

HOW CADBURY SCHWEPPE'S PLC FULFILS ITS OBLIGATIONS TO STAKEHOLDERS IN TERMS OF ETHICAL BUSINESS PRACTICE AND SOCIALLY RESPONSIBLE BEHAVIOUR

The characteristics of ethical business practice and socially responsible corporate behaviour are rapidly becoming progressively more essential to the integrity and overall success of large organisations. This can primarily be ascribed to the increase in globalisation of organisations making these matters more intricate. As there are fairly new stipulations to the business environment, there is not one clearly defined definition for business ethics and social responsibility. Fry et al, (third edition – page 136), gives a definition of business ethics as "... the search for and commitment to meet appropriate standards of moral conduct in business situations.", whereas, Jobber, (2001 – page 130), gives a definition of social responsibility as "... the ethical principle that a person or an organisation should be accountable for how its acts might affect the physical environment and the general public.". Therefore, we can say that social responsibility and ethical business practice should be the core of an organisation's objectives and decision-making because the organisation believes that it has a responsibility and duty in cooperation with their stakeholders and society as a whole.

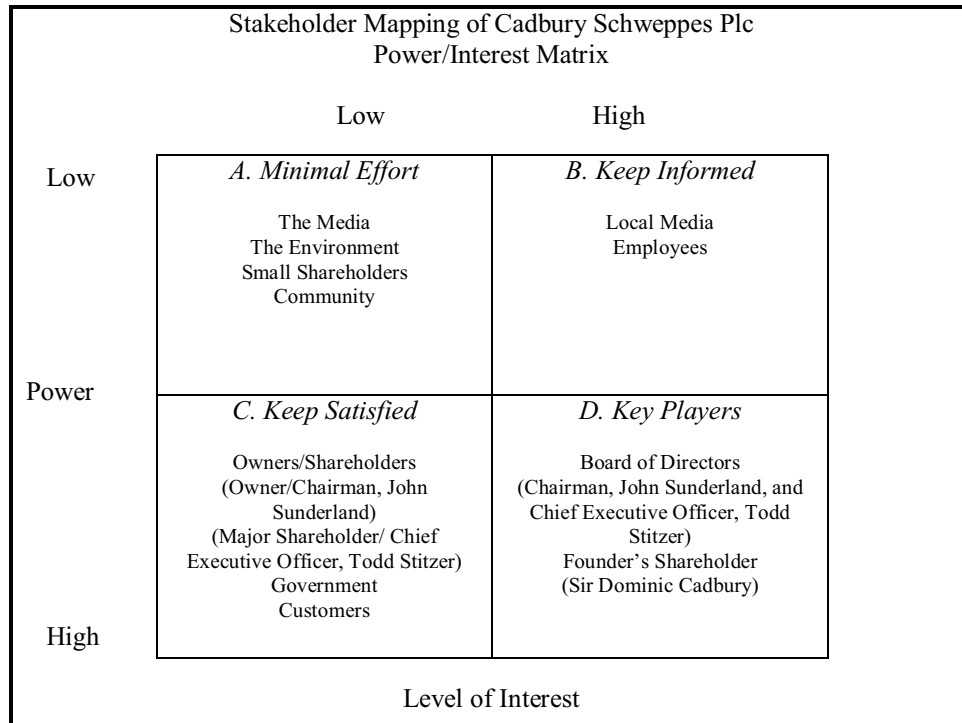
The purpose of this essay is to examine and analyse the above-mentioned issues in collaboration with the allocated company, Cadbury Schweppes Plc. This essay will briefly introduce Cadbury Schweppes Plc, and will provide a stakeholder analysis, in order to help recognise and evaluate ethical issues, in regard to their main stakeholders. Also, an investigation into Cadbury Schweppes will pursue with a discussion stating the company's ethical business practices and socially responsible corporate behaviour, in relation to their stakeholders. To conclude the investigation, how they actually express and perform this particular behaviour, will be evaluated and analysed.

Cadbury Schweppes Plc is one of the biggest international beverage and confectionery companies in the world with a market capitalisation of £7.2 billion (end December 2002). With a history stretching back over 200 years, today Cadbury Schweppes employs over 55,000 people and their products are available in over 200 countries across the world. Cadbury Schweppes' heritage starts back in 1783 when Jacob Scheppe perfected his process for manufacturing carbonated mineral water in Geneva, Switzerland. Also, in 1823, John Cadbury opened in Birmingham selling cocoa and chocolate. These two great household names merged in 1969 to form Cadbury Schweppes Plc. Since then, they have expanded their business throughout the world by a programme of organic and acquisition led growth. Cadbury Schweppes Plc contains a wide distribution of stakeholder groups, as it is a multinational conglomerate.

According to Fry et al, (third edition – page 124), "A stakeholder is a person or group that has some claim on or expectation of how a business should operate.". There are two kinds of stakeholders: primary, and secondary. According to Fry et al, (third edition – page 124), "Primary stakeholders are those stakeholders whom a business affects and interacts with most directly.". On the other hand, his definition for secondary stakeholders are "... those stakeholders whom a business affects in an indirect or limited way.".

In relation to this, Cadbury Schweppes' stakeholders are categorised under these two key areas. Their owners/shareholders, employees, and most importantly, their customers, are the company's primary stakeholders. The government, the environment, the media, and the community, are only some of Cadbury Schweppes' secondary stakeholders. Cadbury Schweppes' primary stakeholders play the major role in how the business operates. However, their secondary stakeholders play a smaller role, unless, a particular issue becomes vitally important to Cadbury

Schweppes or the stakeholder. These two main kinds of stakeholders can be divided into a variety of subordinate-groups according to their aptitude to influence Cadbury Schweppes' aims and objectives. In order to identify these subordinate-groups, an illustration of Mendelow's Matrix (1991), with the company's stakeholder mapping, is shown below.



Due to the fact that Cadbury Schweppes consists of a number of stakeholders, in particular, it is certainly possible to get carried away with this. Therefore, using the above stakeholder mapping of Cadbury Schweppes, there will be concentration on analysing with short but concise definitions, followed by descriptions of Cadbury Schweppes' main stakeholders, which will include their owners/shareholders, their customers, the community, and of course, their employees and Board of Directors.

The owners/shareholders or investors of a firm are obviously primary stakeholders. According to Fry et al, (third edition – page 127), “They are the ones who underwrite the company. They are the people and institutions that risk their money and support so that the business can operate. They chose to invest in the business rather than pursue other opportunities.”. In other words, they are those people or institutions that have a financial stake in the business, either in the form of stocks or shares.

In relation to the above stakeholder mapping of Cadbury Schweppes, their owner or Chairman, John Sunderland, or (large) shareholders, such as, Chief Executive Officer, Todd Stitzer, (who is also one of the Board of Directors), could be categorised as comprising of a high level of interest and a high level of power, or even a high level of interest, along with a low level of power. This is principally due to the fact that Cadbury Schweppes encompass two kinds of shares. There is, of course, the most common type of share issued, the ordinary share, (these are also called equities), which means that only one vote is allowed for each share owned. Then, there is the not so popular deferred share, which are not used as often as the ordinary share. The founders of the

company usually hold deferred shares, as deferred shareholders only receive a dividend after the ordinary shareholders have been paid a minimum amount. This enables the founders of the company to be able to overpower any ordinary shareholders. At present, Cadbury Schweppes' founder shareholder is Sir Dominic Cadbury, relative to original founder of Cadbury, John Cadbury.

According to Fry et al, (third edition – page 129), “Customers are primary stakeholders, and the most essential stakeholders, since without them, the business could not survive.”. Cadbury Schweppes provides beverage and confectionary products in over 200 countries across the world. Their customers consist basically of consumers from the community, society and the general public. Cadbury Schweppes' customers possess a relatively low level of interest but an extremely high level of power. However, their capacity to have a positive influential effect on the corporation fluctuates, even though, it is absolutely true that Cadbury Schweppes would be breathless (non-existent), without their customers.

The community is a secondary stakeholder and according to Fry et al, (third edition – page 135), “Businesses recognise that community involvement is both the right thing to do and good business.”. Numerous people believe that organisations have a responsibility to the communities where they function. However, even though it is a stakeholder to Cadbury Schweppes, their community possesses a very low level of interest and a moderately low level of power, as it does not directly affect the company's operation.

A company's employees are primary stakeholders and are extremely vital in the running of the organisation. Basically, without them, there is no business. Cadbury Schweppes consists of over 55,000 staff, which includes the board of directors, group secretary and chief legal officers, and, of course, the just as important employees. These employees are stakeholders that hold an extremely high level of interest and a very high level of power, but can also have a very high level of interest with also a reasonably low level of power. This is due to Cadbury Schweppes' Board of Directors possessing more authority and say in the company's main goals, in comparison to the organisation's standard workforce.

Cadbury Schweppes' main stakeholders have now been described and explained. The essay will now be stating, analytically, the company's ethical and corporate social responsibility behaviour, in relation to their stakeholders, and in what way they demonstrate this kind of behaviour. In order to aid the following analysis and evaluation, they will be based on information obtained from extracts from journals, such as, Management Today and The Financial Times, in order to evaluate if the information from the company's website, (<http://www.cadburyschweppes.com>), in particular, is naturally biased.

Cadbury Schweppes considers their behaviour towards their key stakeholders, such as, employees, consumers, investors, business partners and their local communities, as the primary test of their corporate social responsibility. In particular, they do recognise their responsibilities as a stakeholder in the communities in which they operate and the company commits its resources to assist and support the development of the community and social investment. Cadbury Schweppes also share with their business partners, suppliers and customers, a responsibility to manage important economic, social and environmental issues throughout the life cycle of their products, from the acquisition of raw materials, to the disposal of product packaging.

Cadbury Schweppes has an over-riding policy statement, which highlights the central importance of business ethics and corporate social responsibility to business strategy: “Good ethics and good business go together naturally. We firmly believe that our responsibility and reputation as a good

corporate citizen plays an important role in our ability to achieve our objective of growing value for our shareowners.” (<http://www.cadburyschweppes.com>).

Keeping a watch over all aspects of the company’s activities is a Corporate and Social Responsibility Committee at board level and chaired by a high profile non-executive director, Baroness Wilcox, a former head of the National Consumer Council.

The business ethics and corporate social responsibility policy at Cadbury Schweppes breaks down into five areas: corporate governance, human rights, community and social investment, environment, and employment practices. “Each area, individually and collectively, has helped to build a strong reputation, confidence and a record of achievement that could be considered a model.” (The Financial Times, February 2003).

A corporate governance policy embraces the broad principles of business dealings and conduct with all Cadbury Schweppes’ publics, in terms of ethics, openness and honesty. These reflect the enduring values inherited from the past. It also has a code of conduct approved by the board to which all employees are expected to adhere. This code embraces more practical issues, for example, legal and compliance issues, handling of conflicts of interests, gifts, dealing with competition, whistle blowing, confidentiality, and political contributions. Each employee is provided with their own copy of the code, and compliance to the code is enforced through the management process. To Cadbury Schweppes, good ethics and good business go together.

In relation to human rights, Cadbury Schweppes is particularly sensitive to the dangers of operating in cultures where different norms and practices may apply. The reports of slave child labour in the cocoa industry, in West Africa, were of particular concern. Although, the allegations were made about the Ivory Coast where Cadbury Schweppes does not buy, it is playing a full part in the industry, along with governments, in order to ensure that such practices are stamped out. The company fully contributes to surveys of child labour practices, independent monitoring and the certification of cocoa, in order to ensure that all conditions have been met. Closer to home, the company has also published its own human rights and ethical trading policy covering labour rights, dignity at work, health and safety, fair remuneration, diversity, a respect for differences and the need for personal development. Progress measurement, in each of these areas, is assessed by a working group reporting to the Corporate Social Responsibility Committee. This will increasingly also apply to the supply chains feeding into the company. A programme of education and implementation is now underway in all its businesses around the world.

Cadbury Schweppes also recognises the role and responsibilities it has in the communities in which it operates. The policy is not about handouts and high profile gift giving, but takes a longer-term integrated approach as part of a ‘managing for community value’ programme. This means carefully selecting the initiatives to encourage and taking on a longer-term approach to achieving agreed objectives. Cadbury Schweppes has a Foundation that makes grants to projects and partner organisations, especially in the fields of education and employment, focusing on social exclusion and deprivation in places, such as, Birmingham, Sheffield, Bristol and London.

Concerning the environment, sustainability is central to the policies in this particular area. Therefore, Cadbury Schweppes has an ‘Environmental Report’ outlining the programmes the company has undertaken in developing long-term sustainability, protecting the environment and assessing the environmental impact of its prime activities. The policy itself is still evolving to include transportation, supply chain management and raw material sourcing. The report also considers a number of areas, such as, waste management, water conservation and energy use to

demonstrate the company's efforts to improve the environment. The beverages plant in Carcagente in Spain, for example, recycles all of its organic waste. Packaging is more problematic, but glass bottles and aluminium cans, can all be reprocessed in-house or with specialist recyclers. Even broken pallets are repaired and reused. Between 1997 and 1999, the percentage of waste that was recycled, improved from 75 per cent to 82 per cent.

Regarding Cadbury Schweppes' employment practices, this area of corporate social responsibility and business ethics, covers a variety of human resource issues, such as, personal development, the working environment and equal opportunities, all of which are beyond the scope of this text.

(Please see Appendix 1 attached, which explains how Cadbury Schweppes Plc has 'walked the talk'.)

Cadbury Schweppes' good practice has been recognised by their inclusion in both the FTSE4Good, and the Dow Jones Sustainability Group Index. Also, the company came top in a Management Today poll of Britain's leading businesses when they were voted most admired company for community and environmental responsibility. Most recently, they received an AAA rating, coming first out of 25 global food companies for environmental management by USA based eco-rating agency, Innovest Strategic Value Advisors Inc.

Therefore, in order to conclude this essay, it can be said with strong evidence that Cadbury Schweppes Plc almost base their organisation according to business ethics and corporate social responsibility. As a company with many stakeholders, there is more than sufficient proof to advocate that they have fulfilled their obligations to them. There is verification in the above evaluation and analysis to state that all the policies that Cadbury Schweppes Plc embark on, regarding business ethics and corporate social responsibility, are primarily, but not only, for the benefit of its shareowners.

Furthermore, there is confirmation that Cadbury Schweppes Plc is being ethically and socially responsible towards the communities and environments they function in. The fact that the company finished top in a Management Today poll for the 'most admired company for community and environmental responsibility' supports this declaration. They have also been ethically and socially responsible to their employees, as each employee is given a code of conduct, which if they all adhere to, is then enforced through the management process. Remember, to Cadbury Schweppes Plc, 'good ethics and good business go together'. Therefore, it can be said that Cadbury Schweppes Plc does, in fact, fulfil its obligations to their stakeholders, in terms of ethical business practice and socially responsible behaviour.

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APPENDIX 1: HOW CADBURY SCHWEPPEES PLC HAS 'WALKED THE TALK'

The adoption of a comprehensive approach to business ethics and corporate social responsibility, values embodied within Cadbury Schweppes and the business principles implemented, are put into practice. However, care has to be taken, as one attempt to undertake cause-related marketing in Kenya, led to a blurring of objectives.

When Cadbury Schweppes sponsored the Mediae Trust, which produces radio programmes for rural communities focusing on social and environmental themes, such as, animal farming and child abuse, the distinction between education and advertising became confused. Cadbury Schweppes paid for the air time for Mediae broadcasts in return for some advertising space, so although it helped product sales, it also contributed to broader rural social development policies. However, one audience member is quoted as saying, "I like the show because it educates us, like what to do if your child is mistreated, it also teaches us how useful Cadbury Schweppes' is; that it builds healthy bodies" (as quoted by Turner, 2002). Overall, though, it can be said that Cadbury Schweppes has 'walked the talk' and presents a model example to other companies.