

CORPORATE SOCIAL RESPONSIBILITY

C S R

the collaboration paradigm: strategic partnerships for business

An Introduction

"THE BUSINESS OF BUSINESS IS BUSINESS ... BUT IT OUGHT TO BE LEGITIMATE BUSINESS, AND NOT AT THE EXPENSE OF FUTURE GENERATIONS."

With this update — or, more accurately, correction — of Milton Friedman's famous statement, Interface Inc. founder Ray Anderson illustrates an essential truth about business's place in society today. No business survives in a hypercompetitive global marketplace without winning products and services. But, equally so, business cannot succeed if pressing global questions are left unaddressed.

Over the past 10 years, business has begun to diversify its portfolio of interests. Mainstream companies from Wal-Mart to Swiss Re and from Shell to Coca-Cola are actively looking at the significance of global challenges like climate change, access to clean water, conflict reduction and the advance of the rule of law.

Just as business has redefined its agenda, so too has it redefined the way it engages with other institutions. Business has a role to play, but it can only fill this role in partnership with others. Indeed, business, the public sector and the fast-growing nongovernmental organization (NGO) sector have awakened to the fact that they succeed best when they work together.

Many organizations have embraced the "collaboration paradigm" as the main route to success. At Business for Social Responsibility (BSR), we have facilitated partner-

ships between companies, the public sector, and human rights, labor and environmental organizations as a central part of our efforts to build a more just and sustainable economy. These partnerships were once a counterintuitive "man bites dog" story; they are now a core strategy for companies, the public and civil society.

Just as the private sector has gained a much stronger appreciation for collaboration with noncommercial entities, so too have governments and NGOs embraced the partnership model. The United States Agency for International Development's Global Development Alliance has engineered billions of dollars for poverty alleviation projects, and the Swedish government has established an Office for Partnerships in Global Responsibility, both described in this section. The NGO sector, which by some accounts has grown tenfold since the fall of the Berlin Wall, now combines campaigning with collaboration. Greenpeace, Human Rights Watch and Oxfam, as well as thousands of other organizations, many from the global south, are working daily with business to address global challenges.

Examples of new models abound. The apparel industry, which little more than a decade ago was debating whether it had responsibility for global working conditions, is now in a multiyear partnership with the International Labour Organization (ILO) and government officials to ensure

fair working conditions in Cambodia and elsewhere. The Extractives Industry Transparency Initiative has brought together more than 20 governments with groups like the Open Society Institute and Transparency International and with oil, gas and mining companies to reduce corruption in management of revenues from energy exploration and production.

This is all good news, and the trend will continue.

But for this trend to capture its true potential, it must accelerate and mature. If the challenge of the last decade was to demonstrate the value of the principle of collaboration, the coming decade demands that we find ways to take these examples to scale. To achieve this more ambitious goal, models will need to be refined; all organizations will need to build new capacities, and governance models will need to mature.

The partnership approach is essential to building a just and sustainable economy, and the call to action is clear. We can achieve a common vision by leveraging the distinct skills of business, government and civil society. In this way, we will make good on the vision of business that serves the interests of the current generation and also the well-being of future generations. Success means that we satisfy both Ray Anderson and Milton Friedman.



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Strategic Partnerships for a More Sustainable Global Economy

Log on to any corporate Web site today, and you're likely to find a section describing the company's commitment and follow-through on programs that fall under the umbrella of corporate social responsibility (CSR). CSR efforts address global concerns that were once almost exclusively the domain of governments, including the environment, economic development and human rights.

Fifteen years ago, few companies would have paid such attention to these commitments, but now they tout them on billboards, in magazine ads and in television commercials. Toyota boasts about the ecological benefits of its Prius and other hybrid vehicles; BP describes a world beyond petroleum; and Starbucks touts its efforts to improve the lives of coffee farmers in developing nations.

These shifts in language and practice are noteworthy given that 51 of the 100 biggest economies in the world are multinational corporations. The resources of these powerful companies provide a newfound capacity to take on and positively impact global social and environmental challenges. But surveys report that, in spite of advertising spin, global corporations often lack credibility with the general public. Conversely, NGOs have the highest credibility. These simple facts underscore why collaboration — between private ventures and civil society, as well as traditional government — is critical to solving pressing environmental, social and economic problems.

In 1970, the United States government was the single largest source of funds addressing social challenges in the developing world. Today, 80 percent of funds flowing from the United States to these same countries come from the activities of global companies, NGOs, foundations, churches and charities. According to the United Nations, private foreign direct investment (FDI) surged by 40 percent in 2004 to reach US\$233 billion. Compare this to official development aid — that given by governments around the globe — which was only \$78.6 billion in 2004. A paradigm shift is occurring: strategic partnerships forged between public and private sectors are emerging as a preferred path to progress that can harness the skills and resources best matched to the formidable tasks at hand.

Innovative collaborations pepper the globe, addressing critical problems, such as the preservation of our dwindling forests, labor conditions in supply chains or the challenges posed by global climate change. They offer great hope in the face of fears about the planet's uncertain future, and their numbers are growing. At the same time, strategic collaborations are putting companies and NGOs under unprecedented demands for genuine performance and real progress.

A central role remains for governments in rendering final decisions on the management of these critical issues and oversight of solutions. Just what the balance between public and private should be is at the core of the debate. The question at hand is simple, yet daunting: how can collaborations most effectively impact the issues, communities and people in the greatest need of attention?

This special section delves into why these collaborations occur, what makes them work and the potential they hold to deliver on the promise of just and sustainable development across the globe. □

Whose Job Is It, Anyway? The Role for Governments

Each hour, 15,000 children are born. At this pace, the world's population is expected to grow from 6.6 billion people to eight billion in 2025, according to the Population Reference Bureau. Approximately 95 percent of this projected population growth will occur in the developing world.

Managing the economic dislocation, as well as the tremendous opportunities that come with growth, has been the traditional terrain of governments, which have been counted on to ease the transitions from rural

(USAID) — the United States government's overseas development program — points to the shifts in funding and responsibility between public and private sectors solving the federal government's approach to solving global demands for decent jobs, clean water and clean energy. "Both publics and privates bring complementary assets to the table, creating a synergy and, ultimately, better outcomes," he remarks. "We've been in many of these countries for 30 to 40 years, so we know who the good actors are, and those who are not. Government can do

many things, due to its long reach, but corporations offer buying power, supply chains, cutting-edge technology and their brands, and all of that represents a different kind of convening power."

GDA is a testament to the magnitude of partnership efforts. Since its estab-

lishment in 2000 it has leveraged more than US\$1.4 billion of its own funds with more than US\$4.6 billion of partner funds through nearly 400 alliances with a number of diverse stakeholders that include communities, companies, local governments and NGOs.

Consider these examples:

- Starbuck's worked with GDA to create the Rwanda Coffee Partnership, which is improving the lives of 40,000 farmers. Slightly more than a decade ago, this poverty-stricken country was torn apart by ethnic strife. The public-private partnership invested in new processing equipment and taught Rwandan farmers how to produce a premium "Rwandan Blue Bourbon" coffee that was sold in about half of the firm's 11,000 stores, until supplies ran out. Starbuck's has vowed to continue the program next year.
- Cisco worked with GDA in a four-year collaboration that ended in July, called "Entra 21." Designed to boost employment rates in Latin America and the Caribbean, Entra 21 created vocational technology training programs on IT skills throughout the developing world, using Cisco's existing global curriculum. More than 40 nonprofits were involved.
- The government of Mali, a country at the southern edge of the Sahara, is teaming up with GDA, Office du Niger, Schaffer and Associates International, LLC, and the ILLOVO Group to launch the Markala Sugar Project Alliance. The goal of this three-year alliance is to boost sugar production capacity by five times to create the second-largest sugar factory in all of Africa. At present, only six percent of Mali's one million hectares of arable land is cultivated, leaving room to grow and process sugar cane.

"Both publics and privates bring complementary assets to the table, creating a synergy and, ultimately, better outcomes."

to urban lifestyles and from local to global markets. When done well, government action can yield great success stories, stability and sustainable growth. When done poorly, corruption, conflict and a stagnant economy are the outcomes.

Many global companies have great interest in engaging the developing nations of the world, especially the so-called BRICS — Brazil, Russia, India and China. The Worldwatch Institute reports that, last year, China alone consumed 26 percent of the world's crude steel, 37 percent of its cotton and 47 percent of its cement. Many companies see their future success hinging upon how well they perform in response to the forces at play in these emerging markets, many bustling with economic exuberance. Yet when sourcing from or selling into emerging markets, companies find themselves drawn into playing the role of government in a number of social and environmental arenas.

"There has clearly been a changing of roles between the private and public sector, but the change can be very different from country to country," notes Lisa Svensson, Second Secretary with the Swedish Embassy in Washington, DC. The Swedish government's International Development Cooperation Agency works together with other governments, as well as with NGOs and other organizations, as well as good corporate governance reforms and labor standards around the world. "Public-private partnerships can be effective mechanisms to deliver social services, such as health care and public education," Svensson says. "They are a way for the private sector to contribute to social needs. While these partnerships can be difficult to manage, the Swedish government's motto is this: We can achieve more together than in isolation."

Dan Runde, director of the Global Development Alliance (GDA) in the United States Agency for International Development



Representatives of developing nations also recognize that public-private collaborations are key to their own long-term economic health. The Markala Sugar Project Alliance "could not have succeeded by relying on government efforts alone," notes Mody Ndiaye, vice minister of industry and commerce for Mali. According to Ndiaye, "We needed the

experience and expertise of private investors such as Schaffer Group from the United States and the ILLOVO Group of South Africa to create a world-class industry that can compete with low-cost producer countries. Each alliance partner has brought something to make the alliance stronger and to reduce the risk of the project." □

NGO Perspectives: The Power and Peril of Partnerships

Transparency, influence, control and conflicts of interest: a host of ethical issues are raised by the changing relationship between corporations and NGOs that collaborate. These issues and others have the potential to compromise the goals of both NGOs and companies, but when navigated well they can add support and legitimacy to a collaboration.

As in the private sector, the world of NGOs is flush with diversity. With this diversity comes a wide range of views about the wisdom of pairing with corporate interests. Organizations often maintain independence by refusing corporate and government money. Greenpeace, for example, has had such a policy for over 30 years. But Danny Kennedy, executive director of Greenpeace Australia, is quick to note: "That doesn't mean we can't work with companies and stand shoulder-to-shoulder with people doing the right thing."

While Greenpeace is often associated with direct actions on the high seas, exposing and calling attention to what it sees as corporate misdeeds, a shift has occurred within the organization over the past decade. "Corporate power is real and substantial," Kennedy

points out. "In some ways, due to the demise of the state in many parts of the globe, corporations actually do rule the world. Sometimes we at Greenpeace try to speak power over the corporation. At other times, we build power with the corporation."

Other organizations, such as Amnesty International, do not engage in public-private partnerships in an effort to preserve their space and freedom to criticize. "Our view," states Chris Marsden, chair of Amnesty's Business Group, "is that our independence — our brand, so to speak — is worth too much. If you are an NGO and are in a partnership with a private corporation, people tend to focus on the bad story, rather than the good story." The charge of his wing of Amnesty, comprised of about 20 business and human rights experts, is to promote greater awareness of human rights issues within corporations.

"There are NGOs that are anticapitalist, Antiglobalization, Seattle brigadetypes," Marsden explains. "Then there are the NGOs who will say good things to get money from companies. And then there is the middle, where the real action is. This is the space where we have to deal with the bad things done

by companies, and it is here that some NGOs see that they can become part of the solution." It is in this middle space where Amnesty works.

Even entering NGOs that prefer to avoid entering into direct collaboration with corporations, there is recognition of the critical role corporations are playing in areas where there are shared concerns. NGOs are more open to working with private corporations "in places where governance is weak, or in those developing markets where governments don't give a damn. Many companies are creating de facto governance systems and are working in this uncomfortable middle ground until governments get their acts together," acknowledges Marsden.

The debate among civil society organizations and companies about the strengths and perils of collaboration will continue. Right now, the two need one another's unique skills and offerings, including the expertise, resources, legitimacy and on-the-ground presence. Crafting collaborations thoughtfully and with clear ground rules will make them an even more powerful force that together can address key local and global issues in the years ahead. □





Growing Intraindustry Coordination and Collaboration

Few consumers consider how products are made, who is making them or how they arrive at the store, but this is likely to change as companies focus their attention on these factors both independently and in coordination with one another.

While the landscape facing business today is fiercely competitive, firms are turning to cooperation with one another when faced with broader social and environmental issues. Unprecedented collaborations between companies are springing up worldwide, and these intraindustry partnerships are fostering solutions to supply-chain sustainability conditions, the reduction of international trade's environmental footprint and numerous other issues.

One example of creative business-to-business partnerships is found within the computer industry in the Electronics Industry Code of Conduct (EICC). Launched by the industry in 2004 and facilitated by Business for Social Responsibility, the EICC includes such widely recognized names as Cisco Systems Inc., Dell Inc., Hewlett-Packard, IBM, Intel, Microsoft Corporation and Sony Corporation, along with a host of their large supplier companies.

The EICC paves the way for a harmonized approach to supplier performance across several areas of social responsibility, including ethics, labor standards, environmental impacts and health and safety. The coalition of companies is creating a comprehensive set of tools and methods that support credible implementation of the EICC throughout the Information and Communications Technology (ICT) supply chain.

Intel sustainable development manager Brad Bennett, who chairs the EICC, points out how membership in the group has grown substantially this past year to more than 20 companies. "Developing a code is one thing," Bennett states, "but leadership is about implementation. Last year, we developed our strategy.

Now, we are managing the implementation steps, coming up with a risk-assessment methodology and focusing our resources in places where it will do the most good."

The EICC has developed a number of helpful tools, including a self-assessment questionnaire that has grown to 200 questions. "Companies can use these tools to get the biggest bang for the buck," Bennett explains. "And the theme behind all of this is really an approach that expands continuous improvement. No company is ever perfect; there's always room to improve."

In Europe, a similar effort — the Global e-Sustainability Initiative (GeSI) — was launched. Called the Supply Chain Working Group, it includes British Telecom, Deutsche Telekom, Motorola, Telefonica and Vodafone. The EICC and the Supply Chain Working Group now collaborate on a joint mission to improve working conditions through a shared approach to implementation.

Another intraindustry example of collaboration is the Clean Cargo Working Group, also established by BSR. Clean Cargo participants include 12 of the 20 largest global container carrier companies, which operate 70 percent of the world's container capacity, as well as international freight forwarders, logistics providers and top consumer-product manufacturers and traders, including three of the top 10 United States importing companies.

The goal of Clean Cargo is to foster continuous improvement in environmental and social performance of freight transport by sharing information and promoting best practices. The 25 companies that comprise the group are taking a leadership role in developing methodologies that support a better under-

standing of the effects of transportation in global supply chains (for more information and a list of participating companies, visit www.bsr.org/SustainableTransport).

The impetus behind this effort came from brand-name companies aiming to measure the environmental footprint of the transport of their products. "Before the establishment of Clean Cargo as a forum for this work, each company was starting down the path of developing its own methods to address transport impacts," reports Kate Fish, managing director for BSR in Europe and one of the group's facilitators. "Rather than each submitting a separate environmental survey to each of their main carrier companies, shippers decided to band together and come up with a common tool for measuring their environmental impacts."

Intraindustry initiatives are providing answers and reframing our thinking, and not just when it comes to cargo and electronics. This trend is resulting in better management practice. As Fish notes, "Once you start measuring things, all sorts of opportunities come up to understand and better manage your business and its impact."

But just how visible is this issue of effort reflected in business performance? "Whether the topic is the environment, labor or human rights, we tend to see in our own work and that being done by others, the most sustainable and credible solutions by working through multistakeholder-engagement efforts, with or without government," says Bennett Freeman, senior vice president for social research and policy at the investment firm Calvert. In the end, he notes, the fruits of this collaboration are ultimately "reflected through better performance of industries and individual companies in the marketplace." □

"No company is ever perfect; there's always room to improve."

Multistakeholder Initiatives: Cambodia Case Study

Addressing social issues like child or even slave labor in developing nations is a complex undertaking. Direct corporate-NGO partnerships may be too limited in scope to make much difference, but multifaceted approaches involving deep cooperation with a large number of crucial players at the table may be exactly what is needed.

While multistakeholder initiatives are some of the most complicated forms of collaboration to get off the ground, they can also be among the most successful. Take, for example, the challenge of improving labor conditions in one nation. You can find few better examples than the Better Factories Cambodia project, established in 2001 by the International Labor Organization (ILO).

Better Factories Cambodia grew out of a trade agreement between the United States and Cambodia in which the United States promised better access to its consumer market in exchange for improved working conditions in Cambodia's garment sector.

Governments in this case undoubtedly set the initial framework and gave the first push. NGOs, trade associations and unions have since helped to devise a program of implementation.

Better Factories Cambodia relies on unannounced factory visits that review more than 500 compliance items determined by consensus among Better Factories Cambodia collaborators. After these visits, managers receive a monitoring status report listing specific steps and suggestions to bring the factory up to standards. Trends and overall progress are then publicly reported.

Better Factories Cambodia has pioneered innovative tools, including Web-based software, to conduct factory monitoring that assures safe workplaces in alignment with internationally accepted standards and practices. It has done so in a way that has brought immediate benefits to workers and employers, but the road has been a bumpy one. When Better Factories Cambodia was launched, the concept of "compliance monitoring" of labor conditions was new to Cambodia. However, with time, important institutional players have come to appreciate the process, and people have found their proper positions and roles.

Warming up to cooperation

The Garment Manufacturers Association of Cambodia (GMAC) helped fund Better Factories Cambodia in conjunction with The World Bank, the Government of Cambodia and brand-name wholesale buyers such as Gap Inc. and Nike. Still, GMAC's local member companies were slow at first to embrace Better Factories Cambodia.

"There will always be resistance to this kind of project, as it means more audits and increased human resource and financial requirements," said Ken Loo, GMAC secretary general. To reduce duplication in compliance audits and to increase reliance on the ILO's monitoring reports, commitments were needed from company buyers, who have long relied on their own efforts to assure their own proprietary workplace standards. According to Loo, factories have slowly come to realize "that this type of collaboration helps to reduce the pressure on factory management by ensuring that each factory is audited less often." Less frequent audits mean less distractions, more standardized processes and more free time for other aspects of business.

All parties are now seeing returns on the areas that matter most to them. Manufacturers are keen to note that the Better Factories Cambodia effort has provided them with greater exposure to international buyers now willing to give Cambodia a chance as a source country.

Workers also appreciate the Better Factories Cambodia effort. Sam Srey Mom, vice president of the Free Trade Union Workers of the Kingdom of Cambodia, pointed to clear advances on the occupational health and safety front, as well as regarding environmental issues. "It was definitely more effective to work with private companies directly, rather than to work just with the government alone," said Mom. "Since employees work for the employer, it is simpler and better for them to talk to resolve any issues to their mutual benefit."

Better measures and better results

So far, Better Factories Cambodia has created a systematic, industry-wide and quantitative monitoring process that provides timely compliance reports for the industry as a whole and for individual factories at the same time — a first. The monitoring process serves as a way to measure impact and as a business-development tool that gives industry players and observers a wider view on industry trends. It also provides a formidable platform for companies to develop individual factory improvement plans. As Tuomo Poutiainen, chief technical advisor to the Better Factories Cambodia, reports, "This all plays into the hands of buyers and manufacturers interested in investing into more privileged business relationships and in improving their ability to produce competitively. Simultaneously, the project continues to provide a mechanism to maintain higher labor standards for the industry as a whole." The program also offers training and capacity building that helps committed factory owners improve working conditions and enhance productivity.

"The project is by no means perfect," continues Poutiainen. "We continue to discover areas of improvement almost every day. We want to make sure that the tools that we use are user friendly, that the process we apply is nonpartisan and objective and, most important, that users of the system feel they can trust the monitoring process."

What may prove to be the real success of the project is the multistakeholder alliance itself. "Better Factories Cambodia has been instrumental in getting key people in the industry around the same table to talk and share views, no matter how far apart they were in perspectives," said Poutiainen. "These discussions have provided greater clarity on many compliance issues and paved the way for different parties to discuss, on a more formal basis, survival issues, such as minimum wage." In light of Better Factories Cambodia's success, the ILO recently launched, in collaboration with World Bank, a global version called Better Work that will take the lessons from Cambodia and expand them to more countries.

According to Poutiainen, "The project has translated international standards and national labor law into concrete compliance situations and actions at the factory floor. It is the combined use of advocacy and training, with intense and thorough scrutiny of working conditions, that has made the difference." □





Cargill: Improving Agricultural Practice and Reviving Rivers Around the World

Many corporations are exploring relationships with NGOs for the first time. Others have been engaged with NGOs for a long while, delivering on strategic and shared goals. Take the case of Cargill, an international provider of food, agricultural and risk management products and services.

In 1999, the company began to refocus externally on its customers and stakeholders. "We were tired of being seen as the 'Tons 'R' Us' company, and 'collaboration' became a mantra inside the company for us to go after more value-added opportunities with our customers," reports Mark Murphy, Cargill's manager of corporate citizenship. "Collaboration had also become a buzzword within the CSR community, without having much clarity about what it really meant and what it looks like to really collaborate on addressing complex environmental and social issues."

Cargill has contributed to The Nature Conservancy (TNC) since the 1980s, but the two organizations first discussed deepening their work together in the spring of 2004. From those discussions, Cargill awarded TNC

a two-year US\$1-million grant to improve agricultural practices in three of the world's largest river basins in China, Brazil and the United States.

In China, for example, the Yunnan Great Rivers Project is located where some of Asia's last untouched forests can be found, and where four of the world's major rivers — the Yangtze, Mekong, Salween and Irawaddy — all pass within 55 miles of each other. Among the 30 endangered species that live here are snow leopards, the red panda and the Yunnan golden monkey. The Great Rivers Project has engaged local governments and local tribes to develop community-based environmental awareness programs for school children and village elders, foster the adoption of alternative energy sources for heating and cooking, and promote ecotourism opportunities. Cargill is also providing funding to TNC in China to help governments plan and manage a national park development program for the region. As is the case with each of these river restoration and enhancement projects, local TNC staff perform the vast majority of the on-the-ground work.

"When an NGO and a private company form a partnership, you really can get something significant done with sound conservation projects."

In Brazil, the British government matched Cargill's financial contributions of US\$240,000 to TNC agronomists and scientists helping to prepare a baseline environmental assessment encompassing 495,000 acres. Cargill and TNC are also collaborating in Brazil to help local soy farmers comply with local environmental regulations, such as the Brazilian Forest Code, which mandates that 80 percent of forested property in the Amazon must be set aside as a preserve. The long-term goal of the project is to put appropriate incentives and rewards in place for

farmers at the field level to implement sound agricultural and land management practices.

In the United States, the Cargill-TNC partnership is funding the implementation of a series of conservation strategies, such as restoring bluff-floodplain landscapes to help bring the Mississippi River back to a more natural state while accommodating local populations.

"When an NGO and a private company form a partnership, you really can get something significant done with sound conservation projects," comments Peggy Ladner, TNC's state director in Minnesota and North and South Dakota. "Not only is Cargill providing significant funding, but we can lean on their expertise and work toward environmental solutions. That is extremely valuable from TNC's perspective," she adds. The Cargill-TNC partnership reflects both organizations' increasing efforts to broaden the scope of global conservation work through more effective use of partnerships between the private sector and NGOs.

"Right here in our own backyard," says Ladner, "TNC has worked with Cargill on issues affecting the flow regime of the Mississippi River, allowing barge traffic to go through, but also protecting the ecological presence of the river, including native plants. It is hard to balance these sorts of things without working with local governments, landowners and companies."

Lessons learned

Since 2003, Cargill has worked collaboratively with several NGOs on a variety of key initiatives. Experiences and lessons from each have been different. "With one there was very tough corporate engagement criteria — almost a litmus test — and it took a long time to develop the genuine trust and candor necessary to get projects off the ground," Murphy notes. "With another, continuity in staffing and bureaucracy in the organization made it a challenge to coordinate and share knowledge effectively across targeted geographies and programs. Our expanded partnership with TNC has turned out to be very strategic for us. Our long-standing relationship certainly helped establish trust and open communication early on, but clearly their long history of work in regions very important to us was critically useful to helping us gain important insights."

"Collaboration is not easy. You need to develop an environment of trust and have some transparency. Without these, you just can't really get the results you seek," Murphy continues. "At Cargill, we want to move from transactional relationships with our stakeholders to more consultative relationships. Doing so successfully delivers on our business, environmental and community goals." □

Chiquita: Harvesting Efficiencies

In 1992, Chiquita Brands International sat down to talk to environmentalists, something the company had never cited before. The environmental groups had the concern: they claimed that deforestation and agrochemical runoff from banana plantations in the region threatened spraying techniques were impacting the health and safety of workers.

From that first meeting flowed a series of events that have transformed the firm. "Chiquita has gone from being the Darth Vader to the Luke Skywalker of the banana world," observes Tensie Whelan, executive director of the Rainforest Alliance (RA), an NGO created two decades ago to promote market-based conservation tools that have been behind efforts to certify safe and sustainable forestry practices through the Forest Stewardship Council.

"Chiquita had been growing bananas in the same way for 100 years," says Whelan. With changes to its operation, she notes that Chiquita "now pays its workers twice the average rate, it has helped protect unique habitats, and it continues to improve operations in the field. As a result, it is a better managed company with reduced costs.



This really has been a win-win."

Just how much has Chiquita accomplished? Consider these numbers:

- All 110 of Chiquita's company-owned farms, which provide 30 percent of its total banana supply, are now certified by RA.
- In 2001, only 33 percent of the independent farms that provide 70 percent of Chiquita's total supply met the RA standards. In 2006, 93 percent meet the standards.
- The company now recycles 100 percent of the plastic bags used in production and has reduced pesticide use by 26 percent. Reduced pesticide use saves Chiquita US\$5 million annually.
- Productivity at Chiquita is up by 27 percent.

According to Michael Mitchell, Chiquita's director of corporate communications and investor relations, "relying upon third-party certification standards was good for us because it gave our efforts and the standards we set credibility. The certification program has grown into a key component of our corporate culture here at Chiquita. It started a cultural shift for our employees, but now corporate social respon-

sibility is what we stand for. It is part of our core values."

But Chiquita hasn't stopped there. The experience of working with an NGO such as RA opened the door to many other opportunities. Chiquita has formed a six-year partnership with the WWF to improve agricultural practices in Honduras and Guatemala. In Europe, Chiquita has partnered with Social Accountability International, a facility and farm certification body, on labor and human rights matters.

The International Union of Food Workers has also been engaged to create a review panel that will issue final decisions on labor complaints. Since these collaborative efforts began in 2001, the company has seen work strike days drop dramatically, helping to avoid the loss of millions of dollars in buying replacement food.

"We are not perfect, but we have given an honest effort to commit to continuous improvements," says Mitchell. Based on these experiences and the dividends they have paid, Chiquita plans to extend these and other efforts further down its supply chain, expecting continued business and community impacts that will serve the company well. □



Hewlett-Packard: Collaboration for Supply-Chain Improvement

Today's supply chains have company operations reaching into all parts of the globe, deep into communities, and having profound effects on the lives of people. With their rich web of connections, these supply chains represent great strength and also a certain degree of risk that must be understood and managed.

Take a company like Hewlett-Packard (HP), which purchases roughly US\$46 billion of goods and services from more than 10,000 suppliers. As early as 1997, HP began pushing higher CSR standards down through its supply chain partners in developing nations in an effort to manage the conditions among its web of suppliers. Its efforts continue today. For example, the company's Focused Improvement Supplier Initiative (FISI) is forging new ground in China and other emerging markets.

Bonnie Nixon Gardiner, HP's global program manager for supply chain social and environmental responsibility, notes that there are unique challenges in promoting sustainable business in China and other developing nations. "Many managers in locations such as China are very young and do not have a lot of experience. Some of these suppliers have grown incredibly quickly, say from 50 to 5,000 people in a very short time. They face quite a challenge, trying to get management systems in place, to grow up and to become more sophisticated to manage these issues." FISI is designed to provide these managers with needed expertise.

"We need to make these partnerships work for all involved, particularly as governments are under increasing financial strains."

With the help of BSR's China Training Institute, HP is delivering supplier training, starting with 30 suppliers in both southern and northern China. Current training focuses on building understanding about the impact of sustainability issues on local business.

"We collect metrics for our supplier partners on a monthly basis, emphasizing the business case and benefits of CSR, such as better productivity, fewer accidents and higher employee-retention rates," Gardiner continues. "In essence, we become partners with our suppliers, invest in them." One lesson the company has already culled from its China experience with FISI is to not give away training sessions for free. When suppliers have to pay for something, they seem to place greater value on the knowledge being shared and on an initiative's goals.

Shifting approaches from place to place, small to large

However, a fee-based approach to supply-chain collaboration does not work in Central Europe, where 40 percent of HP's supply chain in the region is composed of small- and medium-sized firms with different resources than their Chinese counterparts. HP has reached out to The Copenhagen Centre for Corporate Responsibility in Denmark, an independent think tank supported by Danish government grants and other sources, including the European Union, to help finance supply chain training for companies. Its efforts are focused in the Czech Republic, Hungary and Poland.

According to Jette Steen Knudsen, director of The Copenhagen Centre, "With this new project, we gain access to a company with one of the largest supply chains in the world. We get to see how they work and hope that the knowledge we gain will help HP in their work with small- and medium-sized suppliers, helping us also to better understand how we can help suppliers improve their social and environmental standards." She notes that smaller companies can be at a disadvantage as large multinationals demand stricter social and environmental requirements from their supply base. Many of the smaller companies do not always have the time, resources or expertise to keep up with quickly changing CSR standards.

Steen Knudsen also points out that there is surely a balancing act in making these collaborations work: "We do not want these public-private partnerships to silence critical voices, and we need to make these partnerships work for all involved, particularly as governments are under increasing financial strains."

HP is also collaborating with its larger suppliers to push forward work within their own supplier networks. The company is asking these firms to drill

down into their own supply bases, which is often where the most changes in practice need to take place. While the company can mandate much from the center, success comes from working with academics, civil society groups and local NGOs to assure progress and results. "These are the experts that possess the local knowledge and solutions to these issues," says Gardiner, "and it is our job to find these people and work with them." ■



