MANAGING NEW PRIORITIES: THE CSR OF COMPANIES IN THE FOOD INDUSTRY

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Abstract

The present article intends to evaluate the importance of implementing CSR (Corporate Social Responsibility) as one of the top strategic priorities of a company, with specific examples from the food industry, within a European context. Starting with the Lisbon summit in 2000, CSR in Europe has become a main concern, as a result of the set goals: maintenance of a sustainable economic growth, greater social cohesion and a more competitive knowledge-based economy overall. Since the private sector plays a major role in achieving these objectives, the European Council particularly stressed out the social responsibility of companies. The present article emphasizes the importance of having CSR as a priority in the managerial strategies of a company. The first part starts out with a short introduction into the concept of CSR, moving on to a short ‘history’ of CSR within the European Union context, and ending with a present and future view on where is CSR heading to in the context of the global financial crisis. The second part presents the arguments that stand in favour of implementing CSR into a company’s strategic activities, while at the same time taking into consideration the negative aspects. Lastly, the article focuses on the food industry, with two of its most important aspects of CSR: nutrition safety and environmental concern. Examples of food and beverage companies and their CSR efforts are also presented, before ending with some key conclusions.

Keywords: Corporate Social Responsibility, European Union, Continuous Improvement, Sustainable Development

JEL classification: M14, M39

Introduction

Over the past decades, the economic, political and social environments across Europe have determined an important cooperation between businesses and society in an ongoing attempt that aimed at responding to the increasing problems that both companies and population face.
Companies from many European countries are confronting the lack of trust from the public, especially in these times of economic recession and financial crisis. Therefore, a need to build a better image that contributes to regaining customers’ and stakeholders’ trust is being emphasized. In this respect, companies are trying to sustain a more responsible way of doing business in Europe as well as in the world.

CSR is becoming of increasing importance among the management priorities of a company. Within the European Union context, development strategies for CSR are a continuous concern, despite the current global financial environment. This can be better perceived within the food industry; according to Lowcarboneconomy (2010), CSR is a main priority for over third of food companies, with CSR being “ranked second place overall as a priority for 2010, with 38.1 percent of companies making it top of their agenda.” According to The Consumer Goods Forum, companies are fighting the effects of the financial crisis, but they still consider social and environmental concerns as a priority. Research shows that “corporate responsibility has not only withstood the pressures of the economic crisis, but has even risen up the rankings this year - proof that its influence on the corporate agenda is here to stay.” (Bruce, 2010) As reported by CSR Europe (2003), corporate social responsibility projects are wide spreading throughout Europe, as “CSR initiatives have intensified in all European Union countries” in the past years.

1. An insight into CSR in a European context

1.1. What is CSR?

CSR is a hot topic nowadays, affecting all companies and their stakeholders, and touching various aspects in a company’s strategic external environment; if effectively deployed, CSR can turn out to be a “tactical differentiated advantage to a firm’s value creation.” Eddy (2010) CSR can fall into different categories, such as: corporate social marketing, cause promotions, corporate philanthropy, community volunteering, or social responsible business practices. In the end though, it all comes down to “how a company can make a positive impact on society.” Eddy (2010) CSR affects the society, environment and economy.

CSR is defined by the EU’s Commission as “a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis.” (Europa, 2009) “Ideally, CSR is a win-win scenario, whereby companies increase their profitability and society benefits at the same time.” CSR is, in other words, a doctrine which encourages organisations to take into consideration the interests of society, by taking responsibility for the impact their activities have on the environment, community and stakeholders.

CSR has become a major stake in the 21st century, since around this issue the relationships between society and the enterprise are being realigned. If during the past few decades the leaders of organisations have only given accounts to shareholders (public or private), this period is coming to an end. From now on,
organisations have to continuously prove that they are not only economic agents, but also political agents, and to prove their profitability and legitimacy. CSR borrows another type of ‘growth’ concepts, capable of producing wealth while respecting ethical principles, and keeping the planet safe. (Schiopoiu, 2007) According to Hernández-Murillo and Martinek (2009), CSR “promotes expanded social stewardship by businesses and organizations. CSR suggests that corporations embrace responsibilities toward a broader group of stakeholders (customers, employees and the community at large) in addition to their customary financial obligations to stockholders.” Because of this, the need for more transparency regarding social efforts has been acknowledged. Consequently, a recent survey shows that 74% of the top 100 US companies by revenue published CSR reports in 2008, up from 35% in 2005. On a global scale, 80% of the world’s 250 largest companies published CSR reports in 2008.

1.2. Overview

According to De Schutter (2008, p. 215), the concept of CSR within a European context emerged in the official discourse of the EU in 2000-though at a larger scale its roots are of course older. While CSR might have initially been about companies’ responsibility towards the environment, it has now become a process of learning promotion among businesses, in which “the representatives of the business community have come to occupy the main role.” The main objective was to identify best practices and turn them into benchmarks for everyone, thus coordinating policies between member states.

Starting with the adoption of the Lisbon Treaty in 2000, the EU proposed as one of its main strategic objectives for the next 10 years a sustainable economic growth, which would maintain a greater social cohesion. Since the private sector has a great contribution in achieving these goals, it is therefore necessary to invest in CSR, which regards a continuous improvement and sustainable development. CSR in Europe has therefore become a priority after the Lisbon summit. A High-Level Group of National Representatives on CSR has hence been appointed at the end of 2000. In 2001, the EU published the ‘Green Paper’ in order to promote a CSR framework in Europe, and in 2002 ‘CSR: A business contribution to sustainable development’ appeared, proposing a CSR strategic plan. In 2004, a final report of the European Multi-Stakeholder Forum on CSR (EMSF), ‘EMSF on CSR- Final Results and Recommendations’ was submitted. Later in 2004, the ‘ABC of the Main Instruments of CSR’ appeared, synthesising the main mechanisms companies can appeal to “in order to strengthen effective CSR policies and strategies.” In 2005, a conference was organised by the EC on CSR for SMEs, after a report had been published in 2004 on the differences in CSR between SMEs and MNCs. In 2006, the EC published ‘Implementing the partnership for growth and jobs: making Europe a pole of excellence on CSR’, and launched the European Alliance on CSR. In 2007, a summary of CSR policies for the 27 member states has been released. (Joldeş and Iamandi, 2009) In 2008, CSR Europe launched the European Toolbox
for a Competitive and Responsible Europe, which includes information and advice “to help companies and their stakeholders address socio-economic and environmental challenges and integrate CSR into mainstream business practice.” (CSREurope, 2010a) As it can thus be observed, CSR is a high priority in Europe, and companies have several tools and frameworks available at hand to integrate CSR into their practices. Nevertheless, the characteristics of CSR do vary between Member States and cultural context. Overall though, they are very similar, and homogeneity of CSR practices is being aimed at regardless.

1.3. Prospects

According to The Global Compact Network Bulgaria (2010), the global financial crisis, which implicitly brings with itself a crisis of trust in financial institutions and governments, will have a direct impact on CSR. “According to a survey carried out in the end of 2008 by a CSR specialized blog (http://csrinternational.blogspot.com/), 44% of experts believe that CSR policies will be applied more often as a result of the crisis, 28% think that the essence of CSR will change in the context of the new conditions, while 22% believe that the crisis will have a negative impact on CSR.” Others say that the crisis impact on CSR will depend on the type of CSR engaged, with the emphasis that the philanthropic CSR (the “immature version of CSR”—“sponsorship, donations, charity and employee volunteering”) will be worst hit, suffering from “substantial cut backs”. On the other hand, it is believed that strategic CSR will be less hit. In this respect, the European Commission established the European Monitoring centre in 2001 in order to “help offset the negative long-term impact of restructuring by examining how best to manage and anticipate social and economic change in our society.” (CSRQuest, 2010)

It is furthermore being discussed whether the EMS (European Multi-Stakeholder) Forum should also examine whether the EU Eco-Management and Audit Scheme (EMAS) “could not be extended, beyond the management of environmental and economic performances of companies, to the management of their social performances. EMAS is a management tool for companies and other organisations—initially from the industrial sector only, at present extended to all sectors, and open to private and public organisations—to evaluate, report and improve their environmental performance.” (De Schutter, 2008, p. 215). Therefore, EMAS registered organisations undertake to conduct, on a voluntary basis, an environmental review on a regular basis, regarding the organisation’s activities, products and services, environmental policies etc. On the basis of this review, they establish an environmental management system, carry out an environmental audit to assess this management system and report on their environmental performance by publishing an independently verified environmental statement. Each member state has a system for the accreditation (based on a certification of objective criteria) of independent environmental verifiers and for the supervision of their activities, making sure that they fulfil their tasks impartially. Organisations are
encouraged to ask for such a certification, while at the same time making sure the public trusts in the logo through which the certification is made visible. (De Schutter, 2008, p. 230).

Although there is a pressure in the current financial downturn for companies to reduce their CSR in the short term, the long term consequences should also be taken into consideration, especially in terms of competitiveness. (Europa, 2009)

2. CSR- a managerial priority for performance

2.1. Importance of CSR

According to the EU, some key advantages of CSR for companies are:

- A direct benefit to profitability (due to: increased loyalty from employees, which helps productivity and quality; cost cutting as a result of emissions reduction and carbon footprints; improved stakeholder relations, including customer satisfaction)
- A benefit to company image and reputation
- Acting out on corporate values (the “right thing to do”, due to the close link between ethics and CSR)
- Access to other markets
- Compliance with environmental regulations
- “Social license to operate and grow”
- “Improved bottom line results” (Europa, 2009), (Eddy, 2010)

EU’s most important roles in the CSR area are those of: increasing awareness, facilitate exchanges of best practices, organise discussions. According to the European Commission (2006), CSR “can make a significant contribution towards sustainability and competitiveness, both in Europe and globally”; it is part of the “Europe 2020 strategy for smart, sustainable and inclusive growth.” It can help (re)build trust in business during the economic crisis, “which is vital for the health of Europe's social market economy.” In March 2010 the European Commission made a commitment to “renew the EU strategy to promote Corporate Social Responsibility as a key element in ensuring long term employee and consumer trust”.

As stated by the European Commission (2010), “the number of companies disclosing information on their environmental, social and governance performance has grown significantly in recent years, as shown in 2.1. Transparency and disclosure of CSR-related performance information have taken on particular importance in the context of the current economic and financial crisis.” According to the European law requirements (Directive 2003/ 51/EC), “to the extent necessary for an understanding of the company's development, performance or position, the analysis [in the annual review] shall include both financial and, where appropriate, non-financial key performance indicators relevant to the particular business, including information relating to environmental and employee matters.” EU
member states can choose to exempt SMEs from this requirement. Regarding the differentiation between SMEs and large companies, the Commission has undertaken the role of facilitating cooperation between the two, in terms of managing their social and environmental responsibility, within the limits imposed by national and EU competition rules. (De Schutter, 2008, pp.227)

As De Schutter (2008, pp.235) pointed out, “in the current predicament, the question whether CSR practices are indeed, as it has been asserted, ‘good for business’, takes on an increased importance.” In a European context, since its initiation, the EU has always emphasised the positive impact of CSR practice on the economic performance of companies. “Excellent reports have been prepared on this mutually beneficial relationship.” Some of the arguments in this respect are:

- The impact of CSR policies on the internal workings of a company (improvement of the working environment; loyalty of workforce; increase of productivity; attract and retain best employees due to reputation, as well as customers)
- Efficient use of resources and avoid unnecessary waste (‘eco-efficiency’)
- Build relationships of trust with stakeholders and increase chance to be supported in the long term by community and be rewarded by the market; attract investors; improve stock market valuation and capacity to access capital

According to The Global Compact Network Bulgaria (2010), “for companies that have embedded CSR in their corporate culture, strategy and governance systems even the recession will present large opportunities for business growth and financial profits.” This is because “CSR is all about the creation of scalable solutions to the world’s most urgent problems and issues such as climate change, human rights and corruption will not vanish as a result of economic decline.” “What is more important is to realize that socially responsible management adds value to the business in general and a concrete company in particular, because it reflects the interests of the communities, which are directly interested and affected by the company’s activities.” A “socially responsible business is the one that is useful to society and supports its sustainable development.” CSR could be the new tool for achieving a “new value orientation”- from short term profitability to long term sustainable development for business and society. Thus, by addressing social challenges, we could find a way out of the crisis.

2.2. Is CSR actually desirable?

Despite the advantages, the ambiguities that the CSR discourse brings about must not be overlooked either, in order to improve the implementation of CSR. Some of these are: creation of a dependency of CSR on economic returns (it may be implied that if it is not profitable to invest in CSR practices, then companies should not do so); CSR might come to be treated as an investment decision (the company will seek to anticipate the related revenues and costs before engaging into CSR practices); exposure of company to more searching scrutiny by the civil society
organisations; bureaucracy and training; presuppositions about the motivations of consumers and employees, investors and public authorities. “It is clear that the books are full of ‘success stories’”, but one should take into consideration that they are also highly context-specific, attributable to the responses of the environment. Furthermore, “while adopting good CSR practices may benefit greatly to the reputation of the ‘best in class’, these benefits become less and less tangible as the best practices become widely adopted, and make it impossible to distinguish the companies adopting them from their competitors”. In the end, special care has to be taken to the thin line between the argument that “CSR is profitable for business” and the one that “CSR may take care of itself”; there is a clear need for a regulatory framework, in order for CSR to work- and “this is not in contradiction with the voluntary character of CSR”! On the contrary, it adds a meaning to voluntary commitments. (De Schutter, 2008)

Furthermore, many economists have taken a sceptical view of CSR and its feasibility in a competitive environment; one of these is Milton Friedman, who argued that the only social responsibility for a business is to maximize its profits, and that customers and employees could spend their own money separately on social activities if they wished to do so. On the other hand, Friedman also noted that there are contexts in which a company can engage in actions that serve the long-term interest of the owners, which may have an indirect positive social impact. This raises questions as to what are the conditions under which CSR can be economically justified, whether the motives are altruistic, egoistic or strategic. Economists concluded that the strategic case is best, as the potential benefits for the company are greatest when the company’s socially responsible activities are aligned with its self-interest. Additionally, high-profile CSR activities (such as voluntary actions to reduce pollution or improve working conditions) are more likely to be undertaken when they can be easily integrated in the company’s differentiation strategy. (Hernández-Murillo and Martinek, 2009)

In conclusion, modern theoretical and empirical studies show that companies can strategically engage in socially responsible activities to increase profits and attract additional benefits, as long as its stakeholders also value the firm’s social efforts. (Hernández-Murillo and Martinek, 2009) In the light of the above, after taking a look at both potential advantages and disadvantages of CSR, it can definitely be argued that CSR is becoming a new managerial priority for companies in today’s society, and therefore needs to be integrated in a company’s strategic practices.

3. CSR priorities of companies in the food industry

The world’s biggest food and beverage companies are treating CSR as a priority even if the economic environment is not a secure place to deal with such costly issues. It is a major concern for companies to be recognized as socially responsible citizens in the communities where they activate, to get involved in CSR campaigns and programs, to communicate their strategies and the results of their actions to stakeholders, especially to customers who are the most severe observers. An
industry survey called "CIES - The Food Business Forum: Top of Mind 2007" (Sleep, 2007) reported the top priorities of over 300 retail and consumer goods executives from 48 countries. Some of the most valuable indicators presented in the survey were health and nutrition as the issues on which manufacturers and retailers devoted their increasing attention. Other high-ranking concerns acknowledged and revealed were environment, sustainable development and social standards in society in general. The social and environmental issues of the 21st century are continuously determining companies to develop and implement appropriate CSR policies. Non-governmental agencies and other organizations at local or European level put pressure on producers to be aware of how they deal with these fierce problems.

Coca Cola’s motto for social responsibility “Live positively” uncovers important approaches of the problem such as energy management and climate protection, sustainable packing, water stewardship, active healthy living. Its major competitor, PepsiCo aims at taking into consideration with great care the consumption of energy and water, the packaging, the workplace and the cooperation within the communities. General Mills, one of the world’s largest food companies that established a venture with Nestle, formulates its mission “Nourishing Lives”, innovating for an easier, healthier and richer life, in company’s 2009 CSR report. Danone Group concentrates on objectives such as the protection of water resources, biodiversity, climate risk and packaging. Unilever states that their major goal in supporting CSR is to create a better future every day. It seeks at reducing the impact that its growth strategies have on the environment, by diminishing the raw material sourcing. Unilever’s CEO Paul Polman declared that they are still keen on their business culture and the challenges of the 21st century: water scarcity, environmental changes, malnutrition, and poverty alleviation, are not an impediment to act in that direction. Kraft’s CSR philosophy puts emphasis on the impact that current activities have on the future, stating that living well and taking care of each other in the present should also involve vigilance for what these actions will leave for the next generations. Kellogg’s refers to trust as an essential component of their business, and integrates the social and environmental concerns in the process of value creation.

3.1 Nutrition safety

It has been a long time now since health and nutrition issues are on the lips of everybody and are continuing to represent a major concern for the population. Obesity is one of the greatest threats that affects not only people’s physical condition, but also their way of living, their social integration and the perception about themselves, this leading to great psychological disorders. It is a sensitive subject mostly in western countries and there is a lot of pressure from the media and governments, as well as from the directives of the European Commission. The customers are entitled to be well informed about the quality and safety of the food and to confide in the products they buy. Assuring the safety of
food is a complex process that involves a great deal of players, from the producers, who are responsible to embed quality and trust in the product design, to transporters who must comply with a series of hygiene standards, finally to the ones who deliver the goods straight to the customers, may them be retailers, wholesalers, market sellers or store sellers.

There is a growing concern worldwide regarding people’s eating habits. As stated by Jones, Comfort and Hiller (2006, pp.838), in the UK, an action plan has been set to improve the nutrition conditions, through the means of a report published by the Department of Health in 2005, “Choosing a better diet” which was majorly based on the CSR of the food retailers. The ideas presented in this paper underline mostly the mission of companies in the food industry that should be focused on promoting healthy eating through all their activities, given the fact that the food industry is the one that influences people’s behaviour regarding nutrition and that most of the people use to do their shopping at supermarkets.

Latest campaigns across Europe have been focused upon reducing the consumption of salt, sugar and fat to help the population make a better choice for a healthier lifestyle, according to Jones, et al (2006, pp.839).

Locally, Kosarom, the Romanian meat producer initiated in 2006 the campaign “Perfect for your schoolbag”, whose objective was educating students from the 5th to the 8th grade to have a healthy nutrition. The program was implemented in 3 schools in towns from the Moldova region, and was extended thereafter in the rest of the country. Kosarom employees have spoken in front of students about the importance of a balanced and diverse nutrition, and they taught children how to choose the proper products and how to avoid the danger of inadequate hygiene. Through this campaign, the company aimed at involving with responsibility in the social life of the community, proving that it is an active member and that it places the well-being of people on their priority list. (Responsabilitate Socială, 2006)

3.2 Environmental concern

Largely, due to intensive use of water resources, the food and beverage sector has the biggest impact on the environment, according to an analysis performed by Trucost (CSREurope, 2010b). Nevertheless, consumers do not recognize the high environmental costs associated with agriculture and food processing. Companies such as the rivals of the soft drinks industry Coca Cola and PepsiCo- despite their continuous efforts to reduce the amount of water used in production- are not perceived as taking environmental protection measures by the consumers.

At European level there were many actions initiated to promote environmental sustainability and to involve consumers to buy green. These actions also focused on the decrease of the carbon emissions resulted from the manufacturing processes, promoting more sustainable products and a better communication with consumers.
According to the site EurActiv (2010) the European Sustainable Consumption and Production (SCP) Plan seeks to introduce some uniformly agreed upon methodologies for food products that take into consideration the climate change, water scarcity, resource efficiency and the reduction of waste, through the development of adequate strategies of implementation. This policy was supported by the Retailers’ Environmental Action Plan, as retailers have a significant influence on the production and consumption behaviour.

On the local stage, Tuborg Romania initiated in 2007 an extensive program of accountability for the environment, called ‘The Green Umbrella’. The program was based from the very beginning on a simple and optimistic message, placing the emphasis on the power of personal example and on small gestures, on common sense, on things that can make a difference. (Responsabilitate Socială, 2006) The program was mainly made up of voluntary actions whose focus was on the greening of green areas or on informing the drivers not to throw garbage from their cars in the street. For instance, the positive personal examples were spread out through the stickers carrying the message “I don’t throw garbage on the street.” that volunteers offered to the drivers to put on their cars. At the same time, Tuborg encouraged bloggers to display banners with the message "A cleaner Romania”.

At the beginning of 2009, ‘The Green Umbrella’ extended its promotion to more practical solutions related to environmental protection. Alina Bratu, PR manager and program coordinator, organized a caravan that was supposed to reach as many towns in Romania as possible, amongst which: Bucharest, Cluj, Brasov, Constanta, Mangalia, Sinaia, Timisoara. Here, the mission was to transmit the responsibility to citizens and to motivate them to keep their town clean and green. People in these towns were informed about the importance of recycling electronic waste, encouraging them to collect selectively making them responsible for throwing garbage only in specially designed facilities, and also involving them in the greening of their own towns. It was an ambitious campaign, assuming a large number of events and a significant logistical effort. Being a very ambitious project, the company also established cooperation with three other organizations in the field of recycling electronic waste: Recolamp, RoREc Association and EcoTic.

To better reach the public, especially the young people, the messages of the campaign were also spread with the help of Radio Zu, a Romanian radio station which was very popular among the targeted public with whom Tuborg has signed a partnership in this respect. And since the local representatives could contribute significantly to these events, the company solicited the help of the town halls; the organizing team benefited from the support of other volunteers from those specific towns, who either gave away stickers, collected garbage, asked for ‘donations’ of old electronic devices and other wastes, cleaned green areas etc.

Another socially responsible company, Coca Cola HBC, initiated in 2007 the ‘Verde003’ project, a program for greening and educating, as stated on the site Responsabilitate Socială (2006). Almost 10,000 trees were planted and more than
70 tons of garbage were collected on the banks of rivers Dorna, Bistrita and Siret by almost 2,100 volunteers. The objective of the campaign was to protect the waters and keep them clean not only through short term ecological actions but through some proactive approaches towards pollution. It started from the consideration that water is a vital resource for life and for the planet and its pollution has damaging effects on ecosystems. Călin Drăgan, CEO of Coca Cola HBC Romania underlined the importance of water for the business he manages as well as for the environment. He stated that the company is taking responsible actions for natural resources, especially water, which is the major quality factor of the entire production system at Coca Cola.

Conclusion

By taking a perspective view on both potential benefits and drawbacks of CSR, it can be argued that even sceptics have admitted that CSR can bring great benefits to a company, if strategically and effectively employed. On the way to trying to come as close as possible to the ideal case where companies increase their profitability and society benefits at the same time, the paybacks stand out nevertheless: an enhanced reputation and brand image, which leads to committed employees and customers, which in turn increases productivity, cuts costs and hence increases profitability. Not to mention, compliance with the EU environmental regulations which are continuously being improved - because a regulatory framework is needed, even if the nature of CSR is voluntary in itself.

Some of the first in line to consider CSR as a managerial priority are the food and beverage companies, because they employ large amounts of natural resources, and they are particularly concerned with health and environmental issues. There are many success stories in the industry, such as: Tuborg, Coca Cola, Pepsi Co, Danone Group etc. The current increasing health, nutritional and ecological problems put a pressure on such companies to improve their CSR policies. The present concern for such aspects seems to be highlighting a future where CSR will be on the front line of strategic managerial priorities.

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