

Assessment of cadburys corporate social responsibility marketing essay



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History tells us that ethics generate trust. But before anything else, ethics creates a reputation, which in turn develops the elements of trust between people. The thrust of intensive ethical attention in business is brought about by the growing power of consumers towards businesses. Gone are the days when they would just buy products based on what it offers because now they would likely care about the brand's practices. Consider the impact of Nike's marred reputation on its economic activities when unethical workplace environment and practices was made public. The company was quick to decide on what it should do to the situation, which is to gain public trust again through public showmanship of ethical efforts.

Although ethical choices are unavoidable and ethics is inescapable even in business (Sternberg, 1994), the intensity of such phenomenon has increased due to the growing concern on the collective impact of a business' unethical action. The centrality of ethics in business has been the concern regarding the growing inquiry of why huge organizations fall (Sims, 2003). Advocates of business ethics claim the centrality of ethics in the business life (Sternberg, 1994). The spotlight on business ethics is mainly directed on huge issues such as financial scandals, bribery, human rights violation and so on however, issues concerning ethics arise in even the tiniest business activities.

It is important to note that business ethics is differs from corporate social responsibility. Business ethics concerns everyday ethics on the way the business is conducted concerning customers, employees, products, contracts and so on (Sternberg, 1994). In other words, business ethics is exclusive to the internal dimension (employees, shareholders) and the intrinsically

outward dimension (customers, suppliers) that the business touches.

Corporate social responsibility differs but not apart from business ethics (Iyer, 2000). It is an extension of business responsibility that does not, like business ethics, directly offer the same reciprocity of economic result.

Hence, business ethics is imperative while corporate social responsibility is an option this is in a sense that corporate social responsibility is not within the legal responsibility of a business. For instance, some companies may not uphold corporate social responsibility but they do exercise a form of business ethics (i. e. small and medium size enterprises). Conclusively, business ethics is inescapable and mandatory but corporate social responsibility is today amidst the buzz on the term, still dependent on the choice of the company.

However, the attention given to corporate social responsibility has been extensive (Kotler & Lee, 2005). Growing concerns on environmental degradation and human rights violations has led to numerous initiatives by non-profit organizations and governments (Mofid, 2003). Initially, profit organizations were blamed for the messy situation. The media has been successful in marketing the need for corporate social responsibility especially among the world's biggest companies. With that, growing concerns on corporate social responsibility was instilled to people. Thus, pressure from the external environment definitely fuelled corporate social responsibility to be placed in the forefront of business ethics.

Indeed, today's social responsibility has meant a business means for profit organisations. Before, it was nothing but a humdrum, as it was perceived apart from business objectives and agenda. Hence unlike business ethics, it <https://assignbuster.com/assessment-of-cadburys-corporate-social-responsibility-marketing-essay/>

is not imperative to business continuity. Decades ago, social responsibility was merely corporate goodwill that organizations can do without. Today, it is viewed as a source of competitive advantage (Kotler & Lee, 2005). It has also been incorporated in business strategies as crucial in the development of new business ideas and markets (i. e. HP).

In other words, nowadays companies are recognizing the greater need of furthering business ethics by extending it to the adoption and the associated publicity of corporate social responsibility. It is has become the newest fad that provides significant business benefits. The World Business Council defines corporate social responsibility as “ business’ commitment to contribute to sustainable economic development working with employees, their families, local community, and society at large to improve their quality of life” (in Kotler & Lee, 2005: 3). Companies do that through corporate social initiatives including but not limited to health care, product safety, employment, education, community development, and the environment. Corporate social initiatives come in different forms from funds to services (Kotler & Lee, 2003). The gist of the phenomenon is of course economy driven because the more socially responsible the company is, the more it garners favour from the society. With that, there is less pressure from non-government organizations, the government, and even consumers themselves and the society in general.

Kotler and Lee (2003) categorised trends in corporate social responsibility. First is the augmented giving to charities. In the U. S. alone, corporate charitable giving has increased to about 26% in three years (1999-2002).

Accordindgly, Cone Inc. (2000), a research company, found that 69% of <https://assignbuster.com/assessment-of-cadburys-corporate-social-responsibility-marketing-essay/>

companies has committed to increasing charitable giving in the following years. Second is the increased reporting of corporate responsibility. This is with reference to the survey in 2002 of Global Fortune Top 250 companies where 45% issued social & environmental reports (a. k. a sustainability reports), which is an increase of 10% in three years from 1999's 35% (Kotler & Lee, 2003). In addition, increasing number of corporate websites has also provided a specified section for corporate responsibility initiatives since the new millennium. In the web section, visitors are provided with enormous information about the company's goodwill activities and ethical efforts. Third is the establishment of corporate social norm that aims to institute good works as a key corporate principle. Company CEOs (i. e. Dell, American Express, Ford, HP, etc.) are key advocates of corporate social norm to do good. Thus, as leaders, CEOs effectively promote the change in corporate social norm directed towards making goodwill to all as a collective practice of companies. Finally, there is the trend of corporate perspective transition from giving as an obligation to giving as a strategy. This means using corporate social responsibility as an added tool for business development. Smith (1994) enumerated several companies (i. e. AT&T) that initially perceived the business role of social responsibility through integrating corporate foundation (. i. e charity) to business models. Thus, as early as the 1990s, some companies have aligned social responsibility to business objectives.

Conclusively, in today's corporate social responsibility, the conflict between ethics and economy seem to have been put to rest. Companies have found a way to be socially responsible without compromising economy through

aligning ethics with business objectives. With that, they make ethics useful in making profit. Publicity and increase of corporate social initiatives greatly contributes to desirable reputation and good reputation is like a magnetic force that attracts people. As a result, companies that adheres to corporate social responsibility at least if they do so publicly, reaps the benefit of ethical efforts through the result of a variety of positive financial impact. In other words, corporate social responsibility is an investment and return on investment is usually expected.

2. Company Background

This section contains brief description of the organisation's size, structure, products, and markets. It also contains general information concerning the company's business strategy and major business objectives.

Cadbury is a global company headquartered in the UK. The company manufactures and distributes confectionary across the world. Cadbury operates in seven regions: North America, South American, Europe, Britain and Ireland, Middle East & Africa, Asia and the Pacific. Its products are distributed in over 60 countries. Currently, it is the number one in chocolate and confectionary and the second in gum. Cadbury's share on the global confectionary market is 8% with a total retail value of \$141 billion.

The size, structure, products and markets of the company prove its importance as a socially responsible company. With thousands of employees as stakeholders and millions of customers in totality, Cadbury's commitment to social responsibility holds the welfare of thousands of families.

In terms of structure, as a publicly traded company, the company has long understood the principle of creating shareholder value with keen consideration of the stakeholders. It has four corporate functions namely Finance and IT, Human Resources and Corporate Affairs, Legal, and Strategy. Its category-aligned functions are the following: commercial, science and technology, and supply chain. The Board consists of three executive directors and five non-executive directors. The chairman is a non-executive director. The Board committees include audit, remuneration, nomination and CSR.

In terms of products, Cadbury's portfolio includes three main categories: chocolate, gum and candy. In addition, a fourth category is the beverage consisting of cocoa-based beverages and Australian beverages. Cadbury's products are distributed in more than 60 countries in the world making the brand widely popular. It is also with such characteristics of size, structure, and products and markets that Cadbury has great social responsibility to the world at large.

Cadbury began its corporate social responsibility (CSR) reporting in 2002. Its CSR report is done every two years in order, according to the company, to completely implement and evaluate its CSR efforts. With that, the recent CSR report was the 207/2008 report available for public viewing at Cadbury's CSR website.

Cadbury's strategy is summarised in the slogan: " Vision into Action", which is a four-year business strategy plan from 2008. The vision of the company is to be the world's biggest and best confectionary company. The core business

goal of the company is to maintain market leadership and at the same time maximise growth and returns within the span of the plan. The revenue forecast is a growth of 4 to 6% annually. With that, it has several objectives follow. First is to concentrate on “ fewer, faster, bigger, better” principle, which pertains to generating new innovation. The second objective is to be more efficient when it comes to business processes. The third is to invest more on the company’s capabilities specifically with regards to the promotion of growth. Apparently, the major aim of the company within the business strategy plan is to increase shareholder value but with that is the more attention given to sustainable business practices as the core of the strategy because as indicated in the report, it is only through sustainable practices that growth could be achieved.

After a year of the business strategy commencement, Cadbury has reported a 30% rise in profits in the FY 2008 (Reuters, 2009-02-25). Accordingly, sales growth was reported to be about 7%, which is a percentage higher than the target 4-6% organic growth. In other words, while its business goal has been achieved according to plan (at least in the first year of the strategy implementation), it is interesting to find out if the company achieved the business goal together with its CSR goals. The following section contains the analysis on Cadbury’s most recent CSR report.

3. Corporate Social Report Analysis

3. 1 Relevant Stakeholders

Stakeholders pertain to groups of people that that at minimum are influenced by the organization by means of the company’s obligations of

fairness concerning the groups' well being. These are normative stakeholders to whom the organization owes a degree of obligations (Phillips, 2003). On the other hand, there are other groups that are also influenced by the company and at the same time influence the company at some point and to some extent. These are the derivative stakeholders (Phillips, 2003).

Consumers

Consumers are normative stakeholders to Cadbury because it is them who trust the company in delivering quality products. Cadbury directly impacts the lives of consumers. With that, the company has the responsibility to make sure the products meet the consumers' demands on quality. Moreover, the company's growth depends on the consumers thereby making them the target audience for quality products and innovation. In other words, Cadbury have direct impact to consumers as much as consumers have the direct impact to Cadbury.

Retail Customers

The retail customers are also normative stakeholders. These are businesses that deliver Cadbury's products in the marketplace or to the consumers. They are stakeholders because they take are invested to the company as they deliver its products. Retail customers' trusts the company's ability to meet product demands. At the same time, Cadbury entrusts the retail customers with the consumers as they have direct contact to consumers. When the company have irresponsible act with regards to the products, retail customers are directly affected. For instance, product recall due to

manufacturing issues causes problems for retail customers as much as to the manufacturer.

Suppliers

The suppliers are derivative stakeholders because they only have stakes to the company as an offshoot of the business. Deliver raw materials to Cadbury. With that, they have the stake to the company because the company is their customer. If Cadbury has good business then so are they, accordingly, when something goes wrong that results to lower sales, suppliers could also be affected in a domino effect way considering that Cadbury is a huge customer. In other words, the success of Cadbury implies the success of suppliers.

NGOs and Charities

NGOs are derivative stakeholder because the company does not directly influence them nor do they directly influence the company. The company's impact to them as well as vice versa depends on necessity. NGOs are stakeholders because some of them either benefit from the company or influence the company (i. e. policy) or both. Charities are also derivative stakeholders for the same reason. However, charities mainly benefit from the company rather than influence the company at the same extent as NGOs.

Government and the Community

The government and the community are derivative stakeholders for like NGOs and charities they benefit from and at the same time influence

Cadbury to a significant extent. Governments benefit from Cadbury through <https://assignbuster.com/assessment-of-cadburys-corporate-social-responsibility-marketing-essay/>

taxes and the community through social initiatives. These two influence Cadbury to different extent but specifically through regulations and policies.

Shareowners

Shareowners include shareholders or investors and the employees. These are normative stakeholders for Cadbury has direct impact to them as much as they have direct impact to the company.

3. 2 The Stakeholder Management Technique

Given the variety of stakeholders, Cadbury manages stakeholders through regular communications with key stakeholder groups. With that, there are different committees working together for the company's CSR initiatives and implementation. Its Sustainability Strategy Group (SSG) chaired by its own CEO designs CSR strategy, which is then reviewed by company's Main Board CSR Committee that consist of several units with distinct task towards specific stakeholder groups (See Appendix B for diagram). It is through focused correspondence with stakeholders that Cadbury build its CSR initiatives.

Apparently, Cadbury's stakeholder management falls into the category of input-output model (Cornelissen, 2004). The technique involves the stakeholder management through input technique, which involves the regular communication with key stakeholders regarding contemporary topics on corporate responsibility. The technique focuses on listening and analysing stakeholders' views and weighing them consequently in order for the company to effectively response to such views. As a result, excellent CSR

report could be produced that would later on be beneficial to the organization.

The impact of the stakeholder management approach to the stakeholders is extensive. Through the conduct of communication with several personalities in different groups, Cadbury's social initiatives become well imbued with practical actions that actually help stakeholders because suggestions about the actions came from them. In other words, initiatives are not only expected to be accepted because they seem good rather these are expected to impact stakeholders positively with satisfaction.

The company has also made stakeholders' views as one collective basis with regards to sustainability commitment and corporate governance approach. With that, the company is viscous to extending the business success to stakeholders in the most extensive way possible. Taking to account the stakeholders' views, its sustainability commitment and its corporate governance is set to bring gratitude to stakeholders hence the settlement between economy and ethics.

3. 3 Sustainable Sourcing and Health Issues

The key issues highlighted in the report are the following: humanitarian issues, climate change, sustainable sourcing, and health issues.

Humanitarian issues concern the speculations on the role of global companies as violators of human rights. Because global companies including Cadbury operate in developing countries where wages are low, they are blamed on taking for granted the innocence of low-wage workers. With this, Cadbury partners with key advocates of human rights in different nations. In

terms on the issue on climate change, Cadbury was quick to address the need for waste management. The other two issues health issues are the focus of analysis and with that each deserve a separate section in this part.

Sustainable Sourcing

Sustainable sourcing pertains to the issues concerning suppliers hence a business-to-business type of issue. As a global manufacturer, Cadbury has great demands on suppliers such as cocoa producers hence it must necessarily get involved to the sustainability of producing raw materials. Sustainable sourcing is key to sustainable development of Cadbury because when resources become scarce it would not be able to meet the demands of the market.

Cadbury stated that with its complex supply chain together with indirect relationships (over 40, 000 suppliers), the challenge is to ensure that the suppliers upheld the same standards or principles as Cadbury's. This is crucial because if suppliers turned out to impact the society and the environment in the negative way; Cadbury's reputation could be affected. In addition, sustainable sourcing also pertains to recruitment and employment of the company. In the CSR report, Cadbury presented clear actions concerning sustainable sourcing.

Health Issues

As a confectionary manufacturer, health issues are pressing issues for the company. The growing popularity of health issues such as obesity and diabetes generates negative impact on the consumption of confectionary. With that, Cadbury is faced with the challenge of maximizing sales with keen

consideration of the health issues in the society. Maximizing sales are crucial for normative stakeholders while addressing health issues are crucial for derivative stakeholders.

The growing concern on health is driven by media frenzy on fitness and healthy lifestyle. This apparently affect consumer demands on confectionary because over consumption of sugar results to some health diseases. Thus, health issues in the confectionary market are certainly influential to Cadbury. The company must necessarily find a way to market its confectionary products through addressing health issues concerning such products. With that, Cadbury allotted a section of its CSR report concerning the steps taken as response to confectionary health issues.

4. Company Responses

4.1 Sustainable Sourcing

In order to address sustainable sourcing, Cadbury exercise several actions. First, the company established a team that would enforce Conformance and Sustainability. The team's task is to encourage training, auditing, and intervention in the workplace. With that, Cadbury also implements its international Human Rights and Ethical Trading (HRET) Policy that consists of the highest standards in labor: labor rights, workplace health and safety, fair remuneration, diversity, and employee development opportunity. The HRET is also reflected in Cadbury's Ethical Sourcing Standards (ESS), which upholds best practice in ethical sourcing.

Cadbury's implementation of best practice recruitment and employment ensures sustainable sourcing that maximizes growth for the company.

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Growth takes place, as the result of motivated employees through the company's ethical practices. Apparently, it has long been established that productivity is the offshoot of right motivation through fair treatment and employee value creation. In other words, one of the company's responses to sustainable sourcing is the best practices recruitment and employment, which leads to growth maximization through higher level of productivity.

The second response of the company is the critical selection of suppliers and partnership with suppliers by helping them in sustainability efforts. Cadbury selected 3, 000 key suppliers to the business that must uphold the company's HRET. These suppliers were also required to register to the Supplier Ethical Data Exchange (SEDEX) network, which evaluates labor practices in the supply chain. The SEDEX identifies high-risk suppliers or suppliers with the least devotion to ethical standards. These high-risk suppliers are then contacted in order for Cadbury to help them with sustainability efforts. With that, Cadbury stays in line with the goal to work in partnership with suppliers for sustainable sourcing.

Accordingly, supplier standards and partnership with suppliers prove beneficial to Cadbury's business operation. Ethical suppliers contribute to Cadbury's sustainable development. Thus, the actions taken in addressing sustainable sourcing specifically with suppliers are successful in accomplishing the goals of the company.

Finally, in terms of sustaining a long-term supply of ingredients, Cadbury partners with supply chain partners that consists of NGOs, scientists, farmers, governments, trade associations, stakeholder groups, and so on.

The first step includes the completion of sustainability assessment template consisting of economic, social and environmental criteria. The company has implemented the Cadbury Cocoa Partnership, a sustainability action plan to help farmers improve income through improving quality, increasing output, and suggesting alternative sources of income. Cadbury has also become a member of Roundtable on Sustainable Palm Oil (RSPO), which seeks to sustain palm oil production. Cadbury helps RSPO in developing initiatives for adopting sustainable palm oil even if the company only uses 40, 000 tonnes of palm oil, which is minimal compared to others that consume millions of tonnes. In addition, Cadbury also work with industry partners such as Greenpeace and WWF in order to further enhance sustainable sourcing efforts.

Conclusively, the actions taken by Cadbury have had positive impact not only to the company's reputation but also to increased productivity. These two outcome of sustainable sourcing leads to maximised growth. Apparently, investing in addressing the issue on sustainable sourcing results to increasing shareholder value in the long run. The performance of Cadbury's sustainability sourcing is currently excellent in terms of achieving the goals outlined early on in 2004.

4. 2 Health Issues

Cadbury attempted to address the health issues through in-house research and partnership with scientific groups. In addition, Cadbury also commits to providing top quality products through distinctive efforts. Its in-house research produced a 12 Point Nutrition Action implemented since 2004. The

plan consisted of a series of policies and standards concerning food health
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and nutrition content. In recent report, Cadbury updated the plan. Updates include the revitalization of Cadbury's R&D for research on innovation for providing alternative products specifically with reduction on ingredients that contribute to health issues. The R&D provides scientific and nutritional sources for the products including standards and guidelines on nutrition. The company also boasts of transparency with regards to product content through labels in packaging.

The efforts have provided Cadbury with sustained demands even amidst the pressing health issues surrounding the consumption of confectionary products. The in-house research is a strategic move in response to market issues on health. With the scientific efforts, consumers become more attracted to the products in spite the growing trend of avoiding confectionary products. In addition, the nutrition plan also catered to the need of consumers to consume confectionary with less guilt concerning health.

The second action is through partnership with other scientific groups such as the International Life Science Institute. Partnership with other organizations enables Cadbury to understand the effect of different food ingredient to the health of consumers. With that, Cadbury is able to further acknowledge the use of alternative ingredients with less negative impact on health.

With these efforts, Cadbury has produced innovative products that include the following. First is The Natural Confectionary Co., which is a brand that makes natural treats by avoiding the use of artificial colours and flavourings. The second innovative product is Green & Black's, which is the segment that makes and grows chocolate organically. Finally, the Trident Xtra Care, which

is the gum containing proprietary ingredient Recaldent (helps strengthen teeth). These innovative products are the result of Cadbury's actions in response to health issues plaguing the confectionary market.

Lastly, Cadbury extends its efforts in addressing health issues through its commitment in providing top quality products. Cadbury is developing a new set of good manufacturing practices (GMPs) that includes the following areas: cleaning protocols, personnel hygiene, guidance on good engineering and maintenance, storage, warehousing and transport. The GMPs is the latest effort to ensure the safety and quality of confectionary products in addition the implementation of product guidelines such as Hazard Analysis and Control Points (HACCP). The HACCP is based on the guideline approved by the Food and Agriculture Organisation of World Health Organisation.

The last set of efforts by Cadbury in health issues strengthens its commitment to consumer health. Through strengthening efforts on product quality, consumers are further ensured of the customer value to the organisation. The result is increase in product demand proven by the company's revenue increase in the first financial year of the four-year business strategy period.

5. Conclusions

Clearly, Cadbury adheres to corporate social responsibility by addressing issues that impacts business operations. The company exercise keen commitment to the business' impact on society and the environment by the implementation of voluntary codes of conduct and internal performance

standards. Cadbury also exercises the culture of partnership with industry players in order to respond relevant issues in the market.

The outcome of corporate responsibility efforts is the pay off on revenue and sales increase together with empowered company reputation. With that, Cadbury is one of the global companies that successfully combine ethics and economy, which is a contemporary need to ensure business continuity. Cadbury's CSR proves that adherence to corporate responsibility have positive impact on the economy of the business. The company reflects the use of ethics in economy as strategically meditated. In turn, Cadbury's reputation becomes stronger and its financial performance, better.

Conclusively, Cadbury's CSR is one of the best in the confectionary industry. This indicates the role of ethics in sustaining the economy of business mainly that ethics is not a responsibility but rather an investment that pays off. The pay off in Cadbury's experience is the increase of company revenue and sales growth in spite of the issues concerning consumer health.

Bibliography & Appendices