

Enhancing corporate social responsibility in the Finnish food chain with a stakeholder dialogue

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ABSTRACT

Consumers are more and more interested in sustainable and responsible food production and consumption. However, it is difficult for consumers to use corporate social responsibility (CSR) dimensions as selection criteria in the food purchase situation since they lack adequate and easily available information about these issues. Our research project is based on case studies and combines an action oriented approach and stakeholder dialogue with the aim to analyse and develop CSR of the food chains and to study to which extent responsibility issues and elements can be linked to the product level. The paper presents a research process, what kind of data have been collected and how the study is proceeding as an iterative process and with stakeholder dialogue with researchers, representatives of case companies, consumers and other interest groups.

Introduction

Corporate social responsibility (CSR) has become a widespread topic in business and public discussion. More and more companies in the food sector are aware of consumers' and stakeholders' interest towards CSR issues and have taken initiatives and made serious efforts to consider their values and actions from the CSR point of view. Also consumers are more and more interested in sustainable and responsible food production and consumption. A growing number of consumers want to be informed about the way the food products are produced as well as environmental impacts of food production and societal factors such as labour conditions.

However, it is difficult for consumers to use CSR dimensions as selection criteria in the food purchase situation since they lack adequate and easily available information about these issues. Responsible food production means that the whole production chain takes account of the impacts of its actions on the society. The widely accepted approach to CSR is based on the traditional triple bottom line with three dimensions: economic, social and environmental responsibility [1]. CSR implies a wider perspective than the view that companies act in compliance with the legal norms and produce safe food that meets the basic quality criteria.

Companies in both food industry and retail have been active in reporting not only environmental issues but also issues relating to economic and social responsibility. Commonly accepted visions and objectives concerning CSR do not, however, guarantee that companies put their values and principles into real actions. Nor are the CSR reporting initiatives a guarantee of responsibility. CSR should, however, be explicitly concerned with managing the unwanted impacts. The CSR reports do not tell how responsibility is constructed in the everyday operations of the company and the supply chain perspective is not taken into account either. This means that it is impossible to assess the responsibility of the entire production chain based on CSR reports of single companies.

Salzmann et al. have reviewed a number of business case studies for CSR and they identified insufficient understanding of manager's key arguments on how CSR strategies are built and how effective they are, i.e. the content of CSR has not been defined [2]. However, frameworks have been presented earlier on how the managers could operationalise CSR based on economic rationale (see e.g. [3]), but they are quite theoretical and have not been utilized in practice as far as the authors are aware. Furthermore, based on a review of many studies there is a wide variety of theoretical approaches to define CSR, and this disables the measurement of CSR [4].

There is especially a lack of comparative, sector-specific and empirical studies [2]. From the business perspective, it is worth mentioning that the relation between CSR and financial performance is not clear at all; many studies have tried to present the relation but these studies have been insufficient and inconclusive [2,5].

Constructing a commensurate set of concepts for responsibility is a challenging task, because CSR is not an absolute concept, but it is similar to, for example, the concept of sustainable development. The objectives and perspectives regarding these evolve and change over time. Constructing the content of CSR in the food production chain is particularly difficult because the actors in the chain, including consumers, have no uniform perception of what CSR means [6]. CSR in the food production chain is a multidimensional issue, which often involves conflicting values especially between the economic responsibility and other aspects of responsibility.

Measuring CSR has its roots in environmental accounting and environmental reporting. In measuring CSR most of the focus has traditionally been at the community level. The efforts to implement and measure sustainability practices at the company level, let alone the supply chain level, have been scarce [7]. Measuring and evaluating CSR as well as defining CSR indicators is an extremely difficult task. A set of rather extensive indicators have already been developed for measuring the economic and environmental dimensions of CSR. However, the development of social indicators is still in its early stages. It would be desirable to have quantifiable indicators for measuring CSR in order to avoid subjectivity. However, especially most of the issues connected with the social dimension of CSR are not quantifiable [7]. It is, therefore, a challenging task to develop a set of both quantitative and qualitative indicators that can be used to measure all the three dimensions of CSR. It has even been suggested that the information on the environmental and social impacts of companies should be combined with monetary economic indicators, but the environmental and social indicators should not be expressed in monetary terms [8]. This, however, leaves the question about how to measure all the three dimensions of CSR still unanswered.

Wilenius demands stakeholder dialogue in generating CSR and building more content to it [9]. Consequently, stakeholder dialogue is the core of our research project. In order to increase the interplay between responsible production and consumption among food chain actors, consumers and stakeholders, we established a joint enterprise of two research centres, MTT Agrifood Research Finland and National Consumer Research Centre, and five companies in the Finnish food chain. The objective of the project is to analyze and develop CSR of the food chains and to study to which extent and how CSR issues and elements can be incorporated into the product level. This could offer companies a concrete possibility to include the CSR information in the product marketing and communication. This requires, however, defining the content and criteria of CSR. The main question remains: who should finally define the content of CSR?

The research project is based on case studies and combines an action oriented approach and stakeholder dialogue. The project draws on three different case food products. They are rye bread, broiler chicken products and margarine. The first two are produced by a leading Finnish bakery and a meat processing company. The last one is a private label product by a big Finnish retail company. The research project started in 2006 and will be completed in December 2008. The execution of the study is based on grounded theory. The content of CSR is constructed in cooperation and through interaction between researchers, companies and their interest groups (e.g. citizens and NGOs). The research project combines, among other things, the compilation of extensive data, action research and stakeholder workshops as presented later on.

Research process and methods

The overall strategy of the research project is based on cooperation and dialogue between researchers, chain actors, environment, food and agriculture policy makers, experts and other interest groups. The researchers' role is to evaluate the existing data and bring to the process their knowledge of recent theory and information regarding CSR issues (e.g. life cycle assessment, LCA, concerning environmental information) and user involvement in innovation. The policy makers bring to the process experience in enacting current policies as well as the instruments and the knowledge of practical policy implementations. The chain actors bring to the process the existing chain practices.

The project is proceeding as an iterative process and it builds on several steps as presented in Figure 1. In the first step, chain-specific data is collected for each of the case products. The purpose of the chain data and

respective CSR issues is to give a detailed description of the production chain and, first of all, to reveal which CSR dimensions and issues are relevant and connected to the different steps and operations of the chain. Data are collected and generated by means of detailed inquiries and interviews of company representatives along the production chain, interviews of experts, discussions with key persons of the companies and using company documents, CSR reports, industry reports, statistics and other data sources on CSR issues concerning the entire production chain of the case products. In this paper some concrete examples of the process is presented in the case of the rye bread chain. In this case study, the key themes were profitability and price margins of actors in the chain, environmental impacts of the chain based on LCA, well-being and conditions of labour and farms, product safety, country of origin and traceability of raw materials. It is here worth of mention that approximately half of the rye used in Finland is imported. As a result of data collection, a CSR chain report was written.

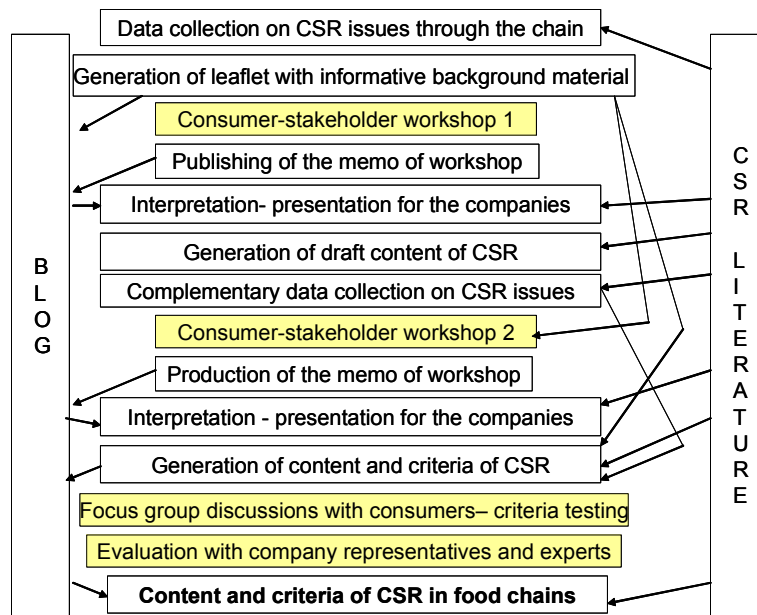


Figure 1: Main steps of the research process.

In the next step of the process, a leaflet with informative background material is generated based on the CSR chain report. This leaflet is written in popular language and its purpose is to give the participants of the stakeholder workshop a compact description of the production chain of the case product and an idea of how the chain is functioning from the CSR point of view. The main aim of the background material is to act as a stimulus for the workshop.

One part of the interactive and participatory dialogue between stakeholders built in the project is the implementation of workshops. They are inspired by a constructive technology assessment (CTA) type approach to the question of CSR in the food chain. The aim is to promote the transfer of ideas and the encounter of representatives from different stakeholder groups in order to ponder dimensions and content of CSR. The participants are recruited from three main groups that are the production chain actors of each case, consumers from National Consumer Research Centre panel, experts and interest groups. There will be two rounds of workshops for each of the case product. The first ones executed in 2007 focus on the viewpoint of production chain. The second round of workshops, planned to be realised in the beginning of 2008, will draw upon the results from the first round but concentrate on the viewpoint of consumption.

A large share of the time in the three hour workshop is devoted to group sessions concentrating on the three themes specific to each case study. The themes chosen for the rye bread chain were raw materials of rye bread, personnel in the production chain and overall responsibility of the chain. The group sessions consist of three phases: the production of ideas in relation to the topic of the group, the organisation of these ideas under different dimensions of CSR, and the valuation of ideas. The ideas that get the most backing will be collected on

summary charts. At the end of the workshop, the groups convene, present their findings and have a short general discussion.

The workshops are carefully documented, including: (1) tape-recordings and of all working group sessions, (2) the ideas produced by the participants in the workshop, different assemblies of these (photographs), and summary charts of the most important ideas, (3) notes taken by group facilitators (4) notes taken by group clerks, and (5) a memo compiled of notes and other documentations. Right after the workshop a workshop memo is written on the outputs of the discussions of the group sessions and a course of discussion.

In the next step, the researchers interpret the workshop outputs and make a presentation of the results and conclusions for the case companies. After the first workshop round, a first draft of the content of CSR for the case product and chain is generated. All memos are published in the blog of the project. The purpose of the blog is to open co-operation and dialogue between the researchers, chain actors, policy makers and citizens. The blog acts as an interactive window for the project. On the one hand, the research group writes about current developments and results of the project. On the other hand, the stakeholders are part of the dialogue. There is a monthly column for various stakeholders and the blog is a forum for discussion as it is open for comments.

After the first workshop round, complimentary data will be collected on those themes raised by workshop participants. In the second workshop round the purpose is to get deeper and more detailed ideas about the content and criteria of CSR. At the end of the research process, consumer focus group discussions will be used in testing the developed CSR criteria and measures.

Preliminary experiences

The researchers have found the task of defining CSR and how it could be measured a challenge. First of all, the CSR seems to be difficult to define in terms of concrete content and criteria in the workshop. Moreover, as a starting point the actors in the chain have no uniform understanding of what CSR means. The various interest groups of the case production chain have their own perception and ideas of what CSR is. In workshop, all the interest groups were keen to bring their approach and ideas to the basis of discussion. This, however, strengthen the view that stakeholder dialogue is really needed but that a consensus may be difficult to find and, at least, this requires several rounds of workshops and discussions. It is also important that dialogue is taken place on several levels as is the case in our project. There is dialogue between different chain actors, between the companies involved in different case studies and between consumers, experts and researchers, as well as between different standpoints, views and issues.

In the first workshop concerning the case of production chain of rye bread the following three issues were highlighted in all three group sessions: 1) environmental issues and ecology, 2) product safety and clean environment as well as 3) moderate living or profitability concerning all the actors of the chain. Especially economic conditions of farmers were seen to be quite critical in spite of a relatively high share of agricultural subsidies in grain growing. Moreover, a role of retailers was seen of utmost importance almost in all CSR issues raised by the workshop participants.

When it comes to the CSR ideas raised by the workshop participants, different sub-groups explained and interpreted same issues in very different ways and from different angles. Especially environmental issues and ecology were approached from totally different perspectives. Firstly, environmental impacts of rye bread production such as climate change and eutrophication were reported and described in the leaflet. However, quite many participants described environmental issues to be more linked to the cleanness of soil and toxicity issues. The cleanness discussion has been going on already for several decades on a somewhat general level. This discussion is thought to lack factual information and it is seldom defined what is actually meant by cleanness. As a consequence, more detailed data on mycotoxins, heavy metals and pesticide use and residues are being investigated in relation to different country of origin of rye to make the cleanness discussion more concrete.

Workshop participants were asked to organize issues and points raised in the workshop into three categories based on the traditional triple-bottom-line (TBL) dimensions. However, in all sub-groups there were some issues that were discussed quite a lot but which the participants found difficult to organize according to the TBL dimensions. In fact, we faced a similar problem during the writing process of the CSR chain report and the

workshop leaflet. Of course, the organisation of CSR issues under the TBL is not a key issue at all, but numerous CSR aspects have to be somehow classified in order to outline CSR discussion and to make CSR more concrete for consumers and stakeholders. Our research project may also result in suggesting an alternative way to organize CSR, especially when it comes to consumer and stakeholder communication.

CSR of companies is often criticized to be a matter of high-sounding phrases rather than concrete action. However, it seems that the case study companies are very committed to the project and its goals and are keen to consider the possibility of providing product-specific information on the CSR issues based on the results of the research project. In an ideal situation the companies are capable of responding to the CSR questions of consumers and citizens through their products and actions. This may become a competitive advantage when responsible actions are turned into product-specific information and products are labelled in a way that is reflected in purchasing decisions. Our research projects will contribute to CSR discussion and research by trying to take very first attempts to utilise production chain approach and stakeholder dialogue in launching product-specific CSR criteria and information.

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