Executive Summary

Assessment of the Business Logic for Sustainability in the Food and Beverage Industry

1 Introduction

In this volume, we address the complexities and challenges of building and implementing a business case for the integration of environmental and social (sustainability) aspects into business strategy in the food and beverage (F&B) industry. Our preliminary literature review revealed that research contributing to the conception, building and roll out of industry-specific cases was lacking. Using comprehensive industry surveys, desk research and interviews with managers at global F&B companies as well as industry stakeholders carried out over a period of five years, we propose 'building blocks' for the business case for sustainability (BCS) in the F&B industry. In our study, we also cover the full waterfront of management aspects related to the potential for a BCS for globally active companies in the F&B industry, from strategy conception to implementation.

Since our research is primarily based on the perception of managers – what one could call an 'inside out' perspective – hard-lined, pragmatic managers may be tempted to write it off as too 'soft' an approach. But our view and experience are that the successful promotion of a BCS depends on how managers react to the related concepts as and when they are confronted with them. The 'Smart Zone' – the business area in which companies create additional economic value by improving environmental and social performance beyond that required by legislation – is thus dependent on whether managers see a business reason for action and whether they are able to build, communicate and implement that business case. Manager's perception of business logic for sustainability is fundamental to the development of a BCS and also to its successful roll out within companies.

It will always be a challenge for managers to work out the extent to which they should go beyond a focused corporate profit objective and regulation to take responsibility for the host of unregulated yet negative social and environmental consequences of their economic decisions.

The Smart Zone will therefore be unfixed and dynamic, and will depend on how much effort companies put into defining their business rationale, the level of pressure companies receive from stakeholders, the changing political climate, the corporate culture and type of people within organizations and so on.

In the following sections, we summarize our findings.

2 Building the business case

Is there a BCS in the F&B industry, a business case for internalizing social and environmental issues? Is the case robust, or elusive? One of our advisory council members put it in a nutshell:

> *The business case is not just 'found', it has to be built.*

The BCS is not only industry specific, but business unit and project specific. Its foundations must take account of both the tangible and the quantifiable actions that are based on incremental continuous improvement mechanisms, as well as the more intangible value constructs; reputation/brand value, licence to operate, attracting and retaining talent, which allow corporate sustainability management (CSM) to contribute to important company value drivers.

However, the BCS is challenging for F&B companies to build, even though we identified many sustainability issues that had a direct relationship with the industry's core business. While the financial consequences of F&B companies not internalizing key social and environmental issues are rarely permanent, sustainability issues have nevertheless shown themselves to impact the bottom line, at least on a short-term basis, increasingly regularly. Given the increasingly short-term earnings orientation of major shareholders, and the reliance of share price on a host of criteria including corporate image and reputation, this should be is a cause for concern for senior managers, who very often are on a short-term mandate themselves, and are thus concerned about not 'rocking the boat'.

However, the risks and opportunities presented by sustainability issues are often not immediately apparent to business managers. The multiplicity of both the issues and relevant stakeholders serve to create a complex and fragmented business context over which companies will only ever have very partial control. Many F&B companies still lack even basic capacity to gather and process economically relevant data, and those that do manage to do this cannot hope to solve many of the sustainability issues they identify as relevant without working within the scope of stakeholder alliances and partnerships.

2.1 The F&B industry competitive framework

The personal and cultural nature of F&B implies that societal trends are of key importance for the sustainability agenda of companies in this sector. Since the sector's potential customer base is, ultimately, made up of the entire population of the planet – assuming that one day even the poorest may be prospective customers – focusing on consumer and societal trends (health, traceability, consumer behaviour) are of paramount importance for the industry. Here, the F&B sector has recourse to a considerable store of economic arguments that lend themselves to a robust BCS. These arguments have causal relationships based on industry dynamics that would not hold the same weight in other industries.

Consumer power is weak in key countries where population growth is at its highest. Consumption is stagnating in key markets such as the United States and Europe where populations are falling. Companies will have to be increasingly creative to capitalize on the potential of developing markets. However, we noted that the F&B industry has been relatively slow to innovate in order to anchor a foothold in these markets – yet innovate it must. We observed that exploiting reputation and brand value constructs through radical strategic innovation around sustainability concepts is currently not part of the inbuilt DNA of the industry. To a large extent, this is because this industry is inherently conservative and, like many mature industries, risk-averse. Also, there is still substantial scope to exploit already existing products and processes and make substantial profits, without the risk and investment involved in more radical innovation.

However, sustainability can present an opportunity for learning about new markets and this may have been underestimated by F&B companies. And we are all the more convinced of this since, even in developed markets, the industry was late to 'get on the boat' with the obesity issue and was forced into a race to product redevelopment and review of product strategies as a result. And even in spite of the formidable pressure still building around this specific issue, much of the industry still remains anchored to old business models. Throughout the study, we have argued that with an integrated and strategic approach to sustainability issues, companies will be more in tune with their current societal realities. This is in their business interest. A statistical 'buying' trends approach will not be enough in the future given rapidly changing consumption scenarios.

In addition, the differentiation opportunities that sustainability presents are not being exploited to the full by companies. Yet, in an increasingly consolidated market, with easily imitable products, F&B companies probably need to be looking at and analysing each and every opportunity available. Accessing immediate and short-term profits using familiar, time-tested formulas and incremental improvements on existing processes and systems is still dominating the agenda. It is simply still too profitable in the short-term to do this than for the industry to invest in research and development in radical innovation and to take the associated risks. Some leading companies are already demonstrating that this may well be a blinkered strategy.

2.2 The business relevance of the key social and environmental issues

The diversity and number of social and environmental issues faced by the F&B industry is exceptional, given the way food permeates the daily lives of each and every living being on the planet. This compromises the identification of a focused company-specific corporate sustainability agenda. Within the factory gates, managers in the industry demonstrate a quiet confidence in their companies' ability to manage environmental issues directly related to production, while managing social issues are somewhat taken for granted in Europe. But the industry's major issues of economic relevance are outside those gates, much further up – sustainable agriculture, human rights, child labour – or down – public health, alcohol abuse, animal welfare – the supply chain. The sandwiched positioning of the industry between its suppliers and retailers, which in turn are often interfacing with increasingly worried, health-conscious consumers, exposes the industry to sustainability related business risks right through the value chain. However, because of the complexity, we discovered that even the primary players in the industry have a long way to go, and much to learn on the way, before they can state that they are 'on top of' these issues. In any case, it is important for economically squeezed F&B companies to identify which of many sustainability issues 'out there' are of economic importance to them, and to clarify for their shareholders the materiality of social and environmental risks and potential links to the bottom line.

Some sustainability issues touch the 'soft underbelly' of the F&B industry and the simple equation 'no resource = no business' presents a strong economic argument for adopting and promoting a more sustainable approach. Experiencing a decrease in the raw material base upon which the industry relies is a considerable threat and a true business risk to the industry's economic viability. However, this generates considerable complexity in the work place, given the way the industry's current socio-economic framework is currently set up. Disappearing fish resources allowed some companies in the industry to use a tangible example to build an industry business case for the key issue of agricultural sustainability. It makes a lot of sense to use such a model to analyse similar risk with bigger bottom-line effects, and to learn from the experience of a solid business case based on significant business risk within a tight time perspective of five years – and thus, within a time horizon to which most managers relate.

During the period of research, we were able to observe and learn from the lack of readiness of the industry to handle major issues that hit the bottom line of companies and that have both socially and environmentally relevant global impacts, such as obesity and coffee issues. While the industry bears the brunt of the blame for some major sustainability problems and can be directly punished if not seen to be actively dealing with them, actually doing something tangible involves interfacing with many other players in public partnerships and coalitions. This is an activity that the industry is not yet adept at handling since it implies a new approach often radically different to tried and tested ways of doing business.

2.3 Stakeholder dynamics: promoting and deterring factions

The perceived visibility and significance of issues has a direct bearing on the extent to which stakeholders are demanding the industry either to resolve these issues or in some way to mitigate them using its weight and influence. Sustainability issues achieve their economic relevance in the corporate business arena primarily through the pressuring effects from the industry's stakeholders and the reward and punishment measures that they take to show satisfaction or otherwise with the industry's internalization of these issues into corporate strategy. Stakeholders that promote sustainability agendas maintain companies in their Smart Zone, preventing sustainability projects from crossing into corporate oblivion.

Since many global F&B companies are moving out of direct sourcing, the F&B value chain is becoming ever longer and more complex, and there are significant associated risks. At the end-user side, particularly when it concerns a health risk for consumers, there is pressure for full traceability of products from food industry customers (retailers) and legislators. The move of the major players in the industry out of direct sourcing comes at a time when pressures to ensure transparency in the supply chain are strongest. This means that close supplier relationships, carefully monitored and measured, have become much more of a priority for global companies. This has an added buffer impact of giving a new business rationale to supplying companies – including SMEs – to behave in a more sustainable manner.

Managers perceive NGOs as very proactive stakeholders. They have become more streamlined, strategic and professional in recent years, and they drive the corporate sustainability agenda increasingly by adopting a political lobbying stance. However, NGOs struggle to leverage action in F&B companies when not supported by consumers, retailers and shareholders. Although partnerships and platforms with NGOs are more common now than even ten years ago, managers remain sceptical – and sometimes cynical – about NGOs, especially their potential to undermine hard-won stellar global brands and corporate reputation. The media, used by NGOs and others as a willing transmission agent for and amplifier of their concerns, are perceived by business managers as conveyers of bad news who ignore the good stories that can be told about positive action taken. Managers regret that industry is not given more credit by non-business stakeholders for fulfilling their primary responsibility of achieving profits, with the positive externalities their economic activities trigger.

Companies are rapidly learning what their own weaknesses are when confronted with activist pressure, and they have been rectifying these quite effectively. The ensuing learning process has brought very positive developments in terms of bringing sustainability to the global negotiation table. Although the issues are so complex that no one company – no one industry in fact – can deal with them in isolation, the current increased drive towards coalitions and public–private partnerships conveys hope for the sustainability agenda in the mid-term.

However, there are limits to the BCS in the sector unless substantial external political and economic pressure is applied to the industry. It is currently simply not in the immediate economic interest of companies to move towards sustainability in more than incremental steps leading, granted, to continuous improvement but on a scale far below academic expectations of breakthrough innovation and new business models and far lower than that required for truly sustainable development in the short to medium term. It is likely that there will be increased legislative pressures on companies in Europe, particularly on labelling efforts, but no 'quantum leap' effects will ultimately make the difference to the BCS in the short to medium term.

Retailers move in a cut-throat, competitive environment themselves, and 'squeezed' F&B companies try to find no-cost solutions for their sustainability efforts. The most prevalent reason is that, apart from a niche market, consumers will not pay for sustainable products unless they also perceive a direct benefit for themselves. A rising wave of hard-discounters in Europe, have not been quick in introducing more responsible sustainable sourcing policies, since they perceive this as increasing costs. However, of late (2006 to 2007), some important players in the retail sector (Wal-Mart, Tesco and others) have begun to more actively promote the sustainability agenda and their actions are starting to make a real difference in food supply chains. What we see emerging therefore is a 'race to the bottom' at the same time as a 'race to the top'. It is still not clear which side will conquer; the jury is still out.

Consumers are perceived by managers as the least proactive of all in pushing a sustainability agenda. Although the niche of aware consumers is growing (particularly in view of recent intense exposure of issues related to climate change), many are still 'head in the sand' or just simply ignorant about sustainable development. With the current weak standards of product labelling, it is very difficult to point the finger at consumers for choosing products that are not sustainable. Yet, sustained push from customers and consumers is the single factor that can make most difference to the BCS in that they can influence all strategic business decisions in the industry. Since retailers are under extreme pressure from their own competitors, and because the consumer is not 'voting with his wallet' by paying for more sustainable products, significant change may continue to be halting. Recent increases in food prices worldwide owing to shortfalls in world markets as subsidized cereals are switched to biofuel production may also not help the situation.

National governments, careful about the whims of their electorates, do not put companies under significant pressure and in the absence of a 'level playing field' very much take things step by step also so as not to jeopardize national competitiveness in the global markets. Neither do investors and shareholders currently push the sustainability agenda of F&B companies significantly enough, because of a short-term results focus which is counter to a strategic long-term perspective required for an effective sustainability agenda. The perspective from shareholders is veering towards ever more short-term, not only because of the structure of our capitalist model, but also because of the exclusion of social and environmental risks from the materiality issues affecting stocks. There are positive indicators that socially and environmentally responsible investment funds are on the increase, but trends have not yet entered the mainstream. The corporate drive to feature on new sustainability indices is really a mantra of major global players, leaving a substantial part of the industry uninvolved. Nevertheless, trends at the consumer level – and experience with the evolution of the obesity issue, in particular – should indicate to the financial services industry that it needs to have its 'ear more firmly pinned to the wall', so as to identify and monitor impending environmental and social risks more rigourously than currently.

So, owing to lack of pressure from the most relevant stakeholders, leaders in the industry will either continue to seek sustainable 'no extra cost' approaches to resolving key issues, or look for tangible ways in which sustainability can back up an added-value proposition using the brand and allowing the charge of a sustainability premium. The bottom line is that, it does not pay (yet) for companies in the F&B industry to be entirely sustainable and the result is that business models are being evolved cautiously at the margins. It is hard to blame companies; to do any differently would put them at risk and 'up for grabs'.

2.4 Sustainability's contribution to corporate value drivers

Leading global F&B companies have moved beyond the more straightforward cost-saving approach to sustainability (picking the low-hanging fruits of easily attainable pay-offs through, for example, increased eco-efficiency or Health and Safety (H&S) performance). They have evolved towards more elaborate business logic for sustainability. Given the industry's front-line exposure to consumers, the identified value constructs of reputation, brand and licence to operate have become strong drivers of the BCS in these companies.

Profit margins are low for this industry and it does not offer lucrative remuneration rewards to staff compared with others. However, it is increasing its scientific base to produce ever more sophisticated food options, with health benefits, for example. This requires highly trained and competent staff. The contribution of corporate sustainability actions to attracting and retaining talent is increasingly providing a BCS to the industry in European countries in general and Nordic countries in particular.

CSM's contribution to key value drivers through the strengthening of reputation and brand value seem strong enough to convince the progressive thinkers in the industry to give more than lip service to sustainability. The industry sustainability leaders say that they are not involved in sustainability programmes for monetary purposes only, but because it is the 'right thing to do', primarily because they present an opportunity for their companies to establish leadership positions in the industry. But while this is laudable, there are dangers in adopting an entirely normative as opposed to strategic approach, as the support systems are weaker and alignment cannot be guaranteed, especially in the ranks of influential managers that turn over rather quickly. The rigour of the classical economics paradigm, with its profits maximization and economic efficiency principles, becomes more nuanced when it comes to business logic behind sustainability actions. The BCS is strongest if measured by a dual approach, drawing on aspects that are both validated and non-validated by measurement.

Leading companies believe that, by lobbying hard within the industry and showing by example, laggards will eventually follow, thus reducing risk of competitive disadvantage. However, neither can the leaders sacrifice their competitive position in the meantime. Hence, investments in sustainability are heavily weighted against other activities. Although interesting and promising coalitions have been developed with a view to testing and eventually mainstreaming sustainability concepts, we did not find significant examples of sustainable agriculture pilot projects hitting the mainstream. This, in itself, reveals the conservative, no-risk industry approach and the still relatively weak position of the BCS against the prospect of shorter-term gain.

To assure that sustainability projects do not remain in the pilot ranks for as long as they seem to, sustainability officers need to continue pushing the frontiers of quantification, and developing the business logic on a multidimensional basis. The fact that the BCS is primarily focused on soft, complex and intangible value constructs poses a significant problem in that managers are accustomed to hard figures and tangible outputs.

Cost savings based on eco-efficiency and H&S performance are relatively easy to quantify, and accounting systems are already equipped for tracking the ensuing financial benefits and reaping the 'low hanging fruits' first. On the other hand, brand value or licence to operate drivers are heavily influenced by a host of other, non-sustainability related factors, such as political agendas or, indeed, market performance. The constructs themselves have to be leveraged in order to increase financial performance. There is a cascading effect that makes the business logic complicated; for example, sustainability actions contribute to increased brand recognition, which in turn contributes to higher market shares. Increased licence to operate leads to fewer workplace disruptions and accelerates permit authorizations implying cost reductions overall. Retaining talent through improved employee welfare leads to improved industrial relations and therefore fewer strikes, and reduced training costs through lower staff turnover. Isolating the corporate sustainability contribution to these constructs is considered so time-consuming and expensive an exercise as to make the task undesirable from a business logic standpoint. Sustainability officers tend to still dream about a more quantified case, as they would welcome any opportunity to build a stronger BCS. While this is particularly true for laggards, as clearly it is easier to present tangibles than intangibles to sceptics, even sustainability officers at progressive companies found that the potential for quantification had far from been exhausted.

Owing largely to a conservative stance within the industry, managers do not generally perceive sustainability as an opportunity to innovate, although with some of the major players, this thinking has finally changed in the last two to three years. This value construct is probably undervalued, both in terms of product and process innovations, and in terms of radical innovation for new markets. Too many managers still perceive sustainability projects as being the remit of 'the sustainability or corporate responsibility people' rather than something for Research and Development (R&D), marketing and business managers to take on. However, F&B companies must seek new businesses and new marketplaces in order to remain profitable. Innovation through sustainability may be able to contribute to building up critical mass in the markets of tomorrow. Also, by creating high quality, added-value products, we suggested that brand values and consumer trust might eventually be used in marketing and selling products. New aspects of managing the marketing value of a brand that are different to traditional approaches might emerge as a result. Solid arguments based on scientific fact are convincing but these must be qualified by a communicating absolute benefits that consumers value. It follows that if a company's initiatives are successfully communicated to consumers, building not only on consumers emotions, while assuring them of quality and personal benefits, confidence in the company's food supply chain will increase, ultimately affecting profitability.

A more robust case for sustainability can probably be built right here and now by each and every sustainability officer in the F&B industry. Strategic corporate frameworks can, and should, incorporate parameters that are less fixed, since industries are moving in a dynamic environment where all elements; consumer behaviour, legislation, technology, economies and competitive features are changing and, indeed, expected to change.

3 Exploiting the business case

We found many areas where the industry was still either in an experimental stage with sustainability concepts and principles, or at the beginning of stakeholder engagement processes that will assure corporate learning about new angles on environmental and social issues. Currently, F&B companies do not comprehensively address the sustainability issues that are of economic, and thus strategic, importance to them, although the leaders in the industry have a high awareness of what those issues are and have initiated action. Better access to the economic reasoning behind adopting internalization of the sustainability issue as part of business strategy appears to be lacking, given that many managers had not actually thought about such a rationale until asked at our interviews.

Even sustainability leaders had not managed the difficult process of assuring organizational alignment behind relatively well-worked out sustainability principles. For this reason, strategies are in danger of not being implemented by key business functions and a diluting effect can take hold, which means that key messages about corporate sustainability strategies are not transmitted up and down through value chain as far as suppliers and consumers. The industry can most probably achieve significant progress with designing and applying sustainability strategies by opting for a more comprehensive and structured approach.

3.1 Promoting factors and barriers to roll out

While on the one hand, the rationale for the BCS is very definitely sector-specific, based on its own sets of issues, stakeholders and value drivers, on the other hand its application and interpretation are often culturally based. Open and transparent national cultures, such as those of the Nordic countries, are the ones that lend themselves best to the bottom-up processes that best promote corporate sustainability.

The decentralized nature of the F&B industry is currently perceived as a barrier to implementation of sustainability objectives, but we suggest that this could be converted to an opportunity if sustainability becomes one of the essential 'glue' elements that hold global companies together – such as by reinforcing tenuous corporate cultures in a global environment, and allowing access to much needed skilled and talented personnel.

While sustainability officers see top management commitment as an essential prerequisite to promoting the BCS both internally and externally, neither do they believe that this criterion is sufficient to assure success. Along with the top management commitment, an organizational commitment to integration of sustainability strategy into business strategy is essential. The identification of informal networks of sustainability champions positioned in key strategic areas throughout companies has proved in some companies to be a substantial contributor to success, and engagement of the 'second layer' of senior decision-makers is essential.

Overcoming internal constraints to rollout of a sustainability strategy presents the most immediate potential for further exploitation of the business case that sustainability offers within organizations. Mindset of managers, lack of knowledge and organizational culture are the most significant perceived barriers, but these are also areas that are entirely within the corporation's direct sphere of influence. The potential for further exploitation of the business case is therefore substantial, as managerial and staff development is within the competence and control of each and every organization.

A major inherent difficulty is the fact that, pushed by investors and customers, managers in business and industry look to the short-term business result, while sustainability benefits are undisputedly long-term. The F&B industry is far from being alone in this respect (Steger, 2004). We found that the 'right' language must be used to convince decision-makers in the industry of the benefits of more long-term business planning in the short-term.

The industry is nevertheless moving, albeit relatively slowly, in the direction of taking more of a long-term view into account, but such considerable change will not happen overnight. A major strategic challenge is that key companies in the industry join forces both in spirit and in action, and share experiences in order to create new industry standards and benchmarks. Despite a proliferation of Environmental Management System (EMS) tools and various standards available to managers, they still require help to manage the increasingly complex business environment within which they operate.

Major companies have a policy of not holding a sustainability function but are working instead on integrating sustainability across the organization. In progressive companies, cross-functional teams fulfil the need for an effective and much needed feedback process. There is nevertheless room for better coordination across units and departments in organizations, with scope for increased collaboration between sustainability officers and other functional units within organizations.

Hard-line sceptics in companies who are sometimes at senior management must be reached, – particularly at decision-making level. Key marketing and sales managers are largely left out of the sustainability equation at present and, because of this, product development, greatly influenced by marketing managers, is also strongly affected. Indeed, engaging sales and marketing staff at an early stage of development of a sustainability strategy – for example, by including them in strategic coordination committees, task forces or issue groups – would greatly contribute to breaking down the lack of knowledge that prevents these managers from exploiting the concept of sustainability to its fullest extent. Finding the right language for communicating with consumers about sustainability is a major challenge that marketing managers (conservative by nature and with ever more short-term targets) are unwilling to take on, and indeed they currently lack the skills for so doing. Relatively little has as yet been attempted by the industry to change the dynamics between the industry and the consumer. We identified some key players that are seeking breakthroughs through linking sustainability with other more personal benefits to consumers, thus using sustainability as a driver to enhance the brand, and trying to prove that sustainability does, in fact, sell.

So currently, there are cut-off points that ensure that companies cannot go all the way with their sustainability strategies. In general, more building of awareness and internal education on sustainable development could eventually change the way F&B companies relate to the consumer, as this would change mindsets over time. More radical innovation than today, based on sustainability concepts, could go beyond experimental projects as a result. Today, support frameworks for such a move are still lacking.

Managers in global F&B companies regard stakeholder interaction as part and parcel of today's business model, and are in a learning process in this regard. There are some excellent, successful and leading examples of partnerships with stakeholders. Companies are still feeling the ground in this respect, but to varying degrees and depending on the company-specific business case for doing so. We have confidence that the learning processes that the industry has engaged in will bear fruit for a more robust business case in the future.

Problems with alignment are, in fact, largely due to the absence of comprehensive integration of sustainability strategies into organizational processes. We identified large gaps in the incentives programmes to stir managers to action. What is encouraging is that leading companies seem to be aware of such gaps. They intend to address them – eventually. But it was clear that, in the current very competitive economic climate, urgency was lacking.

3.2 Effectiveness of approaches used to exploit the BCS in companies

To create a robust BCS, leading companies are focusing on enhancing activities where an impact can be made and where a direct link can be made to the business product, and then on communicating these 'early wins' internally. Being able to share and exploit better practice and win-win success stories and, in the words of one manager, 'communicate,

communicate, communicate'; these are key components of both building and promoting a BCS.

Sustainable agriculture pilot projects focus on opportunities to create value in areas of strategic business concern, and introduce measurable indicators of sustainability performance, thus linking business performance and improved sustainability performance. The creation of value in these areas can contribute in turn to product differentiation, eventually enabling companies to demand a product price premium or access increased brand loyalty. It remains to be seen whether experimental practices in the industry will move into the mainstream. Currently, too many pilot projects remain in the wings, with no one company willing to go out on a limb and mainstream on its own: the competitive disadvantages involved are still far too great.

The price of raw materials is small compared with the processing and marketing costs of final products. Although efforts related to the BCS in leading companies are currently focused upstream – on the supply chain – there is substantial potential to work on downstream efforts and any current initiatives are very much in their infancy. Raising awareness in the company that sustainability can be about gaining major reputation and brand value benefits from little or no additional investment needs to be a key part of the communication strategy around the BCS. As sustainability is an essential prerequisite for the long-term security of the supply chain, progressive managers feel that it should ultimately be possible to sell the concept to consumers. However, first, a much stronger and tangible link needs to be made between the growing niche of consumers that have a broader concern for environmental and social issues, and the application of their principles to their buying habits.

4 So what's the bottom line?

So is corporate sustainability just a buzzword in the F&B industry or is it bringing the triple bottom line 'win-win-win' solutions that some of the hype around the concept suggests? To this question, one of the managers we interviewed responded:

> *Maybe corporate sustainability is not 'the next big thing' – but that is probably good because for me, 'next big thing' is consultancy-speak for the next thing that will be forgotten.* (BCS47 – Business manager, Supply chain)

We identified enough enterprising initiatives to show that sustainability is firmly on the agenda of major companies and it is there to stay on corporate agendas of the future. Several pioneering companies are taking on the complexities and challenges of sustainability and pushing the boundaries of environmental and social business improvements.

But the BCS clearly has its limits under prevailing economic conditions. For a quantum leap forward, leaders in the industry will have to join with trade initiatives to support changes to the economic and political framework within which the industry is operating. The industry would also do well to support more mainstreamed labelling initiatives and the establishment of a 'level playing field' through regulation that makes sense. This view is encompassed in these rather disenchanted comments; one from a stakeholder, one from a business manager:

> *The economic case will have its limits – even with the best resource scarcity arguments, and cost savings and any other economic justifications to impress the financial managers, there is a limit of 5 per cent plus or minus of overall company turnover that can be influenced by CSR. The rest is the daily grind of business and maximizing shareholder value.* (BCSBM10 – Senior policy director, WWF)

> *If there was a really robust business case for sustainability, there wouldn't be need for so many publications. It is a real case of 'the lady doth protest too much'.* (BCS40 – Senior sustainability officer)

While CSM's contributions to corporate reputation, brand value and attracting and retaining talent are stronger drivers for the BCS in the F&B industry than in most other industries, the level of this contribution is still unlikely to be sufficiently strong to drive the business case as far throughout organizations as is necessary for truly sustainable development. Food industry experts were not optimistic:

> *Current moves are on such a small scale that it's difficult to see a quantum leap taking place. There are many vested interests in maintaining the current system. I'm not optimistic that the current corporate control of food can be successfully challenged. The scales need to fall from the eyes of the industry. No single major company has reinvented itself throughout to fundamentally challenge the status quo. We need tougher incremental change.* (BCSBM6 – Food industry expert)

However, we observed over the period of research that there was an evolution in awareness in the industry about the relevance of sustainability concepts to business. We met managers who perceived potential for large, global companies to make a difference mid-term:

> *If large companies change, then the markets will change. It will progressively become clear that all the work in the supply chain will only get so far and the consumption side of the equation will have to kick in. I see a huge change, not in the next five years maybe, but certainly within a five to ten year perspective.* (BCS43 – Senior business manager, Marketing)

Any research is but a snapshot of an existing state of affairs. Already in 2007, it seemed that there was a shift in the issues that were 'top of mind' for the global players in the industry. According to a recent published industry survey of food industry executives,[1] corporate social responsibility (CSR) is now one of their major stated preoccupations, prompted mainly by a surge of interest in health and climate change issues in 2006/07. However, complacency would be misplaced; our research clearly showed that there is often a gap between attitudes and positive actions. Moreover, change overnight is unfeasible as the issues are both controversial and complex and resistance in the ranks of managers needs to be dealt with. To be able to take more 'giant steps', the focus of the F&B industry BCS in the future must turn to addressing the gap between consumer awareness and the positive steps that some companies are making.

In the current unprecedented context of high fuel prices, shifts of cereal production to bio-fuels provoking the highest food prices in decades, emerging economies vying with developed countries for resources from energy to metals to food, and uncertain global economic and social stability, it is by no means a foregone conclusion that corporate action in the F&B industry will substantially accelerate the cause of sustainable development in the short or even medium term. But let's not underrate the power of marginal improvements that companies tend to opt for in this environment. Such changes will at least be long-lasting.

Our research conclusions are very much 'out of the horses mouth'; we allowed F&B managers to articulate their perceptions of the BCS in the industry. So we leave the last word to a visionary CEO of one of the companies involved in our research:

> *The questions are: Is there a consumer who recognizes and is prepared to buy sustainable products? Will there be a market to allow companies to have a decent return on their investment? Using reputation management*

as a driver of sustainability is not a viable business strategy. Things have to change – biodiversity is important. If the industry doesn't change – this is a dead end road. (BCS39 – Top management, CEO)

Note

1 CIES – the Food Business Forum; Top of Mind 2007.