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## Case Study 4: Critical Organisations - Multi-national corporations

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# Case Study 4 Critical organisations

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## Multi-national corporations

Allison Loconto

### Introduction

Sustainability is considered to be a fundamental aspect of responsible research and innovation (Von Schomberg 2013). The European Commission has further framed this issue as the second societal grand challenge on the horizon (food security, sustainable agriculture and forestry, marine and maritime and inland water research, and the bioeconomy). A programme of research and innovation that contributes to more sustainable agri-food systems is required to respond to this challenge. According to a 2011 study by the United States Department of Agriculture (USDA), the private sector spent 19.7 billion US dollars on food and agricultural research (56 per cent in food manufacturing and 44 per cent in agricultural input sectors) and accounted for about half of total public and private spending on food and agricultural research and development (R&D) in high-income countries. While there are publicly regulated responsibility and accountability mechanisms in place for the expenditure of public R&D funds, private R&D is regulated through internal company controls and in those spaces of hybrid control where public and private funds mix. Innovation processes are less regulated as they often occur outside of official R&D departments within organisations or through partnerships with start-ups, universities or other private organisations. Most

mechanisms that are used to regulate private research and innovation are therefore voluntary instruments that are tied to international, sector-specific, professional or national agreements.

In this chapter, I focus on how multi-national corporations (MNCs) are justifying the responsibility of their vision and technologies that will ensure food security for a growing population. I pay close attention to how responsibility is distributed between actors in the institutional arrangements and which instruments are used to govern actors' responsibility. MNCs are critical organisations within the existing responsible research and innovation (rri) landscape as they are both highly investing in conducting research and innovation in the agricultural sector and are also carrying this research through an innovation process to introduce new products and technologies to markets from within a single organisational environment. I explore three different MNCs – two of the leading food manufacturers (Nestlé and Unilever) and one of the leading agricultural input manufacturers (Syngenta). These three organisations are among the leaders in their sectors and have each made “responsibility” a fundamental aspect of their innovation agenda. I conduct a cross-comparison of these three organisations in order to identify “RRI in the making” within private-sector research in the food and agriculture sector.

Research for this case study draws on a multi-sited ethnography that was conducted between 2007 and 2010 and focused on Unilever's engagement with the Rainforest Alliance voluntary standard (Loconto 2010). Between 2013 and 2015 as part of the Res-AGorA project, the author conducted participant observation in expert meetings on sustainable agriculture, sustainability standards and sustainable value chains (5). In 2014, the author conducted interviews with executive managers in the three companies (seven from Syngenta, one from Unilever, and three from Nestle). Each company's core programs, websites, news articles and annual reports were continuously analysed throughout the research period.

## Results: RRI in the making

### Defining responsible research and innovation

Within these three case studies, the term RRI is not used, but the principles behind the concept exist and are defined within the wider governance landscape of the well-known concept of corporate social responsibility (CSR) (see Carroll and Shabana 2010). The notion of CSR has long been in use in the field of management studies, it is well institutionalised within large companies and it has been the main pathway through which MNCs have begun to expand their consideration of and collaboration with a broad range of stakeholders (particularly civil society groups). At the European level, CSR was defined as "a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis."<sup>1</sup> The precise framing of CSR differs by MNC, but each company includes elements of the following three frames of responsibility.

### Regulatory compliance

The notion of regulatory compliance is best illustrated by Syngenta's approach to "Responsible Agriculture", which includes regulation and registration, product safe use and stewardship and resource efficiency and biodiversity. Within Syngenta, there is a "Regulatory Policy Division" that **orchestrates** the work of around 400 staff around

1 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52006DC0136:EN:HTML>.

the world that spend their time registering molecules and active ingredients in all of the different countries where the products will be sold. Interviewees explained that they were acting responsibly because they were going through this process. They explained that many companies who make generic brand products do not register the molecules or active ingredients before putting them on the market, particularly in developing countries. Many unsustainable agriculture practices can be linked to this because farmers are gaining access to inferior products and using them improperly. Their responsibility ended with the compliance to regulatory requirements, what farmers did with Syngenta products after they had purchased them and had read the labels was the farmers' and extension systems' responsibility. However, Syngenta does carry out toxicovigilance programmes in 100 countries, which provide medical advice for treating health effects related to "improper use" of their products.<sup>2</sup>

### The Business case

Making "the business case" for responsibility was another dominant purpose for mobilizing resources and personnel in an attempt to realise responsibility in research and innovation. Making the business case basically means that any research and innovation activity should contribute to the bottom line of the core business. In a discussion about rri at Nestlé, which is not a term that is used in their company, an interviewee noted that "the last phrase of von Schomberg's statement is the key; research and innovation isn't there purely for their own sake, but for the marketable products." Nestlé's "Corporate Business Principles" incorporate the ten principles of the UN Global Compact<sup>3</sup> and lay out the responsibilities that the company has towards: consumers, employees, suppliers and customers and to the environment. Nestlé's main responsibility within its R&I processes is thus to ensure that its commercial products deliver nutrition, health and wellness: "With the world's largest private nutrition and food research capability, we are continuously creating

2 Non-financial performance discussion 2014, including The Good Growth Plan and Corporate Responsibility performance, access 12 November 2015, <http://www.syngenta.com/global/corporate/SiteCollectionDocuments/pdf/publications/investor/2015/annual-report-2014/syngenta-non-financial-performance-discussion-2014.pdf>.

3 Nestlé's Corporate Business Principles, accessed 22 October 2015, <http://www.nestle.com/aboutus/businessprinciples>.

nutritional value and health benefits across our product range.”<sup>4</sup> This work includes investment in nutrition, labelling and communication and primary research into nutrition and other types of research related to their core lines of business: cocoa, palm oil and sugar (for chocolate), coffee (Nescafé), water (infant formula) and other raw ingredients.

### Mainstreaming

The framing of mainstreaming of responsibility and sustainability throughout the company is an aspiration that has been encouraged by Porter and Kramer’s most recent business mantra “creating shared value” (Porter and Kramer 2011). The idea is that the success of a company and the health of the communities around it are interdependent, and that economic growth and progress come from capitalizing on these interdependencies. It brings the notion of stakeholder participation to a different level of engagement. Unilever’s approach for the past 15 years has been a successive restructuring of the company to ensure the incorporation of sustainability throughout their different product lines. While the global sustainability group consists of twelve people, Unilever has identified “sustainability champions” in every R&D unit of the company, which ensures mainstreaming of this effort:

“R&D find new sustainable technologies, marketers listen to consumers to help us make sustainable products consumers desire, supply chain implements our technologies and ideas in our factories, and ensure we source and manufacture in a sustainable way.”<sup>5</sup>

They have driven this CSR approach from the company leadership by setting ambitious targets along ten year timelines, including the ambitious goal of halving the environmental footprint of making and using their products by 2020. This is branded as the company’s Sustainable Living Plan.<sup>6</sup> This mainstreaming approach has propelled

them to being considered as one of the world’s top green companies.<sup>7</sup>

### Instruments for pursuing rri

The MNCs in this case span countries and continents, conducting research and making innovations in as many as 14 different countries at the same time and selling products around the world. There are three unique sets of actors who are found across the three companies – R&D units, corporate affairs, and foundations – and who are responsible for different aspects of the research and innovation processes. For example, R&D units focus on fundamental and product-related R&I, corporate affairs manage the relationship between CSR and responsibility within R&I processes and foundations expand on the core framing of each company’s vision of responsibility to conduct research and development with a specific philanthropic focus on developing countries. Forging partnerships is fundamental to how these MNCs pursue RRI. Partnerships take different forms, depending on the department that leads the effort. Partners include suppliers, start-ups, universities, donors, private research companies, NGOs, public actors (including extension) and intergovernmental bodies.

Reporting requirements and the identification of existing instruments is the dominant approach taken by the three MNCs to pursuing rri. There is a mix of existing instruments currently in use internally in these companies and it includes human resource incentives, private soft regulation (private standards), public voluntary laws and directives, and compliance to mandatory regulations as the foundation of their responsibility. External instruments include the Dow Jones Sustainability Index<sup>8</sup> which encourages competition between companies on responsibility indicators; and The Declaration of Abu Dhabi, which was launched and signed by all three MNCs in 2014. It is a pre-competitive approach to developing a set of common good agricultural practices (GAP) globally.

Existing instruments are most effective in two spaces of interaction:

4 Nutrition, health and wellness, accessed 29 October 2015, <http://www.nestle.com/nutrition-health-wellness>.

5 Interview – Global Director of Sustainability – Stefano Giolito, accessed 14 November 2015, <http://www.unilevergraduatesblog.com/2011/12/interview-global-director-of-sustainability-stefano-giolito/>.

6 About Unilever, Responsible Business, accessed 22 November 2015, <https://www.unilever.com/about/who-we-are/about-Unilever/>.

7 Top 10 Green Companies in the World 2015, accessed 14 November 2015, <http://www.newsweek.com/green-2015/top-10-green-companies-world-2015>.

8 DJ Sustainability Index, accessed 22 November 2015, <http://www.sustainability-indices.com/>.

1. the scientific community and
2. international multi-stakeholder initiatives.

First, in all three MNCs, interviewees reported that their scientists are first and foremost scientists and therefore they follow the ethics of the scientific communities and professional organisations in which they were trained. Furthermore, they are constantly publishing in peer-reviewed scientific journals and must follow the protocols and responsibility requirements of any other scientist in the academic community.

Second, voluntary standards are used for sustainable sourcing strategies by each of the companies, however, the MNCs are also involved in what might be called industry “technical standards” committees whereby they are involved in setting the international standards for pesticide residue levels (Syngenta – The Joint FAO / WHO Meeting on Pesticide Residues [JMPR]), analytical methods for safety in food and beverages (Nestlé – AOAC INTERNATIONAL) and standards for palm oil (Unilever – Roundtable on Sustainable Palm Oil). Additionally, these companies have all been involved in the UN Global Compact’s Food and Agriculture Business (FAB) Principles, which are pushing for responsible agribusiness and contribute to the post-2015 Sustainable Development Goals. In these spaces MNCs are engaging with NGOs and governments to define the metrics used to evaluate their responsibility for the products of their R&I processes.

### What are the effects of rri?

In all three companies there has been a gradual shift in their CSR policies from being ad hoc “window dressing” style programmes to embedded approaches to how they do business. This has differed in each company, but has generally included integrating CSR objectives into key performance indicators (Syngenta, Unilever) and introducing design tools that can change the relationships between designers and researchers (Nestlé). There is also a movement towards shifting some research centres to developing countries. In some cases this is an attempt to be closer to the crop production areas (e.g. coffee, cocoa, tea), in other cases this may be to be closer to collaborating partners who are working on specific technologies, yet still in others it may be a way to conduct research that is not condoned elsewhere.

The work that MNCs are doing to align their governance instruments is moving them into the direction of productive responsabilisation of RRI. However, it would be naive to declare that all of these MNCs have transformed their actions; the profit motive and the notion of “good business” is the fundamental organisational principle for all activities within MNCs. Therefore, they work from the assumption that they must keep the business growing and profitable with all that they do. If they receive public backlash, or significant signs that their products will not make it to market, they will make changes to their R&I programme. However, these actions are part of the design process and not necessarily the results of efforts of a concerted responsabilisation process. Unilever is the most far advanced company in this direction as its mainstreaming approach has indeed made the whole organisation more responsive towards meeting its sustainability goals.

In line with existing research that explains the civil society dynamics of new social movements that rely on “naming and shaming” tactics (Bartley and Child 2014), all three MNCs have become very responsive to stakeholder pressure. I classify Nestlé and Unilever as productively managing this contestation while Syngenta has made strides, but has not yet reached the same level of contestation management. This may be explained, in part, by the nature of Syngenta’s products (inputs rather than consumer goods), the severe public backlash against the company’s direct competitors that makes dialogue difficult (Monsanto and Dupont), and the only recent move towards engaging in standards and multi-stakeholder initiatives (as an individual company and not through the CropLife lobbying arm).

### RRI lessons learned

MNCs provide a very unique type of organisation that can influence the way in which RRI is defined, constituted and taken up by other actors. The unique positioning of research within a private company, who is responsible not only for conducting new research but also product development and commercialization of innovation, offers insights into how existing tools are being used and how any new governance instruments for RRI would need to be positioned in order to gain influence.

Through the analysis of these three companies' approaches to responsibility, it is clear that the concept of Corporate Responsibility (or CSR) is very strong and quite well-embedded into the organisational structures of the MNCs. While the companies do take slightly different approaches to the actual placement of CSR incentives either within their Human Resources systems, as an approach to public relations and engagement with NGOs or other private sector actors, and in relation to meeting regulatory requirements, it is clear that CSR and existing regulatory regimes already provide a number of tools that are being used by these companies. CSR tools are often more important for the innovation processes than for the research processes, as the scientists working within these companies view themselves primarily as scientists, and thus are also bound to the ethics and peer-review systems used in scientific communities.

The lesson for governing "RRI in the making" is clear: RRI needs to be understood differently in terms of thinking outside of fixed regulatory environments and towards fluid systems where there are portfolios of existing governance instruments. This case shows very clearly how rri issues are closely tied to economic interests in terms of the need to commercialise products that emerge from innovation processes; and to the strategic interests of balancing controversy with brand reputation, company sustainability with global societal challenges of sustainable agriculture and food security. The preferred tools from these three companies are: internal codes of conduct, voluntary standards and certification, reporting and indicators, multi-stakeholder dialogues and regulatory compliance. These instruments promote normative visions of responsibility in terms of individual and corporate liability for "irresponsible" practices, participation, transparency, capacity building and capabilities strengthening. The three MNCs recommended an additional principle – that of "shared benefits" – as something that should be included in RRI. This principle suggests an expansion of responsibility towards a form of outcome legitimacy or, perhaps more appropriately in these cases, towards a responsibility for maintaining the philanthropic aspect of CSR within concepts of rri.