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CHAPTER

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Socially Responsible  
Business Practices:  
Discretionary Business  
Practices and Investments  
to Support Causes

*Motorola envisions a future in which our factories are accident-free, create zero waste, emit only benign emissions, use energy in highly efficient ways, and use our discarded products as feed for new products. . . . We are on the threshold of a new era in which all of us—corporations, individuals, government, and other organizations—can join together to cooperate on the healing of our earth. We can no longer afford to view ourselves as separate. We are all interconnected and part of the whole and what we do matters and affects the whole. When we harm the environment, we harm ourselves. Our challenge for the new millennium is to learn how to live in harmony with our earth.<sup>1</sup>*

—Motorola's Environmental  
Vision Statement

**S**ocially responsible business practices are where the corporation adapts and conducts discretionary business practices and investments that support social causes to improve community well-being and protect the environment. Key distinctions include a focus on activities that are *discretionary*, not those that are mandated by laws or regulatory agencies or are simply expected, as with meeting moral or ethical standards. *Community* is interpreted broadly to include employees of the corporation, suppliers, distributors, nonprofit and public sector partners, as well as members of the general public. And *well-being* can refer to health and safety, as well as psychological and emotional needs.

Over the last decade there has been an apparent shift from adopting more responsible business practices as a result of regulatory citations, consumer complaints, and special interest group pressures, to proactive research exploring corporate solutions to social problems and incorporating new business practices that will support these issues (e.g., Kraft deciding in 2003 to revise several business practices to help address the continued rise in obesity in our nation).

Why this shift?

- There is increasing evidence being documented and shared demonstrating that socially responsible business practices can actually increase profits (e.g., Chiquita quantifying a \$5 million annual savings by using fewer agrichemicals) and has the potential for increasing revenues (e.g., what McDonald's is most likely hoping as a result of a new adult "Happy Meal" that includes a salad, an exercise booklet, and a pedometer).
- In our global marketplace, consumers have more options and can make choices based on criteria beyond product, price, and distribution channels. Research presented in Chapter 1 emphasized that consumers are also basing their purchase decisions on reputation for fair and sustainable business practices and perceptions of commitment to the community's welfare.
- Investors and other stakeholders may also be the driving force, with increased public scrutiny and use of more sophisticated pressure tactics, including use of the technology and power of the Internet (e.g., an e-mail broadcast sent from an antitobacco group, letting consumers know that a major retailer had not accepted their requests to carry pocket cigarette butt containers).

- An interest in increased worker productivity and retention has turned corporate heads toward ways to improve employee satisfaction and well-being (e.g., Coca-Cola bottlers in South Africa launching an HIV/AIDS prevention program in the workplace).
- Technology and increased third-party reporting has given increased visibility and coverage of corporate activities, especially when things go wrong, as with current corporate scandals that have made the public more suspicious of business, creating the need for businesses to put a positive shine on their activities. This is even more critical today, with instant access to 24-hour news channels such as CNN, online news articles, and e-mail alerts (e.g., recent publicity that a major communications firm had violated the “do-not-call list” regulation, and announcement of potential associated fines).
- The bar for full disclosure appears to have been raised, moving potential customers from a “consumer beware” attitude to an expectation that they will be fully informed regarding practices, including product content, sources of raw materials, and manufacturing processes (e.g., Kraft’s initiative to label smaller snack and beverage packages with the nutrition content of the entire package).<sup>2</sup>

## TYPICAL SOCIALLY RESPONSIBLE BUSINESS PRACTICES

As might be expected, most initiatives related to socially responsible practices relate to altering internal procedures and policies, such as those related to product offerings, facility design, manufacturing, assembly, and employee support. An initiative can also be reflected in external reporting of consumer and investor information and demonstrated by making provisions for customer access and privacy, and can be taken into consideration when making decisions regarding hiring practices and facility and plant locations. Common activities include the following:

- *Designing facilities* to meet or exceed environmental and safety recommendations and guidelines, such as for increased energy conservation.
- *Developing process improvements*, which may include practices such as eliminating the use of hazardous waste materials, reducing the

amount of chemicals used in growing crops, or eliminating the use of certain types of oils for deep-fat frying.

- *Discontinuing product offerings* that are considered harmful but not illegal (e.g., McDonald's discontinuing their supersize portions of french fries).
- *Selecting suppliers* based on their willingness to adopt or maintain sustainable environmental practices, and supporting and rewarding their efforts.
- *Choosing manufacturing and packaging materials* that are the most environmentally friendly, taking into consideration goals for waste reduction, use of renewable resources, and elimination of toxic emissions.
- *Providing full disclosure* of product materials and their origins and potential hazards, even going the extra mile with helpful information (e.g., including on product packaging the amount of physical exercise needed to burn the calories and fat contained in the candy bar, or the number of pounds of pollutants that will be generated from a gas mower).
- *Developing programs to support employee well-being*, such as workplace exercise facilities, on-site day care, and Employee Assistance Programs for those with drug-related additions.
- *Measuring, tracking, and reporting* of accountable goals and actions, including the bad news, as well as the good.
- *Establishing guidelines for marketing to children* to ensure responsible communications and appropriate distribution channels (e.g., not selling products online to children ages 18 and under).
- *Providing increased access for disabled populations* using technology such as assisted listening devices, voice recognition mechanisms, and alternate print formats.
- *Protecting privacy of consumer information*, an area of increasing concern with the sophisticated data collection, recognition, and tracking of individuals and their movements, especially via the Internet (e.g., an online retailer allowing the customer to purchase products without providing demographic profile information).
- *Making decisions regarding plant, outsourcing, and retail locations*, recognizing the economic impact of these decisions on communities.

As represented in Table 8.1, although a wide range of industries participate in incorporating responsible business practices, the field appears to be dominated by those in the manufacturing, technology, and agricultural industry categories, where more decisions are made regarding supply chains, raw material, operational procedures, and employee safety. Those involved in proposing and developing socially responsible business practices most often include operation, facility, corporate social responsibility, and other senior managers, and to some extent marketing and strategic planners. Communications regarding the adoption of socially responsible business practices are most often aimed at regulatory agencies, investors, customers, and special interest groups. Although most often the corporation develops and implements practices on its own, it may also do this in partnership with public agencies, nonprofit organizations, suppliers, and distributors.

## POTENTIAL CORPORATE BENEFITS

As will be illustrated in the following examples, a wide range of benefits have been experienced by corporations that adopt and implement socially responsible business practices, and there appears to be an increasing ability to link these efforts to positive financial results.<sup>3</sup>

Financial benefits have been associated with decreased operating costs, monetary incentives from regulatory agencies, and increased employee productivity and retention. Marketing benefits are numerous as well, with the potential for increasing community goodwill, creating brand preference, building brand positioning, improving product quality, and increasing corporate respect. And, as with other social initiatives, these activities also provide opportunities to build relationships with external partners such as regulatory agencies, suppliers, and nonprofit organizations.

### *Decreases Operating Costs*

In this example, adoption of discretionary business practices saved the company money, contributed to environmental sustainability, and increased energy consciousness among employees.

**Table 8.1** Examples of Socially Responsible Business Practices

<i>Corporation</i>	<i>Cause</i>	<i>Target Audiences</i>	<i>Sample Activities</i>	<i>Major Partners/Others</i>
<b>Cisco</b>	Energy conservation	Facility planners and managers	Energy saving devices Plant design	Local utility EPA
<b>Coca-Cola</b>	HIV/AIDS	Employees with HIV and AIDS	Education policies	UNAIDS Governments Pharmaceutical suppliers
<b>Nike</b>	Use sustainable raw materials	Environment-oriented customers and potential customers	Policy development Changes in product content	Employee action teams
<b>Motorola</b>	Waste reduction	Operations managers Facility managers	Recycling Process redesign	EPA
<b>Intel</b>	Workplace safety	Employees in the manufacturing environment	Change in processes Communications Promotions	Suppliers
<b>White Wave</b>	Fuel efficiency	Consumers interested in wind power	Replacing electrical power with wind energy in manufacturing plants	EPA
<b>Starbucks</b>	Protecting tropical rainforests and supplier relations	Suppliers/farmers Employees	Developing guidelines Training New coffee product	Conservation International
<b>Kraft Foods</b>	Obesity	Customers Employees	Labeling Packaging size Education	External council of advisors
<b>Chiquita</b>	Responsible reporting	Employees Special interest groups	Certification standards Guiding values	Rainforest Alliance

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**Example: Cisco and Energy Conservation**

Cisco's philosophy for new construction is to "plan it right," which means thinking about energy efficiency during the design phase. And for Cisco, this also means bringing together employees who specialize in the design side with those who have day-to-day working familiarity with facilities, leveraging each other's expertise.

Cisco used innovative energy conservation technology to design and build its San Jose headquarters campus to meet and often exceed California's energy conservation standards and to help maintain its valued site certifications. This facility was built to exceed California State's Title 24 energy standards by 15 to 20 percent. By exceeding these standards, Cisco not only lowers costs and lessens environmental impact but also takes advantage of incentives offered by its local energy supplier, Pacific Gas & Electric (PG&E). "At two of our headquarters sites, which include 4.9 million square feet of space in 25 buildings, we conserve an average of 49.5 million kilowatt-hours per year. We expect to save about \$4.5 million per year in operating costs. On top of that, those energy savings qualified us for \$5.7 million in PG&E rebates when construction was completed," says Sheikh Nayeem, energy manager.

The environmental benefits of Cisco's energy conservation at its San Jose headquarters are also measurable and impressive. "The 49.5 million kilowatt-hours per year that Site 4 and 5's 25 buildings save could power 5,500 homes. Those facilities are also producing almost 50 million fewer pounds of carbon dioxide per year and 14,300 fewer pounds of nitrogen oxide. That's the equivalent of removing 1,000 cars from the road," says Nayeem.<sup>4</sup>

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***Increases Community Goodwill for the Corporation***

Imagine the goodwill generated across Africa from the strong commitment that Coca-Cola has made to abate the tragic epidemic that has cost more than 20 million lives across the countries of sub-Saharan Africa. In 2003 an estimated 23.1 million adults age 15–19 and 1.9 million children under the age of 15 were living with HIV/AIDS and close to 9,000 new infections occurred each day.<sup>5</sup>

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**Example: Coca-Cola and HIV/AIDS in Africa**

The Coca-Cola Company believes that the business community can play an important role in battling AIDS by putting into place important initiatives and programs. Since the launch of its HIV/AIDS program in November 2000, one key strategic thrust has been to introduce model workplace programs for their 1,200 African employees.<sup>6</sup>

The HIV/AIDS Workplace Program includes the formation of a local AIDS Committee; free condoms for all associates; AIDS awareness and prevention material; peer counselor identification and training; employee basic HIV/AIDS training; free testing and counseling on a confidential basis, and medical coverage; confidential AIDS testing; and access to antiretroviral drugs and prophylactic treatment.

Along with this program, Coca-Cola developed an HIV/AIDS corporate policy that commits to non-discrimination on the basis of HIV/AIDS status; a right to privacy for employees; encouragement of voluntary disclosure by an HIV positive associate; voluntary testing; reasonable accommodation; encouragement of prevention practices; identification of community resources; and fostering partnerships with government and NGOs for the implementation of its HIV/AIDS programs.

In 2002, it was announced that the Coca-Cola Africa Foundation (see Figure 8.1) was expanding this commitment by working with Coca-Cola's 40 bottlers, which employ 60,000 people across Africa, to put in place similar comprehensive workplace prevention programs. The estimated costs of this initiative to the Coca-Cola Africa Foundation will be between \$4 million and \$5 million per year.<sup>7</sup>

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***Creates Brand Preference with Target Markets***

As demonstrated in the following example, products can be utilized to showcase a company's responsible business practices, providing a reason beyond price and distribution channels to choose one brand over another,





**Figure 8.1** Coca-Cola bottlers in Africa have received support from the company's foundation for comprehensive workplace HIV/AIDS prevention programs. (Reprinted courtesy of Coca-Cola Foundation.)

especially when target markets care about the focus of the particular initiative and the marketplace is relatively undifferentiated.

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#### **Example: Nike and Environmental Product Innovation**

Until the late 1980s, Nike reported, its environmental commitment was to simply be in compliance with regulations and to support local nonprofit organizations. A small task force of employees then entered the picture and established an environmental steering committee.

In 1993 this group became a formal department called the Nike Environmental Action Team (N.E.A.T.). Efforts focused on compliance, recycling, and education, and included the formation of innovative new programs such as Nike's Reuse-A-Shoe program in 1994. Over the next five years the group's work further strengthened the company's commitment to finding even more ways to help reduce its environmental impact. The group's momentum evolved into the adoption of Nike's Corporate Environmental Policy in 1998. The policy was announced both inside and outside the company, and was endorsed by Nike's CEO and president, who committed Nike to the companywide pursuit of sustainable business practices. This policy served as a tool to communicate the scope of its environmental commitment inside Nike and to those who have a stake in Nike's long-term prosperity.

Nike continues to strive to incorporate environmental responsibility throughout its operations and product life cycle. Environmental responsibility is now an added dimension of Nike's

product design innovation platform, and the company has set long-term goals for the environment. This commitment is reflected in decisions regarding products and responds to increasing consumer demand for sustainable options as well as the company's commitment to environmental sustainability. An insignia (see Figure 8.2) was introduced with the intent to engage consumers in conversations about environmental sustainability. This insignia appears on select Nike product and service innovations that focus on creating environmental practices for the business. Examples range from apparel to Nike's Reuse-A-Shoe and Air To Earth programs. Appearing on hang-tags, in-store materials, and press releases for select items and programs, the insignia directs people to [www.nikebiz.com](http://www.nikebiz.com) where they can learn more. Since September 2002, a line of apparel containing cotton that's 100 percent certified organic has carried the logo.

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### ***Builds Influential Partnerships***

As mentioned in Chapter 1, Business for Social Responsibility asserts that companies engaging in responsible business practices may experience less scrutiny from national as well as local government agencies. "In many cases, such companies are subject to fewer inspections and less paperwork, and may be given preference or 'fast-track' treatment when applying for operating permits, zoning variances, or other forms of governmental permission. The U.S. Federal Sentencing Guidelines allow penalties and fines against corporations to be reduced or even eliminated if a company can show it has taken 'good corporate citizenship'



**Figure 8.2** This insignia has been used at times on products and services focused on responsible environmental business practices. (Reprinted courtesy of Nike.)

actions and has effective ethics program in place.”<sup>8</sup> Note the strong relationship that Motorola has apparently established with an influential regulatory agency in the following example.

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**Example: Motorola and the  
U.S. Environmental Protection Agency**

Motorola’s environmental vision calls for the company to fully support sustainable use of the earth’s resources, with responsible business practices concentrated in three major areas: protecting the land, protecting the air, conserving water.<sup>9</sup>

Programs designed to *protect the land* include a program called WasteWise, a voluntary U.S. EPA program where organizations eliminate costly municipal solid waste, benefiting their bottom line and the environment (see Figure 8.3). Since joining the WasteWise program in 1994, Motorola’s U.S. manufacturing sites are reported to have recycled almost 125,000 tons of waste. In the year 2000, Motorola was one of three companies to be chosen by the EPA as “WasteWise Partner of the Year for Very Large Business,” recognizing these accomplishments in waste reduction.<sup>10</sup>

Motorola has also developed packaging reuse systems, such as the Compack™ system, developed to eliminate the need for separate product packaging by using a standardized tray to receive incoming product components from suppliers and then reusing the tray to ship the finished pagers to customers. This system eliminates over 140 tons of packaging waste each year and saves Motorola approximately \$4.3 million annually. The Compack system was featured as the “Innovation of the Month” in a U.S. EPA WasteWise bulletin.<sup>11</sup>

To contribute to *protecting the air*, in 1992 Motorola was the second electronics firm in the world to eliminate the use of chlorofluorocarbons (CFCs) from its manufacturing processes. The EPA recognized Motorola with the 1991 Stratospheric Ozone Program Award for its innovative methods for electronic compound cleaning that eliminated the use of CFCs.<sup>12</sup>

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## Preserving Resources, Preventing Waste

**Figure 8.3** Motorola participates on a voluntary basis in the U.S. Environmental Protection Agency's waste reduction program. (Reprinted courtesy of EPA.)

### *Enhances Employee Well-Being and Satisfaction*

As we have seen, most corporate social initiatives can contribute to enhanced employee retention and satisfaction efforts, as they engender perceptions of pride in being associated with a company with a strong reputation for community building and goodwill. Socially responsible business practices can take this even further, offering the additional ben-

enefit of actually contributing to improved employee health and safety, as illustrated in the following example.

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**Example: Intel and Environmental Health and Safety**

Safety at Intel is more than just a corporate initiative; it's an integral part of the company's culture. It wasn't always that way. Ten years ago, Intel's safety performance and programs were fairly average for the semiconductor industry. Today, Intel's safety programs and performance have achieved world-class levels. One of their long-range goals for environmental health and safety is to prevent all injuries in the workplace.<sup>13</sup>

This dramatic change has entailed transforming how people think and act toward safety. Such a change in culture requires motivating employees at all levels to be safety-oriented, and it has demanded the commitment of Intel's entire management team.

In 2001, two company managers in Oregon took a novel approach to safety. They put their hairdos on the line. If the organization could complete 500 days without an injury, they promised to shave their heads. The goal was reached, and both managers had their heads buzzed boot-camp-style bald in front of a cheering crowd. The head of Intel's Worldwide Safety sees two great themes emerging from the organization's excellent safety record: "They have not only achieved and sustained safety excellence, but their management is visibly and personally involved in setting challenges, and this makes all the difference."<sup>14</sup>

Intel's Design for Environment, Health, and Safety program is a prevention program focusing on early identification of safety problems that can result from new tool or process methods. It is believed that "this early intervention and up-front partnering with suppliers is a key reason why Intel is one of the safest places in our industry to work."<sup>15</sup>

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***Contributes to Desired Brand Positioning***

In the following example, we can imagine that this company's voluntary decision to alter a business practice is likely to further position this brand

as one with a long history of commitment to sustainable environmental practices and corporate responsibility.

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#### Example: Silk and Wind Power

In February 2003, White Wave, the country's largest soy foods manufacturer and producer of the well known Silk Soymilk, announced it would be replacing the electrical power used in all of its operations with clean, sustainable, renewable wind energy (see Figure 8.4). According to the EPA, "White Wave is the largest U.S. company to purchase 100 percent new wind power for all of its operations, providing an outstanding example of environmental leadership." According to the EPA, White Wave's purchase of wind power will save approximately 32 million pounds of carbon dioxide emissions each year—equivalent to taking 3,200 cars off the road.

"White Wave has always been committed to socially responsible and environmentally sustainable business practices," says Steve Demos, company founder and president. "We have previously demonstrated this through our 25-year devotion to the processing of non-genetically modified, organically raised soybeans. Today our announcement to purchase wind energy is another legitimate step in creating a business model that is both profitable and environmentally sound. We believe this initiative is a partial fulfillment of our corporate responsibility to return to the marketplace a portion of the profits we derive to meaningful and environmentally sustainable business practices. We are delighted to do so without economic impact to the consumer."

White Wave is also encouraging its consumers to purchase wind energy (a cause promotion initiative in our model). Consumers can visit their web site to learn more about wind energy and sign up to purchase wind energy credits for home use.<sup>16</sup>

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#### POTENTIAL CONCERNS

Perhaps more than with any other social initiative, corporate motives for new and more responsible business practices will be questioned, actions



**Figure 8.4** White Wave, a soy foods manufacturer, purchased 100 percent new wind power for all of its operations. (Reprinted courtesy of White Wave.)

will be judged, and results will be scrutinized. Audiences will ask, “Is this for doing good or for doing well?” And it will be asked by many, even most, of the company’s constituent groups: customers, the general public, employees, investors, regulatory agencies, and the media. Common perceptions include the following challenges:

- *People will be skeptical of the corporation’s motives.* They will likely want to believe the news (e.g., decreased use of harmful chemicals in a manufacturing plant) but will wonder whether the news is some type of public relations stunt (e.g., it only applies to one chemical and one type of plant). They’d like to believe this is a real, substantial change in the way the company will be doing business going forward, but they will wonder if the campaign is just to cover up something that the company doesn’t want the public to know or whether it is to distract attention from some impending bad publicity.
- *They will look for actions that back up words and fulfill promises.* When a company, for example, announces a major program with a renewed emphasis on sustainable building practices, some will want to know if the company will only make changes in new plants, or if they will retrofit and upgrade existing ones as well. When it is written in an annual report that a renewed commitment has been made to recycling in the workplace, what actual changes in infrastructure will be made? Will separate bins for

colored paper, glass, and plastic bottles be provided and conveniently located throughout the workplace, even in conference rooms? Are corporate supplies of paper made from recycled and recyclable materials? Are internal meeting agendas printed on two sides and do staff members get reminders to print out only those e-mails that they need to file?

- *They will want to know if this is a long-term commitment or a short-term campaign.* There will be a big difference in perception between a company that stresses that “this year we want everyone to try to join a carpool or vanpool or take the bus to work” and one that adopts a program that offers free bus passes, covered bike racks, ride matching, flex cars for personal use, monthly incentives, increased parking charges for single-occupant vehicles, and visible publication of the names of all employees who have joined the effort (or not), including senior managers.
- *They will have questions about whether and how the new practices will make a real difference.* It won’t be enough to just say this will improve the environment, increase employee safety, or protect consumers. Constituents will want concrete, measurable facts that demonstrate impact (e.g., number of tons of garbage that are now being recycled and not going into landfills, number of employees no longer coming to work in single-occupant vehicles, and the associated reductions in fuel use and air pollution).
- *They will want to know what you used to do.* When a new practice is announced (e.g., more disclosure of product contents), the next most likely question for many will be “What else haven’t you been telling me?” Or, when a harmful practice is abandoned (e.g., dumping of pollutants into streams), they will want to know what harm was done all those years before you banned this harmful practice.
- *They will be waiting to hear the results of your efforts.* Once reforms are implemented, audiences will be watching for reports on how you did relative to published goals (e.g., in annual reports) and, if you didn’t achieve the desired results, what further measures will be taken. It will be important to report the bad news as well as the good, externally as well as internally.



## KEYS TO SUCCESS

Many keys to success described in the cases to follow address ways to deal with challenges and concerns facing the implementation and reporting of new business initiatives. In summary, corporate managers encourage others to decrease skepticism and criticism by being preemptive; by choosing an issue that meets a business as well as a social need; by making a long-term commitment; by building employee enthusiasm; by developing and implementing infrastructures to support the promise; and by providing open, honest, and direct communications.

### *Starbucks and Conservation International*

Starbucks believes in the value of making long-term investments that will produce social, environmental, and economic benefits for the communities in which it operates. The following case features an initiative that reflects this commitment, one that rewards environmental conservation and increases economic opportunities for the people who produce Starbucks' coffees.

This story, told by Starbucks vice president for business practices, makes a strong case that corporate social initiatives should be proactive, rather than reactive, demonstrating a true commitment, not a defensive response.<sup>17</sup>

In October 1998, Starbucks and Conservation International (CI), a nonprofit conservation organization, began a partnership to support farmers of shade-grown coffee while also protecting tropical forests. Through CI's Conservation Coffee program, Starbucks encourages the production of coffee using cultivation methods that protect biodiversity and provide improved economic opportunities for coffee farmers.

Our first project site was at the El Triunfo Biosphere Reserve in Chiapas, Mexico, a region considered to be one of the world's most environmentally sensitive. Conservation International and Starbucks supported farmers who grow coffee under the protection of shade, creating and maintaining a forested buffer zone around the reserve. In 1999, Starbucks made an initial purchase of 76,000 pounds of Shade Grown Mexico coffee and began offering it in our U.S. retail locations.

In 2000, the partnership was expanded to include (1) increasing efforts to promote conservation and improve livelihoods in a wide range of global biodiversity hotspots; (2) supporting the introduction of a year-round product line that reflects Starbucks' commitment to sustainable coffee production; (3) developing coffee-sourcing guidelines that promote conservation and improve the livelihood of farmers; and (4) engaging other leaders from the coffee world in a collaborative effort to set industrywide guidelines for environmental and social quality.

In fiscal 2001 we invested more than \$325,000 in the program, and in fiscal 2002 we signed a three-year commitment to provide a minimum of \$600,000 to the effort.

Because most of Starbucks' marketing efforts are at the store level, promotional activities primarily focused on supporting purchases of shade-grown coffee with point-of-sale material including informational pamphlets, posters, visibility on packaging, and relying on well-educated partners (employees) (see Figure 8.5). When we introduced the coffee, we also invited local and wire reporters to our headquarters for a coffee tasting and a joint presentation by CI and Starbucks, resulting in millions of media impressions in print and on TV and radio.

In terms of results for the farmers, CI reported that in fiscal 2002 farmers supplying Shade Grown Mexico received an 87 per-



**Figure 8.5** Starbucks believes that support for farmers supplying shade grown coffee beans will help provide long-term sustainable suppliers. (Reprinted courtesy of Starbucks.)

cent premium over local prices for their coffee; exports of coffee from this Chiapas Conservation Coffee program increased 100 percent over fiscal 2001; more than 1,000 farmers participated in the program, up from 691 the year before; and the milling yield for coffee (green coffee beans resulting from processing raw coffee) increased from 64 percent to 76 percent. And for the environment, more than 7,400 acres of coffee fields in Chiapas are currently managed using best practices for conservation coffee. Now, Starbucks and CI are developing similar conservation projects in Colombia and Peru.

For Starbucks, this initiative has helped us develop a strong model for how we select and work with an NGO. It has provided the company with a long-term, sustainable supply of excellent coffee, and a product for consumers interested in an environmental attribute; and it is a source of pride for our employees and partners, seen as a serious commitment due to the long-term investment of significant resources. It has strengthened our reputation as a socially responsible company. In 2002, we were selected as a recipient of the 2002 World Summit Business Sustainable Development Partnerships award with CI by the International Chamber of Commerce and the United Nations Environment Program.<sup>18</sup>

Our experience reinforces the following recommendations for a successful program:

- Select an issue that meets a company need, as well a social one. We had a need for a long-term quality supply of coffee, one consistent with our commitment to conduct business in ways that provide environmental, social, and economic benefits to the community.
- Focus on an initiative that can be connected to your business. This adds relevance and credibility to the effort. We were asked to answer tough questions about the value this will have to the company, the customers, and the producers.
- Choosing something that will be easy to talk about in the company will make it easier for you to generate enthusiasm and support.
- Before beginning a partnership with an NGO, prepare a written agreement specifying clear timelines and deliverables. Then have it signed at the highest level, by both CEOs.

***Kraft Foods Global Obesity Initiative***

The rise in obesity is among the most important public health challenges facing the world today. The people at Kraft Foods believe they have a responsibility along with many others to be part of the solution, and they want to be. They make it clear that the following initiative described by a Kraft executive is not a cause promotion, but rather an initiative directed at their own policies, practices, and behaviors as a corporation. And they say they expect to make a good return on their investment.

In July 2003, we announced that we were initiating a new series of steps to further strengthen the alignment of our products and marketing practices with societal needs. Senior management and functional leaders from corporate affairs, law, marketing, and R&D were the initial drivers but the effort has been embraced by the entire Kraft organization. Their efforts are being supported by a global team of 10 experts from outside the company who will serve on our Worldwide Health and Wellness Advisory Council, formed to help structure policies, standards, measures, and timetables for implementation.

The commitments Kraft is making are global in scope and will focus in four key areas: product nutrition, marketing practices, consumer information, and public advocacy. A few of the planned steps include providing a broad range of portion-size choices, labeling smaller snack and beverage packages with the nutrition content of the entire package, improving the nutrition profile of our products (see Figure 8.6), eliminating all in-school marketing, and advocating for public policies to engage schools and communities in helping improve fitness and nutrition.

Costs associated with the initiative will include costs for research and development, capital investments to change manufacturing and packaging processes, and costs of raw materials, which may go up or down depending on the changes we make.

Awareness of this initiative was created using news releases, the provision of information on our corporate web site, meetings with government leaders, and presentations to key stakeholder groups. We conducted well over 100 media interviews, resulting in widespread media coverage around the world.

At this early stage in the initiative, the primary benefit has been to Kraft's corporate reputation. Feedback from key con-



**Figure 8.6** Kraft Foods' Global Obesity Initiative includes improving the nutritional profile of products. (Reprinted courtesy of Kraft Foods.)

stituencies, including policy influentials, the nutrition and health community, activists, and media, has been significant and positive. A U.S. public opinion survey found that the initiative was received favorably by a strong majority of those who had awareness of it and that a strong majority believed Kraft was doing its part to address the obesity problem in a responsible way. We believe there is a significant growth opportunity that this initiative will ultimately help us capture. As more people become convinced of the importance of a healthy lifestyle, they are going to want products and portion sizes that help them meet their goals. We want to be that company.

From a corporate responsibility perspective, our decision to proceed with this initiative was driven by six principles:

1. We believe that companies that are seriously out of touch with societal expectations will find themselves under mounting economic, social, and political pressure. Companies that are well aligned will enjoy growing support in these same three spheres.

2. In deciding which societal concerns a company should address, focus first on the most relevant, close-to-home issues—the ones that are hard-wired to your business, where expectations are the most immediate and the cost of inaction is greatest.
3. Don't wait until an issue reaches a crisis before addressing it. The longer you wait, the bigger the challenge will be.
4. Actions are more important than words. Make sure there's substance supporting the rhetoric.
5. In communicating the steps you are taking, be accessible to those who want to know more.
6. Recognize that change of this magnitude in most large organizations takes time, patience, and consistent effort from a broad array of disciplines to reach the critical tipping point.

#### ***Chiquita's Better Banana Initiative***

In the following case, the socially responsible business practice of responsible reporting is highlighted.

An article in the December 2, 2002, edition of the *Financial Times* described Chiquita's attempt to break with the past, as demonstrated through its obtaining stringent independent environmental certifications, developing labor agreements with international and regional unions, and signing a groundbreaking accord with Southern Hemisphere unions. The chief operating officer for the company was quoted as saying, "It's hard to change the image of a century-old corporation. But it's not something we belabor. It happened in the past." The headline for the article read, "The Banana Giant That Found Its Gentle Side: Corporate Social Responsibility."<sup>19</sup> Then, in the July/August 2003 issue of *green@work* magazine, a cover story featured Chiquita and Ben & Jerry's as co-winners of an award for sustainability reporting, with a lead story titled "Banana Split." (See Figure 8.7)

"They couldn't be more different. Ben & Jerry's is the quintessential do-gooder corporation founded by two school chums in a renovated gas station in Vermont that has captured the environmental mantle in the food industry," the story read. "Chiquita Brands, a huge multinational corporation, has had a long and sometimes unsavory history that includes accusations of unfair labor practices and bankruptcy. Aside from



**Figure 8.7** Chiquita and Ben & Jerry's were featured as co-winners for sustainability reporting in *green@work* magazine's July/August 2003 issue. (Photo courtesy of *green@work* magazine, photographer Jim Robinette.)

producing two of the world's favorite foods—ice cream and bananas, which just happen to work well together—they are seemingly poles apart in every way. How is it then that these two ended up as co-winners of an award for sustainability reporting?<sup>20</sup>

In the following highlight, Chiquita provides more background about the changes that led to this positive visibility for the corporation's effort, and shares what the company considers its five keys to success.

In the late 1990s, Chiquita was the target of significant criticism regarding environmental and labor practices from news media and nongovernmental organizations, even though we had already begun the process of achieving certification for meeting rigorous standards established by the Rainforest Alliance. This led the management team to answer several tough questions:

- We believe we operate ethically, but how do we know?
- Do we have a set of guiding principles to align employees throughout the company?
- How do we know we are living up to them?

We then initiated a comprehensive and very inclusive process to develop Chiquita's guiding values—what we call our Core Values—one of which is the statement that “We communicate in an open, honest, and straightforward manner.” These efforts have garnered considerable attention and some important awards. In addition to the co-award with Ben & Jerry's, we were ranked first in the world among food companies by SustainAbility and the United Nations Environment Programme for our 2000 Corporate Responsibility Report. While we didn't start reporting to win awards, these awards validate that what stakeholders really respect most is openness and honesty in reporting, and it is an indication that we are being recognized for exactly what we are trying to do.

Rather than trumpet our corporate responsibility successes, we have purposely taken a more low-key approach, in particular, letting our actions speak louder than our words, and letting independent observers point out our successes. We believe this approach has been successful and is perceived to be more credible than a high-profile marketing or public relations effort.

It has taken more than \$20 million and eight years to fully comply with the Rainforest Alliance certifications standards on



100 percent of our farms in the five countries of Central America where we operate.

We can quantify financial benefits (e.g., in 2002, we saved more than \$5 million compared to 1997 by using fewer agrichemicals, and a pallet recycling program saved us \$3 million a year) but rescuing our reputation has been priceless. Employee pride has clearly improved. The value of the Chiquita brand has risen. Activist campaigns directed against us in the late 1990s have essentially gone away. The tone of our media coverage has turned around.

We have summarized keys to our success as the “Five Cs”:

1. First is *conviction*. Corporate responsibility is about real improvement in business performance, not public relations.
2. Second is *commitment*. At Chiquita, we’ve made a fundamental commitment to values and assigned ownership and accountability to our operating managers. When we commit, we deliver.
3. Third is *communication*. We have committed to open, honest, and direct communication with all of our stakeholders.
4. Fourth is *consistency*. This is indeed a process of continuous improvement. We have tied corporate responsibility goals to our everyday management and reward systems. Corporate responsibility is an essential part of Chiquita’s culture and central to our strategy.
5. And finally, corporate responsibility is about *credibility*. We know that our ability to improve—and your ability to trust our performance—depends on the credibility of our effort. That’s why we’ve committed to achieve verifiable third-party standards, measure our performance honestly, and report our progress transparently—even when we don’t always meet certain goals.

#### WHEN SHOULD A CORPORATION CONSIDER A MAJOR SOCIALLY RESPONSIBLE BUSINESS PRACTICE INITIATIVE?

Some consider the word *responsibility*, whether at the personal or corporate level, to mean “ability to respond,” as opposed to a focus on blame. Looking

at it from this perspective, a corporation should regularly review and consider new or modified business practices that will improve the quality of life and, at the same time, provide some net benefit to the corporation, ideally financial, operational, relationship-building, or marketing in nature. Circumstances that might provide this optimal situation could include the following (most references are to examples cited earlier in this chapter):

- When a company has been offered a *financial incentive* to alter a business practice for the benefit of the environment, most typically from an external public or regulatory agency (e.g., Cisco's incentive from the local energy supplier to meet or exceed guidelines for energy conservation).
- When the adoption of a new practice would *reduce operating costs*, as well as contribute to a social issue (e.g., Chiquita saving millions each year after reducing its use of select chemicals).
- When a current business practice can be identified (in part) as *contributing to an important social problem*, and modifications and improvements would help address the issue (e.g., McDonald's deciding to phase out supersize options).
- When there is an opportunity to *improve employee health, safety, or well-being* by altering a business practice or investing in infrastructures and educational communications (e.g., Coca Cola's HIV/AIDS workplace program).
- When engagement in this practice can *add an important point of differentiation* to target markets in a crowded, undifferentiated marketplace (e.g., Nike offering a line of products made with environmentally friendly materials).
- When there are *opportunities for alliances that will strengthen the brand's positioning* (e.g., Motorola's participation in EPA's waste reduction program).
- When the adoption of the practice could actually *improve product quality or performance*, providing increased value and points of difference (e.g., compact fluorescent light bulbs that use less energy and last longer).
- When investments or changes in practices will *strengthen relationships with suppliers or distributors* (e.g., Starbucks providing training and economic opportunities to ensure a long-term sustainable supply of excellent coffee).

## DEVELOPING THE INITIATIVE

Based on experiences of professionals, including ones contributing to cases in this chapter, major decisions involved in adapting and implementing socially responsible business practices will focus on the process of carefully selecting the social issue that the initiative will support; developing integrated, strategic plans for implementation; and setting and tracking measurable goals.

As indicated in many of the case examples, most recommend that *business needs should be identified first*. There might be an emerging or current objective for reduced operating costs, improved supplier relations, or reduced regulatory oversight, or there may be important marketing challenges such as repositioning of the brand or standing out in an undifferentiated, crowded marketplace. Next, major social problems are identified that the company could contribute to through altered business practices and investments. As with other social initiatives, a cause should be selected that is substantial, consistent with company mission and values, and one that key publics care about. The actual initiative (business practice to be adopted or altered) is then selected based on an assessment of potential for meeting business objectives and contributing to the social cause.

Experienced experts have also stressed the need for an *integrated, planned approach for implementation*, one involving and backed by executive management. New or revised business practices should be supported through employee communications and any related needs for education and training. In many cases, there will need to be important changes to infrastructure to facilitate the adoption of new practices and to ensure more substance than rhetoric.

And finally, encourage accountability by *setting goals and establishing mechanisms for measuring, tracking, and reporting results*. Many recommend developing communication plans that include publishing goals, reporting on progress, and, in the event that goals are not met, identifying and then publishing corrective action plans to ensure continued commitment and progress toward the goal.

## SUMMARY

To implement socially responsible business practice initiatives, a corporation adopts and conducts discretionary business practices and investments

that support social causes to improve community well-being and protect the environment. Key distinctions from other initiatives include a focus on activities that are discretionary; *community* is interpreted broadly; and *community well-being* can refer to health and safety, as well as psychological and emotional needs.

Over the last decade there has been an apparent shift from adopting more responsible business practices as a result of regulatory citations, consumer complaints, and special interest group pressures, to proactive research exploring corporate solutions to social problems and incorporating new business practices that will support these issues. Several factors may be contributing to this shift: evidence that socially responsible business practices can actually increase profits; a global marketplace with increased competition and consumer options; interest in increased worker productivity and retention; and increased visibility and coverage of corporate socially responsible (or irresponsible) activities.

Most initiatives relate to altering internal procedures and policies, external reporting of consumer and investor information, making provisions for customer access and privacy, and making decisions regarding suppliers and facility and plant locations.

Resultant financial benefits have been associated with decreased operating costs, monetary incentives from regulatory agencies, and increased employee productivity and retention. Marketing benefits are numerous as well, with the potential for increasing community goodwill, creating brand preference, building brand positioning, improving product quality, and increasing corporate respect. These activities also provide opportunities to build relationships with external partners such as regulatory agencies, suppliers, and nonprofit organizations.

Experts warn that corporate motives for new and more responsible business practices will be questioned, actions will be judged, and results will be scrutinized. Corporate managers encourage others to decrease skepticism and criticism by being preemptive; choosing an issue that meets a business as well as a social need; making a long-term commitment; building employee enthusiasm; developing and implementing infrastructures to support the promise; and providing open, honest, and direct communications.

Major decisions involved in adapting and implementing socially responsible business practices will focus on the process of carefully selecting the social issue that the initiative will support; developing integrated, strategic plans for implementation; and setting measurable goals and establishing plans for tracking and reporting results.