



the inside track #13

Highlighting CSR Issues of the moment

The mysterious case of the silent stakeholders

The past few months have seen several business sectors in the spotlight over their activities. However, the reactions and responses to these activities have been quite different.

Our first example is the attack on UK supermarkets selling intensively farmed chickens and eggs. This has been the subject of a well developed animal welfare campaign over recent years.

What was interesting about this particular campaign was that animal welfare NGOs, often the public voice on this subject, were not the protagonists. Instead it was celebrity chefs, including Jamie Oliver and Hugh Fearnley-Whittingstall, who were the prominent activists. Their television cookery programmes promoted both the benefits of free range chicken to the consumer, and, as a consequence, the healthier lifestyle for the birds.

Their programmes could be best described as interactive television. As well as describing the conditions under which standard eggs and chickens are reared as being morally wrong, Oliver went further and electrocuted a chicken and drained its blood in front of a live studio audience, presumably as a shock tactic. Fearnley-Whittingstall took a less dramatic, but still effective, approach asking shoppers in a supermarket car park to estimate how many actual sized plastic chickens could be placed in a one metre square wooden pen. Then he showed live pictures of the numbers of chickens living in a real pen. These celebrity chefs' activities generated considerable coverage in the major press.

The response of the retailers was illuminating. Some of Britain's largest supermarkets took out full page colour adverts in national newspapers. Their messages were that they were making every effort to improve animal welfare and to provide their consumers with good quality food. Sainsbury's went further with letters to its loyalty card shoppers, including two leaflets. These promoted the fact that all chickens and eggs they sell are British, and that they offer a wide range of choice including both free range and organic. They also affirmed their commitment to farm animal welfare.

Our second example (perhaps less well developed as a campaign, but certainly very contrasting) is that of banks and the "credit crunch". We are all aware of the Northern Rock media coverage - probably more than that achieved over the chicken and eggs campaign. However, the credit crunch itself receives ongoing coverage, but in a relatively uncritical manner.

In this instance, there appears to be no one in the media or amongst NGOs pointing the finger critically at banks or investment companies. Obviously, the regulators play a huge role in this market, but, Northern Rock excepted, there has been little criticism of regulators' activities. The level of public furore over the credit crunch crisis has been much muted. Yet it is highly likely that it will have a greater and wider impact on the public and society than the debate on intensive farming and health issues.

Whilst the banks are clearly facing challenges in addressing the crisis, they have not faced any sustained criticism over the quality of their management approaches in their decisions leading up to the crisis.

A reasonable question to ask is why one business sector was taken to task by stakeholders in a very public manner, whilst, for another sector, stakeholders seem to have taken it lying down - so far?

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One obvious response may be that the British public cares deeply about animals. Yet there may be other responses. These relate to how stakeholders become active in their criticism.

Firstly, media celebrities have a bigger influence on corporate social responsibility (CSR) matters than was so even five years ago. Whilst celebrities represent NGOs' views, they have more impact because of "expert" status. The result is the public are influenced by their words, provided they are delivered very simply.

NGOs and the media operate at differing levels of complexity. Successful media campaigns (including those web based) tend to be simple and single minded. The chefs' campaigns were not about animal welfare in general but limited to intensively farmed poultry. In contrast, NGO campaigns will often tend to focus on more complex issues.

Secondly, the media do not enter the fray until they perceive the case to be simple and clear cut, where their credibility is unlikely to be questioned.

Hence, with the credit crunch, there are too many unresolved issues and unanswered questions, for anyone to consider mounting a sustainable campaign of criticism.

Because the economic context is very complex, the media is unlikely to promote a campaign against specific companies or sectors at an early stage. It will leave it until the immediate aftermath is over and some simple, easily understood reasons have become apparent.

An example was the public and media concerns relating to the collapse of Enron and the subsequent disappearance of Arthur Andersen which caused the Federal Government to introduce Sarbanes Oxley - in 2002, after the events.

What are the messages from these examples for companies and their CSR teams?

First is that because CSR is about gaining and retaining stakeholder trust, CSR teams need effective stakeholder management strategies. In the past, NGOs were seen as sources of possible CSR reputational risk, and the media was considered an influencer and an indirect stakeholder. This has changed - the media can be a direct stakeholder. As a result, it is essential a CSR team develops a media positioning strategy. This

strategy should focus on the single or simple issues that the media will focus upon. Unfortunately, these are often neglected as too obvious to require attention - as a consequence, the approach should start from first principles.

Second, conceive the inconceivable - consider the complex issues from a stakeholder management perspective. Whilst these issues take time to distill in stakeholders' minds, they will formulate positions once clear about the impacts upon them. They will identify objectives they want to achieve and simple actions that they want to take.

In this respect, the only difference between stakeholders' reactions to intensive farming and financial companies' behaviour in the credit crunch may be the timing of activist stakeholders as to when they are willing to be openly critical.

The likely outcome of this credit crisis will be a series of regulations designed to improve financial management. Governments will be influenced by media investigations, in turn generating public concerns. These regulations will be issued once the outcomes are apparent, rather than when the problems exist.

The examples of the chickens and the credit crunch illustrate the importance of CSR teams paying adequate attention to communication issues and the management of corporate reputation. The supermarkets responses were prompt and comprehensive, whilst those of the financial companies are very much below the parapet. In these circumstances, CSR teams have an important role to develop stakeholder understanding and to manage CSR based risks and reputation.

If you would like an objective and impartial view on addressing stakeholder management issues in your CSR strategy, contact Tony Hoskins - thoskins@thevirtuouscircle.co.uk or Ian Redington - iredington@thevirtuouscircle.co.uk