world a better place. There are many other key issues that McDonald's needs to work on before becoming a respectable company. First, address the problems that meat-packing workers (McDonald's beef suppliers) must face every day. There are very dangerous conditions in the meat plants, and safety rules are routinely ignored and not enforced. The government does not do much to help in this situation. Second, stop advertising unhealthy food to children. They don't necessarily know anything about nutrition, and if you get them hooked on french fries at age 5, they may never give up the habit, whether or not there is nutrition information. Obesity is just the tip of the iceberg, there are other REAL problems that McDonald's is responsible for. Just because there isn't national media coverage about an issue doesn't mean you don't have to fix it. Thank you. RF

Posted By: Les Weinstein (10/11/2006 4:16:55 AM)
Comment: It is refreshing to learn that by hiring you and giving you authority that McDonalds is truly comitted to change.What if anything is your company doing about the issue of supporting local farmers and organic producers.

Posted By: The McChronicles (31/10/2006 5:58:23 PM)
Comment: Catherine, This is one of the best postings The McChronicles has seen on this blog. Thank you. We couldn't agree more that McDonald's is now clumsily used by many people to represent all that is bad with the fast food industry. Taken a step further, and including the concept of RESPONSIBILITY (and intrinsic locus of control), people use McDonald's to represent much of what is wrong with themselves! We feel that McDonald's is on the verge of being able to launch a tremendously powerful program that could lead the world in developing healthy eating habits. We're not saying that you are, or that you should do this—it's just that you now have assembled most of the resources, data, high ground, etc. to do so. Today's complex world often gets over most people's heads with technicalities. Many look to a trusted leader to offer guidance. When it comes to fast food, McDonald's could take that position (versus shrinking into the intellectual background), raise the bar for all other fast food purveyors, and lead the way. Most consumers want to trust McDonald's, and many obviously eat your food daily. Putting this all together, The McChronicles would love to see McDonald's boldly stake out the sensible eating leadership position in the fast food industry. Make us proud.

Posted By: Brad Bennett (25/10/2006 1:41:03 PM)
Comment: While the choice to eat McDonald's is ultimately unto the consumer, the argument that McDonald's offers healthy choices and is therefore absolved from being a large part of the "obesity problem" doesn't take into account the role McDonald's and their advertising plays in

shaping consumers' ultimate decisions. (And once you add many of the dressings, the healthy choices aren't even that healthy!)

Response: Thank you for your comments. McDonald's knows that we provide meals for a large number of people everyday. We take this role seriously and feel that we have a responsibility to provide choices that fit with most all lifestyles and for many differrent customer ages. We take our role in advertising seriously also. We have a code of practice for advertising today and we evolve this code with our customers changing needs and preferences.

Our food also provides choices for our different customers. For example, McDonald's premium salads provide three servings of vegetables and are a significant source of protein when served with chicken. These main dish meals contribute as few as 350 calories without dressing. There are three offerings of lowfat salad dressing. Lowfat balsamic has 40 cal; soy ginger has 90 cal; and lowfat family recipe italian has 60 calories. All these deliver great taste. A serving of regular salad dressing contains about 200 calories per serving, but the taste is perferred by some customers. Our salads are an excellent source of vitamins A & C and a good source of calcium and iron-which sounds like great tasting nutrition to me.
—Dr. Adams

Posted By: Tracy Salas (22/10/2006 7:38:45 PM)
Comment: Again posting from my experience from working at McDonalds, I 100% agree with your comments. Obesity can be caused when you make poor choices in food. Me and my co-workers eat at McDonalds on a regular basis, sometimes near daily, most of us are not fat. Obviously obesity has more to do with more than with how much and how often than just what you eat. Im not saying the food is necessariy good for you, but it dosent hurt you when you watch how MUCH of it you eat. dont cram your self full and eat the same thing every day and and try to point fingers.

Response: I appreciate your thoughts and your time in responding to my comment. We agree with you that being healthy is up to every individual. We also agree with you that McDonald's food can fit into a healthy life. We offer a variety of menu items, in a range of sizes, to meet the needs of a varied population. Maintaining a balanced diet means something different for each individual customer.
—Dr. Adams

Posted By: Tim Kissman (20/10/2006 8:21:01 PM)
Comment: This is a great blog and one that definitely shows McDonald's in a different light. You're right. When speaking of nutrition, not once have I ever heard of McDonald's being an example of good nutrition. It's true that we all choose what we eat, how we eat and how much, but the availability of "fast food" and the ease of which it is consumed is all too easy. It's good to see more nutritional options being part of the McDonald's menu and I hope that continues "not only for adults, but for children. My daughters still choose McDonald's because of the toys inside their happy meals. I'm also the publisher of a health and fitness magazine in Michigan and would welcome a column about this matter. Michigan, as you may know, has one of the highest obesity rates in the country. There are a lot of good people working hard trying to change that and I know McDonald's is doing its part by educating its consumers. If you're interested in this, I would love to hear from you. Thanks, and I will continue to read this blog with great interest!

Response: Thank you for your remarks. We are pleased that you are able to understand the issues and are working on solutions through your magazine. We will continue to provide choice on our menu for all tastes and lifestyles. We will also continue to provide information and be open and honest about our food and our values. Let's explore the opportunity of an article in your health and fitness magazine. Please continue to read and enjoy this blog from McDonald's!
—Dr. Adams

Posted By: Dean Shareski (17/10/2006 12:44:23 AM)
Comment: I really appreciate the transparency and efforts you make to deal with the controversial

issues surrounding your company....you must have read "Naked Conversations". How do you handle those comments which challenge or even are malicious towards McDonalds? How much will you allow? I think it's important to allow those dissenting voices and yet I also recognize eliminating those who cross the line. Just wondering how you handle this.

Response: The purpose of our CSR blog is to have a dialogue on important social and environmental issues. The spirit of our effort is to raise awareness, address complex issues with an open mind, and to illustrate the multiple facets and trade-offs involved with these issues. All viewpoints are part of this, including dissenting voices. What type of comment is inappropriate to post? That's a judgement I have to make. Basically, I won't post vulgar, irrelevant or other types of comments that are posted in this spirit. I don't believe a blog should be used as a campaigning place. Rather, it should be used as a place for civil, smart and constructive exchanges of points of view on how we can do better. With this blog, and others like it, we can elevate the discussion and increase the opportunity for CSR issues to become more mainstream.
—Bob

Posted By: Ryan Hanoa (16/10/2006 10:21:03 PM)
Comment: Mrs. Adams, -I just finished eating one of your, your as in mcdonalds (not the entire food industry,) meals, and I decided to go to the Mcdonalds website for the first time. I came across this blog, and read your opinions on the relation between Mcdonalds and Obesity. To shed some light I will list a few reasons why people were so hard on Mcdonalds, and maybe offer some good points for you to take in. -Mcdonalds, for years, has been under fire for its unhealthy nutritional nature. Mcdonalds, in response to this, did a wonderful job of releasing healthier choices such as the products that you mentioned at reasonably low prices. And I'm sure that they weren't refering to Mcdonalds healthier product choices when seemingly "attacking" the menu. The only problem with Mcdonalds in a lot of people's eyes is that they still offer those fatty items on their menu. They feel that it allows for a "gateway" into obesity, which I completely agree with. But, you are very right when saying that one should mentor their children into a healthy and nutritious lifestyle. These "gateways" are merely that, "gateways." Though no one I know, can say that they don't know that many of your products are unhealthy. The information is out there, but many people just choose to ignore health for convience. So, people believe that your part in this business is to moderate what level of health that people can recieve from your meals. -Mcdonalds is one of the corporate idols of this nation and maybe even the world. And the responsibility in being that global entity is that you are being held partially responsible for the health and wellbeing of our nation and our world as a whole. Mcdonalds should not have to change their menu because people can't resist a Big N' Tasty. Nor should any "blame" fall on your fine establishment. Though, because of your high consumer volume, many people feel that you can be the difference in the world's choice of healthy eating. —Please e-mail me with a response, it would be greatly apperciated.

Response: Thank you for your thoughtful response to our comments. We realize that we provide food for a lot of people around the world—about 50 million everyday. We take our responsibility for our food and our leadership position seriously. We want people to know what is in our food so that they can make appropriate choices. We also know that we offer our customers great tasting nutrition. We have choices on our menu that contain the protein, vegetables and fruits that we need everyday. Obviously, some of our menu items are higher in fat than others. I cannot say that any food on our menu is "unhealthy" because I believe that "diets" and "lifestyles" are healthy or unhealthy—not foods. I know that I personally eat at McDonald's almost everyday, and I easily select the foods that I want and need from the menu. I appreciate the convenience I am offererd with McDonald's, and I believe that my diet is a healthy one.

I appreciate your comments about McDonald's as a gateway. However, instead of a gateway to obesity, I see McDonald's as a gateway to the selection of convenient foods that people need for a healthy and busy lifestyle. We will continue to evolve our menu to meet our changing customers' needs. Thank you for your thoughts.
—Dr. Adams

Posted By: Genie Gratto (13/10/2006 4:00:31 PM)
Comment: Catherine, it's absolutely true that McDonald's offers many more healthy offerings than ever before. As a health-conscious consumer, I appreciate that. However, I will admit...I don't come to your stores often anymore, and when I do, it's because I'm looking for tasty fries or a burger — something quick and, to my consciousness, totally unhealthy. However, what I find disingenuous about your entry here is that it sounds like you're a little surprised at the shorthand of health professionals. Is it unfair that they don't let Burger King or Wendy's or Taco Bell or KFC roll off their tongue? Perhaps. But at the end of the day, one of McDonald's goals has been to be a household name, all around the world. To succeed at that, sometimes, means you're also going to become the biggest target. I compare it to people who complain when their favorite bands "sell out." Well, doesn't that just mean they've been really successful at what they do and have made gobs of money? McDonald's certainly doesn't bear sole responsibility for the obesity epidemic in this country. But at the end of the day, no matter how many Asian salads you add to your menu, no matter how many fruit and yogurt parfaits you serve, your corporate profile is as a fast food company that started with burgers and fries. That's your core business. And those foods should be eaten in limited moderation, if at all. You deserve a break today? Truth be told, we all deserve a break...but we should be taking that McDonald's break a couple of times a year...not every day. Genie http://www.theinadvertentgardener.com

Response: I thank you for your thoughtful comments and taking the time to write to me. I appreciate how you incorporated our advertising slogan from a few years ago! And to your point, I think we do deserve a break—but only from being regarded as representative of the business practices of an entire industry.

We are proud to sell burgers and fries, and we are proud of our heritage. We grew to be leaders in the quick service industry. And we are proud of the values we exercised along the way—from our responsible food sourcing practices and successful alliances with Greenpeace and the Scripps Research Institute, to our openness with nutrition information on our packaging. We are reflecting our values in all that we do, and we are leading the way for much of the industry.

If anyone "sells out" to make money, I suggest that they are regarding their business as a short-term opportunity. Through our food and our values, McDonald's reveals our intent to be in business and customer-preferred for the long-term. We hope that this will be recognized in the future as a convenient source of great tasting nutrition.
—Dr. Adams

References

1 McDonald's Corporation. (n.d.). McDonald's corporate web site. Accessed September 30, 2006, from www.mcdonalds.ca/en/aboutus/history.aspx

2 Super Size Me. (n.d.) Super Size Me web site. Accessed September 20, 2006, from www.supersizeme.com/home.aspx?page=bythelb; McDonald's Corporation. (n.d.). McDonald's corporate web site. Accessed September 20, 2006, from www.mcdonalds.ca/en/aboutus/faq.aspx and www.mcdonalds.ca/en/aboutus/history.aspx

3 Martin, M. (2006, August). The game in '05. *QSR Magazine Online, 92*. Accessed November 2, 2006, from www.qsrmagazine.com.qsr50/2006/part1-3.phtml#

4 America's Top 200 Brands. (2006, June 19). *Brandweek*, 47(25). Accessed September 18, 2006, from the Academic Search Premier database.

5 Bush, M. (2006, June 19). Critical films don't faze fast-food giants. *PR Week*, 8.

6 Armstrong, F. (Director). (2005). *McLibel* [Motion picture]. United Kingdom: Cinema Libre Studio.

7 Linklater, R. (Director). (2006). *Fast food nation* [Motion picture]. United States: Fox Searchlight.

8 Super Size Me. (n.d.). Super Size Me web site. Accessed October 4, 2006, from www.supersizeme.com/home.aspx?page=aboutdirector

9 Hannigan, J. (2003). *McDonaldization: the Reader* (Book Review). *Journal of the American Planning Association*, 69(4), 453–456.

10 Martin, M. (2006, August). The game in '05. *QSR Magazine Online, 92*. Accessed November 2, 2006, from www.qsrmagazine.com.qsr50/2006/part1-3.phtml#

11 McDonald's Returns to Its Roots. (2006, June 2). *PR Week*, p.15. Accessed October 4, 2006, from the Lexis-Nexis Academic database.

12 McDonald's Corporation. (n.d.). McDonald's corporate web site. Accessed September 30, 2006, from www.mcdonalds.ca/en/aboutus/history.aspx

13 *Ibid.*

14 A Brief History of McDonald's. (n.d.). McSpotlight web site. Accessed October 11, 2006, from www.mcspotlight.org/company/company_history.html

15 McDonald's Corporation. (n.d.). McDonald's corporate web site. Accessed September 30, 2006, from www.mcdonalds.ca/en/aboutus/history.aspx

16 A Brief History of McDonald's. (n.d.)..McSpotlight web site. Accessed October 11, 2006, from www.mcspotlight.org/company/company_history.html

17 Paul, R. N. (1994, June). Status and outlook of the chain-restaurant industry. *Cornell Hotel & Restaurant Administration Quarterly* 35(3), 23–27.

18 McDonald's Corporation. (n.d.). McDonald's corporate web site. Accessed October 3, 2006, from www.mcdonalds.ca/en/aboutus/history.aspx

19 Hannigan, J. (2003). *McDonaldization: the Reader* (Book Review). *Journal of the American Planning Association*, 69(4), 453–456.

20 Paul, R. N. (1994, June). Status and outlook of the chain-restaurant industry. *Cornell Hotel & Restaurant Administration Quarterly* 35(3), 23–27.

21 *Ibid.*

[22] McDonald's Corporation. (n.d.). McDonald's corporate web site. Accessed September 28, 2006, from www.mcdonalds.ca/en/aboutus/history.aspx

[23] Helmer, J. (1992). Love on a bun: How McDonald's won the burger wars. *Journal of Popular Culture, 26*(2), 85–98.

[24] *Ibid.*

[25] *Ibid.*

[26] *Ibid.*

[27] Edmund, D. S. (1990, May). The secret behind the Big Mac? It's simple! *Management Review 79*(5), 32–34.

[28] McDonald's Corporation. (n.d.). McDonald's corporate web site. Accessed October 15, 2006, from http://64.26.27.40/interactive/mcd2004financialreport/md/page_001.php

[29] Ronald McDonald. (n.d.). Ronald McDonald web site. Accessed October 15, 2006, from www.Ronald.com

[30] Elliott, I. (2001, June). Pulling a fast one. *The Ecologist*, *31*(5), 36.

[31] Kramer, L. (1999, August 16). McDonald's execs explore makeover for Ronald icon. *Advertising Age, (70)*34.

[32] Edmund, D. S. (1990, May). The secret behind the Big Mac? It's simple! *Management Review 79*(5). 32–34.

[33] *Ibid.*

[34] Armstrong, F. (Director). (2005). *McLibel* [Motion picture]. United Kingdom: Cinema Libre Studio.

[35] Elliott, I. (2001, June). Pulling a fast one. *The Ecologist*, *31*(5), 36.

[36] Super Size Me. (n.d.). Super Size Me web site. Accessed October 4, 2006, from supersizeme.com/home.aspx?page=bythelb

[37] McLean, T. R. (2005, May). Case notes. (McDonald's caused obesity.) *Journal of Controversial Medical Claims, (12)*2, 10–17.

[38] McDonald's. (n.d.). 2004 annual report summary. McDonald's corporate web site. Accessed September 28, 2006, from http://64.26.27.40/interactive/mcd2004financialreport/med/page_001.php

[39] McDonald's. (n.d.). 2001 annual report summary. McDonald's corporate web site. Accessed October 14, 2006, from http://www.mcdonalds.com/corp/invest/pub/annual_rpt_archives/2001_annual.RowPar.0005.ContentPar.0001.ColumnPar.0001.File.tmp/mcdarpp01_13.pdf

[40] McDonald's. (n.d.). 2001 annual report summary. McDonald's corporate web site. Accessed September 28, 2006, from http:www.mcdonalds.com/corp/invest/pub/annual_rpt_archives/2001_annual.RowPar.0005.ContentPar.0001.ColumnPar.0001.File.tmp/mcdarpp01_13.pdf

[41] McDonald's. (n.d.). 2001 annual report summary. McDonald's corporate web site. Accessed September 28, 2006, from http:www.mcdonalds.com/corp/invest/pub/annual_rpt_archives/2001_annual.RowPar.0005.ContentPar.0001.ColumnPar.0001.File.tmp/mcdarpp01_13.pdf

[42] Hannigan, J. (2003). *McDonaldization: the Reader* (Book Review). *Journal of the American Planning Association*, *69*(4), 453–456.

[43] MacArthur, K. (2002, November 11). McD's squeezes agency fees. *Advertising Age*, *73*(45).

[44] McDonald's. (n.d.). 2002 annual report summary. McDonald's corporate web site. Accessed October 5, 2006, from http://www.mcdonalds.come/corp/invest/pub/annual_rpt_archives/2002_annual.RowPar.0002.ContentPar.0001.ColumnPar.0002.File.tmp/mcdap_p01_16.pdf

[45] Listening to company stakeholders at McDonald's Restaurants. (2005, September). *Business Communicator, 6*(4), 8–9.

46 Barrett, T. (2004, March 10). House bans fast-food lawsuits. CNN.com Law Center. Accessed November 1, 2006, from http://www.cnn.com/2004/LAW/03/10/fat.lawsuits/

47 *Ibid.*

48 Listening to company stakeholders at McDonald's Restaurants. (2005, September). *Business Communicator, 6*(4), 8–9.

49 MacArthur, K. (2002, November 11). McD's squeezes agency fees. *Advertising Age*, *73*(45).

50 Gubman, E., & Russell, S. (2006, September). "Think big, start small, scale fast": growing customer innovation at McDonald's. *Human Resource Planning, 21*(2).

51 Huffman, M. (2006, May 8). Disney dumps McDonald's. Consumer Affairs web site. Accessed November 1, 2006, from http://www.consumeraffairs.com/news04/2006/05/disney_mcdonalds.html

52 Noe, E. (2006, May 8). Did childhood-obesity worries kill Disney-McDonald's pact? ABC news web site. Accessed November 1, 2006, from http://abcnews.go.com/Business/story?id=1937651&page=1

53 Martin, M. (2006, August). The game in '05. *QSR Magazine Online, 92*. Accessed November 2, 2006, from www.qsrmagazine.com.qsr50/2006/part1-3.phtml#

54 Edmund, D. S. (1990, May). The secret behind the Big Mac? It's simple! *Management Review 79*(5), 32–34.

55 McDonald's. (n.d.). 2000 annual report summary. McDonald's corporate web site. Accessed September 28, 2006, from http://www.mcdonalds.com/corp/invest/pub/annual_rpt_archives/2000_annual.RowPar.0003.ContentPar.0001.ColumnPar.0001.File.tmp/mcd00ar.pdf

56 McDonald's. (n.d.). 2004 annual report summary. McDonald's corporate web site. Accessed October 20, 2006, from http://64.26.27.40/interactive/mcd2004summary annualreport/md/page_001.php

57 McDonald's Corporation. (n.d.). McDonald's corporate web site. Accessed September 30, 2006, from http://www.mcdonalds.com/corp/about/factsheets.RowPar.0001.ContentPar.0001.ColumnPar.0002.File1.tmp/Facts%20Summary.pdf

58 McDonald's Returns to Its Roots. (2006, June 2). *PR Week*, 15. Accessed October 4, 2006, from the Lexis-Nexis Academic database.

59 Chandiramani, R. (2006, June 2). McDonald's mistrusted over its health motives. *PR Week*.

60 Parloff, R. (2003, February 3). Is fat the next tobacco? For big food, the supersizing of America is becoming a big headache. *Fortune*. Accessed November 1, 2006, from http://money.cnn.com/magazines/fortune/fortune_archive/2003/02/03/336442/index.htm

61 McDonald's Quickly on the Offensive—CEO Urges Shareholders Not To Believe New Fast-Food Movie's "Fiction." (2006, May 30). Bulldog Reporter's Daily' Dog. Accessed November 16, 2006, from http://www.bulldogreporter.com/dailydog/issues/1_1/dailydog_pr_biz_update/4140-1.html

62 Calories Count: Report of the Working Group on Obesity. (2004, March 12). U.S. Food and Drug Administration web site. Accessed November 16, 2006, from http://www.cfsan.fda.gov/~dms/owg-toc.html

63 Mokdad A., Marks J., Stroup D., Gerberding J. (2004). Actual causes of death in the United States, 2000. *Journal of the American Medical Association*, *291*, 1238–1245.

64 Calories Count: Report of the Working Group on Obesity. (2004, March 12). U.S. Food and Drug Administration web site, accessed November 16, 2006, from http://www.cfsan.fda.gov/~dms/owg-toc.html

65 Riskiest Places on Earth. (2006, July/August). *AARP: The Magazine*, 74.

66 Recommended Daily Calories and Grams of Fat. Health Central web site. Accessed October 29, 2006, from http://www.healthcentral.com/cholesterol/dailyfat-3432-143.html

67 News about McDonald's Breakfast. iateapie web site. Accessed November 12, 2006, from http://www.iateapie.net/reviews/archives/2006/03/mcdonalds_break.php

68 Burnitt, C. (2006, October 16). Disney's Iger talks nutrition as theme parks sell fat (Update4). Bloomberg web site. Accessed October 18, 2006, from http://www.bloomberg.com/apps/news?pid=20601109&sid=aUeD4NaA0R4U&refer=news

69 The Daily Plate: Helping you eat smarter. (n.d.). Accessed November 16, 2006, from http://www.thedaily plate.com/food-nutrition/food/mcdonalds-us/big-mac

70 McDonald's USA Nutrition Facts for Popular Menu Items. (n.d.). McDonald's corporate web site. Accessed November 21, 2006, from http://www.mcdonalds.com/app_controller.nutrition.index1.html

71 Recommended Daily Calories and Grams of Fat. Health Central web site. Accessed October 29, 2006, from http://www.healthcentral.com/cholesterol/dailyfat-3432-143.html

72 Lovan, D. T. (2006, November 16). Taco Bell to stem use of trans fats. Associated Press, Yahoo News. Accessed November 17, 2006, from http://news.yahoo.com/s/ap/20061116/ap_on_he_me/trans_fats_taco_bell

73 Veciana-Suarez, A. (2006, November 11). Sometimes we'll only respond to a healthy dose of coercion. *Miami Herald*. Accessed November 16, 2006, from http://www.miami.com/mld/miamiherald/living/15974865.htm

74 Lovan, D. T. (2006, November 16). Taco Bell to stem use of trans fats. Associated Press, Yahoo News, accessed November 17, 2006, from http://news.yahoo.com/s/ap/20061116/ap_on_he_me/trans_fats_taco_bell

75 Chew on This. (n.d.). Houghton Mifflin Company press release. Accessed October 26, 2006, from http://www.houghtonmifflinbooks.com/booksellers/press_release/wilson/#intro

76 The McLibel Trial. (n.d.) McSpotlight web site, accessed October 25, 2006, from http://www.mcspotlight.org/case/index.html

77 Cohen, N. (1999, January 10). Fried, damned fries...Hold on a minute.... *The Observer*. Accessed October 29, 2006, from http://www.mcspotlight.org/media/press/observer_10jan99.html

78 Monbiot, G. (2005, February 22). Protest as harassment. *The Guardian*. Accessed October 29, 2006, from http://www.mcspotlight.org/media/press/mclibel/guardian220205.html

79 Stanley, B. (1999, March 31). Activists win some vs. McDonald's. Associated Press. Accessed October 14, 2006, from http://www.mcspotlight.org/media/press/apny_31mar99.html

80 McLean, T. R. (2005, May). Case notes. (McDonald's caused obesity.) *Journal of Controversial Medical Claims, (12)*2, 10–17.

81 *Ibid.*

82 Super Size Me. (n.d.). Super Size Me web site. Accessed October 12, 2006, from www.supersizeme.com

83 Spurlock, Morgan. (Director). (2004). *Super Size Me* [Motion picture]. United States: Morgan Spurlock.

84 Box Office Mogo. (n.d.). Accessed October 12, 2006, from http://www.boxofficemojo.com/movies/?id=supersizeme.htm

85 Super Size Me. (n.d.). Super Size Me web site. Accessed October 12, 2006, from www.supersizeme.com

86 *Ibid.*

87 Fast Food Nation. (n.d.). *Rolling Stone,* Reviews. Accessed November 2, 2006, from http://www.rollingstone.com/reviews/movie/10733406/review/12450503/fast_food_nation

88 Chew on This. (n.d.). Houghton Mifflin Company press release. Accessed October 26, 2006, from http://www.houghtonmifflinbooks.com/booksellers/press_release/wilson/#intro

89 Fast Food Nation. IMDb Movie Database. Accessed October 14, 2006, from http://www.imdb.com/title/tt0460792/

90 Fast Food Nation Synopsis. (n.d.). Google Book Search. Accessed November 2, 2006, from http://books.google.com/books?id=yNFN1OpnkBkC&dq=fast+food+nation&psp=1

91 Fast Food Nation. (n.d.). Fox Search Light web site. Accessed November 1, 2006, from http://www.foxsearchlight.com/fastfoodnation/

92 *Ibid.*

93 Fast Food Nation Synopsis. (n.d.). Google Book Search. Accessed November 2, 2006, from http://books.google.com/books?id=yNFN1OpnkBkC&dq=fast+food+nation&psp=1

94 Chew on This. (n.d.). Houghton Mifflin Company press release. Accessed October 26, 2006, from http://www.houghtonmifflinbooks.com/booksellers/press_release/wilson/#intro

95 MacArthur, K. (2006, May 15). Author, McDonald's face off in schoolyard scuffle. *Advertising Age, 77*(20).

96 Adamy, J., & Gibson, R. (2006, April 12). McDonald's readies strategy to deflect critic's next barrage. *Wall Street Journal*, B3.

97 Jacobson, M. F. (n.d.). CSPI praises McDonald's supersizing move. Center for Science in the Public Interest web site. Accessed November 2, 2006, from http://www.cspinet.org/new/200403031.html

98 Fact Sheet. (n.d.). McDonald's corporate web site. Accessed September 30, 2006, from http://www.mcdonalds.com/corp/about/factsheets.RowPar.0001.ContentPar.0001.ColumnPar.0002.File1.tmp/Facts%20Summary.pdf

99 McDonald's Launches 100-Days-Out Countdown to 2006 Torino Olympic Winter Games. (2005, August 8). McDonald's press release. *PR Newswire*. Accessed October 25, 2006, from http://www.prnewswire.com/cgi-bin/stories.pl?ACCT=104&STORY=/www/story/01-31-2006/0004271761&EDATE

100 Chandiramani, R. (2006, June 2). McDonald's mistrusted over its health motives. *PR Week*, 2.

101 Bush, M. (2006, June 19). Critical films don't faze fast-food giants. *PR Week*, 8.

102 Bush, M. (2006, April 24). McDonald's ramping up consumer, media efforts. *PR Week*, 2.

103 McDonald's Quickly on the Offensive: CEO Urges Shareholders not to Believe New Fast-Food Movie's "Fiction." (2006, May 30). Bulldog Reporter's Daily' Dog. Accessed November 8, 2006, from http://www.bulldogreporter.com/dailydog/issues/1_1/dailydog_pr_biz_update/4140-1.html

104 Skenazy, L. (2006, April 12). Supersize kids' fast-food smarts. *New York Daily News*, 33.

105 Adamy, J., & Gibson, R. (2006, April 12). McDonald's readies strategy to deflect critic's next barrage. *Wall Street Journal*, B3.

106 Chew on This. (n.d.). Houghton Mifflin Company press release. Accessed October 26, 2006, from http://www.houghtonmifflinbooks.com/booksellers/press_release/wilson/#intro

107 Adamy, J., & Gibson, R. (2006, April 12). McDonald's readies strategy to deflect critic's next barrage. *Wall Street Journal*, B3.

108 Chew on This. (n.d.). Houghton Mifflin Company press release. Accessed October 26, 2006, from http://www.houghtonmifflinbooks.com/booksellers/press_release/wilson/#intro

109 MacArthur, K. (2006, May 15). Author, McDonald's face off in schoolyard scuffle. *Advertising Age, 77*(20).

110 Embrace or exploitation? McDonald's steps up role in corporate responsibility with launch of new blog. *Bulldog Reporter's Daily' Dog*. Accessed October 17, 2006, from http://www.bulldogreporter.com/dailydog/issues/1_1/dailydog_pr_biz_update/3161-1.html

111 *Ibid.*

112 Engaging in the Global Obesity Dialogue. (n.d.). McDonald's corporate responsibility blog. Accessed November 22, 2006, from http://csr.blogs.mcdonalds.com/default.asp?item=198222

113 Whitman, D. (2006, November 7). PR pickle: As major fast food chains shift to healthier oils, McDonald's shies away from removing trans-fat for risks of displacing brand loyalty. Bulldog Reporter's Daily' Dog. Accessed October 19, 2006, from http://www.bulldogreporter.com/dailydog/issues/1_1/dailydog_pr_biz_update/

114 Lovan, D. T. (2006, November 16). Taco Bell to stem use of trans fats. Associated Press, Yahoo News. Acessed November 17, 2006, from http://news.yahoo.com/s/ap/20061116/ap_on_he_me/trans_fats_taco_bell

115 McDonald's Returns to Its Roots. (2006, June 2). *PR Week*, 15.

116 McDonald's. (n.d.). 2003 annual report summary. McDonald's corporate web site. Accessed September 28, 2006, from http://www.mcdonalds.com/corp/invest/pub/annual_rpt_archives/2003Archive.RowPar.0002.ContentPar.0001.ColumnPar.0002.File.tmp/2003%20Summary%20Annual%20Report.pdf

117 McDonald's Hires Worldwide Nutrition Director. (2003, November/December). *Nutrition Today, 38*(6).

118 McDonald's. (n.d.). 2004 annual report summary. McDonald's corporate web site. Accessed October 20, 2006, from http://64.26.27.40/interactive/mcd2004summary annualreport/md/page_001.php

120 Defence on Nutrition. (n.d.). McSpotlight web site. Accessed November 1, 2006, from http://www.mcspotlight.org/case/pretrial/defence/nutrition.html

121 McDonald's® Parnters with Nutritionist, Author and Motivational Speaker, Dr. Ro to Promote 'What I Eat and What I Do™ ...I'm Lovin' It™' Public Awareness Campaign. (2005, May 5). McDonald's press release. Accessed November 19, 2006, from http://www.mcdonalds.com/usa/news/2005/conpr_05092005.html

122 McDonald's. (n.d.). 2005 annual report summary. McDonald's corporate web site. Accessed October 20, 2006, from http://mcd.mobular.net/mcd/90/13/35/

123 Adamy, J., & Gibson, R. (2006, April 12). McDonald's readies strategy to deflect critic's next barrage. *Wall Street Journal*, B3.

124 The Scripps Research Institute, McDonald's Align to Fight Childhood Obesity and Type 2 Diabetes. (006, November 13, 2006) McDonald's press release. Accessed November 19, 2006, from http://www.mcdonalds.com/usa/news/current/conpr_09132006.html

125 *Ibid.*

126 Super Size Me. (n.d.). Super Size Me web site. Accessed October 4, 2006, from www.supersizeme.com/home.aspx?page=aboutdirector

127 Heath, R. L., & Coombs, W. T. (2006). *Today's public relations: An introduction*. Thousand Oaks, CA: Sage, pp. 258-302.

128 Defence on Nutrition. (n.d.). McSpotlight web site. Accessed November 1, 2006, from http://www.mcspotlight.org/case/pretrial/defence/nutrition.html

129 Kim, K. (2003, November 20). Restaurant industry representatives discuss menu labeling at FDA's Obesity Working Group meeting. *U.S. Newswire*. Accessed November 3, 2006, from http://release.usnewswire.com/GetRelease.asp?id=23681

130 MacArthur, K. (2006, May 15). Author, McDonald's face off in schoolyard scuffle. *Advertising Age*, 77(20).

131 Adamy, J., & Gibson, R. (2006, April 12). McDonald's readies strategy to deflect critic's next barrage. *Wall Street Journal*, B3.

[132] McDonald's. (n.d.). 2005 annual report summary. McDonald's corporate web site. Accessed October 20, 2006, from http://mcd.mobular.net/mcd/90/13/35/

[133] The Scripps Research Institute, McDonald's Align to Fight Childhood Obesity and Type 2 Diabetes. (006, November 13, 2006) McDonald's press release. Accessed November 19, 2006, from http://www.mcdonalds.com/usa/news/current/conpr_09132006.html

[134] Martin, M. (2006, August). The game in '05. *QSR Magazine Online*, 92. Accessed November 2, 2006, from www.qsrmagazine.com.qsr50/2006/part1-3.phtml#

[135] McDonald's Returns to Its Roots. (2006, June 2). *PR Week*, 15.

[136] *Ibid.*

ARTHUR W. PAGE SOCIETY

THE ARTHUR W. PAGE SOCIETY OFFICERS, TRUSTEES AND STAFF

SPONSORS

Diamond ($10,000 +)

Burson-Marsteller
Harold Burson

Financial Dynamics

Ketchum
Raymond L. Kotcher

Landor Associates

MasterCard Worldwide
Harvey W. Greisman

Prudential Financial, Inc.
Robert DeFillippo

Wieck Media

Wyeth
Jessica Stoltenberg

Platinum ($7,500 +)

ConcentricCommunications

Manning Selvage & Lee
Mark Hass

Gold ($5,000 +)

dentsu
Tim Andree

GolinHarris
Fred Cook & Al Golin

Porter Novelli
Helen Ostrowski

Northwestern Mutual
Brenda F. Skelton

SAP
(Anne M. McCarthy)

**Parenthesis denotes former affiliation*

Bronze ($2,500 +)

Lawrence G. Foster

Jon C. Iwata

Elliot S. Schreiber, Ph.D.

Individual ($1,000 +)

Aetna Inc.
(Roger Bolton)

Roger Bolton

Harold Burson

The Pepsi Bottling Group
(Angela Buonocore)

Friends ($100 +)

Angela Buonocore

Jared Chaney

Fleishman-Hillard (Minneapolis)
Ann H. Barkelew

Staples
Paul Capelli

St. Paul Travelers
Shane K. Boyd

ARTHUR W. PAGE SOCIETY

PAGE PHILOSOPHY & PAGE PRINCIPLES

The Page Philosophy

Arthur W. Page viewed public relations as the art of developing, understanding and communicating character—both corporate and individual.

This vision was a natural outgrowth of his belief in humanism and freedom as America's guiding characteristics and as preconditions for capitalism.

The successful corporation, Page believed, must shape its character in concert with the nation's. It must operate in the public interest, manage for the long run and make customer satisfaction its primary goal. He described the dynamic this way:

"Real success, both for big business and the public, lies in large enterprise conducting itself in the public interest and in such a way that the public will give it sufficient freedom to serve effectively."

The Page Principles

- *Tell the truth.* Let the public know what's happening and provide an accurate picture of the company's character, ideals and practices.
- *Prove it with action.* Public perception of an organization is determined 90 percent by what it does and 10 percent by what it says.
- *Listen to the customer.* To serve the company well, understand what the public wants and needs. Keep top decision makers and other employees informed about public reaction to company products, policies and practices.
- *Manage for tomorrow.* Anticipate public reaction and eliminate practices that create difficulties. Generate goodwill.
- *Conduct public relations as if the whole company depends on it.* Corporate relations is a management function. No corporate strategy should be implemented without considering its impact on the public. The public relations professional is a policymaker capable of handling a wide range of corporate communications activities.
- *Realize a company's true character is expressed by its people.* The strongest opinions—good or bad—about a company are shaped by the words and deeds of its employees. As a result, ever

y e m p l o y e e — a c t

Arthur W. Page Society

317 Madison Avenue, Suite 2320
NY, NY 10017
Phone: 212/400-7959
Fax: 212/922-9198
www.awpagesociety.com

Arthur W. Page Society Journal
2007 Case Study Competition

Editor: Dawn Hanson
Photography: Photo-Tech, Inc.
Design: Catherine Vogel, CVdesign

ARTHUR W. PAGE SOCIETY