



## CEO Panel: How Are Canada's Top Companies Adapting to the Changing Needs of Key Stakeholders?

October 20, 2008, 9:30am

Moderator:

Michael Jantzi, Founder and President, Jantzi Research Inc.

Panel:

Moya Greene, President and CEO, Canada Post Corporation

Tim Penner, President, P&G Canada

Tony Pigott, President and CEO, JWT Canada

### Michael Jantzi Opening Statement

Michael Jantzi began the session by referring to an article recently published in Forbes Magazine that claims corporate social responsibility doesn't bring a good return on investment—ultimately consumers will make their choice based on price, convenience and quality. Jantzi meets this criticism by underscoring that over the last 5-10 years companies that do good also do well over the long term. He asserts that the CBSR conference is therefore all the more important as a gathering to celebrate the proven economic success and improve the business case for corporate social responsibility.

While this summit is an opportunity for the attending participants to get together and celebrate the journey, Mr. Jantzi suggested that they not only self-congratulate, but rather listen with critical ears and understand that it's important to keep improving.

With the above in mind, Jantzi invited each speaker to respond to the claims of the Forbes article with their own example of how they have excelled in corporate social responsibility with a positive return on to their bottom line.

### Panelist Opening Statements

#### Moya Greene, Canada Post

Moya Greene responded that she had seen the Forbes magazine article, which is provocative but makes us think about what we're doing - doing 'good' is a virtue in and of itself. She then discussed Canada Post's impact on community and environment, and the journey of building a new kind of corporate culture.

#### **An overview of the challenges Canada Post faced at the onset:**

- There are 72,000 employees to engage and there has been a history of employee dissatisfaction.

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- There are 40 million items delivered everyday, making Canada Post the largest transportation purveyor in Canada, and therefore the creator of a very large environmental footprint.
- Employees are the key stakeholder group as the ambassadors of Canada Post, and their connection to communities in Canada is critical (the employees are the receptacle of advice from their communities).
- A first step was to introduce a new senior vice president position responsible for CSR reporting.
- A positive result of using the CSR report process as an employee engagement tool was an increase in employee survey participation by 25% and an increase in employee satisfaction by 5% in one year.
- Another result of the CSR report was the creation of a plan to become more modern in operations, improve building facilities and technology, and reduce paper burden.
- Highlights of this plan include:
  - Cost of \$2.5 billion over seven years
  - Payback is projected to be \$300 million over seven years
  - Investing in more economical and technologically advanced buildings and equipment
- Designing a mail sorting system that allows great productivity improvement and is also more economically and environmentally sound.
- In conclusion, in addition to the improved efficiency and quality of operations, Canada Post is also reducing its footprint and changing corporate culture to be more receptive and responsive to employees. Canada Post has made the top 100 list of places to work in Canada.

Tony Pigott, JWT

Presentation: [http://www.cbsr.ca/cbsrftp/Summit\\_Presentations/Summit - JWTigott.pdf](http://www.cbsr.ca/cbsrftp/Summit_Presentations/Summit - JWTigott.pdf)

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JWT Canada is an advertising agency that has had a specialty in social strategy over the past seven years. JWT Canada applies its research to explore the intersection between business, branding and social change. In difficult times like the current economic downturn, Mr. Pigott stresses that the kind of advice JWT provides (strengthening messaging on business' values and quality) is particularly important. Periods of recession are the most important times to build competitive advantage, and a business' corporate social responsibility strategies – and their communication – are key to achieving this.

- To illustrate the importance of adapting, Pigott shares a Chinese proverb while he reflects on China being a country that knows a lot about change: “When the wind changes direction, there are those who build walls and those who build windmills”. Social strategy is the “windmills” in this proverb.
- To achieve a strong social strategy for business, Pigott discusses how the Board of a business is the key stakeholder, with the following suggestions for action:
  1. Assert back to your board how it can become part of your strategy.
  2. Declare that you are developing a social brand, recognizing that companies are now a social entity.
  3. Remind the Board that progressive companies know that they're part of a social entity.

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- As the Board embraces CSR as an integral part of their brand and business, it becomes part of strategies throughout all operations.
- Delivering the message of what a business is doing in corporate social responsibility is key to leveraging a brand.
- In times of recession, a business may not want to spend more on their CSR activities and communications around these activities. The extra cost isn't necessary (in building brand and creating strategies, there's no need for businesses to "spend stupidly"). Businesses can make the most of what they are already doing for CSR in their existing communications strategies. Tell the story loudly and clearly about the CSR work achieved.
- Different components of a business, such as marketing, operations, and so on, may be underleveraged assets because they are not being held together, synergized or well coordinated. In this case, it's important to communicate to the Board that the business isn't ready for an effective CSR strategy that builds a competitive advantage until these challenges are addressed.
- Climate change has been an issue since 1989 and it remains strong. The values aren't changing. It is fundamental to recognize that people are re-valuing their values about who they are going to trust and this translates into their consumer choices as well.
- Literature suggests that in order to contextualize strategies in recessionary times, business needs to focus: re-articulate values to customers, and do not lose sight of its brands.

### Tim Penner, Proctor & Gamble (P&G)

Presentation:

[http://www.csr.ca/csrftp/Summit\\_Presentations/Summit - PG Canada - Penner.pdf](http://www.csr.ca/csrftp/Summit_Presentations/Summit - PG Canada - Penner.pdf)

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Tim Penner explained that P&G defines sustainability quite broadly: to ensure better quality of life. This vision of sustainability is a synergy between three factors – economic, social responsibility, and environmental protection. There have been ebbs and flows as to which factor is relatively more important over time. In the 70's it was about environment. Later social justice issues became more important. Today it's back to environment. Industry has become increasingly engaged in social responsibility, and P&G needed to come up with a plan in keeping with the changing landscape.

Mr. Penner recognized that consumers are P&G's key stakeholder (quote: "Consumer is the Boss") and consumers have had a lot of influence in getting the corporation to engage more fully in CSR.

The company found the following in their marketing studies and focus groups:

10% of consumers are highly engaged in environmental issues and will accept product quality trade-off. For example, they would rather use water and vinegar in order to protect the environment, rather than consider manufactured cleaning products.

70% of consumers are environmentally aware and would like to make a good decision on products but will not accept a trade-off in quality.

10% of consumers are "never-greens" who are not interested in environmental issues.

10% of consumers are indifferent or not engaged; they have other things to worry about.

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- With the goal to increase consumer loyalty to their brand (address the declining repurchase rate), P&G developed strategies with the environmentally aware group of 70% of consumers in mind. They recognized that in order to do this, the company needed to offer products that not only perform, but also delight the consumer and the source of delight is in CSR, being environmentally aware.
  
- To develop products that perform for this key consumer group, P&G:
  - Carried out a comprehensive analysis of the life cycle and total impact of its eight categories of worldwide business.
  - P&G found that laundry soap was by far the highest category effecting the environment, and a large part of the reason is using warm and hot water for household laundry.
  - One of the outcomes from this analysis was to create the Tide Cold Water laundry product.
    - If everybody were to switch to coldwater washing, CO<sub>2</sub> will be reduced by 35 million tons and will help Canada achieve Kyoto's target.
  - Another product launched as a result is the 2X Concentration Detergent; reducing water usage, CO<sub>2</sub>, and transportation. Packaging weight was reduced by 40%.
  - The second highest category in environmental impact was diapers, and so P&G developed a product that matches cloth diapers in energy consumption.
  
- Other CSR initiatives include:
  - P&G Plants: Over the last 5 years, P&G have been reducing CO<sub>2</sub>, emissions, energy, and water. The goal is to generate another 10% reduction.
  - Philanthropy programs: P&G's umbrella "Live, Learn and Thrive" program worldwide.
    - Examples include: delivering snacks and meals to children in need, safe drinking water programs, and consumer-incentive programs where every purchase of Pampers product is matched with a Tetanus vaccine for developing countries.
  - Other stakeholders: P&G works with retailers, regulators, and NGOs in shaping the company's strategies.

### Audience & Moderator Questions:

**Michael Jantzi asked Moya Greene:** On the topic of Canada Post's employee satisfaction, I googled your name and it's clear that some of the 72,000 people that work for you are not your biggest fans. 5% improvement is impressive. But may I suggest that it might be a low hanging fruit, since you started at such a low base. Do you anticipate that once you continue along this path, it's going to get tougher? And how do you anticipate dealing with that challenge?

**Answer by Moya Greene:** Sure, it's increasingly difficult to get to the top 1%. We have a lot of room to improve at Canada Post. We have four unions and we have business relationships with three of them. It's always been a challenge because different unions have different styles. My role, and the role of the executive team, is to move beyond so that the militant combat becomes irrelevant. To this end, we engage more directly with our employees, not using unions as a conduit of communication. CSR is a strategy at Canada Post on which everything else is now hanging. So the approach to structure,

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redesign, and communicate with our employees, suppliers and customers, has become a mutually reinforcing set of measures.

**Audience asked Tim Penner:** Your approach seems to be top-down. How do you engage middle management? How does CSR interact with engagement?

**Answer by Tim Penner:** Top-down approach is definitely not the case. Senior leadership is responsibility for setting the goals and enabling employees to find the ways to achieve those goals. The goals set by senior leaders are used to engage employees. We have found outside partnerships with stakeholders that can help us improve; for example, through multi-stakeholder panels.

**Audience asked panellists:** Many companies advertise that they're green when they're really not. How do you deal with free-rider problems?

**Answer by Tony Pigott:** We found that communications is the most effective way to make everybody honest. I don't think it's simply about putting products to environmental friendly claims. For us, it's about stepping back and looking at branding from a strategic point of view.

**Answer by Tim Penner:** Free-riders will be found; the Bureau says what claims can and cannot be made. The increasing regulations will really help Canada to avoid the greenwashing that happens in some other jurisdictions.

**Michael Jantzi asked panellists:** There are some underlying challenges to the construct of sustainability/CSR and ongoing business success – making more money. How do you reconcile the two?

**Answer by Moya Greene:** First, reducing our waste can be synonymous with reducing our costs. The cost of an undeliverable item is enormous compared to the cost of solutions to prevent this problem. It's not that hard to reduce the amount of waste from landfill. In a one-year period, Canada Post launched a recycling program and reduced 17% of waste. If you get people engaged, those are the kinds of reductions you can see in a short period of time. Secondly, there are new products that can help you reduce paper usage such as e-post and new technology to deal with returned mail more efficiently. Many of these products originated from our people. The people in your company are great advisors/ambassadors of what to do next and how to do it.

**Answer by Tim Penner:** I think our job is not to get into traps of "either/or", but to encourage "and". CSR is not incompatible with economic benefits. We just have to look for the "and" – reducing transportation costs, etc.

**Michael Jantzi asked panellists:** How do we continue to respond to the types of comments in the Forbes magazines, not just David Vogel's comments?

**Answer by Tony Pigott:** Michael Porter, a business strategist in the US, wrote a piece in Harvard Business Review a year and a half ago about strategic discipline embedding business strategies; about how to make your business stronger and differentiate it. That underscores the needs of having to be brought forward on ROI. The executive level can see it as smart business.

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**Answer by Tim Penner:** Our credibility is very low in these issues, so we have to find partners to give us insights and credibility that we don't have. We partner with progressive NGOs that have credibility, such as the World Wildlife Fund. We can find a bottom ground and we can get stories out there, and through public eyes and ears.

**Answer by Moya Greene:** There are always going to be people that are against any movement because they become zealous. That's not where business is today. Part of sustainability is employment and keeping people engaged in the community. It's very important to communicate what you're doing, both through the mouths of other people's and your own voice. There has been negativity in this kind of campaign. Canada Post uses all kinds of communication tools that we can use such as YouTube and Facebook to help the company and suppliers understand what we're doing. We use an incremental approach and will find convergence between sustainable employment and sustainability.

**Answer by Tony Pigott:** Partnerships among organizations are useful. Larger organizations can use resources, such as R&D to try risky ideas that may pay off for themselves and for other organizations.

**Michael Jantzi asked panellists:** Where do shareholders fit in these equations?

**Answer by Moya Greene:** Government of Canada is considered Canada Post's shareholder. Environmental strategy and consciousness is platform of every government right now. Another way that shareholders come into Canada Post's picture is through its pension fund. Most people don't know that we have the largest pension fund in the country – \$15 billion. We use hundreds of managers to manage those funds for us. We are very mindful of voting proxies. We're very careful of the kind of investments that we want to make that does not in any way diminishes returns.