High-level dialogue in a safe space between Chief sustainability officers

March 10th 2015 at Hotel Ascot in Zürich

Summary

The meeting was convened by Fondation Guilé and the purpose was to provide CSR directors of multinational companies with an opportunity for sharing their experiences, dilemmas and points of view and to present the results of a study in which Prof. Guido Palazzo (Université de Lausanne) and Dr. Dorothea Baur (University of St. Gallen) analysed the Corporate Social Responsibility of Chiquita.

In order to guarantee a high level of confidentiality, the meeting was held under the Chatham House Rule.

Prior to the meeting, Fondation Guilé sent out an INSIGHT document to the participants in order to get an impression of the key issues, dilemmas and challenges they faced. During the meeting, participants were asked to express their views on selected questions by means of a "power vote" technology.

The main results from the communication prior to the event and from the discussions during the Workshop can be summarized as follows:

Insight

The major dilemmas reported by participants prior to the meeting comprised a range of aspects such as:

- getting full commitment from senior management
- lack of interest/knowledge among stakeholders, in particular clients and investors
- accounting for the extra costs of CSR
- managing the complexity of the value chain
- lack of appropriate CSR standards
- fear of negative public perception
- reconciliation of business growth with environmental sustainability

When asked about CSR-issues (from the past) that affected the reputation of their company to date, participants reported that in some instances the negative reputation of an entire industry, or the negative press on direct customers, spilled over on their own reputation, and that in certain industries, practices like child labour, were very difficult to change. Others pointed out the damaging effect of NGO propaganda.

Regarding the biggest challenges in securing the pay-off of their CSR strategy, participants pointed out the following aspects:

- need to demonstrate added value of CSR to investors,
- difficulty of involving all the actors along the value chain,
- securing constructive involvement of NGOs
- enhancing internal CSR knowledge
- raising awareness among clients/consumers

## General views on CSR performance evaluations

A majority of the participants felt that at least sometimes, or even usually, the external evaluations of a company's CSR performance are biased, contradictory and superficial, and that public discussion tends to black and white interpretations of CSR issues.
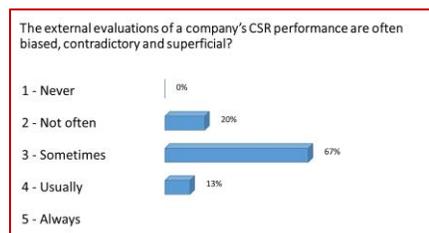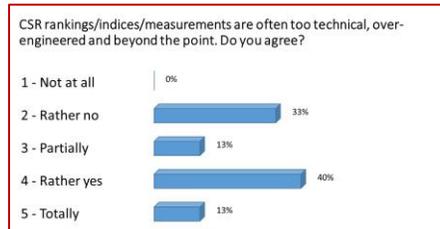

At the same time, participants acknowledged that accusations of greenwashing raised towards corporations during the last two decades were at least partially justified.
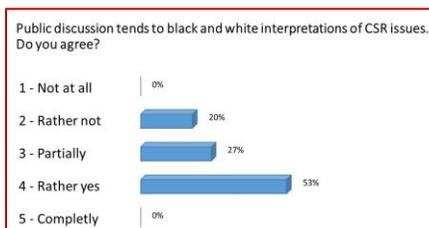
Opinions were divided over the question whether CSR rankings, indices and measurements are often too technical and over-engineered: while a small majority of participants agreed with this statement, 33% rejected it.
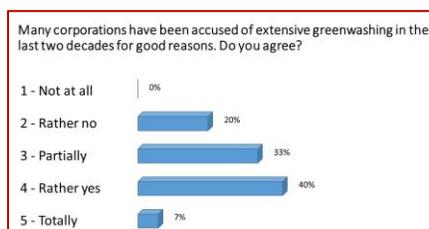
A similar divide was found regarding the question about the availability of deep and contextualized information on CSR performance with about 53% of the votes supporting this claim, and 47% rejecting it.

CSR rankings/indices/measurements are often too technical, over-engineered and beyond the point. Do you agree?

1 - Not at all	0%
2 - Rather no	33%
3 - Partially	13%
4 - Rather yes	40%
5 - Totally	13%

Together with the results from the INSIGHT document, these feedbacks served as general inputs for the subsequent presentation of the GuiléAcademicAssessment of Chiquita's CSR.

External management of CSR

Participants first answered the following question: have you ever suffered from a reputational damage from one of your external partners? More than a half experienced that situation at least once, and most of those even more than once:

Have you ever suffered from a reputational damage from one of your external partners?

1 - Never	40%
2 - Yes, once	20%
3 - Yes, more than once	40%
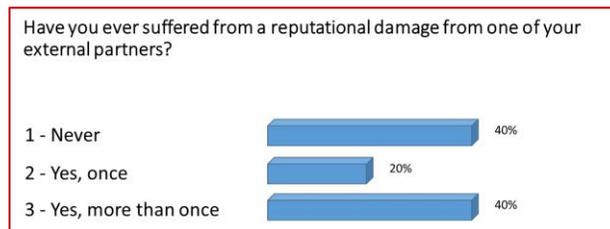
Regarding the key issues in managing CSR externally, e.g. by means of standards, bi- and multilateral collaborations and CSR reporting, the following issues were raised:

- There was some agreement that – regardless of expectations from the outside – it is important that companies 'do it their way', i.e. that they don't just react to the often contradicting demands from stakeholders, but that they design their own CSR and implement it in a coherent manner, while simultaneously improving it.
- There seem to be three different ways of using CSR standards: either you can design and be the owner of your own standard (in collaboration with NGOs), as for example Nespresso does; or then you can apply the standard from an external partner (as Chiquita does with the Rainforest Alliance); and as a third option you can develop standards on an industry-level, i.e. in multilateral

collaborations with peers and NGOs alike. One participant for example designed their own standard because they feel that no matter what they were trying to build up with NGOs, their business would always be perceived as 'bad'.

- Discussions about standards are often driven by ideology, e.g. "Fair Trade" vs. non-Fair Trade; however, some participants felt that the key lies in the way a company implements a standard, not in the ideological premises on which it rests.
- External stakeholders are often divided in their expectations: no matter how much transparency a company provides, it is almost impossible to satisfy all of their demands. Among the sometimes contradicting feedback they receive from NGOs, companies are free to decide for themselves, which aspects are relevant for designing their own CSR. One participant emphasized that for them discussions with NGOs were part of the solution, and that they in particular appreciate the watchdog function of NGOs. Yet, another participant mentioned that NGOs often struggle to understand the risk management function of standards. It was also mentioned that the media are sometimes more critical than NGOs.
- In some industries there is a lack of standards.
- External CSR management differs depending on whether a company is in a B2C- or B2B-environment. In B2B environments, NGOs play a much less significant role and external CSR management is often reduced to reacting instead of proactive engagement.
- In terms of negative reputational spill-over effects, one participant mentioned that these were inevitable if two parties engage in close collaboration and that they were not too worried about them.

Internal management of CSR

The participants were divided over the question whether CSR performance and policy are mainly kept alive by the hardware (i.e. structure) or the software (i.e. culture) of a company, with 40% voting for hardware and 60% voting for software:
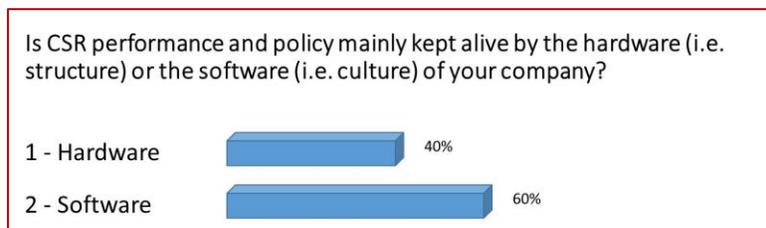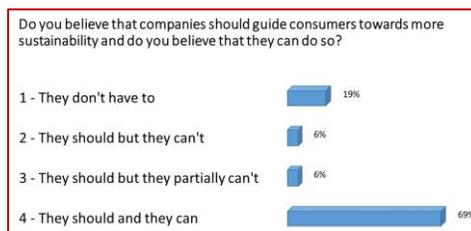
Moreover, the following issues were raised:

- One participant pointed out that they missed information about the hardware of CSR on Chiquita's website. He struggled to find information on the governance of CSR. According to his opinion, structure defines culture.
- Another participant claimed that for them the overall corporate culture as manifest in the motivation of employees is more powerful than for example the individual mindset of their CEO.
- The question was raised whether it is possible to talk about one culture at all if you consider that people from many different nationalities work for a company. It was also pointed out that identification with a company happens through the product they sell, not the CEO.
- Another participant mentioned that for example the UN Global Compact was too focused on the CEO, thereby neglecting the importance of institutionalizing CSR on a 'hardware level'.
- One participant emphasized the important role of the chairman in sustaining CSR. The personal conviction of the chairman rules out the possibility of hiring a CEO without a commitment to CSR.

Marketing of CSR to consumers

When discussing the role of companies in guiding consumers towards more sustainability, a majority of participants agreed that companies can and should engage in this matter. A minority felt however, that this was not a role companies have to adopt, and a few participants felt that companies should do so, but for some reasons can't:

Do you believe that companies should guide consumers towards more sustainability and do you believe that they can do so?

1 - They don't have to	19%
2 - They should but they can't	6%
3 - They should but they partially can't	6%
4 - They should and they can	69%

Beyond this point of discussion, the following issues were raised:

- One participant reported that they had mainly positive feedback to their CSR-based communication from consumers and that sustainability was one of their main messages.
- One participant mentioned that they feel they could add value through philanthropy. However, it was also acknowledged that philanthropy is not of interest to potential partners and critical observers

- Another representative noted that the success of CSR-based communication depends on whether the value proposition is built into the very business model of a company in question or not. Only in the first case, CSR-based communication can succeed.
- Another participant claimed that they had initially underestimated their clients' interest in CSR.
- It was also mentioned that CSR-based communication will most likely simultaneously trigger positive and negative feedback alike. However, while both types of reactions increase in the beginning, over time, in one participant's experience, negative feedback will disappear whereas the positive feedback stays. Along similar lines, it was emphasized that continuity is essential for successful CSR communication.
- When faced with negative feedback, as experienced by Chiquita in their CSR-based advertising campaign in Switzerland, it is important to deal directly with the critics. Chiquita claims to have convinced their critics by sitting down together with them.
- Beyond focusing on consumers, CSR-based communication also needs to target investors and financial analysts.
- Regarding the challenge of engaging in CSR in times of limited financial resources, one participant pointed out that you cannot conclude from the fact that Chiquita only made 1% profit over several years that their CSR was not successful. Because, after all, we do not know what their numbers would have looked like without engaging in CSR.

Concluding

The event ended with the question whether participants would be interested in joining future Safe Space events, which was confirmed by a vast majority. The organizers thanked the participants for their much appreciated contributions and promised to keep them posted.

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