

INTEGRATION OF CORPORATE SOCIAL RESPONSIBILITIES (CSR) INTO BUSINESS STRATEGIES, A MEANS OF ENHANCING THE SUSTAINABILITY OF BUSINESSES: CASE OF FOOD PROCESSING COMPANIES IN RWANDA

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ABSTRACT: *Corporate social responsibility (CSR) is of high relevance for food companies as this sector has a strong impact and a high dependence on the economy, the environment and on society. CSR's threats and opportunities are increasingly shifting from the single-firm level to food supply chains and food networks. This induces substantial challenges for the future due to firm heterogeneity and the associated diversity in CSR approaches. At a time when global environmental issues are becoming more critical than ever, environmental protection is an obligation that any corporate citizen owes to nature and the society, for we have a duty to protect the home that we mutually share. Environment protection, energy conservation and emission reduction have been and shall continue to be the persistent objectives of these entrepreneurs. Food transformation companies must be committed to pro-active environmental protection by optimizing their production processes and helping to develop a low-carbon economy, as they strive to build an environment-friendly enterprises and facilitate development in harmony with nature. This article intends to remind entrepreneurs that CSR is founded on a stronger recognition of the role of business as an active partner in a world of scarcity and dwindling resources. It shows also how we can reduce negative socio-environment impacts in our operations? The solution is by integrating CSR into value chain of businesses.*

KEYWORDS: CSR, CSR strategies, Solutions to social environmental issues, Sustainable development.

INTRODUCTION

In September 1970, Nobel laureate economist Milton Friedman ignited a serious controversy with his *New York Times* article "The Social Responsibility of Business is to Increase its Profits" (Kitthananan, A., 2010). His main argument is summarized as follows: "there is one and only one social responsibility of business – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game ..." While one might agree with him that a primary purpose of business is about making a profit without violation of laws and regulations, this argument is unlikely to remain valid in today's world. Businesses must consider not only on their profits but also the effects of their activities on society.

The main reason is that business and society are deeply and dynamically interdependent. Businesses are crucial members of society; in fact, many are also significant social institutions.

The decisions they make and the actions they take reverberate throughout society. Society depends on businesses in their provision of jobs, investment, goods and services produced, and development of new technologies. Thus, business has become a profound driver of employment, investment and wealth creation within society. In addition, business may also impact society beyond its obvious economic influence.

Ultimately, a healthy society leads to expanding demand for business, as more human needs are met and aspirations grow. Without positive support from society, it would be very difficult for businesses to operate smoothly or even survive. Any business that pursues its ends at the expense of the society in which it operates will find its success to be ultimately temporary. Many companies become aware of this only after public pressure in response to actions they had taken but not previously been aware of.

Business and society are inseparable and interdependent. The best business leaders know this truth and act with vision, courage and passion to create real and lasting contributions to society. This becomes a way for companies to advance social progress while also making a profit, and ultimately becomes a way for many businesses to effectively sustain themselves over the long-term. It suggests that corporate social responsibility (CSR), therefore, has become an essential part of any successful company's business strategy. Furthermore, corporates can contribute to the social well-being and a harmonic way of living together in just, peaceful and friendly conditions, both currently and in the future, by effectively integrating CSR into their practice.

For the special case of food transformation industry, we agree with Monika Hartmann (2011) who said that "Corporate social responsibility (CSR) is of high relevance for food companies as this sector has a strong impact and a high dependence on the economy, the environment and on society. CSR's threats and opportunities are increasingly shifting from the single-firm level to food supply chains and food networks. This induces substantial challenges for the future due to firm heterogeneity and the associated diversity in CSR approaches".

DISCUSSION SUBJECT

- I. What are the most relevant activities for CSR strategies in a food transformation company?
- II. What social/environmental impacts of the operations that could be identified? What are possible solutions?
- III. How to contribute to sustainable development?

INTEGRATING CSR INTO VALUE CHAIN OF A FOOD PROCESSING COMPANY

Before the managers of a processing company think about how they can integrate CSR into its value chain they need to have an overview of the company's purpose. The company is obliged to base this activity to its vision which is normally an aspiration of what an organization would like to achieve or accomplish in the mid-term future. It is intended to serve as a clear guide for choosing current and future courses of action. The company will also consider its mission statement which is a written declaration of an organization's core purpose and focus that

normally remains unchanged overtime. Properly crafted mission statement serves as filter to separate what is important from what is not, it clearly states what markets will be served and how, and communicate a sense of intended direction to the entire organization. A mission is different from a vision in that the former is the cause and the latter is the effect; a mission is something to be accomplished whereas a vision is something to be pursued for that accomplishment.

For the purpose of its performance and sustainability, the business will take into consideration its objectives while integrating CSR into its operations. We all know that every enterprise has certain objectives which regulate and generate its activities. Objectives are needed in every area where performance and results directly affect survival and prosperity of a business. Various objectives of business may be classified into four broad categories as follows:

Economic objectives

Business is basically an economic activity. Therefore, its primary objectives are economic in nature. The main economic objectives of business are as follows:

- (i) Earning profits
- (ii) Creating customers
- (iii) Innovations

Social objectives

Business does not exist in a vacuum. It is a part of the society. It cannot survive and grow without the support of society. Business must therefore discharge social responsibilities in addition to earning profits.

According to Henry Ford, “the primary aim of business should be service and subsidiary aim should be earning of profit”. The social objectives of business are as follows:

- (i) Supplying desired goods at reasonable prices
- (ii) Fair remuneration to employees
- (iii) Employment generation
- (iv) Fair return to investor
- (v) Social welfare
- (vi) Payment of Government Dues

Human objectives

Business is run by people and for people. Labour is a valuable human element in business. Human objectives of business are concerned with the well-being of labour. These objectives help in achieving economic and social objectives of business. Human objectives of business are given below:

- (i) Labour welfare
- (ii) Developing human resources
- (iii) Participative management
- (iv) Labour management cooperation

National objectives

National objectives of business are as follows:

- (i) Optimum utilization of resources
- (ii) National self-reliance
- (iii) Development of small scale Industries
- (iv) Development of backward areas (www.free-business-plans.com accessed on 10th February 2014).

We cannot forget to insinuate the importance of taking into consideration the core values of the company. These are those values we hold that form the foundation on which we perform work and conduct ourselves. The values underlie the work of the company, how interact with each other, and which strategies the company can employ to fulfill its mission.

DEFINING AND SETTING PURPOSE, VALUES AND VISION OF THE COMPANY

When the enterprise is defining and setting the purpose, values and mission, it is important to focus on the following elements:

- Incorporating CSR into the enterprise's purpose (or mission): As we are looking at food processing, this activity must be aligned to CSR.
- Incorporating CSR into the enterprise's values: All activities stand for and are aligned to CSR.
- Incorporating CSR into the enterprise's vision: What enterprise does, seeks to become and incorporate CSR.
- Aligning purpose, values and vision: the enterprise must be ensured that they are coherent and incorporate appropriate CSR considerations.
- Involving relevant stakeholders: the company must involve them especially employees, in deciding what success looks like and their part in achieving it.
- Gaining commitment from key constituents: the company must gain commitment from them especially senior management and key employees (can be selected staff, e.g. union representatives).

HOW TO INTEGRATE CSR INTO VALUE CHAIN OF A FOOD PROCESSING COMPANY?

In order to deal with problems of probable unsanitary of the products and activities and that of integration of CSR into value chain of the company, this one needs to use the following model:

CSR in primary activities

These include the activities of inbound logistics and outbound logistics, operations, marketing and sales and services after sale.

CSR in the "hard activities"

In this section, the company deals with problems such as:

- In inbound and outbound logistics: pollution, impacts related to transportations and training.

- In operations: emissions, waste management, energy consumption, water consumption and environmental certifications.

CSR in marketing and services

In this section, the company deals with problems such as:

- In Marketing and sales: customer relationship, to ensure transparency, social and environmental contents of advertisement, Cause Related Marketing Campaign, control of sales, customer satisfaction and education on risky products.

- In services after sale: Services for disadvantaged people, partnerships with other organizations, NGOs and information campaign.

CSR in secondary activities

These are activities which support the primary activities. These are related with purchasing or procurement, research and development, human resource development, and corporate infrastructure.

In this section, the company deals with problems such as:

- In infrastructure and Human Resource Management: the company must be much interested to people (workers) focusing on health and safety, sanitary assistance and benefits and disadvantaged people employment. It must also be interested to life in the company focusing on training and carrier development, equal opportunities, internal communication and internal social activities.

- In technology development, the company is looking for enhancing relationships and collaboration with universities or industrial association.

- In procurement, the company is focusing on time payment, procurement from disadvantaged people and supplier training.

In summary, in this section of infrastructure, Human Resource Management, technology development and procurement, the company will deal with governance, considering values, principles, ethical codes, control system, relationships with institutions, NGOs, activists, relationships with local communities and anti-corruption policies. Further consideration will be given to communication, to say communication of social/environmental impact and standards and initiatives in order to become sustainable.

STRATEGIES OF INTEGRATING CSR INTO VALUE CHAIN OF A FOOD PROCESSING COMPANY/IRISH POTATO PROCESSING COMPANY

Our analysis follows the model explained above.

Primary activities

These include the activities of inbound logistics and outbound logistics, operations, marketing and sales and services after sale as done by an Irish potato processing company and its concerned stakeholders.

Inbound logistics

The company will always set its activities, analyse their social environment impacts and propose adequate solutions to them.

a. Activities

These are those which involve receiving and storing raw material, and distributing it to manufacturing premises. For the case of Irish processing company, the raw materials are the crops bought from farmers and cooperatives and other suppliers. These activities are among others purchasing raw materials, Irish potato, salt, cooking oil and other necessary raw materials needed to produce crisps, transportation of raw materials using trucks and storage of raw materials in the warehouses of the company.

For these activities, some social environment impacts can be perceived as enumerated in the following paragraph.

b. Social environmental impacts

The main social environmental impacts of this kind of activities are pollution from motor vehicles movements transporting raw materials and final products, relationship with suppliers of raw materials and outsourced services, chemicals used in storage, washing and other activities and deforestation due to the activities of the company and those of its suppliers (farmers).

c. CSR Solutions

In order to overcome the social environmental impacts enumerated above, we need to do the following:

- Listening to and working with suppliers: Rather than just making demands of suppliers, the company must be actively engaging with and listening to its suppliers, sharing information and agreeing mutually beneficial ways forward for shared gain.
- Agreeing honest and fair terms with suppliers: Agreeing honest and fair terms with suppliers and sticking to them helps build strong long term relationships.
- Ensuring fair pricing: Related to this is ensuring that suppliers are paid a decent price with decent payment terms for work done in reasonable conditions.
- Screening suppliers for compliance with social and environmental standards: Integrating social and environmental performance into procurement selection criteria.
- Monitoring social and environmental performance of suppliers: Working with suppliers to monitor and improve their social and environmental performance.
- Applying CSR standards throughout the supply chain.
- Promoting fair trade: Ensuring that the suppliers are paid a price that secures their livelihoods and those that depend on them, such as their employees and suppliers.
- Setting targets for suppliers: Working with suppliers to agree targets for social and environmental performance.
- Embedding policies to exclude child and forced labour: Working with suppliers to create policies on child and forced labour and to create procedures and programmes to embed these policies in the practices of the suppliers of the company.
- Providing access for suppliers run by minority groups: the company must encourage and support businesses owned by ethnic minorities, women, people of diverse sexual orientation as well as organisations employing disabled people.
- Providing access for small and local suppliers: Ensuring that small and local suppliers are not excluded from the supply chain by organising supplier fairs for small local suppliers. Ensuring that social and environmental demands made upon them respect their limited administrative resources.

- Stimulating a sustainable local economy: Providing training and credit to local people to encourage new entrepreneurs and new businesses and thereby stimulating a sustainable local economy.
- Reducing goods transport: Efficient transport of goods and logistics.
- Storage in big quantities to avoid movements of trucks and hence avoid pollution.
- Raw materials to be purchased from local suppliers to empower them.
- Energy (low energy consuming machines): The company should acquire machines which can consume low energy to avoid energy misuse.
- Packaging (recyclable): The company should use recyclable packaging to deal with environmental issues.
- Ecosystems and biodiversity (e.g. provisions to protect virgin forest);
- Natural resource inputs (e.g. water use, soil quality): Use responsibly natural resources such as water and soil to permit future generations to use them.
- Manmade inputs considerations (e.g. agrochemicals, pest control, GMOs).

Operations

In this section the company deals with food processing. It must take into consideration the social environmental impacts caused by its activities and integrate CSR measures to solve them.

a. Activities

They are production or manufacturing activities, and involve transforming inputs (raw materials) into finished products. These are: Washing, Peeling, Slicing, Frying and Packaging activities.

b. Social environmental impacts

The above activities are on the basis of the following social environment impacts: Energy consumption, health issues, water consumption and waste accumulation and disposal.

c. CSR Solutions

In order to deal with the above social environment impact, the company must think about the following:

- Ensuring product safety: By ensuring that its products (crisps) are safe for human health and the environment during their entire life cycle, from sourcing raw materials to the disposal of the product at the end of its useful life. Healthiness and safety of products (using acceptable detergents), use of non cholesterol oils, iodized salt, hygienic production and handling, quality management systems.
- Addressing potential misuse of products: By making consumers aware of the proper use of its products and any potentially harmful side effects.
- Protecting vulnerable customers: Ensuring that vulnerable customers are protected, e.g. customers with diabetes who don't use salt and much oil, to provide appropriate product.
- Considering product life cycle: The company must make sure that responsible measures are taken to design, develop, produce and dispose of sustainable products.
- Incorporating CSR impacts in product innovation: When designing new products, the social and environmental impacts of both the product itself and how it will be produced, distributed and disposed of will be considered. It will involve considering how food products with greater nutritional value will be produced.
- Using 'green' technologies: 'Green' and more efficient technologies use fewer resources and pollute less per unit of economic output. The company must think about low water consumption and low consumption of energy.

- Improving energy efficiency: By considering characteristics of buildings, often taking advantage of state grants to improve building insulation.
- Purchasing 'green' materials: Timber from sustainable sources and renewable energy.
- Using locally generated renewable energy: To supplement an enterprise's primary source of energy, e.g. by fitting photovoltaic cells to buildings.
- Considering land use and biodiversity: In operational and strategic decisions, such as those integrated in the assessments of agricultural suppliers/farmers.
- Treating emissions: End-of-pipe treatment of emissions, effluent and solid waste such as through the addition of treatment plants to industrial processes.
- Re-engineering processes: including the adoption of new technologies for a more radical, systems solution than the bolt-on, end-of-pipe approach described above.
- Reusing and recycling: The reuse and recycling of materials and disposal of waste with energy recovery.
- Managing localised environmental pollution: Including being a good neighbor by minimising noise, odour and vibration nuisance, and undesirable visual impacts. Waste management: Biodegradable (animal feed, organic fertilizer).

Outbound logistics

We look at activities, social environment impacts and solutions to them.

a. Activities

They are those involving storing finished products in warehouses and distributing them to customers. These are storing in warehouse and transportation to the customers.

b. Social environmental impacts

The following are the main social environmental impacts which can be caused by the company's activities: health issues and pollution.

c. CSR Solutions

For the above social environmental impacts, we propose some solutions: use of environmental friendly chemicals. About transport: use of larger trucks to reduce fuel consumption and carbon emission impact.

Marketing/sales

In this section we analyse the activities, their social environmental impacts and the solutions which can be given by integration of CSR.

a. Activities

These are the activities linked to the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational goals. These are sales, advertising, distribution and pricing.

b. Social environmental impacts

These are considered the social environmental impacts of marketing/sales activities: unethical impact of marketing and exploitation as a result of overpricing.

c. CSR Solutions

These can be solutions to social environmental impacts in marketing/sales area:

- Avoiding misleading marketing and advertising: This is about the company doing its best to ensure that all information about its products is presented in a clear, concise and accurate way.

- Providing good and clear product information: This is about providing information on our product quality, e.g. in relation to product safety or environmental concerns. The information can be provided via product labels and on websites. It should involve informing customers about the effects of using the company's products, e.g. clear and honest nutritional information on the crisps for instance.
- Avoiding offensive advertising: For example in advertising to children or other vulnerable groups.
- Promoting diversity: By promoting positive role models in marketing and advertising. This can be done by appropriate inclusion of minority groups or disabled people.
- Screening customers for acceptable behavior: Applying criteria of ethics, responsibility or behaviour to the customers, the enterprise can choose to work with and screening customers for adherence to such criteria.
- Engaging in cause-related marketing, listening and responding to customer feedback and complaints, involving customers in improvements, avoiding anti-competitive behavior, ensuring fair and affordable prices, avoiding aggressive selling practices, distribution channels: supermarket, wholesalers and shops, supply using large trucks.

Services

Let us talk about activities, social environmental impacts and solutions in this area:

a. Activities

These are services that maintain or enhance product value and also work to establish a continuing relationship with customers. These include installation, testing, maintenance and repair. These can be called also service after sale. Especially for a food processing company these can include explaining the customers how to consume the products of the company and how to store them for safety purpose.

b. Social environmental impacts

As far as the above is concerned, it should be noted that not all people are in a position to pay for the services of the company despite the fact that this one can set the price quite low. In fact, processed products cost much. This in turn can leave out quite a number of people not served and yet the necessity for the service is quite high among the less privileged people.

c. CSR Solutions

- The company should address the above issues by price discrimination such that it sets a different price for the people in rural areas and consider other categories of customers based on company's market segment strategy. Further consideration must be given to partnerships with other organizations, NGOs and information campaign.

Secondary activities

These are related with purchasing or procurement, research and development, human resource development, and corporate infrastructure.

Infrastructure

In this section we analyse the activities of the company, their social environmental impacts and the solutions which can be given by integration of CSR.

a. Activities

They are support activities for the entire value chain, such as general management, finance, accounting, legal services and quality management.

b. Social environmental impacts

These are negative impact on the health of employees and water contamination as result of poor drainages.

c. CSR Solutions

These can be working on the layout of the factory that enhances workers safety, ensure good drainage system, water treatment and recycling and ensure good ventilation, enough natural light hence saving energy and improving working conditions in factory warehouse

Human resource management

We analyze activities, social environmental impacts and we set CSR Solutions in this discipline.

a. Activities

These are concerned with recruiting, hiring, training and developing employees.

b. Social environmental impacts

These are working conditions of employees, welfare of employees, productivity of employees, poor payment of employees, discrimination based on color, race, tribe and disability; and child labor.

c. CSR Solutions

CSR solutions can be:

- Respecting rights to free assembly and collective bargaining, listening to and involving employees, ensuring grievance resolution, enabling whistle blowing, combating harassment and bullying, respecting privacy, provision of training and development opportunities, planning career development, promoting knowledge management and organizational learning;
- Conducting job appraisals, paying employees fairly, ensuring equal benefits, paying a living/minimum wage, promoting health and safety, promoting health and wellbeing, enabling child care, elder care and caring for employees, dealing with HIV/AIDS in the workplace, equal opportunity (gender, ethnic, physical disability, etc), opportunity to unskilled labour and people with disabilities;
- Avoid child labor, terms of employment (e.g. pay, hours, contracts, regularity of work), human rights in the workplace (e.g. right of association, rights for casual workers, no forced or child labour, non-discrimination), general employee and family welfare (e.g. housing, access to education and healthcare, etc.).

Technology development

We look at activities, social environmental impacts and CSR solutions in technology development area.

a. Activities

These are those which are involved in designing and improving products and manufacturing processes. These are activities related to research and development.

b. Social environmental impacts

These are health of employees, effects of technology on to the final product (Cancer) and overworking of employees.

c. CSR Solutions

These can be among others: to carryout continuous R&D to improve on available technologies (e.g. on potato farming – for farmers) and all other value chain activities; and to adopt cleaner production technologies.

Procurement

We analyse the activities, social environmental impacts and CSR solutions in procurement area.

a. Activities

These are those which concerned with purchasing goods and services from suppliers at an acceptable quality, price, and with reliable delivery.

b. Social environmental impacts

These are health of consumers (obesity), pollution, cheating suppliers and corruption.

c. CSR Solutions

The following are proposed solutions:

- Paying fair prices to the suppliers, timely payments, adoption of standard weighing scales, procurement in large quantities, training farmers on quality management (cooperatives, not to use organic fertilizers), to have an active sustainable purchasing policy;
- Buying Irish (raw materials) of good quality, identification and training of suppliers, procurement guidelines and auditing.

In all secondary activities, the company must apply good governance, communication and have standards and initiatives. In order for the company to respond to shareholders' concerns and expectations and manage very well its activities, it must do the following:

- Deciding which CSR activities the enterprise should engage in, setting commitments, targets and goals for CSR, deploying and enabling resources, overseeing CSR efforts and effects and taking remedial actions, if necessary.
- Identifying and managing risks and opportunities associated with CSR activities, measuring success, using management guidelines with a CSR element, establishing appropriate communication and reporting channels, demonstrating openness and transparency;
- Using leading guidelines on CSR reporting, getting external validation, using quality assurance methods to build credibility in communications.

About how the Irish processing company can contribute to sustainable development, we can say that the activities of the company can be contributing to the development of the country and especially to that of the suppliers (farmers); development in different disciplines such as infrastructure, education, employment, health, food security and other life conditions. But we may say that this development can be sustainable if the company integrates CSR in its value chain (primary and secondary activities).

The result of integration of CSR in the value chain of the company should be the creation of networks with and among farmers, development of Human Resource (employees), knowledge transfer, increase of power towards buyer, longer productive management and sustainable use of natural resources and friendly technologies. This integration of CSR in the value chain of an Irish potato processing company can also help to improve the productivity, to allow the involvement of a larger number of farmers, to promote the development of the community, to increase the capability of farmer to deal with the buyer and to increase transparency, and this leads to sustainable development.

CONCLUSION

With the growing awareness of environmental issues, coupled with the continuing desire to develop economically, there is a growing need for a broad form of capacity building -in the cross-cutting area of sustainable development- as an effort to strike that critical balance in decision making, one that recognizes the inter relationship between economic, social and environmental considerations of decisions and the complex consequences of the company's actions.

A manager's attitudes concerning Corporate Social Responsibility are related to the organizational climate perceived to be supportive of the laws and professional codes of ethics. On the other hand, entrepreneurs with a relatively new company who have few role models usually develop an internal ethical code. Entrepreneurs tend to depend on their own personal value systems much more than managers when determining ethically appropriate courses of action.

Regardless on the level of business growth at which the company is vis-à-vis the little resources available, the company may not be in a position to apply all the above mentioned CSR strategies at once but it must be committed to implement them slowly by slowly until it reaches there. Ethical standards are key to the success of any company in general and of a food processing one in terms of its performance and sustainability.

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