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**SUSTAINABLE DEVELOPMENT AND ITS
IMPLICATIONS ON MARKETING STRATEGIES
OF CORPORATIONS**

**ZRÓWNOWAŻONY ROZWÓJ I JEGO WPŁYW
NA STRATEGIE MARKETINGOWE
KORPORACJI**

Praca licencjacka

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*They understand that the economy depends entirely on the earth's natural support systems.
If these deteriorate, the deterioration of the economy cannot be far behind.
In the end, their interest is not altruism, it is self-interest.*

Lester R. Brown
Eco-Economy: Building an Economy for the Earth

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Introduction

A lot has changed since capitalism was conceived and people's mentality and understanding of doing business have undergone significant development over the centuries. Today, a lot is said about other than financial responsibilities of corporations, environment and social issues starting to appear in business strategies. Globalization processes have made companies grow in size and power and become multinational or even supra-national giants. At the same time, threats to growth have become apparent, especially environmental dangers like resource depletion or ecological disasters proving they are not merely scientific speculations.

Nothing though has change in terms of business still being business in a sense of bringing profit. The shift in thinking however, indicated incorporating social and environmental considerations into overall business policies creation. Companies, especially those with long tradition and substantial resources recognized that to survive and be successful in the long run they need to assure sustainability of operations, this in turn requiring taking into account environment and people. *Sustainable development* is what has appeared a prerequisite for progress, protection for the environment and people's well-being as positive by-products of the new attitude.

It was once said that the connection between morality and effectiveness is essential. Effectiveness without wider context is lethal while morality with no solid base is out of touch with reality, just like a fairy tale.¹ The major purpose of this work is to investigate whether there exists any connection between morality and effectiveness in current business practice of multinational corporations. The question therefore is if the concept of sustainable development has any influence over marketing strategies of MNCs. Do companies still strive only to get consumers to consume more and more, making them more profitable or do they go beyond short-termism and profit-maximization, taking into account social and environmental dimensions of doing business?

The work is divided into theoretical and empirical parts, the first providing background for deliberations about the notions of sustainable development and corporate social responsibility from business and marketing perspective and the second referring to the

¹ Biznes musi być moralny: rozmowa z ks. Robertem A. Sirico. *Rzeczpospolita*. 22.05.2006

observation of real-life examples of sustainability principles implementation among 5 world-wide known MNCs.

The first chapter is dedicated to making the reader familiar with the definitions of sustainable development as well as the concept's history and relevance to business.

The second chapter reveals connections between marketing and sustainable development, presenting the evolution of the marketing philosophy, discussing the contemporary issue of consumerism, researching people's perceptions of sustainable development and finally making recommendations how marketing mix can be made more sustainable.

The last, empirical chapter describes the research into presence of sustainability initiatives in strategies and operations of 5 MNCs, namely BP, General Electric, Nestlé, Pfizer and Citigroup. The study aims at analyzing environmental policies as well as social elements such as vision and values, management, procedures and communication issues and last of all summarizing marketing activities of each of the companies.

The resources used to complete the work include academic books, online articles, corporate websites and materials published by companies.

Chapter 1

Sustainable Development Concept in the Economy and Companies Activities

1.1 The notion of sustainable development – definitions and the meaning

The basic principle of international relations promoted by the United Nations, the strategic element of the European Union policies and the constitutional norm in numerous countries² – the notion of *sustainable development* was very often strikingly invisible in real-life practice or left unregistered in the consciousness of many. Only until recently, however. Now it is being said that ‘sustainable development is becoming a watchword’³ of the times. It is the done thing to know it, understand it, and abide by it. The most widespread and most referenced definition of sustainable development is the one formulated by the World Commission on Environment and Development (known as the Brundtland Commission) in 1987. It states that sustainable development is ‘the development which meets the needs of the present without compromising the ability of future generations to meet their own needs’. It is essential to identify three pillars of sustainable development: *environment, society and economy*.⁴ It is the balance between the three aspects and the fundamental recognition of the importance of ecosystems to society and economy that is to bring sustainability of the progress and therefore assurance that posterity will not be deprived from necessary resources.

Obviously, there exist many interpretations of the sustainable development notion, ranging from narrow to broad, more or less radical. Some equate sustainable development with eco-development, emphasizing the requirement of sophisticated environment protection

² The notion of sustainable development has also been recognized by Polish constitution from 2nd April 1997: article 5 states that: ‘The Republic of Poland (...) provides for the protection of the environment while pursuing the principle of sustainable development’; Papuziński A. (ed.) *Zrównoważony rozwój. Od utopii do praw człowieka*. Bydgoszcz, Oficyna Wydawnicza Branta

³ Sustainable Development Commission (2005) *About Sustainable Development: Definitions* [Online] Available at: <http://www.sd-commission.org.uk/pages/principles/definitions.html> [Accessed on 23 January 2006]

⁴ Discussed in more detail in section 1.3

in order for the development to be durable. Nevertheless, many state that these notions are wrongly considered equivalent since sustainable development is broader, calling for harmonizing environment, society and economy. Economic development, social progress and natural environment are three spheres strictly related and interdependent and as such bring multiple dimensions to the concept.

Leaving aside all controversies on semantics, it is important to understand that, in most basic terms, sustainable development is about ‘achieving economic and social goals in ways that can be supported for the long term by conserving resources, protecting the environment, and ensuring human health and welfare’.⁵ Noticeably, at the heart of the sustainable development concept lie both the appreciation of natural environment and forward looking in the form of consideration for the fate of future generations. The notion implies the ecological revolution and the change of the former social paradigm – it represents a new social vision, fulfilling the ideals of self-governing and universal morality of people reaching their goals within the limits of nature.⁶ This certainly has some utopian undertones – it is true that sustainable development is embedded in deep optimism and faith in humanity.

On the other hand, what is at stake is the survival. Because the expansion of mankind and predatory use of natural resources has led to serious consequences, predicted to result in dramatic decline in our planet’s capability to sustain life, more responsible attitude towards development seems to be the last resort.⁷ In the old Darwinian model, the principle was: kill or you will get killed. The new model of today is more holistic, pointing to the need of sustaining systems in which you exist – unless of course you wish to become extinct.⁸ Nevertheless, again comes the optimism driving us to say that ‘sustainability means to maintain or prolong both environmental and human health and is simply *good management*’.⁹ What does this good management mean then?

Generally, sustainable development involves the change of behaviour and policies at all levels: international, governmental, institutional, individual. It can involve numerous

⁵ Technology Partnerships Canada (2005) *Key Terms and Acronyms* [Online] Available at: <http://tpc-ptc.ic.gc.ca/epic/internet/intpc-ptc.nsf/en/hb00422e.html> [Accessed on 23 January 2006]

⁶ Papuziński A. (ed.) *Zrównoważony rozwój. Od utopii do praw człowieka*. Op. cit. p.6

⁷ The background of the sustainable concept creation further discussed in section 1.2

⁸ Kurtzmann J., Rifkin G., Griffith V., (2005) *MBA-box. Praktyczne idee najtęższych umysłów biznesu*. Warszawa, MT Biznes

⁹ Charter M., Peattie K., Oroman J., Polonsky M. J., *Marketing and Sustainability* [Online] Available at: <http://www.cfsd.org.uk/smart-know-net/smart-know-net.pdf> [Accessed on 23 January 2006]

nations supporting ecological project, government imposing pollution restrictions on emitters and an organization or an individual deciding to act more responsibly by limiting waste or economising the use of water. The Sustainable Development Gateway, integrating the on-line information developed by members of Sustainable Development Communication Network defines three major areas for critical action required: ***production, consumption and organization***.¹⁰ Sustainable development assumes adapting a different approach towards them – the one that secures their continuity thanks to environmental preservation and social well-being.

Some of the demands seem to be quite radical and indeed present a serious challenge. Especially the Factor-Four objective can be perceived as extremely difficult to achieve. We have to realize that developed OECD countries are responsible for material flows five times as high as developing ones. Given the constant increase in world population, OECD countries will need to reduce their per capita material use by a factor of ten (Factor Four and Factor Ten strategies).¹¹ Still, current production and consumption levels are evidently unsustainable. Benjamin R. Barber names the Western societies ‘McWorld’ and explains that ‘it is the creation of mass culture driven by expansionist trade’. He also states that developed economy as the hallmark of McWorld is based on the car – a means of transport highly dependent on oil; a symbol of wealth, individualism and mobility: main characteristics of liberal, democratic societies. Barber therefore asks: will we be able to discourage developing countries from using the car? And if Chinese were to drive per capita as many kilometres as Americans do now, all known Earth’s energy resources would be gone within five years.¹²

¹⁰ Available at: <http://www.sdgateway.net/introsd/criticalactions.htm> [Accessed on 23 January 2006]

¹¹ Weizsäcker E., Lovins A.B. Hunter Lovins L. (1997) *Factor four: Doubling wealth – Halving resource use*. London, Earthscan Publications, Ltd.; p. 244, referenced at <http://www.sdgateway.net/introsd/criticalactions.htm> [Accessed on 23 January 2006]

¹² Barber B.R. (2005) *Dżihad kontra McŚwiat*. Warszawa, Wydawnictwo Muza

Table 1.1 Critical Actions of Sustainable Development: Production, Consumption, Organization

<i>Area</i>	<i>Highlights</i>	<i>Actions needed</i>
Production	<ul style="list-style-type: none"> ▪ Eco-efficiency ▪ Factor-Four 	<ul style="list-style-type: none"> ▪ Re-use materials ▪ Explore renewable and sustainable sources of energy ▪ Reduce ecological impacts: wastes and polluting effluents ▪ <i>Quadruple resource productivity so that wealth is doubled, and resource use is halved (Factor-Four)</i>
Consumption	<ul style="list-style-type: none"> ▪ Green consumerism ▪ Socially conscious consumerism ▪ Sustainable consumption 	<ul style="list-style-type: none"> ▪ Promote less environmentally damaging consumption with needs and wants met ▪ Involve social and ethical criteria when choosing a product (vote with your wallet) ▪ Consume smarter if you don't want to be forced to consume less ▪ Raise the consumption of the poor and meet their basic needs
Organization	<ul style="list-style-type: none"> ▪ Public participation ▪ Civil society 	<ul style="list-style-type: none"> ▪ Increase opportunities for public participation ▪ Involve civil society in planning, implementation and control of policies ▪ Reduce corruption

*Based on Sigma Guide to Sustainability Issues, available at:
<http://www.projectsigma.com/Toolkit/SustainabilityIssuesGuide.pdf>*

At the beginning of the chapter it was said that sustainable development did not use to be on everyone's lips. It has been around for some time though, its principles recognized by many documents and present in many agendas. How and why was the sustainable development notion conceived? How has it been developing and what has been the progress on its implementation? This is the subject matter of the following section.

1.2 The concept's background and development

It is said about two pioneers of sustainability, both of them connected to agriculture: ***Wes Jackson*** – professor of biology who established the Environmental Studies program at California State University and ***Lady Eva Balfour*** – the founder of the Soil Association (1946) and a specialist in organic farming. As an environmental historian, Jackson claimed that ‘fossil-fuel dependency, environmental pollution, overpopulation and global warming are all extensions of the path humans took when they first started tilling the soil. Farming is humanity's original sin’.¹³ Lady Eva Balfour years ago made comments that are equally relevant today, not only to agriculture: ‘the criteria for a sustainable agriculture can be summed up in one word - permanence, which means adopting techniques that maintain soil fertility indefinitely, that utilise, as far as possible, only renewable resources; to avoid those that grossly pollute the environment; and that foster biological activity throughout the cycles of all the involved food chains’.¹⁴

It was the ***environmental movement of the 1950s and 1960s*** that eventually gave birth to the sustainable development concept. It was at that time that people started to observe the damaging consequences of pollution and movement supporters stood up for the protection of air and water supplies, for preserving unique lands and wildlife habitats. ‘Silent Spring’ by Rachel Carson (1962), ‘Tragedy of the Commons’ by Garret Hardin (1968) or ‘The Blueprint for Survival’ (1972) are the most important works that revealed the anxiety about the unsustainability of the progress.

In 1972 the ***United Nations Conference on Human Environment*** was held in Stockholm and it was named the ‘first major attempt to reach a concerted international agreement on environment matters’¹⁵, founding ***United Nations Environment Programme*** (UNEP). The same year brought the publication of the ***Club of Rome ‘Limits to Growth’*** report urging that given no change in growth pattern, our planet would reach its limits within

¹³ Smithsonian Magazine (2005) 35 *Who Made a Difference: Wes Jackson* [Online] Available at: http://www.smithsonianmag.si.edu/smithsonian/issues05/nov05/35_jackson.html [Accessed on 24 January 2006]

¹⁴ Atholl Glens (2005) *Organic Farming – History Philosophy* [Online] Available at: <http://www.athollglens.co.uk/OrganicProduceHistory.htm> [Accessed on 24 January 2006]

¹⁵ Sustainable Development Commission (2005) *Key events in the history of sustainable development*. [Online] Available at: www.sd-commission.org.uk/news/download_pdf.php?attach_id=8AW2LEL-DNHLXE9-C2ROAUZ-OJHNQ7G [Accessed on 24 January 2006]

100 years. The book became a bestseller and the fears expressed in it were fuelled by next year's OPEC oil crisis.

In 1980 the World Conservation Union released its 'World Conservation Strategy' including the '*Towards Sustainable Development*' section, emphasizing the need for fighting poverty, social inequalities and population pressures. Furthermore, Independent Commission on International Development Issues published the Brandt Report – '*North-South: a Programme for Survival*' pointing to the importance of both quantitative and qualitative characteristics of growth. In mid-1980s the evidence of destruction done to the environment became clearly visible: the hole in the ozone layer above the Antarctic was discovered as well as accumulation of greenhouse gases in the atmosphere, predicted to result in global warming. Chernobyl Nuclear Accident of 1986 also showed how dangerous people's activities can be for themselves.

It was in 1987 that sustainable development gained its straightforward definition (mentioned in previous section) and was pointed to as the way towards balanced development of current and future generations. '*Our Common Future*' (The Brundtland Report) by the World Commission on Environment and Development warned against wasteful exploitation of resources that could lead to irreparable environmental damages and human suffering. Five years later the *Earth Summit* took place in *Rio de Janeiro*: the UN Conference on Environment and Development gathered more than 100 heads of state. Five documents were agreed on:¹⁶

- **Rio Declaration** about countries' obligations and rights concerning environmental protection,
- **Framework Convention on Climate Change** concerning the need for restructuring the global economy,
- **Convention on Biological Diversity**,
- **Forest Principles**,
- **Agenda 21** – global program for action revealing the strategy for sustainable development implementation.

Despite the international agreement on the problem as well as establishing strategic frameworks, a special session of the UN General Assembly from 1997 reviewed the progress

¹⁶ *UN Conference on Environment and Development (1992)* [Online] Available at: <http://www.un.org/geninfo/bp/enviro.html> [Accessed on 4.05.2006]

on Agenda 21 and concluded that the situation got even worse. The 2000 UN Millennium Summit brought the setting of *Eight Millennium Development Goals* to be achieved by 2015 with the commitment of 191 countries which signed up.¹⁷ Another *World Summit* was held in 2002 in *Johannesburg* and it was again firmly stated that sustainable development needed to play a central role in the international agenda. The official Johannesburg Declaration said: ‘We are determined to ensure that our rich diversity, which is our collective strength, will be used for constructive partnership for change and for the achievement of the common goal of sustainable development’.¹⁸ The Summit participants also came up with the Johannesburg Plan of Implementation and a range of partnership initiatives.

It is however quite obvious that it is extremely difficult for a declaration or a recommendation to become a real practice or a binding law. The *Kyoto Protocol* would be a perfect illustration of the phenomenon. In 1997 delegates gathered at the Third Conference of the Parties (held in Kyoto, Japan) involved in developing the UN Framework Convention on Climate Change signed the Protocol which set greenhouse gas emission reduction targets¹⁹, urged for emissions trading for developed countries and clean development mechanisms for developing ones. It was only after 8 years that the Kyoto Protocol was finally ratified by countries accounting for at least 55% of 1990 carbon dioxide emissions and therefore could come into force (16th February 2005). And still, the world’s biggest pollutant, namely the United States of America, decided to stay aside, claiming the Kyoto commitment would be disastrous for the country’s economy.

Perhaps it is perfectly normal that reaching agreements and implementing laws involving countries from all over the world is very time-consuming – world-wide decision-making has to be difficult given the scale and the scope. On the other hand, we can ask: how much damage was done during the 8 years of negotiations on the Kyoto Protocol by greenhouse gases (GHGs) emitted to the air? All the same, there will always be a question of

¹⁷ The goals are as follows: eradicate extreme poverty and hunger, achieve universal primary education, promote gender equality and empower women, reduce child mortality, improve maternal health, combat HIV/AIDS, malaria and other diseases, ensure environmental sustainability, develop a global partnership for development; for more information on the Millennium Development Goals go to: <http://www.un.org/millenniumgoals/#>

¹⁸ For the full text of the Johannesburg Declaration on Sustainable Development go to: http://www.un.org/esa/sustdev/documents/WSSD_POI_PD/English/POI_PD.htm

¹⁹ Reduction target for collective emissions was set at 5,2% compared to the year 1990, to be reached between the years 2008-2012; Wikipedia *Kyoto Protocol* [Online] Available at: http://en.wikipedia.org/wiki/Kyoto_Protocol [Accessed on 25 January 2006]

the reasonability of the Protocol: is it able to change anything significantly if not all parties involved have ratified the document? Should we at all worry?

The answer is there is quite a bit to be troubled about. As for the environment, Paul Elrich – a sociologist from the Stanford University – says that that ‘we are on our way to ecological suicide’.²⁰ It has been judged that climate change in the form of global warming (which for sure is at least partly caused by GHGs) will end up in dramatic outcome: sea level rise, large rivers like Nile or Ganges losing significant parts of their water resources, shrinking of Himalayan and Tibetan glaciers.²¹ Consequently: migrations, shortages of drinkable water and conflicts over resources. Some other dangers include high costs of dealing with weather becoming more extreme (e.g. hurricanes), negative effects on people’s health (easier spread of diseases, extreme weather – e.g. heat-waves outcomes), extinction of increasing number of species.

It does not get any better when we look closer at the Earth’s social well-being: almost 1/5 of the world’s population has no access to clean water (1,1 billion people); 2,4 billion lack decent sanitary living conditions and almost 1,6 billion have no electricity.²² At the same time, we all realize what enormous progress humanity has experienced and to what extent people have managed to transform their surroundings. Technological development and innovation gained their momentum during the Industrial Revolution in 19th century and have not slowed down ever since. Relatively recent creations of Internet, mobile telephony, high-speed transportation all made the world smaller and life (seemingly?) easier. Globalization which is said to have made the world ‘a global village’ is also blamed for widening the gap between rich and poor, the latter never tasting the latest developments.

Both environmental and social dilemmas of our planet pose a serious threat for future perspectives. Humans have made many mistakes in their aspirations to dominate the world – the major ones being profligate exploitation of resources and destruction of nature. In the 20th century and especially after the collapse of the Soviet Union, the world has seen the spread of the liberal model: democracy combined with free market economy. The liberalizing trend in international trade relations has resulted in the emergence of new powers like India or China.

²⁰ Olender E. (2004) *Światowy Dzień Ziemi: Konsumpcja górą* [Online] Available at: <http://serwisy.gazeta.pl/nauka/1,34148,2629863.html> [Accessed on 8.05.2005]

²¹ Hołdys A. (2004) *13 stopni do katastrofy. Nauka o pogodzie*. [Online] Available at: <http://serwisy.gazeta.pl/nauka/1,42547,2116511.html> [Accessed on 25.01.2006]

²² Rok B. (2004) *Odpowiedzialny biznes w nieodpowiedzialnym świecie* [Online] Available at: <http://biznes.filantropia.org.pl/out.php?f=170.pdf&d=1&nazwa=170.pdf> [Accessed on 25.01.2006]

Yet, the number of people living in poverty is still overwhelming. Poverty in turn (especially if combined with some form of indoctrination like religious fanaticism) can be a cause of social unrest, conflicts or terrorism. Globalization is a two-way process, spreading both benefits and costs, all too often unevenly. In a world of great interdependence, everyone can be affected by what is happening on the other side of the globe. This is the least reason why we need a sustainable agenda for the development of all.

As it was said at the beginning of the chapter, the fulfilment of the sustainable development idea demands critical changes: in the ruling hierarchies of values, in people's needs as well as in the way we organize ourselves in the public sphere. Zdzisława Piątek in her work entitled 'Man as a Subject of Sustainable Development: philosophical and social consequences' argues that the appeal for the implementation of the sustainable development concept marks the beginning of a New Era.²³ It is the first conscious attempt to escape extinction by eliminating threats to the future of progress, she says. After ecological catastrophes showed that human domination over nature was a pipe-dream, the sustainable development concept was born which no longer put people and environment in opposition. Rather, it called for the affirmation of the human dependency on nature. Simultaneously, the level of technological development we have reached enables us not to deprive ourselves of all our achievements by drastically cutting consumption, which anyhow would be hardly viable. Again, it is all about good management – still, it requires not only to know it or believe in it – but first and foremost – to act accordingly.

In order to encourage the adoption of sustainable development, 'good management' becomes the vital point of strategic policies. On the broadest international level we have the Brundtland Report, World Summits' documents or the Kyoto Protocol, all discussed before. On regional level we can refer to the *European Union's Lisbon Strategy*. In March 2000 the Union adopted its 10-year socio-economic program with the main aim to grow to be 'the most competitive and dynamic knowledge-based economy in the world capable of the sustainable economic growth with more and better jobs and greater social cohesion'.²⁴ Once more, it is debatable to what extent the goals are being met (half-way through the implementation of the strategy) but no-one denies the rightness of the chosen path – perhaps the time-span was inadequate.

²³ Papuziński A. (ed.) *Zrównoważony rozwój. Od utopii do praw człowieka*. Op. cit. p.6

²⁴ The European Union On-line *Knowledge Society* [Online] Available at:

http://europa.eu.int/comm/employment_social/knowledge_society/index_en.htm [Accessed on 25 January 2006]

As regards the national level of the sustainable development initiative, it can be observed that numerous countries, both developed and developing, adapt *national strategies for SD*. The research shows that many innovations occur concerning different aspects of strategic action, yet a lot is left to be learned and we can hardly find any country with truly strategic approach to sustainable development.²⁵ Poland has adopted its *'Sustainable Development Strategy for Poland up to 2025'* ('Polska 2025: Długookresowa Strategia Trwałego i Zrównoważonego Rozwoju') in 2000. It is a 'multidimensional, cross-linking strategy' which covers such issues as dynamics of the economic growth, living standards, employment level, quality of the environment or rational use of resources.²⁶ The vision of Poland in 2025 presents a knowledge-based society, innovative and creative, capable of benefiting from growing sources of information while using new technologies.

Nevertheless, evaluating the effectiveness of the political initiatives at all levels concerning the implementation of the SD concept, many say there is no real political will that would give the SD chances for fulfilment. Z. Sadowski claims that due to such a lack of an appropriate institutional structure capable of implementing SD, the future progress will be a race between two antagonistic tendencies – *auto-destruction* (meaning increasing ecological threats) and *auto-regulation* (spontaneous market adaptation to changing conditions).²⁷ Although following the global trend of declaring the SD commitment, politicians may certainly feel reluctant about such an engagement. Very often there are much more pressing issues waiting to be resolved and therefore long-term strategies have to be left aside. SD – clearly looking forward into the future – will surely not bring immediate benefits. What is more, given the usual length of the terms – it can possibly only bring costs. Understanding the often inertia of politics in terms of SD being put into practice, one can think there is no hope for the concept which is bound to stay only on paper. Still, before declaring the sustainable development philosophy over-optimistic to become reality, let's look closer at other than the political side the SD adoption. Corporations, companies and non-governmental organizations

²⁵ Read more in *National Strategies for Sustainable Development: Challenges, Approaches and Innovations in Strategic and Co-ordinated Action*, collaborative research project including 19 countries case-studies (Brazil, China, Cameroon, Poland, Germany and others) available at: <http://www.iisd.org/measure/capacity/sdsip.asp>

²⁶ Zieschank R., Zlobinska A. (2004) *Poland Case Study* [Online] Available at:

http://www.iisd.org/pdf/2004/measure_sdsip_poland.pdf [Accessed on 25 January 2006]

²⁷ Sadowski Z. *Dezyderat trwałego rozwoju i warunki jego spełnienia*. Cited in Papuziński A. (ed.) *Zrównoważony rozwój. Od utopii do praw człowieka*. Op. cit. p.6

(NGOs) today have very significant influence over the organization of societies – frequently their impact is even greater than that of the ruling laws.

Before the creation of the sustainable development concept, absolute priority was given to economic growth. In the Old Economy there existed a constant contradiction between business and the environment – the latter being just one more opponent on a competitive market. And, as Darwin would very much appreciate, companies killed in order not to get killed. We are however moving to the New Economy where the ‘business vs. environment’ clash is replaced by the beneficial co-existence of the two. Importantly, the New Economy is characterized by the knowledge-based society where ‘human intellect is the new means of production, and environmental problem solving is a logical place for its application’.²⁸

Striking as this may seem, businesses can greatly contribute to the implementation of the sustainable development principles. Auto-regulation in the form of adaptation to the changes occurring in the market (mentioned by Z. Sadowski) is the current trend and hopefully it will be stronger than auto-destruction. Businesses have already realized that times are changing and so are the rules of the game. The holistic model implies that companies see themselves as part of the system, with not only competitors around them but also clients, suppliers, neighbouring communities and whole societies. The fundamental fact is that the entire system is dependent on the natural environment and therefore the success or failure of the business is also determined by the nature’s state. Firms started recognizing (and some of them have already reaped the benefits) the truth which seems to be contradictory to common sense: that thanks to altruism they can not only increase their chances of survival but also improve profitability.²⁹ As much as sustainable development is relevant to business progress, the three pillars of the concept: social, environmental and economical are vital for each company’s strategy and need to be taken into consideration.

²⁸ Cote M. (2003) Getting the Kyoto message. *CA Magazine*, Vol.136, Iss. 2

²⁹ Kurtzmann J., Rifkin G., Griffith V., *MBA-box. Praktyczne idee najtęższych umysłów biznesu*. Op. cit. p.7

1.3 Sustainable Development Concept – Business Viewpoint

From the business point of view good management in the form of sustainable development is called ***corporate social responsibility*** (CSR). It is defined as ‘a corporation’s willingness to engage with stakeholders on the social and environmental impacts of its business and to make fundamental improvements as a result of this engagement’ (CSR – ‘the three little letters that might just change the world’).³⁰ ***Stakeholders*** are all those elements of the system surrounding a company that are affected by or have an interest in its operations. The sum of these interacting groups is greater than the individual parts.³¹ Stakeholders include customers, shareholders, business partners, employees, community, government, competitors, media, special interest groups but also: ecosystems, cultural heritage and finally ‘those to come’. ‘Unless business activities today become more sustainable, then the benefits enjoyed by customers and shareholders today will be at the expense of those enjoyed by customers, shareholders and other stakeholders in the future.’³² Because sustainable development assumes the achievement of goals but not jeopardizing the needs of the posterity, CSR should be there for a business to abandon its previous focus on pure growth in sales, market share or profitability.

Why has it happened so that businesses seem to be those that really accept the responsibility for the SD adoption? The truth is there are many reasons for encouragement to comply with the sustainability rules. The most fundamental was already touched upon: it is survival. In the business context however, survival is a very broad topic since the final blow can come from different directions and death can be very rapid. In the increasingly globalized and competitive world, it is quite difficult to make people believe that you are really the one who makes a difference – and CSR can be such a source of competitive advantage. Evolving rules of the game include higher expectations towards companies held by customers and employees. NGOs are also more active and powerful now and can, on one side, become professional and serious partners in action for businesses, or can effectively uncover and fight unacceptable practices potentially present in companies. Finally, the alterglobalistic

³⁰ Business for Social Responsibility (2005) *The New York Times Special CSR Section* [Online] Available at: http://www.bsr.org/BSRConferences/2005/materials/BSR_2005_Conference_NYT_CSR-Section.pdf [Accessed on 26 January 2006]

³¹ Charter M., Peattie K., Otoman J., Polonsky M. J., *Marketing and Sustainability*. Op. cit. p.7

³² Ibidem

movement has made many lost their trust in MNCs, accused of violating human rights, basic labour standards or ecological norms, especially in developing countries. This trust has to be regained and further activities: fully transparent and responsible need to be in place for a company's reputation to at least have a chance to be flawless.³³

There are two alternative causes why businesses decide to follow the corporate social responsibility path. The first represents the reactive approach and is the *social pressure*. Civil movements can be of different orientation: fighting for human rights, natural environment, animals or consumer rights. All of them can be interested in, monitor and potentially oppose corporation actions since the effects of operations can be very broad. This was the environmental movement that finally brought to life the conception of sustainable development. Social demands of fairness, health or environmental-friendliness have never disappeared since. Civil movement supporters believe in what they say and do. When they can effectively spread the appeal for consuming consciously and ethically or when they reveal unfavourable information about company activities they exert significant pressure on corporations to adopt a more responsible attitude towards business.

The second cause of CSR engagement is business *self-regulation* involving voluntary standard setting and establishing codes of conduct. Obviously, the most basic ethical standard is *law obedience*. What is more, trade, regional and national organizations or simply individual firms establish their *codes of ethics* in order to set the standard above the minimum guaranteed by legal regulations. In that way business leaders show they are willing to self-regulate so as to prove that their companies praise social and environmental values and hence respond to people's needs. Furthermore, self-regulation allows for creating long-term relationships with business partners such as suppliers, based on sharing the same ethical principles.

Still, one has to bear in mind that despite growing interest in CSR, 'command and control regulations are responsible for about 98% of environmental quality improvements and voluntary initiatives account for only 2%. (...) Companies need to address and understand the limits of CSR initiatives in the marketplace.' At the same time, it will probably be companies who will lobby and push governments to improve legal policies and gain more regulatory

³³ Rok B. *Odpowiedzialny biznes w nieodpowiedzialnym świecie*. Op. cit. p.13

support for sustainability schemes.³⁴ And companies can only profit from taking such a proactive stand.

There are a number of codes and guidelines for companies that can be adopted. Most popular ones are³⁵:

- **OECD Guidelines for Multinational Enterprises** – first formulated in 1976, OECD guidelines are updated regularly for significant changes in world markets; non-binding principles and standards are addressed to enterprises responsible for tackling challenges lying ahead the global economy, involving such areas as employment and industrial relations, human rights, environment, information disclosure, competition, taxation, science and technology; OECD members – home for the majority of the world's MNCs – are committed to promoting the guidelines since they represent the values shared within the organization,³⁶
- **Sullivan Global Principles** – these principles were first created in 1977 by the Reverend Leon H. Sullivan for companies operating in South Africa but then they grew up to be universal; the objectives are to support justice and human rights, encourage equal opportunities and improve the quality of life of communities; make note of one of the principles: 'Provide a safe and healthy workplace; protect human health and the environment; and promote sustainable development',³⁷
- **Caux Round Table Principles for Business** – business leaders developed the CRT Principles for Business in 1994; they are 'rooted in two basic ethical ideals: kyosei and human dignity. The Japanese concept of kyosei means living and working together for the common good enabling cooperation and mutual prosperity to coexist with healthy and fair competition. "Human dignity" refers to the sacredness or value of each person

³⁴ Business for Social Responsibility (2005) *If Environmentalism is Dead... What about the Future of CSR?*

[Online] Available at:

http://www.bsr.org/BSRConferences/2005/materials/2005_BSR_Conference_Environmentalism-Dead.pdf

[Accessed on 26 January 2006]

³⁵ Based on: Rok B. *Odpowiedzialny biznes w nieodpowiedzialnym świecie*. Op. cit. p.13

³⁶ For more on OECD Guidelines for Multinational Enterprises go to:

<http://www.oecd.org/dataoecd/12/21/1903291.pdf>


³⁷ For more on Global Sullivan Principles of Social Responsibility go to:

<http://www.thesullivanfoundation.org/gsp/default.asp>

as an end, not simply as a mean to the fulfillment of others' purposes or even majority prescription',³⁸

- **United Nations Global Compact** – initiated by the UN Secretary – General Kofi Annan during the World Economic Forum in 1999 (formally launched in July 2000); the vision of Kofi Annan is ‘more sustainable and inclusive global economy’ and he believes businesses can help it come true; Global Compact is a network of UN agencies, governments, companies, labour, civil society organizations and the UN as a global forum; principles for businesses to follow set by the UN Global Compact can be found in the following table:

Table 1.2 UN Global Compact Principles

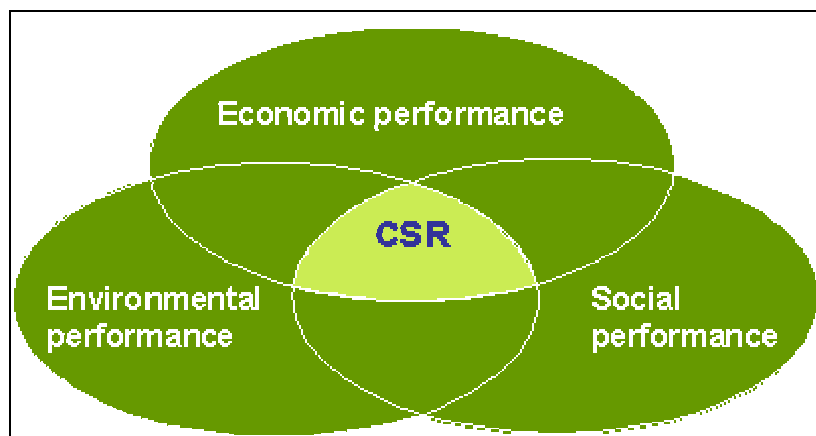
	<p style="text-align: center;">UN Global Compact: 10 commandments for business</p>
<i>Area</i>	<i>Principle</i>
Human Rights	<u>Principle 1</u> : Businesses should support and respect the protection of internationally proclaimed human rights; and
	<u>Principle 2</u> : make sure that they are not complicit in human rights abuses.
Labour Standards	<u>Principle 3</u> : Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining,
	<u>Principle 4</u> : the elimination of all forms of forced and compulsory labour,
	<u>Principle 5</u> : the effective abolition of child labour; and
	<u>Principle 6</u> : the elimination of discrimination in respect of employment and occupation.
Environment	<u>Principle 7</u> : Businesses should support a precautionary approach to environmental challenges,
	<u>Principle 8</u> : undertake initiatives to promote greater environmental responsibility; and
	<u>Principle 9</u> : encourage the development and diffusion of environmentally friendly technologies.
Anti-Corruption	<u>Principle 10</u> : Businesses should work against all forms of corruption, including extortion and bribery.

Based on: United Nations Global Compact: The Ten Principles [Online] Available at: <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> [Accessed on 27 January 2006]

³⁸ For more on CRT Principles for Business go to: <http://www.cauxroundtable.org/principles.html>

Those and many other guidelines and principles promoting CSR, although under different names, usually endorse one thing: environmental and social progress – in the economic development businesses have always been engaged. In other words, corporations now recognize the three pillars of sustainable development: environment, society and economy and strive for their strengthening. Firms today integrate the three issues into their strategic business-thinking by ‘balancing traditional financial goals with environmental and social objectives’.³⁹ This is called **triple bottom line** approach. It expands the baseline for measuring and reporting corporate performance as it adds social and environmental parameters to the traditional monetary benchmark.⁴⁰ **Corporate sustainability** – the businesses contribution to SD – is based on seizing opportunities and managing risks in all three areas simultaneously.

Illustration 1.1 Three Dimensions of Corporate Social Responsibility



Sourced from: <http://www.dnv.com/research/organisations/csr/index.asp?print=1>

Just as the above picture shows, corporate social responsibility lies at the very center of the interrelation between economic, environmental and social performance of a company. Ideally, CSR policies enable the firm to find its optimum point in order for the performance to be the best possible on all three fronts.

³⁹ Vágási M. (2004) Integration of the Sustainability Concept into Strategy and Marketing. *Periodica Polytechnica Social and Management Sciences*, Vol. 12 , No. 2

⁴⁰ Education for Sustainable Development *Glossary of Terms* [Online] Available at: <http://www.esd.rgs.org/glossarypopup.html> [Accessed on 27.01.2006]

Environmental Aspects

Once again it needs to be repeated that we are a part of the natural world, dependent on resources and systems as they sustain life. We have to understand the limits of the ecological systems (that so far have constantly been breached), start valuing nature and learn how to manage it so as to satisfy our needs but at the same time make sure that future generations will also be able to meet theirs. Given this responsibility companies should look closer at their operations and strive to minimize the impact they have on the environment:⁴¹

- Protect biodiversity – keep the richness of plants, birds, animals and insects: be aware of the ecological balance of your area and do not disrupt it,
- Reduce air pollution – it negatively impacts nature, human health, quality of life,
- Do not allow the contamination of land and assure proper river water quality,
- Sensibly manage your energy consumption – remember that non-renewable energy sources cause the emission of carbon dioxide, responsible for global warming (resulting in climate change, potentially having catastrophic consequences) and (plainly) are finite; explore alternative, eco-friendly energy sources; try to reduce your energy consumption,
- Decrease noise pollution you cause,
- Avoid the use of gases causing ozone layer depletion,
- As a producer or service provider, be responsible for the whole life-cycle of your product/service– provide maximum value with minimum environmental impact – rethink the design (make more with less), assure recyclability,
- Adopt sensible waste management – reduce, reuse, recycle, compost, recover energy – waste is a potential resource,
- Use water sensibly,
- Buy recycled,
- Pay for polluting and inefficient resource use,
- Educate about *green*.

⁴¹ Based on Charter M., Peattie K., Otoman J., Polonsky M. J., *Marketing and Sustainability*. Op. cit. p.7 and *Sigma Guide to Sustainability Issues* [Online] Available at: <http://www.projectsigma.com/Toolkit/SustainabilityIssuesGuide.pdf> [Accessed on 20.02.2006]

Social Aspects

Sustainability's goal is to guarantee that the basic needs of people across the world (and of those to come) are met – and the quality of their lives is improving. Institutions and systems of governance need to be effective and participative. Markets should be characterized by transparency and should promote social equity and harmony. Companies, especially MNCs as global players should accept their responsibility for all stakeholders.

- **Clients:** respect, be fair about your products, provide all necessary information, protect your clients' health and security, be ethical in your communication efforts (rethink advertising to children, controversial messages etc.),
- **Employees:** provide a satisfactory (healthy and safe) working environment, ensure equal opportunities and fair compensation, give training and encourage employee development, think of work-life balance,
- **Owners and investors:** protect and increase assets, give accurate and reliable information, manage solidly,
- **Business partners:** build long-term relationships, pay on time, choose those that share your values (*put your money where your mouth is*),
- **Competitors:** promote fair competition, do not engage in cartels, corporate espionage or corruption, respect intellectual property,
- **Communities:** promote human rights, support diversity, tolerance, social cohesion, cooperate with organizations engaging in improving educational, cultural, economic or social well-being, philanthropy.

Economic Aspects

Ultimately, it is money that makes the world go around. Economic development is essential as it greatly influences people's quality of life. Every existing company on the most basic level supplies customers with goods and services, creates work-places, pays taxes, and provides for training and technology transfer. Businesses have to be profitable and innovative, always stay ahead of the competitors in order to survive. Efficiency and long-term vision is what pre-determines success and perhaps that is why sustainable development idea meets with a favourable response of business leaders. SD is based on increasing efficiency and assuring

permanence – meaning constant stream of profits. It is being said today however, that ‘a company which makes only money is a crummy company’.⁴²

Globalization and an increase in international trade and flow of capital have resulted in multinational corporations having higher share in the world economy. Many of them took all possible opportunities to reduce their costs by employing child labor in developing countries, deducing wages as a means of punishing employees or economizing on customer safety (some of the General Motors’ Chevrolet Corvair drivers were indeed ‘unsafe at any speed’). Nevertheless, in the times of sustainable development and corporate social responsibility unlawful tricks and wrongly understood entrepreneurship no longer pay off. Now company market shares, profitability and growth parameters are linked with their social and environmental performance. And this fact probably gives the only hope that globalization will ever have a more humane face.

⁴² Kurtzmann J., Rifkin G., Griffith V., *MBA-box. Praktyczne idee najtęższych umysłów biznesu*. Op. cit. p.7

Chapter 2

Relevance of the marketing concept to sustainable development

Marketing is not about high pressure selling, making weak messages credible or publicity gimmicks and it does not equal advertising. Philip Kotler defines it as ‘a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others’.⁴³ Peter Drucker supports this definition with identifying the main aim of marketing: ‘it is to make selling superfluous. The aim is to know and understand the customer so well that the product or service fits... And sells itself’. This therefore contradicts the common view that marketing is just about boosting sales. The UK Chartered Institute of Marketing offers a bit different explanation: ‘marketing is the managerial process responsible for identifying, anticipating and satisfying customer requirements profitably’. What makes this definition distinctive from Kotler’s is clearly the word ‘profitably’ which implies the main goal of selling, i.e. getting revenue – and in that way bringing the meaning of marketing closer to the business reality.

Still, there is one element present in every definition of marketing, namely people’s **needs and wants** (in the Institute’s description represented by ‘customer requirements’). Obviously, marketing is customer-centered and focuses on getting closer to people and knowing them better, hence enabling the company to serve them more effectively (and at profit). Getting deeper into the meaning of the notions, needs refer to conditions requiring relief, from most basic ones – physiological, through safety, belonging, esteem to self-actualization needs to make the most out of one’s abilities.⁴⁴ In short, most often needs are described as a lack of something deemed necessary for living, while wants as desires: more discretionary wishes.

Needs and wants constitute the leading common element between marketing concept and the theory of sustainable development. The latter as previously mentioned endorses adequate natural resource management so as to assure that the needs and wants not only of present but also of future generations are met. Since sustainable development encompasses

⁴³ Kotler P. (2005) *Marketing, analiza, planowanie, wdrażanie i kontrola*. Poznań, Dom Wydawniczy REBIS

⁴⁴ Theory about the hierarchy of needs was developed by Abraham Maslow in 1943 in his paper entitled *A Theory of Human Motivation*

such issues as population pressure, global warming and climate change, ozone depletion, acid rain, genetic engineering or the loss of species diversity it may seemingly have little to do with marketing. Quite the contrary actually: sustainable development (just as marketing does) first and foremost deals with production and consumption – responsible for the problems listed above. Some environmentalists or NGOs comment that marketing is only profit-led and therefore will hardly support sustainable solutions. Yet the evolution of the marketing concept shows that it heads for the well-being of people and it recognizes that ‘strategically appropriate action is more important than the one bringing immediate profit’⁴⁵.

2.1. Evolution of the marketing philosophy

Marketing activities should always be in tune with the rules of efficiency, effectiveness and social responsibility. Through the history of marketing however, different philosophies were developed in order to help marketers in setting their priorities and actions.

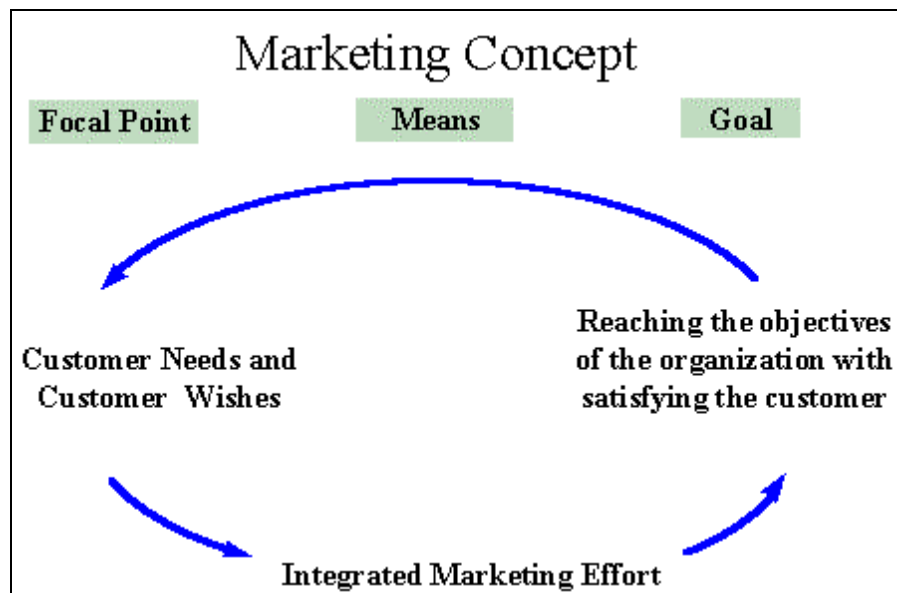
- **Production Concept** – conceived during the times of industrial revolution, it is one of the oldest business theories which prevailed till the early 1920’s; the idea was to focus on those products which could be produced most efficiently – there was little worry about the demand since the products at that time were usually of high necessity and low price would easily result in high sales; efficiency, low costs and mass distribution are key elements of the concept,
- **Product Concept** – assumes that consumers will choose those products which guarantee the best quality and reliability as well as bring innovative solutions; this theory implies constant product improvements at the same time presenting the threat of neglecting consumer preferences or competition; Kotler metaphorically notices that firms focused on the product sometimes look into the mirror when they should be looking through the window,
- **Sales Concept** – emerged when mass production became a norm, competition increased drastically and hence there was little unsatisfied demand; producers were forced to encourage people to buy their products, through advertising or personal

⁴⁵ Kotler P. *Marketing, analiza, planowanie, wdrażanie i kontrola*. p.89 Op. cit. p.25

selling; Sergio Zyman, former marketing vice-president of Coca-Cola, summarized the sales concept as marketing being about selling more goods to more people, more often, for more money, in order to reach higher profits,

- **Marketing Concept** – born in the middle of the 1950's, it contradicted the previous concepts; it offered a completely different perspective since it focused not on producing or selling but rather on the customers and their needs; before developing a product, the company needs to understand customer requirements and then react accordingly to satisfy them; objectives and profit are reached when a company is better than its competition in creating and supplying supreme value to its target markets.

Illustration 2.1 Marketing Concept



Sourced from: <http://www.akosgmbh.de/marketing.htm>

- **Client Concept** – extended marketing concept basing on different marketing action according to different consumer segments or even individuals; the primary requirement is gathering information about customers then enabling to create long-term customer value and loyalty; it embraces 'Value Marketing', involving delivering superior value and deeply customized solutions and 'Collaborative Marketing' focused on customer co-creating value,
- **Societal Marketing** – it maintains that the organisation's task is to determine the needs, wants, and interests of target markets and to deliver the desired satisfactions

more effectively and efficiently than competitors, in a way that preserves or enhances the consumer's and the society's well-being'.⁴⁶

The concept of societal marketing seeking not only profit and customer satisfaction but also long-term consumer and public welfare is a perfect illustration of the sustainable development concept in business thinking. Several theories have emerged reflecting responsibility aspects in marketing. *Ecological marketing* focused on positive and negative consequences of marketing activities with respect to pollution reduction and resource depletion. *Greener marketing* reflected the whole philosophy of companies, determined to involve ethics when managing their operations, mainly regarding environmental damage. *Sustainable marketing* 'is the next natural step forwards, with an emphasis on progress towards greater sustainability. It is a broader management concept which focuses on achieving the *triple bottom line* through creating, producing and delivering sustainable solutions with higher net sustainable value whilst continuously satisfying customers and other stakeholders'.⁴⁷

Sustainable or societal marketing requires that marketers engage social and environmental principles in their marketing practices. This is not at all easy since it implies balancing three different (frequently conflicting) objectives: company's profit, customer satisfaction and social interest.⁴⁸ It can therefore be observed that marketing philosophy according to which an organization acts translates into its major priorities. Societal marketing concept is the most demanding one as it brings three values into focus: organizational, customer and societal. Yet the question remains what the hierarchy of these is – or in other words: what the purpose of a corporation is or should be? There is no single answer to that question because it will change with the perspective. Managers say about supplying goods and services, employees value providing employment, government emphasizes reaching social objectives, shareholders are interested in ROI.

Not surprisingly, shareholders have the greatest power over corporate governance, labor policies or CSR involvement. The short-term perspective and the need for immediate benefit is often called '*shareholder value-ism*', which explains the accusations of marketing being profit-led as well as constitutes an obstacle to the organizational capacity to deliver

⁴⁶ Kotler P. (1994) *Marketing management: analysis, planning, implementation and control*. Prentice Hall

⁴⁷ Charter M., Peattie K., Otoman J., Polonsky M. J., *Marketing and Sustainability*. Op. cit. p.7

⁴⁸ Kotler P. *Marketing, analiza, planowanie, wdrażanie i kontrola*. p.27 Op. cit. p.25

social benefits. Nevertheless, organizations need to remember that customer orientation is nowadays the prerequisite for success and this involves taking social and environmental issues into account. *Blended value*⁴⁹ – social, environmental and financial is what corporations need to measure and what societal marketing is about.

It is true that traditional marketing concepts are inadequate in the times of environmental deterioration, world poverty or resource shortage. But, just as public awareness about environmental dangers rises, so marketing theories evolve in order to better serve businesspeople and their customers. Current strategies and marketing policies of corporations give attention to consumer satisfaction and public interest, making marketing the right place for application of sustainable development standards. The very Kotler claimed that the organization of marketing will have to redefine its role from mere customer relationship management to managing and integrating all company's operations that affect customers.

2.2 Marketing, consumption and consumerism

Gary Cross, the author of 'An All-Consuming Century', quite provocatively claims that it is not democracy or capitalism that won the ideological wars of the last century but rather it is consumerism that can be proud of being the big winner. This fact has involved shaping the human identity through consuming goods and services. 'Consumerism meant the development of the high priority placed on materialism and affluence, on taking rather than giving'.⁵⁰ Looking at the statistics, one may claim that it has almost been a consumer revolution. Global private expenditures in the year 2000 reached 20 trillion dollars with 4,8 trillion only forty years before. This significant change is due to the increase in the world's population but also to many people growing rich in some parts of the world.⁵¹

Consumption itself plays an important role in contemporary societies: it is responsible for the social, political, economic and cultural order. It constitutes the tool for boosting economic growth and directing free market mechanisms. Consumption is therefore a part of

⁴⁹ For more on 'blended value' go to: <http://www.blendedvalue.org/>

⁵⁰ Austin K. K. (2001) *An All-Consuming Century: Why Commercialism Won in Modern America* (Book Review). *Business History*. October 2001

⁵¹ The Worldwatch Institute (2004) *Raport o stanie świata 2004* [Online] Available at: <http://www.raport.org.pl/raport2004/sow2004.pdf> [Accessed on 6 February 2006]

processes leading to greater social wealth and lower unemployment. Thanks to consumption the current world order is not threatened by the ideology of closed societies controlled by a small group of authoritarian leaders.⁵² We need to consume in order to survive. Still, consumption becomes negative when it is the primary goal in life or the only measure of success. Consumerism is criticized for equating personal happiness with the number of material possessions one owns and the level of consumption.

The fact that forces us to reconsider our attitude towards consumerism is that wealth and consumption do not translate into greater life satisfaction in general. The United States of America, one of the most developed countries, with high economic growth and consumption rates, suffers greatly from smoking, overweight and obesity, increasing suicide rates, functional illiteracy etc. The other crucial element is the environmental damage resulting from excessive consumption. One of the measures of the influence of consumption on global ecosystems is the *ecological footprint*. It is the 'calculation that estimates the area of Earth's productive land and water required to supply the resources that an individual or group demands, as well as to absorb the wastes that the individual or group produces'.⁵³ The research shows that there is 1,9 ha of biological productive land per person on Earth. Yet today, on average, every one of us uses 2,3 ha. Not hiding the discrepancies behind mean values, it is worth noticing that an American uses 9,7 ha and an inhabitant of Mozambique – 0,47 ha of productive land to satisfy their needs and wants.⁵⁴

The above mentioned analysis proved that the overall consumption levels exceeded the ecological capacity of the planet at the end of the 1970's, beginning of the 1980's. From then on consumption has been based on the depletion of natural resources. And only ¼ of the global population is responsible for the overall Earth's excessive consumption. This group is often called *global consumer class* - users of televisions, telephones, and the Internet, along with the culture and ideals these products transmit – half of whom live in developing countries. What about the rest? In 1999 around 40% of the world population lived for less than 2 dollars a day, 17% for less than a dollar.⁵⁵ They can hardly speak of any consumption at all.

⁵² Papuziński A. (ed.) *Zrównoważony rozwój. Od utopii do praw człowieka*. p.43. Op. cit. p.6

⁵³ National Geographic's Strange Days on Planet Earth *Glossary* [Online] Available at: <http://www.pbs.org/strangedays/glossary/E.html> [Accessed on 10.03.2006]

⁵⁴ The Worldwatch Institute. *Raport o stanie świata 2004* Op. cit. p.29

⁵⁵ *Ibidem*

Professor Stuart Hart, the author of 'Capitalism at the Crossroads' explains that 'most companies today, especially large corporations, are very good at serving the needs of the wealthiest 800 million' [of the world's population].⁵⁶ Stimulating the demand has largely been done through advertising. 'Global advertising expenditures totaled only \$7.4 billion worldwide in 1950 (...) By 1998, total global revenue generated by measured media was more than US\$434 billion (...) When sums spent in non-measured media are added to that amount, advertising and related expenditures cumulatively rise to more than US\$652 billion spent in 1998'.⁵⁷ Consequently, marketing has also been involved in creating excessive consumption and making our ecological footprint unsustainable.

Nevertheless, the emergence of the sustainability concept gives hope for changing course, from unlimited accumulation of goods to better quality of life for everyone with the minimal impact on the environment. It is important not only how much we consume but also how we do that. Consumption involves dynamics and its potential should be skillfully used. Paul Hawken, who formulated a new business concept – *natural capitalism*, explains: make the world better in the natural way, through normal daily activities, not through conscious altruism. He speaks of opportunities for innovating companies that are profiting and gaining competitive advantage from praising natural capital. Another researcher Ernst Ulrich Von Weizsäcker underlines the role of the profit motive in the global changes – again realism and not altruism should prevail in combating the ecological crisis.

Apart from the determination to improve marketing mixes by making them more sustainable, corporations also aim at new areas, previously untouched since regarded unprofitable. *Bottom of the Pyramid* (or Base of the Pyramid) is a new sustainable business model targeting people from developing countries living for less than 2 dollars per day.⁵⁸ There are multiple benefits of the idea. The poorest of the world can be supplied with necessary, affordable goods and luckily increase their consumption, having a chance for development and living with dignity. Corporations, on the other hand, find a new, fast growing market. Serving those people who altogether have great buying power can help fighting one of the biggest of Earth's problems: poverty.

⁵⁶ Business for Social Responsibility. *The New York Times Special CSR Section*. Op. cit. p.17

⁵⁷ International Advertising Association *Programs – Advertising and Constitutional Protection; FAQ* [Online] Available at: http://www.iaaglobal.org/constit_pro_detail.asp?articleID=154 [Accessed on 10.03.2006]

⁵⁸ Phrase coined by C.K. Prahalad and Stuart Hart in 2002

Marketing and sustainable development clearly overlap at the point of satisfying people's wants and needs and enhancing general welfare. The greatest challenge for the marketers in the 'Age of Sustainability' would be to balance the corporate hunger for profit, consumer's expectations towards products and services and the demands of the greater public. Each of the marketing mix elements presents some sustainability considerations that need to be analyzed and resolved in a way that would improve company's environmental and social record. Most generally, responsible enterprises should consider durability, recyclability, toxicity of materials and end-of-life issues from the very early stage of the product design process.

It is becoming evident that consumers and the general public are increasingly interested in the *world behind the product*, although what they find there may not always directly influence their purchasing decisions. This is a proof of rising awareness about environmental and social issues, implying extended responsibility of producers. They now need to be liable for the consequences of their operations as well as forecast and mitigate potential negative influence in advance.

Production and consumption systems are supported by marketing and its persuasiveness which, so far, very often led to excessive consumption patterns. Yet it is wrong to assume that marketing represents nothing but commercialism. Contemporary customer-centered business concepts imply taking into account much more than just corporate financial interest and necessitate examining carefully the needs of consumers. Yet, the dilemma remains concerning what people truly need. 'Do we need the car or its potential to give us mobility? Do we need mobility or the feeling of being connected? Does quality of life necessarily imply material fulfillment of any need, or does it mean the feeling of being attached to nature, to other people, and to ourselves – exploring a deeper dematerialization, in other words. The old *doing more with less* slogan is getting a new, ambitious, and perhaps crazy meaning of *more units of happiness with less damage*.⁵⁹

⁵⁹ de Leeuw B. (2005) The Word Behind the Product. *Journal of Industrial Ecology*. Vol.9, Number 1-2

2.3 Market research into sustainable development perceptions

These days hardly any business initiative goes without preceding market analysis or, at least, feedback gathering as a follow-up. As it comes to people's attitude towards sustainability, research has also been done and it generally reveals a paradox which however is not particularly surprising. We talk in terms of greater social pressure for corporate responsibility and increasing consumer expectations but we cannot find greener products powerfully forcing their way into the mainstream.

During the European Business Summit in Brussels in June 2000, Romano Prodi – the President of the European Commission, was saying about the issue of risk which every entrepreneur is bound to take – in the name of ‘nothing ventured, nothing gained’ rule. Still, he pointed to the single risk ‘no firm can afford to take, if it is to remain profitable in the medium and long term, the risk of ignoring the changing awareness and expectations of Europe's citizens. Citizens as workers still expect just remuneration and fair treatment in the workplace. Citizens as consumers still want the best products at the best price. But recent developments have shown they want more than that. This "more" is what I want to talk about today. This "more" embraces ethical values, democracy and justice, as well as environmental concerns and - more generally - sustainable development. The kind of society Europe's citizens are calling for today involves new kinds of relationship between employers, employees, the State and the environment. It requires both public authorities and business to show a new sense of social and environmental responsibility.’⁶⁰

This ‘changing awareness and expectations’ are revealed by statistics, done not only among Europeans but also Americans, Australians or others. The research conducted in 23 countries in 1999 proved that 60% of consumers expect that companies will take into consideration social and environmental issues apart from bringing profit and jobs.⁶¹ Noticeably, 30% of consumers claim they take note of a company's social and environmental

⁶⁰ Speech by Romano Prodi President of the European Commission: *Innovation and responsibility: business and the citizen in a changing world*. European Business Summit Brussels, 11 June 2000; available at: <http://europa.eu.int/rapid/pressReleasesAction.do?reference=SPEECH/00/214&format=HTML&aged=0&language=EN&guiLanguage=en> [Accessed on 6 February 2006]

⁶¹ The Worldwatch Institute. *Raport o stanie świata 2004* [Online] Op. cit. p.29

records when deciding about purchases. Still, 'ethical' products have as small market share as 3% ('the 30:3 syndrome').⁶²

This data shows a certain level of double-dealing from the consumers' side. They want companies to be responsible, addressing the CSR issues and supplying ethical, greener products. At the same time they are not willing to pay the premium for the 'responsibility' they demand. Price, quality and convenience remain the key purchase drivers and few look into the product details regarding e.g. environmental performance.⁶³ Due to such attitude it is said about consumers in terms of *schizophrenic shoppers*⁶⁴ or *hedonistic idealists*, as one of the studies named young people surveyed that declared a wish for sustainable world but at the same time warned they do not want to give up things they like.⁶⁵

Although it is difficult to precisely identify the extent to which people are able and willing to differentiate between products, basing on their environmental or social performance, effort has been made to cluster consumers into distinguishable segments regarding their use of ethical or green criteria when purchasing. British consumers have been classified by *Cowe and Williams*⁶⁶ into the following segments:

- **'Do what I can'** (49%) – service, convenience and brand name are key factors; in terms of ethics these people focus on the treatment of employees,
- **'Look after my own'** (22%) – little concern about social or environmental issues,
- **'Conscientious consumers'** (18%) – more up-market; importance of quality; after quality and price also ethical considerations can determine their choices,
- **'Global watchdogs'** (5%) – high ethical concern and the will for action; most affluent and highly educated; ethical considerations more important than brand name,
- **'Brand generation'** (6%) – declared importance of ethical concerns but brand name, quality and value for money key factors when shopping; environmental impact and treatment of employees as significant sustainability concerns.

⁶² *Sigma Sustainability Marketing Guide*; p. 12 [Online] Available at:

<http://www.projectsigma.com/Toolkit/SIGMASustainabilityMarketing.pdf> [Accessed on 6 February 2006]

⁶³ Charter M., Elvins L., Adams G. (2004) *Sustainable marketing: Understanding the obstacles to and opportunities for involvement of marketing professionals in sustainable consumption* [Online] Available at:

<http://www.cfsd.org.uk/Sustainable%20marketing.DOC> [Accessed on 6 February 2006]

⁶⁴ Business for Social Responsibility. *Environmentalism is Dead... What about the Future of CSR?* Op. cit. p.19

⁶⁵ Hicks R. (2005) Can Advertising Save the World? *Campaign*, 15 July 2005

⁶⁶ Cowe R., Williams S. (2000) *Who are the Ethical Consumers?* Published by the Cooperative Bank

Around the same time in the USA *Roper Starch Worldwide*⁶⁷ has also clustered consumers according to the degree of concern and action:

- **‘True Blue Greens’** (11%) – major green purchasers and recyclers,
- **‘Greenback Greens’** (5%) – will pay premium for *green* but will not change lifestyle,
- **‘Sprouts’** (33%) – claim ethical considerations but do not want to pay the premium,
- **‘Grousers’** (18%) – recognize environmental problems but do not engage in their solving,
- **‘Basic Browns’** (31%) – indifferent towards ethical/environmental problems.

Despite divergent names or the size of the segments in the UK and America, it can be observed that no more than ¼ of consumers consider social or environmental issues as important purchasing factor at the same time being ready to pay more for those product meeting their expectations in this respect. Most substantial is the group claiming the importance of ethics but unready to cover the premium (‘Do what I can’ and ‘Sprouts’ groups). Because assuring high environmental and social standards usually involves internalizing the externalities and therefore increasing the product cost, this group holds little potential unless it starts ‘walking the talk’ or preferably the company finds a creative and innovative way of offering more (sustainability) for less.

Although schizophrenic shoppers and those totally indifferent prevail, a group of more ethically concerned and more discerning consumers is emerging. Noticeably, these people most likely represent the alpha class (high education/high income). Another research shows that as much as two-thirds of all alpha-class consumers have considered switching brands because of CSR issues.⁶⁸ Responsible communication can also potentially appeal to young people – previously mentioned to be often named ‘hedonistic idealists’ or ‘brand generation’. The gap between entertainment or brand name and ethical considerations can clearly be bridged by creative marketing. So far CSR was related more to PR than any other forms of communicating with the market. Given the assumption of the rationality of consumers, people will hardly be convinced that ethical products maximize their utility. Perhaps more emotive character of messages relating to CSR commitments is one of the solutions as is the effort to create fashion for *green*.

⁶⁷ *Roper Green Gauge* (2000) Roper Starch Worldwide

⁶⁸ *Can Sustainability Sell?* (2002) McCann-Erickson /UNEP [Online] Available at:

<http://www.unep.org/pc/sustain/reports/advertising/can-sustainability-Sell%20.pdf> [Accessed on 2.03.2006]

It has to be remembered that the referenced analysis of segments concerned British and American consumers, representing most developed nations. Whether people know CSR, the way they perceive it and finally the extent to which they take it into consideration when buying is determined by the level of country's development, wealth and environmental and social awareness.

In Poland the concept of social responsibility of businesses is relatively new. The majority of the population is still anxious about employment in the private sector with 41% claiming they would prefer to work in the public sector or cooperative companies and only 6% pointing to the private ones. 7 out of 9 respondents say that relations between employer and employee are negative, often involving breaking the law (delays in salary payments, denying leaves, discrimination).⁶⁹ Understandably, when asked what a company should do to deserve the name of socially responsible, most people refer to most basic issues: good treatment of employees, then honesty, assuring workplaces, considering social welfare, offering higher salaries or paying taxes.⁷⁰ Massive accusations and suits for worker exploitation in Spanish-owned discount chain 'Biedronka' did not prevent the company from successful expansion and did not cause losses in clients and sales. Young (sometimes called 'wild') capitalism seem unable to afford high ethical or environmental standards.

2.4 More sustainable marketing mix

The concept of marketing mix – the famous 4 P's (or 7 P's giving even a fuller and more insightful picture) – is what can help understand the broadness of marketing. Managing actions referring to product, price, place and promotion (and sometimes people, process and physical evidence) aspects assures systematization and better chances to design the most satisfactory offer for the given target market. Business sustainability is also a holistic concept and needs to be taken into consideration every time a decision is being made. Still, some managers treat CSR issues as a separate kind of concern instead of using controllable parameters of the marketing mix to satisfy the needs of the consumers and contribute to the

⁶⁹ Jasiocki K. (2004) *Spoleczna Odpowiedzialnosc Biznesu w Percepcji Polakow* [Online] Available at: <http://www.centrumwiedzy.edu.pl/cw/articles/files/596/arttykul596.pdf> [Accessed on 3.03.2006]

⁷⁰ Rok B. *Odpowiedzialny biznes w nieodpowiedzialnym swiecie*. p.57. Op. cit. p.13

greater cause at the same time. Actually, only companies which incorporate environmentally and socially related strategies into their daily business – not using CSR only as a catchword in their PR announcements – can be named truly socially responsible. Marketing mix enables to identify areas which can be improved, complying with the requirements of the new ‘Age of Sustainability’.

2.4.1 Product

Lester R. Brown, the author of ‘Eco-Economy: Building an Economy for the Earth’ notices that we now live in the ‘Material Age’, an age of excess of materials consumed – physically disruptive and using vast quantities of energy. He points out to two concepts which emerged in the mid-20th century and have shaped the evolution of the global economy: ***planned obsolescence*** and ***throwaway products***. The latter, he writes, ‘facilitated by the appeal to convenience and the artificially low cost of energy, account for much of the garbage we produce each day and an even larger share of the material that ends up in landfills’. Those who act under the banner of sustainable development are determined to improve the situation.

In case of the very products and services, the ‘Ecological Era’ has already given a sign of its presence in the form of tougher legislation like the Directive on Restriction of Hazardous Substances or Directive on Waste from Electrical and Electronic Equipment introduced in Europe in 2005. These directives are applicable to IT equipment as well as all white and brown goods. The objective is to substitute harmful materials with safe (or safer) ones and to encourage the design and production of electrical and electronic equipment which will keep in view the future repair, reuse, disassembly and recycling. These directives suggest some of the major trends in more sustainable designing and production of all kinds of goods. These include:⁷¹

- Energy efficient and non-polluting solutions,
- Easy repairability and products designed to last,
- Reusability and recyclability,
- Minimized packaging – it should always be primarily functional, not exceeding the requirements for storage, transport and use – biodegradable, photodegradable, natural, reusable or recycled,

⁷¹ Based on Charter M., Peattie K., Otoman J., Polonsky M. J. *Marketing and Sustainability*. Op. cit. p.7

- Manufacturing from renewable resources, preferably locally sourced to minimize transportation costs,
- Elimination of hazardous materials,
- No use of child labour, forced labour (no matter if in-house or contract manufacturing) or tests on animals.

Greater sustainability regarding the product side of marketing therefore involves analyzing environmental and social impacts of making, using and disposing of our product. Clean production promoting renewable energy, non toxic materials and sustainable product design first and foremost relates to the theory of the product life cycle.⁷² Moving from the ‘Material Age’ to the ‘Ecological Era’ assumes *Extended Producer Responsibility*. The concept is to push clean production thanks to making producers responsible for all stages of a product’s life cycle – with great attention paid to its end of life. The strategy of producers will hence be to minimize the environmental impact from the very beginning, i.e. the extraction of raw materials till the final disposal of the product (*cradle-to-grave*). What is more, the sustainability postulate is to go even further and to change to *closed loop/recycle mindset* that imply *cradle-to-cradle* assessments. The main aim is for materials and products – at the end of their defined life – to be recycled into new products. Another term, promoted by the U.S. Environmental Protection Agency is *product stewardship* which is also a product-centered approach to environmental protection. Nevertheless, it goes beyond Extended Producer Responsibility, calling all those participating in the process of products going through their life cycles: not only manufacturers but retailers, users and disposers alike ‘to share responsibility for reducing the environmental impacts of products’.⁷³

⁷² Thorpe B. *Closing the product loop* [Online] Available at:

[http://www.waste21.or.kr/dboard/data/oldfile/1927_EPRintroWNA\(%BA%F1%B9%FA%B8%AE\).ppt#266,1,C](http://www.waste21.or.kr/dboard/data/oldfile/1927_EPRintroWNA(%BA%F1%B9%FA%B8%AE).ppt#266,1,C)
losing the product loop [Accessed on 5.03.2006]

⁷³ U.S. Environmental Protection Agency *Product Stewardship – Basic Information* [Online] Available at:

<http://www.epa.gov/epaoswer/non-hw/reduce/epr/about/index.htm> [Accessed on 5.03.2006]

2.4.2 Price

The second element of the marketing mix plays a special role in the whole concept since it is the only one which brings revenue to the company. Product development, distribution or promotion all constitute costs. Price is strictly related to the value a customer will receive when buying a product because the amount people are ready to pay actually represents their true feelings regarding it. The choice of the final price for the product is usually a result of a series of analysis: of the overall pricing strategy goals, the level of demand, the costs, competition and other related factors. Given the sustainability considerations when it comes to price, the most important issue to be explored is the *true cost* of the product.

When the social and environmental impacts created by the product are reviewed, it can often turn out that these negative consequences (of the creation, use or at the end of the product's useful life) result in additional costs that have to be born by others. These costs (can be benefits as well) attributable to an economic activity but not reflected in the price of goods or services produced are called externalities.⁷⁴ Extended Producer Responsibility concept mentioned before calls for *internalizing the externalities* into the product price, in line with the *polluter pays principle*. This principle (alike the whole sustainable development appeal) contradicts the traditional economic theory which did not include environmental and social costs into the market structures. Nevertheless, the situation is changing and nowadays more and more often externalities have to be priced due to legislation.

Still, many fear that internalizing the 'external costs' will significantly rise the product price and this passing the costs onto customers will result in shrinking customer base. In practice however, many enterprises managed even to achieve cost savings through environmental policies boosting innovation and efficiency. In addition, if the product's high performance, quality and functionality are accompanied by improved sustainability record – the latter can become a good differentiating factor which people may decide to pay for.

As Øystein Dahle, the former Executive Vice President of Esso for Norway and the North Sea observed: 'socialism collapsed because it did not allow prices to tell the economic

⁷⁴ Coalition of Clean Air *Glossary* [Online] Available at: <http://www.coalitionforcleanair.org/air-pollution-glossary.html> [Accessed on 8.03.2006]

truth. Capitalism may collapse because it does not allow prices to tell the ecological truth'.⁷⁵ To achieve sustainable economies we therefore need to get prices to reflect the true costs involved.

2.4.3 Place

In order to meet sustainability requirements, the place where consumers buy products should have high standards of hygiene, safety and environmental performance (just to mention efficiency in energy use). It should use environmentally friendly materials (e.g. for shop fittings) and merchandising should not be aggressive or encouraging excessive consumption.

'Place' element of the marketing mix however does not involve only the place where consumers purchase goods, i.e. retailing but also the physical distribution and wholesaling. The process of moving the goods has its environmental impacts, especially if the companies' facilities are located far from suppliers, wholesalers and retailers. To make the 'place' element more sustainable corporations may try to plan their routes more efficiently, reducing mileage and hence limiting air pollution or use railways instead of roads.

Increased sustainability may also be achieved simply through shortening the supply chain, resulting not only in lesser environmental impact but also greater economic efficiency and business agility. Shortening the supply chain is a form of *vertical integration* which in general is beneficial in terms of SD as it involves greater control over the whole production and marketing process, responsibility not being diluted. *Horizontal integration* may as well have positive impacts, creating economies of scale and leading to increased efficiencies. Finally, *just-in-time solutions* involving minimization of the in-process inventory result in non-existent or very limited warehousing (with obvious reduced negative environmental consequences) as well as customers' needs served more accurately and timely.

Retailers should engage in the development of the recycling infrastructure and push for the active use of recycling facilities for batteries, textiles etc. In order to well manage waste and used products, companies should establish *reverse logistics* – systems assisting in shipping goods from a customer back to a manufacturer or distribution center for repair,

⁷⁵ Brown L.R (2001) *Eco-Economy: Building an Economy for the Earth*. New York, W. W. Norton & Co.; p. 23

recycling or re-use. Thanks to reverse logistics what would previously have been dumped now can be safely disposed of or remanufactured and marketed to new or existing customers.

2.4.4 Promotion

Dealing with corporate identity and branding as well as comprising all methods of communication with the market, promotion is surely the most visible element of the marketing mix. Appropriateness, consistency and coordination of the promotional actions are the determinants of the success of the overall marketing strategy. Some bad reputation of marketing may stem from a lot of hype by many companies which, however, fail to suit actions to words – this is especially hypocritical when declarations are being made about CSR. That is why it is crucial that all company's messages are truly representative of the organization and that the created image matches reality.

The separate issue from truthful and accurate claims about the products is whether an organization encourages sustainable behaviour by supplying products that satisfy genuine human needs or rather induces wants, pressing for excessive consumption. Nonetheless, distinguishing between those two situations is not easy. People may have true needs for products or services which may however not be regarded contributive for the well-being of the society (e.g. fast foods). We cannot ban such products or their promoting messages. Still, everyone has a right to precise information about the product, potential consequences of consuming it and choice between more and less sustainable offers.

Salespeople should be educated in the sustainability issues and communicate the benefits of sustainable products and services in a clear and meaningful way to consumers. This obviously is true not only in terms of direct marketing but refers to every type of communication messages. It needs to be remembered that advertising apart from its persuasive, reminding or reinforcing functions also plays a role of providing information.⁷⁶ This may be interpreted as spreading brand awareness, yet is not limited to that. Informative character of messages may imply making consumers familiar with certain characteristics of a given product and therefore may also serve educational purposes with relation to sustainable development. What is more, modern communication technologies and especially interactive media allow for improved interactions between the company and consumers. Simple tool of a

⁷⁶ Kotler P. *Marketing, analiza, planowanie, wdrażanie i kontrola*. p.601 Op. cit. p.25

corporate website gives multiple opportunities for educating people, often incorporating this into entertainment, making the message easily absorbable. This educational function can be very effectively performed by companies with strong, fashionable brands basing on emotional influence on consumers, and particularly the youth. These brands' messages promoting sustainability may prove to be more effective than years of formal education.

Lastly, promotion encouraging sustainable behaviours can be referred not solely to businesses but also to non-profit organizations. It is widely acknowledged that the size and activeness of the third sector (after the public sector and the business/private sector) representing organizations with social benefits as objectives and not operating for profit is what also illustrates the strength of democracy in general. Given the non-profit, voluntary and socially useful character of the third sector, promotion of these organizations can be directly associated with social marketing encouraging socially beneficial behaviours. Fortunately, professionalism in approaching marketing of non-profit organizations can be more and more often observed and hopefully will become a standard.

2.4.5 People, Process and Physical Evidence

In the services sector marketers largely deal with intangible products and that is why three additional watchwords are there to assist them in analyzing their business. First of all, *people* are the key component as they are responsible for delivering the service and its quality is dependent on them (we say that services are variable and inseparable – the client is at the very center of the 'production process'). The staff behaviour has great influence on a client's perception of the service and brand. It is vital for every company – not only in the services sector – to acknowledge that '*the people are the business*'. The most basic requirements should be decent working conditions and wages, fair treatment, avoidance of discrimination and on time remuneration. Going beyond the basics, managers are advised: 'invest in your people, their knowledge, their well-being and their happiness, and you will be rewarded'.⁷⁷

As it comes to *processes*, companies established various forms of the servicing style. The good example will be restaurants, offering cafeteria, fast food, buffet or exclusive types of service.⁷⁸ Processes aim at guaranteeing the consistent level of service and recognizable

⁷⁷ Melbourne L. Your people are your business. *Dallas Business Journal*, November 30, 2001

⁷⁸ Kotler P. *Marketing, analiza, planowanie, wdrażanie i kontrola*. p.453 Op.cit. p.25

service experience. Most often these are reached thanks to establishing strict procedures of delivering the service. Responsible managers need to rethink their processes, answering the question whether they are designed to respect and enhance natural and human resources.⁷⁹ The simplest illustration of making the process element of the service more sustainable, is the practice of many hotels which offer their guests an option not to have sheets and towels changed every day in order to reduce energy use and detergent waste.

Finally, due to the intangible character of services, some physical evidence is required to help create corporate identity and a distinctive and concrete corporate image in the mind of the consumer. The sustainability consideration here is to avoid creating unnecessary and wasteful physical evidence and making it eco-friendly as often as possible. We can again refer to the example of hotel operations, where guest room bath amenities such as liquid soap or shampoo provided, can be bio-degradable and non-tested on animals.

⁷⁹ *Sigma Sustainability Marketing Guide*. Op. cit. p.34

Chapter 3

Integrating Sustainable Development into Strategy, Operations and Marketing Practices of Companies

We live today in a globalized world where MNCs constantly grow in strength. They are becoming more powerful and richer than the whole nations, Exxon Mobil's or General Motors' sales in 1999 being greater than Hong Kong or Polish GDP in the previous year. MNC's main weapon in the fight for increased sales and influence is *the brand* – so important and mighty nowadays that perhaps should be written with capital B. Alter-globalists complain that the main product of many corporations are actually not the goods they make but rather the image of the brand. They see corporations as salesmen of the meaning and dreams, branding as a strive for corporate transcendence and advertising as a means of spreading the message. More importantly, a lot of people (and not only anti- or alter-globalists) fear the total disappearance of spaces free from marketing communication. This work is however not to encourage anti-corporationism but to help understand how powerful corporations are today. If brands do not represent merely products but also life-style, value systems, vision or ideas and their sphere of influence is more than significant, one can easily draw a conclusion that brands have their role in shaping the world. In other words, if corporations, owners of the world's greatest and most well-known brands back-up the concepts of responsible business and sustainable development, there may indeed be chances for the continuity of progress.

3.1 Presence of sustainable development in activities of corporations

Concepts of corporate social responsibility and sustainable development becoming the hallmarks of current discussions about growth, the major goal of the following analysis will be to explore the potential application of responsibility and sustainability principles to strategies, operations and marketing practices of corporations.

Overall 5 corporations will be analyzed: BP, General Electric, Nestlé, Pfizer and Citigroup. They are all included in the top 75 of the world's largest corporations list (by

Fortune magazine) as well as the top 75 of the world's most valuable brands list (by *BusinessWeek*). Noticeably, all 5 corporations are also ranked very high in terms of profitability, such a selection making sure that financial conditions of the triple bottom line objectives are met. Corporations were chosen so that different industries are represented, those that may appear to contradict the sustainability principles (BP exploring natural resources) or being traditionally in line with them (Pfizer taking care of people's health), those that serve basic human needs (Nestlé producing food) or providing more sophisticated products and services (Citigroup, GE). The critical question to be answered is whether those worldwide present corporations recognize the challenge of sustainability and try to both incorporate the guidelines into strategies and operations as well as communicate the benefits, educating the wider public.

Table 3.1 Overview of the analyzed corporations

	Industry	Number of Employees	Net Income for 2005 (mil.)	Place in Fortune Global 500 (the world's largest corporations 2005)	Place in Fortune Global 500 (the world's most profitable corporations 2005)	Place in BusinessWeek Top 100 Brands (2005)
BP	Energy	102,900 (2004)	\$26,785.0	2	5	75
General Electric	Financial Services, Automotive & Transportation, Aerospace & Defence	307,000 (2004)	\$16,353.0	9	4	4
Nestlé	Food	247,000 (2004)	\$6,075.4	43	44	66
Pfizer	Pharmaceuticals	106,000 (2005)	\$8,085.0	75	10	31
Citigroup	Banking & Financials	307,000 (2005)	\$24,589.0	16	3	12

Author's own analysis based on data from Hoovers.com

Given the wideness of the CSR concept and its relevance to numerous aspects of business activity starting from labour relations, through environment protection to charity, social involvement and others, the research that is to analyze presence or absence of the CSR ideals in the daily practices of companies needs to cover multiple elements related to social responsibility. Each corporation as a subject of analysis will be examined according to the following queries:

1) Environmental dimension

the existence of environmental protection programs aiming at minimizing negative impacts of corporation's activities on the environment,

2) Social dimension

a) Vision and values – codes of conduct, commitment to follow international ethical business standards, membership in organizations promoting CSR,

b) Management – corporate governance, management and control, labour relations,

c) Procedures and standards – CSR reporting, independent control and verification of corporate practices, socially responsible investments,

d) Communication – social and cause-related marketing, responsible marketing (respect for consumer rights, quality of service etc.) and ethical branding, philanthropy,

3) Marketing summary

overall view of a company's marketing mix in the context of sustainability and corporate social responsibility – commenting on the product, its price, distribution system and promotion as well as the elements of the extended marketing mix: people, process and physical evidence.

The analysis will be based on secondary sources including corporate websites, annual reports, press releases as well as all other published materials regarding each corporation's activities relevant to the research area. Given the speed of change and development, the analysis will focus on most recent companies positions on CSR and sustainability matters. Still, the most important historical milestones will be presented when appropriate to show the evolution of the concepts in terms of their practical business implementation.



3.1.1 BP

BP, described as ‘the world’s second largest integrated oil concern, behind Exxon Mobil’⁸⁰ definitely prefers the name ‘energy company, providing its customers with fuel for transportation, energy for heat and light, retail services and petrochemicals products for everyday items.’⁸¹ This is not a mere linguistic trifle since the story behind the company’s business description is quite spectacular and has its place in the history of more responsible corporations of the world. At the moment of realizing the environmental threat and the need for sustainability commitment, fossil fuel companies found themselves in a particularly uncomfortable situation. They could either choose to defend the present arrangements, disregard the climate change and engage in the opposition against Kyoto or try to view this upcoming transformation in the attitude towards environment as an opportunity. Not surprisingly, most of the companies chose the first path. It was the head of BP – John Brown that initiated the revolution. In May 1997 he gave a speech at Stanford University where he emphasized that climate change was a real danger and stated that in this situation BP was no longer an oil company but become an energy company, withdrawing from the Global Climate Coalition (pursuing disinformation activities about the true nature of climate change; deactivated 4 years later).⁸²

Today, BP deals not only with exploration and production, refining and marketing of natural resources derived products but also develops renewable and alternative energy sources such as wind, solar or hydrogen, seeking low-carbon and hence environment-friendly power. The opening words of more than 70-page BP Sustainability Report 2005 provides us with BP corporate understanding of sustainability: ‘for BP, “sustainability” means the capacity to endure as a group: by renewing assets; creating and delivering better products and services that meet the evolving needs of society; attracting successive generations of employees; contributing to a sustainable environment; and retaining the trust and support of our customers, shareholders and the communities in which we operate.’⁸³ At its very beginning,

⁸⁰ Hoovers (2006) *Overview of BP p.l.c.* [Online] Available at: http://www.hoovers.com/bp/--ID__58872--/free-co-factsheet.xhtml [Accessed on 26.06.2006]

⁸¹ BP corporate website, available at:

<http://www.bp.com/sectiongenericarticle.do?categoryId=3&contentId=2006926> [Accessed on 26.06.2006]

⁸² Brown L.R (2001) *Eco-Economy: Building an Economy for the Earth*. Op. cit. p.40

⁸³ BP. *Making Energy More: Sustainability Report 2005* [Online] Available at:

http://www.bp.com/liveassets/bp_internet/globalbp/STAGING/global_assets/downloads/S/bp_sustainability_report_2.pdf [Accessed on 26.06.2006]

the report also illustrates the meaning of responsibility for BP as well as highlights its importance for the long-term sustainability of BP business. The company speaks of its ‘sphere of control’ where it not only complies with the law but at the same time sets out universal standards of individual and collective behaviour in all its places of operation around the world. As it comes to the ‘sphere of influence’ BP engages itself in the fight against the climate change (through minimizing emissions as well as supporting research and development of cleaner technologies: BP Alternative Energy division) and in the development of BP host communities.

1) Environmental dimension

‘Wherever we operate, we aim to minimize damage to the environment through the full life cycle of each site – from careful assessments on access to responsible decommissioning and remediation on exit. We aim not only to comply with legal requirements but to drive down the environmental and health impact of our operations by reducing waste and emissions and using natural resources responsibly.’⁸⁴ In order to meet goal of environmentally sound operations BP set for itself, the company developed principles: adopting life-cycle approach and building on experience of existing good practice. The principles include requirements for environmental impact assessments (EIAs), for consultation with stakeholders such as local communities and NGOs or setting environmental performance goals relating to water or waste management as well as physical and ecological impacts.

Referring to BP’s commitment to the battle against climate change, the company firmly states that ‘tomorrow’s energy can be cleaner than today’s.’ BP indeed believes in what it says as the new low-carbon energy business undertaken in 2005 under the name ‘BP Alternative Energy’ will cost \$8 billion of investments over 10 years. Leaving aside the costs, BP predicts that the division for cleaner energy will reduce estimated GHG emissions by 24 million tons annually starting from 2015, this achievement being equivalent to making a city comparable to Berlin emissions-free.⁸⁵ The company also works on developing cleaner energy technologies and products, investing in numerous research projects. Significantly, BP encourages sustainable transportation through the use of cleaner fuels, bio-fuels and improved lubricants.

⁸⁴ Ibidem

⁸⁵ Ibidem

2) Social dimension

Noticeably, BP is one of the founding members of the Global Compact and it pursues the goal of all its operations being in accordance with the established 10 principles. All initiatives and actions of BP mentioned in the corporate Sustainability Report are with reference to one of the Global Compact commandments. What is more, the report was prepared in compliance with Global Reporting Initiative (GRI) 2002 Sustainability Reporting Guidelines (setting standards such as transparency, inclusiveness, accuracy, neutrality and others). BP's index to sustainability reporting was also mapped to the IPIECA/API Oil and Gas Industry Guidance on Voluntary Sustainability Reporting, 2005. Finally, Ernst & Young environmental and social assurance specialists acted as auditors to BP, visiting company's operational sites and reporting the progress or the need for improvements.

As it comes to people, BP declares commitment to 'building a global meritocracy' based on diversity and inclusion. As the company sees its people as a major condition to delivering on corporate strategy and plans, it wants to attract and keep the highest quality talent. The company emphasized the importance of locality and the need for specific programs, even if it comes to recruitment strategies. To develop employee capabilities BP provides various learning opportunities such as training courses, mentoring or online learning. The company values its people's views and that is why every two years it conducts group-wide People Assurance Survey (PAS). Year 2005 was when the BP code of conduct was launched, covering such areas as 'health, safety, security and environment', 'employees', 'business partners', 'governments and communities' and 'company assets and financial integrity'. Importantly, there exist OpenTalk program within BP, thanks to which everyone having concerns regarding compliance, ethics or the code of conduct can confidentially raise their question through an independent third party operating the initiative.

BP as a 'global business' having 'influence in more than 100 countries and among millions of people' believes that its responsibility is not limited to running a successful business that creates wealth and employment.⁸⁶ With the aim to contribute to the well-being and development of particular host societies of BP, the company invests in community projects promoting enterprise, education or delivering energy to those so far cut off from the outside world. Enterprise development initiatives present how investments encouraging growth of local businesses constitute not only philanthropy but also give long-term benefits to

⁸⁶ Ibidem

the company. BP emphasizes the importance of small- and medium-sized enterprise (SME) sector, diversified economies and large number of potential local suppliers. Enterprise development brings more jobs, more money and increased skills for local people at the same time giving advantage to the company which reduces costs by sourcing locally and building relationships within the community. That is why BP engages in such projects as the Caspian regional development initiative with its Enterprise Center in Baku thanks to which the company wants to double the value of contracts placed with Azerbaijan-owned SMEs and joint ventures within five years.⁸⁷

Lastly, education as a basis for growth and development is ‘a key activity within BP’s corporate responsibility framework’. It includes promotion of environmental education on all levels, from pre-school to university and also educational exhibitions such as those in London Science Museum entitled ‘Energy: fuelling the future’. Significantly, education in the BP’s way is not only extensive national projects like the ‘Environmental Educators’ Initiative’ conducted in cooperation with the Chinese Ministry of Education and the World Wildlife Fund but also carbon footprint calculator available on the corporate website where everyone can check how their everyday choices affect the natural environment.

3) Marketing summary

Presenting BP’s marketing strategy in an abridged way, the company clearly adopts proactive approach, characterized by marketing orientation and determination to anticipate and satisfy market needs rather than focus on production or the product itself. Speaking of the BP portfolio, it has been modified in order to reflect new environmental challenges and the requirement for sustainability. The company’s new division, namely BP Alternative Energy represents company’s expansion into more environment-friendly products and modes of operation. At the same time this new commitment makes the corporation truly go ‘beyond petroleum’ and become one of the sustainability leaders, not afraid of investments in environmental initiatives and determined to achieve profits out of them.

The widened focus of the company is also reflected in other than just ‘product’ elements of the company’s marketing mix. Referring to price, the company seems not to pass additional costs of its initiatives to clients. As it recognizes a business case in all it does for the environment, it aims at minimizing costs that need to be borne. Giving the example of

⁸⁷ Ibidem

corporation's emissions reducing efforts, BP realized this could be accomplished at a low cost by reduction of waste and inefficiencies. This in turn is associated with greater responsibility and attention in managing the third – 'place' element of the marketing mix. In most general terms, the company is concentrated on safety and operational integrity of plant and equipment but also on reducing ecological footprint of all places where BP is present.

Finally, speaking of 'promotion' as well as elements of the extended marketing mix: people, process and physical evidence, BP makes increased efforts to educate and assure that sustainability issues are what people are aware of and regard important. Company's promotional activities aim at building the image of a corporation truly committed to solving environmental and social challenges the world currently faces and providing cutting-edge solutions and technologies to successfully reach its objectives.⁸⁸ BP appears to be greener along all the lines, including values promoted within the company, all employees encouraged to be 'a force for good' and 'contributing to human progress'⁸⁹. From this perspective it becomes obvious that BP processes in general will be more and more environment-friendly and physical evidence it gives – less oily and cleaner.

3.1.2 General Electric



The list of businesses General Electric Company is involved in is extensive and includes aerospace, financials, transport, lighting, kitchen and laundry appliances, power plants, plastics, healthcare and TV broadcasting, making GE 'plugged in most businesses that have shaped the modern world.'⁹⁰ The company originally named Edison Electric Light Company was founded in 1878 by Thomas Edison who wanted to market his revolutionary discovery of the light bulb. The founder immediately gave the firm a responsible mission 'to bring good things to light and life'. The company developed and expanded, probably even exceeding expectations of Edison and his investor. GE is now the only company that has been listed on the New York Stock Exchange since its establishment in 1896, this fact proving the GE strength. Given company's long history of success it does not seem surprising that GE took a place in Booz Allen Hamilton consulting company project listing 'The World's Most

⁸⁸ For more about BP promotional activities see Appendix 1

⁸⁹ BP corporate website, available at:

<http://www.bp.com/sectiongenericarticle.do?categoryId=9009143&contentId=7017227> [Accessed on 15.07.2006]

⁹⁰ Hoovers (2006) *Overview of General Electric Company* [Online] Available at: http://www.hoovers.com/ge/--ID__10634--/free-co-factsheet.xhtml [Accessed on 30.06.2006]

Enduring Institutions' of the 20th and 21st century prepared in 2004 (GE is accompanied by such institutions as the Modern Olympic Games, the Rolling Stones, Sony or the United States Constitution).⁹¹ Interesting and insightful is the Booz Allen Hamilton explanation of GE's secrets behind company's endurance. The report points out to the innovativeness and focus on research, GE from its very beginning being ahead of its time and competitors, owning more patents than any other American company. Furthermore, Six Sigma as a tool for improving quality and approaching perfection has become a part of the GE culture. Although many other company use Six Sigma as well, GE standards for allowed defects are very much different and amount to 3,4 defects/million in comparison with 35 000 – 50 000 defects elsewhere.

Referring to the GE's corporate social responsibility standpoint, the most insightful piece of information provided by the Booz Allen Hamilton report is the one that says 'GE is an enduring company for many reasons, but one trait that it shares with other longstanding businesses is an ability to think in demographic terms. That is, GE managers and employees use trends and population information to determine the diversification of product line. ***Enduring companies do not react to customers and their needs; they anticipate products and consumer needs.***⁹² It is not therefore a mere coincidence or a risky business experiment that last year GE launched a massive initiative called ***ecomagination***, aiming at expanding GE offerings with innovative, cleaner and energy-saving solutions that will allow customers to improve their operational as well as environmental performance.

GE speaks openly of environmental challenges threatening growth and development, including high demand for oil and natural gas (forecasted to be exhausted in 2045), climate change or the lack of access to clean water. GE as a company operating and specialized in a number of businesses, already leading in environment-friendly technologies does have the needed expertise and resources to accept the challenge. What is more, as a company anticipating and not only reacting, it has the willingness to do so since it realizes sustainable development solutions appear to be the only way to make the company survive and be successful for centuries to come.

⁹¹ The full report available at: <http://www.boozallen.com/media/file/143411.pdf> [Accessed on 30.06.2006]

⁹² Booz Allen Hamilton (2004) *The World's Most Enduring Institutions* p.7

1) Environmental dimension



Ecomagination initiative is a major GE commitment to environment protection. It will require \$1,5 billion annually of investments in cleaner technologies, the sum more than double the number from 2004. Introduction of numerous ecomagination products sets the target for revenues from products improving environmental performance on the level of minimum \$20 billion in 2010, in comparison with \$10 billion two years ago. Furthermore, the company is determined to reduce GHG emissions, both its own and that of its customers. It established itself a goal to reduce its GHG emissions by 30-40% by 2008, which will result in absolute emissions reduction by 1% by 2012. Energy efficiency of operations is planned to be improved by 4% annually. Finally, the company promises to report the public about the progress and results of the undertaken ecomagination activities at the same time aiding awareness.⁹³

Products currently offered within ecomagination portfolio and meeting the standards of “greenness” can be divided into several groups:⁹⁴

- **Transportation:** locomotive, aircraft engine, marine gas turbine and reusable wire coating,
- **Energy:** residential solar electric power systems, cleaner coal technologies and other,
- **Water:** filtration and separation solutions, desalination technology,
- **Consumer Products:** energy efficient household appliances and lighting solutions.

Year 2005 of the ecomagination has been analyzed in the first report of the initiative entitled ‘Taking on Big Challenges’. It can be read that ‘ecomagination puts into practice GE’s belief that financial and environmental performance can be integrated to accelerate profitable growth for the Company, while taking on some of the world’s biggest challenges.’⁹⁵

⁹³ GE (2005) *Ecomagination – Background Information* [Online] Available at: http://ge.ecomagination.com/@v=06192006_1804@/assets/groups/pressroom/press/2005-05-05_ecomagination-background.pdf [Accessed on 30.06.2006]

⁹⁴ Ibidem

⁹⁵ GE 2005 *Ecomagination Report: Taking on Big Challenges* [Online] Available at: http://www.ge.com/ecoreport/files/ge_2005_ecomagination_report.pdf [Accessed on 30.06.2006]

Apart from the ecomagination initiative, GE runs numerous programs of Environment, Health and Safety management. These range from waste management standards to funding research projects such as Stanford's University's Global Climate and Energy Project (GCEP).

2) Social dimension

GE's proactive approach and attentive trend observing can be found across different companies activities, including the social dimension. GE 2005 Citizenship Report "Our Actions"⁹⁶ at the very beginning gives a simple and illustrative example: life expectancy nowadays gets higher but more and more people suffer from such diseases as Alzheimer, heart disease or cancer. GE therefore acts on investments in medical research with the objective of developing early diagnosis solutions and more effective therapies. Quick answering to the upcoming changes is only possible when the current needs are well known and the future ones can be anticipated accurately. This in turn requires good knowledge of different groups of stakeholders and their expectations.

That is why GE is committed to an open dialogue with 7 different stakeholder clusters and established principles that would facilitate and guide the process. These rules form a framework for company's culture, based on high standard performance, integrity, openness and transparency. They also make compliance the core operating principle at the same time emphasizing the need for ethical actions that will go beyond what is normally required but which will act in the long-term best interest of stakeholders. Furthermore, the principles point to the importance of leadership and incentives, exceptional governance and the strength of the Board. Finally, GE again reminds about company's commitment to solving most difficult global problems while still making money. The corporation though will not keep it all for itself, giving back to communities, engaging in philanthropy and volunteerism. Below the 7 groups of stakeholders are presented as well as the highlights of GE's actions aiming at meeting their needs and expectations.⁹⁷

- **Investors** – the company wants to guarantee its shareholders profitable growth and returns supported by good governance and fiscal responsibility; to ensure all that numerous internal and external audits are conducted every year as well as analyst and investor meetings, reviews with regulators and rating agencies,

⁹⁶ Available at: http://gemoneybank.de/pdf/GE_2005_citizenship.pdf [Accessed on 30.06.2006]

⁹⁷ GE 2005 Citizenship Report: *Our Actions* p.14-15

- **Employees** – GE is determined to offer its employees fair compensation and treatment, good working conditions and opportunities for development; to reach these goals the company trains and educates its staff in Environmental, Health and Safety issues, offers numerous training possibilities and monitors employee satisfaction through annual global employee opinion surveys,
- **Governments** – in countries where GE operates it strives to cooperate with government officials to contribute to job creation, research, training and the spread of best practices as well as provide help in case of a national crisis or disasters,
- **Business Partners** – GE aims at creating positive and long-lasting relationships with its business partners, offering mutual benefits; this is possible thanks to proactive communication, training and best practice sharing,
- **Customers** – relationships with customers are based on products and services differentiated by high quality and good value proposition; apart from that, ethical dealing and seeking customer feedback is what GE thinks is crucial in customer relationships,
- **Communities** – GE’s objective is to be perceived as a socially and environmentally responsible citizen and a good neighbour; GE Foundation manages company’s actions related to philanthropy and engages in scholarships providing, cooperation with educational institutions and others; GE global volunteer network is also what makes the company closer to people,
- **NGOs and advocacy groups** – cooperation and support not only in cases of citizenship or relief efforts but also relating to the development of more environment- or people-friendly solutions like those from the ecomagination initiative.

It is worth noticing that the GE 2005 Citizenship Report was prepared using the Global Reporting Initiative 2002 Sustainability Reporting Guidelines and is the first report of this type. Surely however, it is not the last one given GE’s belief in the value of citizenship performance.

3) Marketing summary

Using a hardly sophisticated metaphor it can be stated that GE is yet another company that recognized being green can be even greener in terms of money this approach can bring. Company's forward thinking that is said to have kept GE strong and developing for over a century has now resulted in the huge ecomagination initiative. This project involves setting high environmental standards for products and further development of cleaner and more efficient technologies that will help clients improve not only their operational but also environmental performance. Thanks to solutions that clean pollution from burning coal or light bulbs that save energy at prices that does not make them hardly affordable luxury, GE appears to proactively transform to meet the requirements of the Sustainability Era. Obviously, this transformation would not be possible if the company had not recognized business opportunities in producing e.g. wind turbines or making coal more environment-friendly.

Company's ambitious targets in terms of emissions reduction or strict policies under Environment, Health and Safety management proves that apart from greening its products GE also aims at making its 'place' element of the marketing mix more sustainable. What is more, the company's promotional activities and especially the campaign endorsing the ecomagination initiative constitute a world-scale operation and a mix of education, greenness, economic advantage and 'imagination at work' – the GE's specialty.⁹⁸

The organizational culture characterized by developing people, evaluating them and acting on results makes the company high performing and constantly improving. It enables the light bulb first marketed by Thomas Edison at the very beginning of the company's existence now to become a compact fluorescent light bulb that cut energy consumption by 70-80%. And perhaps this is the best marketing a corporation can get, making it America's most admired company for the 6th time in a past decade.⁹⁹

⁹⁸ For more about GE's promotional activities see Appendix 2

⁹⁹ See Fortune's ranking of the most admired companies in the USA, available at: <http://www.ge.com/files/usa/stories/en/fortunesMostAdmired.pdf> [Accessed on 15.07.2006]

3.1.3 Nestlé



Nestlé – the world’s largest food company in terms of sales, the leader in the coffee segment (thanks to its Nescafé brand), one of the strongest players in bottled water, baby-food and pet-food businesses – is a corporation whose beginnings date back to 1866. The company claims that since the very inception Nestlé followed the principle saying that creating long-term shareholder value is dependent on creating long-term value for the societies where the company operates.¹⁰⁰ The story began when Henri Nestlé who was a trained pharmacist started working and experimenting with the aim of finding an alternative source of infant nutrition for those mothers who were not able to breast feed. The major objective was to fight infant mortality resulting from malnutrition. In the end, the product Henri Nestlé developed was called Farine Lactée and soon proved effective enough to save children’s lives. In a couple of years, the formula was marketed in many European countries and gave birth to the fame of the Nestlé brand for centuries to come.¹⁰¹

Almost 150 years after Henri Nestlé revolutionary discovery that significantly changed the status quo and gave hope to many children and their mothers, the company and baby milk formula as its historically core product became a subject of heated debate about the ethics of business and marketing. The company was accused of taking advantage of the lack of education about breastfeeding in developing countries and aggressive promotion of infant formula. Although the marketing code developed by the World Health Organization and supported also by UNICEF have banned any promotion of baby-milk, the company is said to have sent representatives giving free product samples and offering incentives to health officials promoting the formula. Apart from that, mothers in developing countries have not been trained in proper sterilization of the feeding bottles, this resulting in babies’ diseases or even deaths. No information in local languages was provided on the packaging and often illiteracy of mothers have made them dependent on the health worker’s advice.¹⁰² Accusations of making profit on the poorest, acting against people and the nature is not what can make a company deserve a title of social responsibility.

¹⁰⁰ Nestlé *Our principles of doing business* [Online] Available at: <http://www.ir.nestle.com/NR/rdonlyres/A5839862-0FEA-4E13-A118-0ED8A41E9069/0/CorporateSocialResponsibility.pdf> [Accessed on 29.06.2006]

¹⁰¹ *Nestlé’s History* [Online] Available at: http://www.nestle.com/NR/rdonlyres/FD3BBD20-A19D-40C2-A1F1-E8C7D25A8A8C/0/Nestle_History.pdf [Accessed on 29.06.2006]

¹⁰² Fisher M. (2001) *The ethics of marketing baby milk formula in developing nations* [Online] Available at: <http://www.ethics.emory.edu/news/archives/000152.html> [Accessed on 28.06.2006]

Further analysis shows that Nestlé strives for the image of a responsible citizen that tries to act upon the adopted principles. This however brings the question of the need for moral uniformity on all fronts, only this determining the positive image of a company.

1) Environmental dimension

It was first in 1991 that the ‘Nestlé Policy on the Environment’ was published and then 8 years later updated. This policy is implemented through the Nestlé Environmental Management System, based on the International Standard ISO 14001.¹⁰³ It can be read in the Nestlé’s business principles that the company ‘supports a precautionary approach to environmental challenges and undertakes initiatives to promote greater environmental responsibility, whilst encouraging the development and diffusion of environmentally friendly technologies.’¹⁰⁴

Striving to walk the talk, Nestlé set itself the goal of ‘decoupling between the growth of production volume and consumption of natural resources’. The company claims dedication to ‘improving the environmental performance of Nestlé products along the entire life cycle’. As it comes to sourcing agricultural raw materials, the company is a founding member of the Sustainable Agriculture Initiative of the Food Industry, it encourages sustainable farming methods and gives preference to those farmers who use them. Packaging source reduction program resulted in huge material and money savings and new biodegradable packaging as an alternative to plastic marks a trend towards a new standard. These improvements are also accompanied by reduced air emissions (thanks to the use of cleaner fuel, moving to gas and optimisation), minimising the impact of transport on the environment (cooperation with Schenker logistics company; analyzing the vehicles, distances, load and fuel issues), reduced disposed waste (through new ways of recycling by-products) and finally sustainable water management.

2) Social dimension

Peter Brabeck-Letmathe, Nestlé’s chairman and CEO states that ‘we [Nestlé] believe that the true test if a business is whether it creates value for society over the long term.’ In this belief the company established its own approach towards corporate social responsibility

¹⁰³ Nestlé *The Nestlé concept of corporate social responsibility as implemented in Latin America* p.40

¹⁰⁴ Nestlé *Our principles of doing business*. Op. cit. p.57

named ‘Creating Shared Value’. It is not based on external criteria and standards or focused on philanthropy only – rather it is very much connected to the everyday business through creation of social and environmental benefits being part of the strategy aiming at long-term competitiveness of the company.¹⁰⁵ Guidelines for Nestlé’s business actions are included in Nestlé Corporate Business Principles, at the same time incorporating the UN Global Compact 10 commandments. The report ‘The Nestlé concept of corporate social responsibility as implemented in Latin America’ includes examples of progress relevant to each of the areas covered by Global Compact (human rights, labour, environment and corruption).

Speaking of Nestlé’s attitude towards people, corporate principles state that they ‘form the backbone of the Company, and our success is a reflection of the professionalism, conduct and attitudes of our management and employees. The Nestlé culture is founded on a strong work ethic, combining integrity and trust, dignity and mutual respect – and a pragmatic rather than dogmatic approach.’¹⁰⁶ As the Latin American example illustrates, the hallmarks of the human resource policy are: fair and competitive remuneration (factory pay usually above the national average), health and safety (high standards of hygiene and security), continuous education (trainings in technical issues but also leadership: Develop People Initiative, communication and business economics) as well as empowerment (reduction of hierarchical structures, teamwork).

Referring to Nestlé’s community involvement, the company reports engagement in more than 150 projects around the world aimed at reducing poverty such as the Zakoura Foundation, funding schools in rural areas of Morocco or the Good Nutrition Programme conducted in more than 1000 Russian schools. The company also cooperates with the Red Cross in Africa, where materials about nutrition as well as HIV/AIDS are prepared and distributed. What is more, Nestlé supports emergency relief after various natural disasters like December 2004 tsunami, Hurricane Katrina or the earthquake in Pakistan. Finally, Nestlé is a member of Global Alliance on Improved Nutrition (GAIN) whose major objective is to improve micronutrient deficiencies around the world.

Going back to Nestlé’s marketing, the company developed a separate set of principles entitled ‘Nestlé Consumer Communication Principles’ emphasizing good taste, truth and accuracy, food advertising depicting moderation in consumption, encouragement for active lifestyle and fairness towards competitors. There is also a special section dedicated to ‘Children as Consumers’ requiring advertisements directed to children not to undermine the

¹⁰⁵ *The Nestlé concept of corporate social responsibility as implemented in Latin America* p.2

¹⁰⁶ Nestlé *Our principles of doing business*. Op. cit. p.57

authority of parents, not to create a sense of urgency, not to show or encourage violent or shocking behaviours as well as creating rules for promotional activities in schools.¹⁰⁷

Once again commenting on the issue of hard pressure selling of infant formula in the Third World countries, it is worth mentioning that the scandal and the boycotts had their effect. Nestlé Corporate Business Principles now include the summary of ‘Nestlé Infant Formula Marketing Policy’ stating dedication to the compliance with WHO’s International Code of Marketing Breast-milk Substitutes and forbidding promotional activities in developing countries. Those violating the rules risk disciplinary measures. It is hardly possible however that Nestlé will allow one more scandal undermining its image and position.

3) Marketing summary

Being one of the largest food producers in the world makes Nestlé one of the most important corporations that provides for people’s most basic needs – one can leave perhaps without a car or banking services but will not survive without food. Nevertheless, even for a food producer there are a lot of sustainability issues to be considered, ranging from sourcing raw materials to responsible communication about the offer.

Speaking of the Nestlé ‘product’ element of the marketing mix, the company strives for its products to contribute to consumers’ health and wellbeing (‘Good Food, Good Life’ Nestlé slogan). That is why, apart from merely supplying high-quality products, the company also engages in nutrition research and education about how to stay healthy and fit. Additionally, involvement in ethical branding through one of the Nestlé brands: Nescafé is a sign of recognizing the growing importance of the CSR trend.¹⁰⁸

Referring to the “product” element of the marketing mix but commenting on its other aspects as well, the food industry obviously requires more multi-local rather than global marketing approach. Striving for the image of a responsible company, Nestlé pays great attention to local characteristics of its consumers, offering wide range of products (often taking into account various nutritional deficiencies prevailing in a certain region) and at different prices adjusted to the market.

¹⁰⁷ For more on Nestlé Consumer Communication Principles go to:
<http://www.nestle.com/NR/rdonlyres/A6DEF715-7F0E-4DA6-9C72-A6F7C25B9ED1/0/Nestl%C3%A9CommunicationPrinciplespdf.pdf> [Accessed on 28.06.2006]

¹⁰⁸ For more about Nestlé’s ethical branding see Appendix 3

Furthermore, in its distribution management the company not only makes efforts to achieve the greatest possible efficiencies and high environment-protection standards but also aims at building long-lasting and mutually beneficial relationships with its partners and hence contributing to the development of communities where the company operates.

Lastly, the company's accepted commitments include responsible promotion encapsulated in already mentioned 'Nestlé Consumer Communication Principles' with a special section dedicated to children consumers. Increased attention paid to sustainability of 'promotion' element indirectly resulted from the scandal around the marketing of the Nestlé infant formula in Africa. Still, we should remember that companies are hardly ever flawless but responsible companies can learn their lessons and never make the same mistake twice.

3.1.4 Pfizer



The world's largest research-based pharmaceuticals firm¹⁰⁹ operating and having a firm position in three business lines: pharmaceutical human health, consumer health and animal health is yet another corporation with long tradition, worldwide presence and apparent dedication to making the world a better place to live. In case of Pfizer it all began in 1849 when Charles Pfizer & Company launched their first product – santonin – a palatable anti-parasitic which immediately achieved success as it was very effective in fighting intestinal ailment common at that time in America. Further on, the company turned on to be a good doctor and a valuable citizen, treating soldiers during the American Civil War, being the largest producer of the 'miracle drug': the penicillin and constantly introducing new medicines fighting different diseases.

The company apart from enjoying a long history of operations and product development also boasts about its long recognition and participation in different sustainability and citizenship initiatives. In 1991 Pfizer was one of the first to sign the International Chamber of Commerce Charter on Sustainable Development. Two years later the company launched its 'Sharing the Care' drug-donation program aiming at low-income and uninsured American patients. Year 1999 was when all Pfizer employees were granted a global stock option. Three years later the company's Foundation started a three-year program supporting training and capacity building for HIV/AIDS in developing countries. At the same time the

¹⁰⁹ According to Hoovers (2006) *Overview of Pfizer Inc* [Online] Available at: http://www.hoovers.com/pfizer/--ID__11175--/free-co-factsheet.xhtml [Accessed on 30.06.2006]

company's CEO encouraged volunteers to participate in the projects and in 2003 the first 18 Global Health Fellows were sent to the field. Significantly, in 2002 Pfizer joined the UN Global Compact and two years later, pursuing the goal of increasing accessibility to medicines, the company launched its 'Pfizer Helpful Answers' initiative helping 45 million of uninsured Americans. Pfizer's mobilization as a response to tsunami and hurricanes Rita and Katrina disaster proves companies willingness to become part of different relief efforts.¹¹⁰

All these years of cured patients, citizenship initiatives and breakthrough discoveries have not however resulted in completely flawless picture of Pfizer. The company have not been able to avoid scandals involving unethical practices of different kind, internet browser showing more than 300 000 results for 'Pfizer scandal' enquiry. One of the most famous is the one in Nigeria, started in December 2000 when 'The Washington Post' published an article about Pfizer's experimental drug trovafloxacin (popular name: Trovan) tested on Nigerian children suffering from cerebrospinal meningitis (CSM). Facing very rare occurrence of the disease in the US, the company unethically took the opportunity for a trial presented by the 1996 Nigerian epidemic. Parents of the children claimed they were unaware of the true, experimental nature of treatments and the situation was worsened by several deaths or consequent disabilities among participating children.¹¹¹

Illustration 3.1 Celebrex drug



Another, even more recent example of accusations made towards Pfizer involve one of its most popular drugs called Celebrex. It is used to relieve pain associated with stiffness of osteoarthritis and adult rheumatoid arthritis as well as menstrual cramps, strains, or after-surgery- pains.

Sourced from:

<http://www.ennislaw.com/celebrex.html>

The drug is classified as Cox-2 inhibitor and the scandal began when 2 other drugs of the same kind: Vioxx and Bextra were reported to seriously increase the risk of a heart attack or stroke. Although the drug's side effects were never officially declared to be directly responsible for some deaths, the studies showed that 'people taking the pain reliever Celebrex

¹¹⁰ Pfizer. *2005 Corporate Citizenship Report* [Online] Available at: http://www.pfizer.com/pfizer/subsites/corporate_citizenship/report/cc_report_2005.pdf [Accessed on 1.07.2006]

¹¹¹ Coleman S. (2001) Pfizer Scandal. *World Press Review*. Vol. 48, No. 4

were at nearly twice the risk for heart attacks as those using rival treatments.’¹¹² Two other drugs mentioned before: Pfizer’s Bextra and Merck & Co.’s Vioxx were removed from the market. Still, Pfizer does not plan to withdraw Celebrex. The information on the official website of the drug warns: ‘CELEBREX may increase the chance of serious heart problems, such as heart attacks or strokes, which can lead to death. Serious skin reactions or stomach and intestine problems, such as bleeding and ulcers, can occur without warning and may cause death. As always, patients should discuss their individual health history with their doctors to understand these risks.’¹¹³

Despite occurring accusations and scandals, the company does a lot to keep the image of a good citizen.

1) Environmental dimension

Guided by the UN Global Compact principles, Pfizer adopts systematic approach to environment commitments. This fact is proved by the existence of ‘Environment, Health and Safety (EHS) Policy’ as well as ‘Green Chemistry Program’. The EHS standards are the guidelines for conduct in different spheres of company’s operations, including administrative offices, R&D, manufacturing or logistics. Environment protecting activities involve reducing carbon dioxide emissions (the goal for year 2007 is to cut them by 35% per million dollars of sales – using a 2000 baseline) as well as supply 35% of the company’s global energy needs through cleaner sources (also in 2007).¹¹⁴ Green Chemistry Program is defined as ‘the design, manufacture and use of efficient, effective, safe and environment friendly chemical products and processes and is integral to the way we [Pfizer] do business. The principles of Green Chemistry enable Pfizer to create the best products and processes to develop medicines, while protecting the environment and the health and safety of colleagues, customers and the communities where the Pfizer colleagues live and work.’¹¹⁵ This program contributed to the reduction of harmful releases to the environment despite the significant growth of the company, solvents and wastewater among them. Green Chemistry also embraces educational

¹¹² Associated Press. *Study Examines Celebrex and Heart Attacks*. [Online] Available at: http://www.celebrexside-effects.com/celebrex_news_03012006-02.html [Accessed on 1.07.2006]

¹¹³ Sourced from: <http://www.celebrex.com/information/faqs.asp> [Accessed on 1.07.2006]

¹¹⁴ Pfizer *Protecting Environment and Workplace* [Online] Available at: http://www.pfizer.com/pfizer/subsites/corporate_citizenship/protecting_environment.jsp [Accessed on 1.07.2006]

¹¹⁵ Pfizer *The United Nations Global Compact Communications on Progress thru April 2005* [Online] Available at: http://www.pfizer.com/pfizer/subsites/corporate_citizenship/UNGCCOP.pdf [Accessed on 15.07.2006]

programs such as ‘Pfizer Education Initiative’ targeting middle-school aged pupils and encouraging them to learn about green chemistry and participate in a product development process using environment friendly means. These educational programs are also aimed at college students – future scientists and are conducted through partnership like the one with the University of California in San Diego.¹¹⁶

2) Social dimension

As a global pharmaceutical company, Pfizer defines its major challenge in an indeed sustainability driven way, saying that ‘our challenge is how best to work with the global community to meet the health needs of patients today without compromising our ability to meet the health needs of patients tomorrow.’¹¹⁷ The company builds its corporate citizenship strategy around 3 priorities, all in line with Pfizer purpose of doing business: ‘helping people live longer, healthier, happier lives’:

- Discovering and developing new medicines,
- Improving access to medicines,
- Partnering on health system solutions.

The Pfizer understanding of how business should be run can be found in ‘Summary of Pfizer Policies on Business Conduct’ – the so called ‘Blue Book’ every Pfizer employee needs to be familiar with and abide by. It covers such issues as:

- **Compliance** – making sure the company acts legally and ethically; compliance system comprises Corporate Compliance Officer, Corporate Compliance Committee, Corporate Compliance Group, and local Compliance Liaisons,
- **Marketplace** – regulating behaviour in accordance with antitrust and competition laws, healthcare laws; speaking of respect for patient privacy, the need for marketing integrity, fight with bribery, corruption and others,
- **Our Company and Shareholders** – controlling books and records keeping, documents retention, computer system, confidentiality and proprietary information issues or conflicts of interest,
- **Our Employees** – assurance of equal opportunities, fight with discrimination, harassment and the goal of achieving substance-abuse-free working environment,

¹¹⁶ Ibidem

¹¹⁷ Pfizer 2005 Corporate Citizenship Report. p.32. Op. cit. p.61

- **Our Community and the Public** – supporting communities, protecting people’s and environment’s safety, honesty in dealing with media etc.

As a pharmaceutical company Pfizer faces numerous challenges specifically in terms of sales & marketing activities and the need for fairness and responsible promotional communication is exceptionally noticeable. Ethical risks involved in communication about drugs involve potential encouragement for overuse or misuse, creating conflicts of interest in relationships between the company, practitioners and patients or appropriateness of labelling and information about side effects.

In 2005 Pfizer announced changes in company’s advertising policy, which is now tuned in with guiding principles promoted by Pharmaceutical Research and Manufacturer of America (PhRMA). And so the company declares commitment to better communicate benefit and risk information, reinforce the patient-doctor relationship, encourage closer cooperation with Food and Drug Administration in preparing ‘brief summary’ sheets of new medicines and increase investments in advertising that aims at educating the public about health.¹¹⁸ Undoubtedly, communication is a great responsibility of every pharmaceutical company as it creates huge opportunities for education and prevention. Still, if a company fails to assure safety of its drugs and continues to market a product with high probability of endangering patients’ health, it needs to ask itself whether people will be ready to believe in corporate efforts of as much as disease prevention.

3) Marketing summary

Although it seems that a pharmaceutical company’s products are by definition sustainable and good as they help people live healthy and longer, fight diseases and save their lives, it does not become so obvious when we look at the scandal around the Pfizer’s Celebrex drug. There is no reason to doubt company’s true commitment to research and development aimed at discovering most effective and safe solutions for drugs as this is pharmaceutical’s company core competence and prerequisite for successful and long existence. Still, the rejection to withdraw Celebrex from the market and denial of the validity of the research showing the drug could be lethal is striking enough.

¹¹⁸ Pfizer 2005 Corporate Citizenship Report. p.11. Op. cit. p.61

There are also substantial controversies behind the pricing and promotion of drugs, especially in terms of company's cooperation and incentives provided for doctors to prescribe corporation's products to patients. Given extensive, costly and sometimes very long-lasting research before a drug can be marketed, the estimation of the price for it can be complicated. Even more difficult and morally troublesome is the decision concerning the fairness of the price for drugs, especially those against fatal diseases. Pfizer strives to find answers to these challenges by programs aiming at increasing access to medicines for people without health insurance or prescription drug coverage or improving its advertising policy as described above.

Taking into account pharmaceutical company's vast potential of helping people, Pfizer takes these opportunities in order to build an image of a responsible and valuable citizen of the world. Engagement in different programs around the world aimed at strengthening local health care systems or fighting diseases e.g. HIV/AIDS, all this with active involvement of Pfizer employees is surely a proof of company's belief in the importance of CSR initiatives in achieving a status of a responsible company. Probably these initiatives are to smooth out the damages done to the corporate image by scandals like the one concerning drug testing in Africa but they are surely also a necessity if the company wants both to make money and be respected.¹¹⁹

3.1.5 Citigroup



On the 8th of October 2005 South East Asia experienced a major earthquake with the epicenter in Kashmir. The earthquake was reported to have directly affected 4 million people with the death toll estimated to have reached 100 000. The whole world observed the tragedy and mobilized to provide help to the most affected Pakistan and India. On this extremely sad occasion the Chairman of the Citigroup (as well as 4 other private sector leaders) was contacted by the US president George W. Bush with the request to raise resources and lead the relief efforts, helping people that suffered from the earthquake. One may say, this should not surprise anyone – who else to ask for support if not one of the world's largest financial services firms that made \$67 million in profits every day in 2005?¹²⁰ Nevertheless, it would also be wrong to think that financial services provider can be only as good as a generous

¹¹⁹ For more about how Pfizer incorporates citizenship into its business see Appendix 4

¹²⁰ According to Hoovers (2006) *Overview of Citigroup Inc.* [Online] Available at: http://www.hoovers.com/citigroup/--ID__58365--/free-co-factsheet.xhtml [Accessed on 30.06.2006]

money donator. Although it is not a direct association but still, a corporation such as Citigroup may indeed greatly influence the environment and the society, the triple bottom line being equally applicable to the financial sector.

It is true though that ‘until the early 1990s, most banks still felt their business was as green as the greenbacks they shelled out from ATMs.’¹²¹ This was precisely because they felt they are not responsible for degradation of the environment and can do little to act against it. Given these arrangements it is obvious that environment did not have a place in the corporate strategy. Still, some environmentalists opposed the hands-off approach of financial services providers. In 2000 the Rainforest Action Network (RAN) launched a wide-scale campaign against Citigroup, criticizing its environmental record. Three years later, Citigroup officials decided to start a cooperation with RAN and in less than a year a new environmental strategy including number of commitments was ready.¹²²

Today Citigroup speaks openly of the benefits of the cooperation with NGOs and socially responsible investors, emphasizing mutual education. The change in financial services firms’ attitude towards societal but especially environmental responsibilities is certainly remarkable. It was not fully voluntary since induced by social pressures – yet, it helped companies realize that additional CSR commitments not only enable to avoid ‘reputational risks’ but also add value to the business offer. Perhaps not unexpectedly, environmentalists are still not completely satisfied with the improvements as they believe more is needed to tackle the existing problems. All the same, the transformation has been initiated, new approach and programs developed and financial services firms, Citigroup among them, are a bit greener than just the dollars from their ATMs. This seems necessary if Citigroup wants to reach its goal ‘to be the most respected financial services company in the world.’¹²³

¹²¹ Wright Ch. (2006) *For Citigroup, Greening Starts with Listening* [Online] Available at: <http://www.equator-principles.com/City.shtml> [Accessed on 1.07.2006]

¹²² Ibidem

¹²³ Citigroup *Citizenship Report 2005* p.1 [Online] Available at: http://www.citigroup.com/citigroup/citizen/community/data/citizen05_en.pdf [Accessed on 2.07.2006]

1) Environmental dimension

Citigroup's attitude and actions towards environment are all guided and structured by company's 'Environmental Management System' (EMS) which was developed in 2002. Last year it was updated and consolidated, distinguishing 6 focus areas that form a framework for sustainable development:¹²⁴

- **Stakeholder Engagement and Partnerships** – involving active cooperation and partnerships with different groups of stakeholders, mainly NGOs (including the Rainforest Action Network),
- **Our Policies and Process** – a few years ago Citigroup adopted the 'Equator Principles' which are 'a benchmark for the financial industry to manage social and environmental issues in project financing'¹²⁵. This was followed by the establishment of Citigroup's 'Environmental and Social Risk Management Policy', creating rules for reviewing projects according to their social and environmental impacts,
- **Organization and People** – pointing to those responsible for all undertaken environmental initiatives, their running, progress and results,
- **Our Environmental Footprint** – one may think a company such as Citigroup has hardly any negative impact on the environment as it does not manufacture anything, run factories or explore natural resources. When we however acknowledge the fact that Citigroup possesses 90 million square feet of real estate, it becomes obvious that the company has some potential for becoming more environment-friendly. First of all, the company plans to reduce its GHG emissions by 10% from 2005 by 2011 and joined US Environmental Protection Agency Climate Leaders program. Citigroup also aims at reducing its energy consumption and to increase the share of renewable energy sources in its overall power structure. Given company's extensive computer and network system, Citigroup works with IT manufacturers to achieve greater efficiencies. Finally, Citigroup adopts green building practices again with the objective of greater efficiency in energy use,
- **Sustainable Enterprise** – Citigroup's 'Sustainable Development Investment Program' is a program aiming at making private equity investments in renewable energy, sustainable forestry, waste management, water management or clean technologies. Other initiatives within this area include energy-efficient mortgages or

¹²⁴ Ibidem, p.29

¹²⁵ For more on Equator Principles go to: <http://www.equator-principles.com/>

integrating socially responsible investment into mainstream analyst research and investor decision-making,

- **Evaluation/Future Planning** – measuring performance against the plans; setting goals for the upcoming year.

2) Social dimension

Citigroup believes that its positive impact on societies is 4-dimensional. First of all, the company operates profitably in more than 100 countries and so it contributes to the development of national economies around the world. This in turn results in creating and sustaining employment opportunities for more than 300 000 people. Profitability on one hand and CSR focus on the other make Citigroup engage in philanthropy and volunteerism. Finally, the company expands reach and facilitates access to financial services as well as helps finance sustainable development.¹²⁶

All this is achieved also thanks to company's organizational culture based on inclusiveness, open communication, diversity and compliance with the corporate Code of Conduct. Educating people in a spirit of responsibility and pro-activeness results in company's long tradition of volunteerism. Work/life programs within the company enable its employees to achieve balance in their lives, at the same time making them more productive and focused.

Citigroup with the aim of gaining respect works extensively with communities. These actions are mainly focused on education, the company financing multiple initiatives under its 'Citigroup Financial Education Program'. Education in finance supported by Citigroup is directed to three different groups: individuals, small businesses and institutions. The first category involves educating people (mainly pupils and students) in personal financial management, i.e. how to save, invest, spend or borrow money in a most wise and profitable way. Projects within this segment include developing a financial education game for Japanese pupils or 'Banks in Action' competitions in the Latin America and the Caribbean.

Given that 40% of the global population do not have an access to basic financial services, Citigroup believes it has a great responsibility to expand financial inclusion. That is

¹²⁶ Citigroup *Citizenship Report 2005* p.4. Op. cit. p.67

why the Citigroup Microfinance Group was established in 2004 and cooperates with microfinance institutions (MFIs), networks and investors to help improve the situation.¹²⁷

The complete information about Citigroup's citizenship activity and company's 'Shared Responsibilities' to clients, Citigroup members and franchises can be found in the 'Citizenship Report 2005' which was prepared in accordance with the guidelines developed by the Global Reporting Initiative as well as using Financial Services Sector Supplements for Social Performance and Environmental Performance.

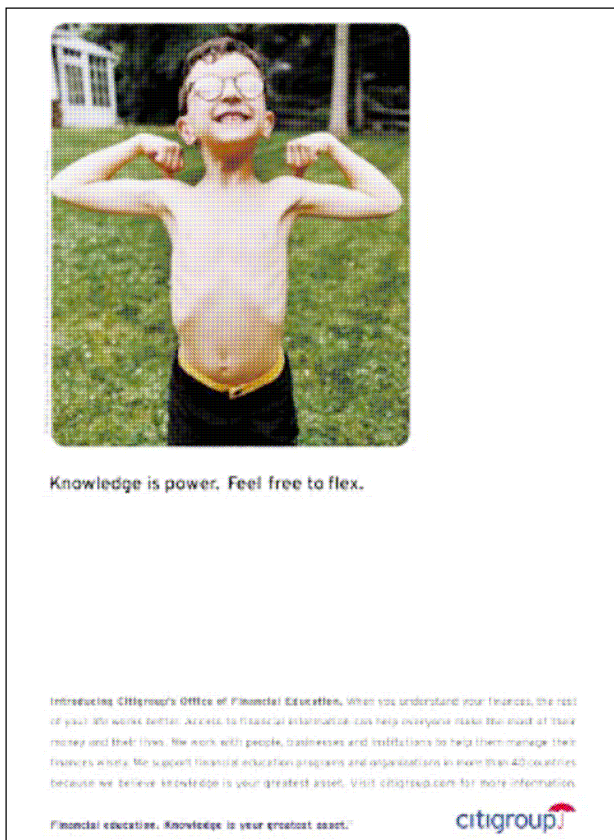
3) Marketing summary

Although at the first glance one can ask how one can measure if the product of a financial services provider is sustainable or not, the analysis showed there is a lot to be evaluated. A transformation Citigroup has been undergoing and initiated by the Rainforest Action Network's critical campaign against the group indeed has made corporation's products and operations more responsible. The Citigroup product in general is now greener in a sense that adopted 'Equator Principles' have made the company consider environmental and social aspects of the projects before it provides financing. 'Sustainable Development Investment Program' gives hope for the rise of e.g. renewable energy or waste management initiatives. Citigroup's microfinance programs make the company's 'product' element of the marketing mix assist people that were so far deprived of any financial services.

Despite intangibility of the services provided by Citigroup, vast company's tangible resources, mainly in the form of the real estate causes the 'place' element to be equally relevant to the issues of sustainability. The corporation strives for both reducing its ecological footprint and achieve greater energy consumption efficiencies by adopting green building practices as well as create safe and pleasant work environment for its employees. The latter are crucial for company's marketing and CSR focus as they are responsible for the execution of high quality services and at the same time, given company's tradition of volunteerism, spread the message of Citigroup's dedication to citizenship duties.

¹²⁷ Ibidem, p.12

Illustration 3.2 Citigroup's advertisement



Finally, referring to 'promotion' aspects, the most outstanding actions of Citigroup and going beyond money donation for various causes are the educational projects conducted around the world and aiming at institutions, small businesses and youth. The latter from an early age can learn basics of personal financial management and perhaps constitute prospective investment as those educated young people are likely to become future Citigroup's clients. In these terms knowledge is indeed powerful and displayed by the company which realizes that CSR may not only be good and charitable but skillfully handled is a long-term support for profits.¹²⁸

Sourced from: http://financialeducation.citigroup.com/citigroup/financialeducation/data/ad_flex.pdf

3.2 Research summary and conclusions

The immediate conclusion from the conducted research is that sustainable development, corporate social responsibility or the stakeholder concept are notions which big businesses today are very much familiar with and make efforts to incorporate into day-to-day operations. It appears that global corporations have recognized the social and environmental challenges and moved away from short-termism as they realized that only long-term perspective can make their businesses and profits sustainable.































All 5 companies are more than a century old and therefore their positions and brands are firmly established, traditions are long and they have been witnessing and participating in great changes and developments over the years. Relatively recent experiences of globalization

¹²⁸ For more about Citigroup's educational and other CSR activities in Poland see Appendix 5

have given them particular strength. What determines the power of these corporations? First of all, their size and the global reach which makes them world-wide known key players on multiple national or regional markets. Secondly, the profitability and capital in possession of these companies. Finally, technology and expertise they developed and acquired that often has resulted in great discoveries that have changed the world.

It indeed lifts the spirits that these corporations having so substantial influence over economies and communities have adopted triple bottom line approach towards doing business. Significantly, they forcibly underline that they do not act on this approach merely because they claim to be big-hearted. Rather they state this is also what gives added-value and what may bring you profits, just like GE is determined to make money on the ecomagination initiative.

Table 3.2 Summary of the research findings

	BP	General Electric	Nestlé	Pfizer	Citigroup
Structured environmental policy					
Code of conduct					
Membership in the UN Global Compact					
Sustainability/Citizenship reporting					
Compliance with GRI					
Philanthropy and/or volunteerism					
Responsibility in marketing communication and/or ethical branding					

Author's own analysis

Observably, all of the analyzed companies proved to possess structured environmental policies. Companies comment and deal with such issues as climate change and the need to reduce GHG emissions, water and waste management, increased efficiency and energy saving or turning to renewable and cleaner sources of energy. Similarly, all companies have and

implement corporate codes of conduct as well as provide sustainability or citizenship reports apart from usual annual reports (in case of Nestlé it was a report illustrating company's approach to CSR on the example of activities carried out in Latin America). 3 out of 5 companies prepared their reports using Global Reporting Initiative Guidelines and hence facilitated comparisons and standardization.

All 5 corporations spend part of their budget on very broad philanthropy, donations ranging from support for relief efforts after various disasters (last year's hurricanes in the US or an earthquake in Pakistan), through projects in under-developed countries, especially in Africa to educational programs in schools or more advanced research projects with universities. Furthermore, all companies emphasize the needs of employees and strive to create a workplace valuing inclusiveness, diversity and merit. They want their staff to share and spread CSR ideals and so in some companies employees engage in volunteerism. Lastly, 60% of the companies joined the UN Global Compact and structure their sustainability activities in accordance with the 10 principles.

Speaking of communication and marketing, all companies claim dedication to fairness, openness and accuracy in dealing with their partners and customers. They also use their marketing messages as a means of educating the wider public about environmental or social challenges and companies willingness to tackle them (BP, GE and also Citigroup, Nestlé's ethical branding). The area of marketing and promotion is however also the point where the risk of unethical dealing is high, just to mention Nestlé's affair with promoting infant formula in Africa or Pfizer's Celebrex side effects and substantial misinformation around them.

It needs to be recognized that none of the analyzed companies have been free from scandals although just several of them were described. Be that accounting, price gauging or unethical product testing, every company at some point of time made mistakes and had to defend its reputation. Every PR specialist will claim however that crisis can be successfully overcome and afterwards company may appear even stronger. It is noticeable that corporations learn, adopt new standards and monitor progress as they know everyone is watching and social pressure on improvements is high (its effectiveness proved by Rainforest Action Network inducing changes in Citigroup's environmental policy).

Briefly commenting on marketing mixes of the 5 corporations in general, they all have made efforts to widen their portfolios to include more advanced environment-friendly products or improved them to reflect social and environmental considerations. Nevertheless, these initiatives have not been provided finance by passing costs to consumers and significantly increasing prices (this however is not true for Nestlé's ethical brand of coffee as

here the consumer chooses to pay higher price to assure greater profit for farmers). All 5 corporations observably pay attention to their distribution, realizing the associated environmental costs of inefficiencies and mismanagement as well as benefits of closer cooperation with business partners. Finally, it can be noticed that sustainability issues start to appear as important elements of promotional activities of companies that want to both build an image of responsibility and educate people about sustainable development.

To sum up, the research proved that sustainability and corporate social responsibility have gained recognition and are widely adopted among MNCs. What is more, actions referring to their principles do not constitute merely sideline activities but become an integral part of operations with objectives set not only in terms of financial but also environmental and social performance. Observing the analyzed companies, the conclusion can be drawn that corporations successfully avoid 'marketing myopia' as Theodore Levitt would say since they define their businesses very broadly. This applies not only to strict business description, BP naming itself an 'energy company' instead of an 'oil company'. Companies go beyond that and it appears as though positive contributions to the environment and societies become one of their core competencies.

Conclusions

More than 35 years ago – when symptoms of reforming capitalism into a more humane economic system concerned not only with making money but also showing signs of some moral consideration – became visible, Milton Friedman expressed his irritation through an article published in ‘The New York Times Magazine’, entitled ‘The Social Responsibility of Business Is to Increase Its Profits’. The famous economist and the laureate of the Nobel prize claimed that every company had the one and only responsibility of profit maximization while abiding law and engaging in open and free competition.¹²⁹ Although many would surely agree with Friedman even today, this opinion of certainly an authority have not prevented the concepts of sustainable development and Corporate Social Responsibility to become business watchwards at the turn of the 20th and 21st centuries.

At the times when real threats of natural resources depletion, global warming, ecological disasters or social unrest appeared, many businesses realized that their profits in the long run could also become put at risk. They understood that although destruction of nature or labour exploitation may result in above-average profits in the short-term, in the longer perspective equal losing interest from natural and social endowments. Seeing existing policies not guaranteeing secure future, they started transforming their business models, taking into account social and environmental issues and hence adopting triple bottom line objectives.

This work reveals that indeed sustainable development, corporate social responsibility or corporate citizenship all take an important place in strategy formulation of major multinational corporations. The study of 5 MNCs included in the lists of the largest and most profitable top 100 companies of the world possessing exceptionally strong brands proves the omnipresence of the sustainability and responsibility concepts in business operations.

Today, big companies commit themselves not only to profit-creation for their shareholders but also bringing value to all of the stakeholders. Very often corporations significantly transform their business structure or adjust the major focus, just to mention BP changing the connotation of company’s initials from ‘British Petroleum’ to ‘beyond petroleum’ – indicating the shift from being an oil company to becoming an energy company.

¹²⁹ After *Rethinking the Social Responsibility of Business* [Online] Available at: <http://www.reason.com/0510/fe.mf.rethinking.shtml> [Accessed on 14.07.2006]

Furthermore, the analysis shows that social and environmental initiatives are not necessary mere reactions to pressures from general public for improved performance. Large corporations can recognize a business case in environmental challenges. The example of GE's ecomagination best illustrates the forward thinking and widening company's portfolio so that it both increases profits and includes more advanced and environment-friendly products.

Another important conclusion stemming from the conducted study is that such voluntary actions as having structured environmental policy, codes of conduct, membership in international organizations promoting sustainability, providing citizenship reports (preferably in compliance with Global Reporting Initiative standards) or responsible marketing become a widely adopted standard among the world's most well-known corporations. Still, it needs to be acknowledged that it is impossible to judge any company responsible or not-responsible according to some set of employed criteria. The only assessment that can be made is the one concerning the *direction* a corporation pursues, indicating a strive for high social and environmental performance or hidden nihilism (hidden since most probably no business today would dare to openly reject additional social or environmental responsibilities).

Significantly, the analysis indicates that corporations in general display strong commitment towards sustainability and therefore their strategic direction can be named responsible. Yet, this work is far from trying to prove that corporations today are virtuous. This is least because the empirical research was largely based on reports and materials provided by companies, these excelling in professional marketing that provides only partial picture and sometimes makes weak messages believable. Obviously, companies always try to improve their reputation, this not meaning their true image is flawless and morally impeccable. Still, realistic attitude towards balancing between financial and other considerations in business practice should be maintained. Given corporations being constrained by shareholders and market forces, achieving profitability with no (or little) compromise to environment or people requires approval. Nevertheless, this work hopefully shows that business thinking also of environmental and social constraints may sometimes lead to even greater creativity, efficiency and profitability.

The actual contrast between what Milton Friedman said about businesses' responsibilities and what companies themselves claim today, indicating vast social and environmental commitments may as well not be completely mutually exclusive. This work however does not assume that most of what is said and reported by companies constitutes greenwash and open acceptance of responsibility for sustainable development by numerous CEOs is a pure PR trick. It cannot be denied that an improvement in environmental and social

performance of companies is a fact. The true intentions behind CSR activities, be they image-creation, a necessity due to social pressures or a true need for doing something good are a different story, leaving still a lot to be investigated.

Appendix 1: Examples of BP press advertisements

When it comes to **green matters** we develop grey matter.

Our investment in environmental and science **education** has helped inspire British school children for 37 years. In the past 12 months, teachers in over 2,400 UK schools have chosen to use our resource packs, which help teach children about energy issues.



beyond petroleum®


© 2010 BP plc

It's time to **clear the air** about natural gas.

Power: Natural gas is a principal source for new power generation in North America. Cleaner burning than oil and coal, it produces 50% fewer emissions. Today, natural gas makes up more than half of BP's energy production, making us the largest producer and supplier in the U.S.

Security: About 20 million households throughout the U.S. rely on natural gas from BP to provide much needed heat and power. And now, by relying on sources closer to home such as our natural gas supply in nearby Trinidad, we'll be able to deliver that energy even faster.

The Future: While renewable energy technologies continue to be developed, we feel natural gas can be the clean bridge to an alternative energy future. By shifting the fuel mix to cleaner burning natural gas, the U.S. could reduce emissions of CO₂ by up to 53%.



beyond petroleum®

© 2010 BP plc

It's time to **think outside the barrel.**

By shifting the balance of the fuel mix from oil and coal to natural gas, carbon dioxide emissions in new power generation can be reduced by up to 50%.



beyond petroleum®

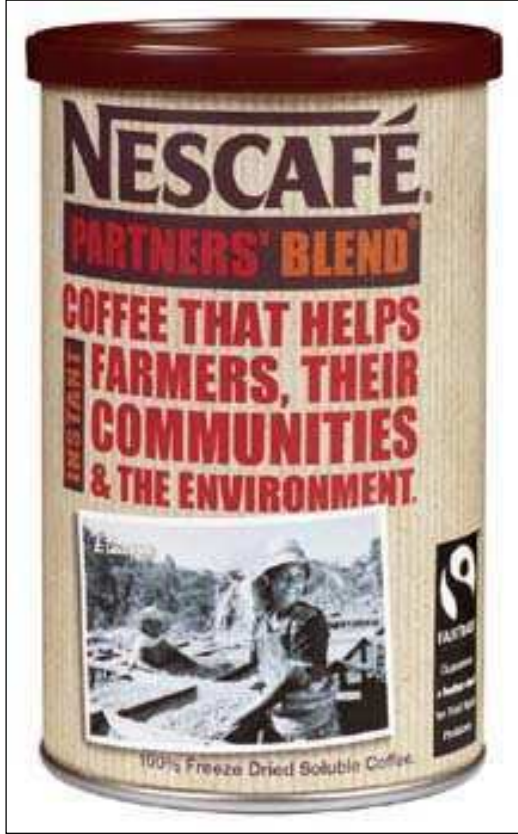
© 2010 BP plc

Images sourced from: <http://www.bp.com/subsection.do?categoryId=9005500&contentId=7010871>

Above presented BP press advertisements prove how company's communication is in line with the overall corporate strategy based on sustainability and energy in general – and not solely oil any more. Given the simplicity, their attractiveness is largely dependent on puns. Still, their character is mainly informative and educative, BP being one of Sustainability Age pioneers.

Appendix 2: Nescafé Partners' Blend with Fairtrade label

Last year brought the launch of Nescafé Partners' Blend, Nestlé being the first of the four



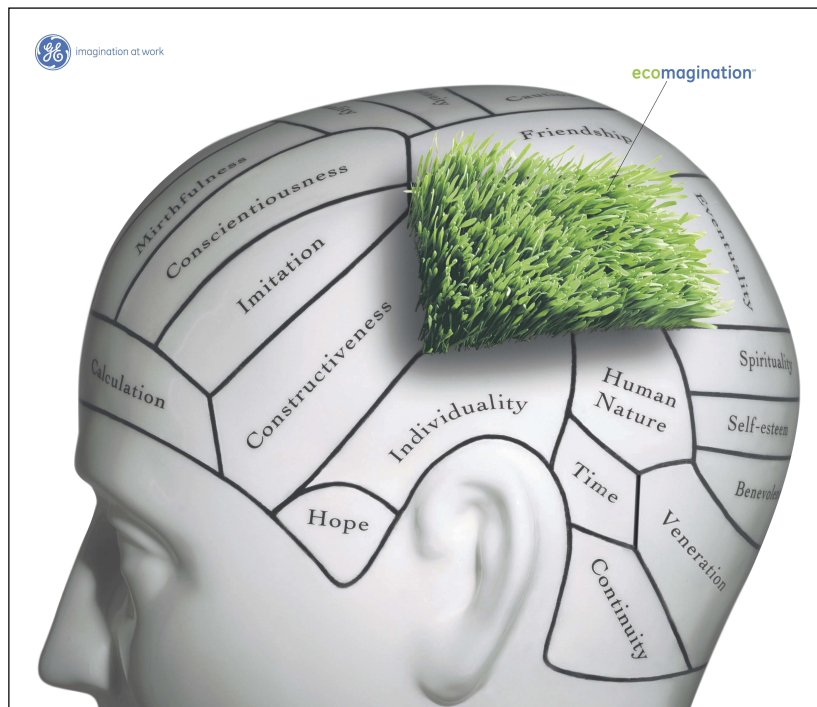
leading global coffee companies to market a product with Fairtrade label. Only 2 years earlier the company claimed fair trade products were merely a niche and could not be considered a solution for the mass market. Still, the launch of Nescafé Partners' Blend has been described as a result of trend monitoring and consumer demand. Indeed, the international sales of products labeled by Fairtrade Labelling Organisations International with members from 20 countries increased by 40% between 2003 and 2004. Only in UK sales of Fairtrade labeled products have been growing by 40% annually for the past 5 years. Fairtrade sign means that farmers enjoy guaranteed prices for their coffee, above the world level.¹³⁰



Images sourced from: <http://www.nestle.co.uk/NR/rdonlyres/34D0C12D-F63D-45BD-BDC3-4A4885763178/0/PBPackShotStandard.jpg> and <http://www.gold.ac.uk/greening/images/fairtrade.jpg>

¹³⁰ Beattie A. Nestlé becomes first of coffee's big four to launch 'fair trade' label. *Financial Times*. October 7, 2005

Appendix 3: Examples of ecomagination press advertisements

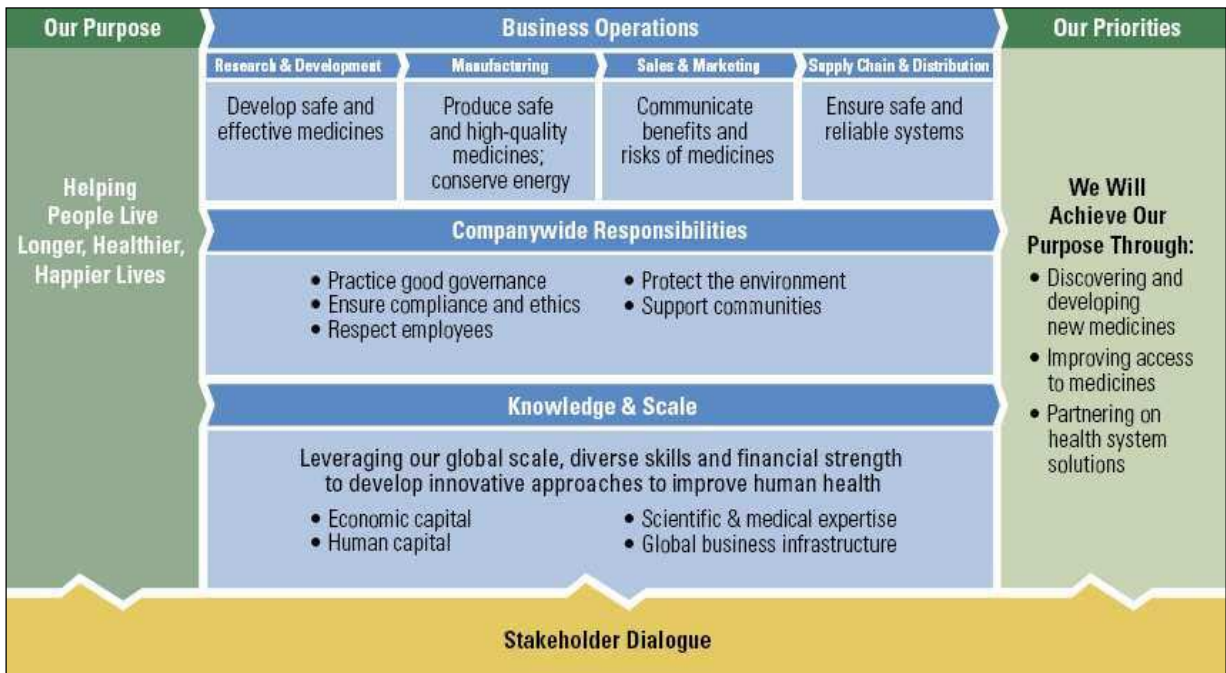


Images sourced from: http://www.ge.com/en/company/companyinfo/advertising/print_ads.htm

GE ecomagination advertising clearly aims at making the public aware of the initiative which ideally will take a distinct and firm place in people's minds. This is justly so since all this is not only about GE but also about environment and the planet's wellbeing. GE wants to

change the popular thinking and break the stereotypes like the one about negative impact of coal on environment. It seems nothing is impossible for GE.

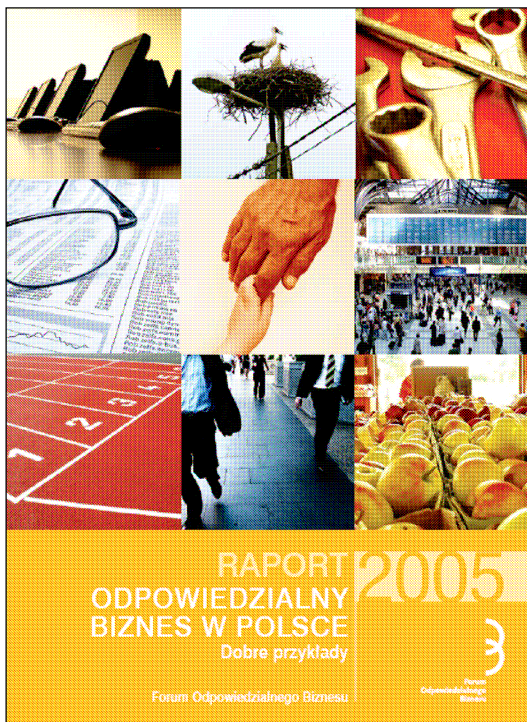
Appendix 4: Pfizer Global Citizenship Framework



Sourced from: Pfizer 2005 Corporate Citizenship Report

Pfizer Global Citizenship Framework is a simple illustration of how corporate citizenship and responsibilities are incorporated into day-to-day business operations. The company striving for excellence whose major purpose is to ‘help people live longer, healthier, happier lives’ defines 3 strategic priorities that will lead to the fulfillment of the mission. Strategic objectives are reached through appropriate use of corporate knowledge, capital and infrastructure. Appropriateness is defined by taking into consideration companywide responsibilities, including good governance, compliance and ethics as well as respect for staff, environment and communities. These responsibilities along with requirements for quality and effectiveness are also present in specific functions of business operations such as R&D, manufacturing, sales & marketing and supply chain & distribution.

Appendix 5: Citigroup doing well and doing good in Poland



The citizenship activeness of Citigroup's Polish division, namely of Citibank Handlowy is best explained by its presence in 'Responsible Business in Poland 2005 Report: Best Practices' published by Responsible Business Forum. Actually, this presence is almost omni-presence since Citibank Handlowy's CSR actions are quoted in all three sections of the report, referring to workplace, marketplace as well as society. Speaking of the first, the company actively develops its programs of *employee voluntarism*, mainly engaging in educating the young in finance and building houses for poor families. As it comes to the marketplace, Citibank Handlowy's Kronenberg

Foundation in cooperation with Philanthropy Development Academy has organized seminars in 4 major Polish cities about corporate social responsibility. These were just a part of the '*Benefactor's Handbook*' program started in 1999 and aimed at educating entrepreneurs about the new model of philanthropy, based on mutually beneficial partnerships between businesses and NGO's. Finally, Citibank Handlowy's action awarded for benefiting the society is '*My Finances*' project of teachers' training in finance, banking and personal finance management. It is planned that more than 200 000 pupils will participate in special lectures and seminars prepared thanks to Citibank Handlowy until 2007.¹³¹



¹³¹ For the full version of the *Responsible Business in Poland 2005 Report: Best Practices* go to: http://www.fob.org.pl/_gALLERY/25/98/2598.pdf [Accessed on 1.07.2006]

Images sourced from:

*http://www.fob.org.pl/fob/index.jsp?place=Lead07&news_cat_id=528&news_id=348&layout=1&page=text
and http://www.citibank.pl/poland/kronenberg/polish/files/sp_kron_2004.pdf*

Appendix 6: Sustainability Indexes



For all those that want to track socially responsible companies e.g. to invest in or for the companies themselves to compare their sustainability performance with competitors or to aspire to a certain standard, indexes seem to be a useful tool.

Dow Jones Sustainability Indexes (DJSI) initiated in 1999 are a set of indexes including more than 300 companies that meet the requirement of being sustainability-driven. DJSI can enjoy increasing popularity since sustainability investments are gaining recognition, with more and more investors adapting triple bottom line criteria when evaluating the potential long-term shareholder value. It therefore seems that socially responsible investments no longer belong to a niche of asset and equity management.

Companies included in the DJSI are selected on the basis of their sustainability practices assessment. Sources of information needed for such a review include SAM questionnaire (being a self-assessment completed by participating companies), company documentation, publicly available information as well as personal contact with companies. Significantly, all 5 companies analyzed in this work (BP, General Electric, Nestlé, Pfizer and Citigroup) have been included in DJSI, often quoted as industry leaders.¹³²



Another well know index measuring corporate social responsibility of companies is The FTSE4Good Index Series launched in 2001 by the FTSE Index Company. The company not only prepares the index as a benchmark for companies and an investment tool but also engages in public CSR debate, popularizing the idea.¹³³

¹³² For more on DJSI go to: <http://www.sustainability-indexes.com/> [Accessed on 2.07.2006]

¹³³ For more on FTSE Index Company go to: <http://www.ftse.com/> [Accessed on 2.07.2006]

*Images sourced from: http://www.hp.com/hpinfo/globalcitizenship/environment/images/sam_djsi06.jpg
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