

## SUSTAINABILITY AND SOCIAL RESPONSIBILITY IN THE FOOD INDUSTRY. FOCUS ON INGREDIENTS MARKET.

**Bollani, Luigi<sup>1</sup>; Pellicelli, Anna Claudia<sup>2</sup>; Polillo, Roberta<sup>2</sup>; Teppati Gac, Valentina<sup>2</sup>**

<sup>1</sup>Department of Economics and statistics, University of Turin, School of Management and Economics, SME, Turin, Italy

<sup>2</sup>Department of Management, University of Turin, School of Management and Economics, SME, Turin, Italy

### ABSTRACT

Companies today operate in an environment and socio-economic complex contest.

The fast transformations in the environment and strong hyper-global competition, have led companies to hire an economic-social role within the environment.

With the enlargement of the market the concept of corporate social responsibility becomes an essential factor for the development of the enterprise.

In the light of these considerations, this article aims to show how, acting within the food business are claiming new methods of approach to the target market.

In particular, it aims to highlight the market of food ingredients, which is a highly complex market. Companies operating in this sector, are driven to create new strategies of action based on the principles of sustainability and responsibility to society.

It is necessary to highlight how this trend is wanted not only by companies but by the final consumers; which they are predisposed to buying decisions that involve ethical and moral aspects of a packet. Using a further questionnaire to validate this hypothesis.

**Keywords:** *globalization, the food market, the ingredients market, sustainability, social responsibility, food supply chain, new strategies for action.*

### INTRODUCTION

Globalization is a phenomenon of composite nature, which not only reduces the sphere of economic transactions but which embraces the systems of society, culture and politics of the whole world. Companies will need a crash course in becoming market-oriented and customer-driven. They will have to establish new strategies, structures, system, and internal cultures in order to survive.<sup>1</sup> Despite

---

<sup>1</sup> KOTLER P. (1990), Globalization - Realities and Strategies, Die Unternehmung, Vol.44, No2, pp 79-99

the attention of scholars and the public opinion about it has been emphasized in recent times, this phenomenon is rooted in the past.

Anthony Giddens (1999), defines globalization as the global interconnection (the cultural levels, political and economic) that results from the elimination of barriers.

This paper has as objective to putting them in light as in the food industry, particularly in the market for food ingredients; the issue of corporate social responsibility will become more and more important. A theme that has emerged in recent years is related to responsibility: in particular we refer to the mode of making the company the more responsible in order to meet the needs of its customers, ensuring financial income to investors and promoting social development in competitive space in which it is present.

Sustainability, social responsibility and supply chain are the main drivers of the companies operating in the food sector. Taken together, these paradigms are expanding the range of action of companies useful for the construction of a more united economic system, based on the principle of sustainability.

This reality is confirmed by consumers who increasingly operate their choices not based only on the cost-benefit ratio, but promote ethical and other attitudes social type.

The consumer, therefore, makes a choice of belonging rewarding the company with which it shares the social, ecological and political choices facing the community.

## **GLOBALIZATION AND ITS INFLUENCE IN THE FOOD INDUSTRY: FOCUS ON FOOD INGREDIENTS MARKET**

In conditions of hyper competition the firm aims to make "more off the same, only faster, better and cheaper than competitors"<sup>1</sup> focusing on the environment and in particular on competition to predict, curb and react to his moves.

In this context quite complex, the food sector has shown a substantial "sealing" which highlighted its counter-cyclical qualities.

However, it must be stressed that in recent years from the end of 2007, the world market of agricultural commodities and food prices have been characterized by a strong surge and a subsequent fall in prices. Such oscillations have accentuated the situation of uncertainty and competitiveness of the industry.

The economic importance of the food industry in Europe is remarkable. In fact, it is the first manufacturing industry in terms of turnover.

The following graph shows the change in the sales of some countries in the European Union; demonstrating that the structure of the food sector in these countries is significantly different.

---

<sup>1</sup> V.J.K. Johansson, "Global Marketing", McGraw-Hill International, 2006, p.55

Member State	2015 Q1 / 2014 Q4 (% change)	2015 Q1 / 2014 Q1 (% change)	Q1 2015/Q1 2014 (% change)
EU	-0.6	0.8	-0.6
Austria	1.0	-0.4	0.7
Belgium	-2.1	-1.9	-2.5
Bulgaria	0.4	5.3	6.2
Czech Republic	-0.4	2.4	1.1
Denmark	-1.5	1.1	-0.7
Estonia	-2.0	-3.6	-2.5
Finland	-2.9	-0.3	-2.0
France	-0.1	0.3	-0.2
Germany	-1.7	0.0	-3.5
Greece	1.5	0.5	0.5
Hungary	1.0	5.1	7.2
Ireland	2.3	0.2	5.4
Italy	0.7	2.0	1.8
Latvia	-0.1	-0.6	-5.3
Lithuania	2.1	-2.7	-7.9
Netherlands	-0.3	3.4	2.7
Poland	0.3	0.2	-2.9
Portugal	0.7	0.2	-1.8
Romania	2.1	1.2	4.1
Spain	-1.8	3.8	0.9
Sweden	-1.7	-3.1	-6.4

**Picture 1** - Change in food and beverage sales by country<sup>1</sup>

Despite a fall in consumption in the food industry due to the prolonged recession, the value of the food ingredients market was valued at \$ 66.4 billion in 2014 and is expected to grow at an annual rate of 5.5% from 2015 to 2020.

Article one of the objectives is to highlight the issue of responsibility in the food ingredients market (B2B market). Companies operating in this sector contribute to their welfare due social responsibility enterprise; their economic growth is directly related to the development of social relations with the environment.

The key factors driving growth of the global food ingredient industry include escalating global population, changing demographics and growing demand for packaged food and beverages and the corporate social responsibility.

## **CORPORATE RESPONSIBILITY IN THE FIRM-ENVIRONMENT RELATIONSHIP**

In the global context created, businesses operating in the field of food ingredients must better manage their interactions with the environment. The interaction between business and the environment can be defined as a relationship of Exchange, mutual influence with changes and developments over time.

The company presents itself as a system immersed in multiple environments identified in:

- micro-environment, divided into transactional and competitive environment, characterized by the set of variables that affect the operations of the company

<sup>1</sup> Source: European Food and Drink Industry, Economic Bulletin, 2015

- macro-environment composed set of external variables over which the enterprise has no chance to act as political, legislative, social, cultural and economic.

In recent years the relationship between the environment, social and ecological aspects considered, and the enterprise has become an increasingly important theme in which the company is treated as an active player interested in proper environmental management.<sup>1</sup>

The growing importance of this issue led to the person in charge of involvement in environmental protection and a redefinition of its management structure.

There are several contributions left by scholars in which he emphasizes the need to monitor continuously the environmental characteristics and implement dynamic management systems in relation to these changes. Among the many scholars who have analyzed this relationship, include: Gino Zappa which, within its scientific production, assigns a considerable role to the concept of environment and its dependency on the part of the enterprise; not only is one of the first scholars of his time he reevaluates the static nature of the environment and its influences on entrepreneurial actions.<sup>2</sup>

At the same time, Pietro Onida argues, following the thought zappiano, that "this mutability of the environment is reflected in any sort of enterprise" highlighting the social influences of corporate activity in the environment.<sup>3</sup>

Other significant contribution is that of Pasquale Saraceno which recognizes the possibility for the company to change its external environment through a series of actions to make compatible the environmental situation with the act of the company.<sup>4</sup>

Thanks to the literature, you can then define how corporate responsibility is a useful tool to assess and monitor the interactions between the environment and business.

It is useful to stress that this tool has an effect both on the internal management of the company that arise with ethical and social behaviors and actions, both outward with the need to enhance the corporate image and obtain the consent of consumers and to all external stakeholders.

Businesses and individuals that are moving in the direction of environmental protection show that there are many organizational choices needed to develop a unique commitment throughout the company.

## **THE EVOLUTION OF THE CONCEPT OF CORPORATE SOCIAL RESPONSIBILITY**

---

<sup>1</sup> Source: "La responsabilità dell'impresa. Per i trent'anni di giurisprudenza commerciale", Giuffrè Editore 2004

<sup>2</sup> G. Zappa, Le produzioni nell'economia delle imprese. Tomo Primo, Giuffrè, Milano, 1956, p. 312.

<sup>3</sup> P. Onida, Il bilancio di esercizio nelle imprese, Giuffrè, Milano, 1951, p. 33

<sup>4</sup> P. Saraceno, La produzione industriale, Libreria Universitaria Editrice, Venezia, 1970.

Many are scholars of management that showed over the years interest in the corporate social responsibility; but only in the years '50s CSR joined fully in the academic literature.

The first major contribution goes back to 1953 by Bowen (1953), the first comprehensive study on corporate social responsibility refers to the businessman.

According to the author, the social responsibility of businessmen refers to "the obligations of the businessman to pursue those policies, to make those decisions and to follow those lines of action that are desirable in relation to the goals and values of our society".<sup>1</sup>

In the following decade, reshape the international academic debate on corporate social responsibility and form different schools of thought.

At the end of the '70s was a very important moment, characterized by the proliferation of CSR definitions. On the one hand, we developed the neoclassical theory, according to which the social interest is profit and whatever compromise the efficiency of the enterprise represents an unnecessary cost. Simultaneously the first studies were proposed that shared the premises of stakeholder theory and viewed the enterprise as the bearer of duties against a number of parties. The leading exponent of neoclassical theory was undoubtedly Friedman, that "there is one and only one social responsibility – to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which equates to argue that compete openly without resorting to deception or fraud".<sup>2</sup>

Of the decade 1980-1990 we must mention an important contribution; Drucker offers a new perspective on CSR, stating that liability can be seen as an economic opportunity for profitable for business. The author identifies the existence of a positive correlation between corporate social responsibility and business.

In more recent years has been consolidated in the debate on corporate social responsibility the link between this concept and to sustainability.

The concept of "sustainability" as it is known was first introduced in 1987 by the Brundtland Report of the United Nations. In this analysis, the concept of sustainability was defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

In recent years, then, as pointed out in the previous paragraph, it can be seen as the firm is part of an environment with which it interacts and is influenced and therefore increases the interest about the nature of these interactions.

---

<sup>1</sup> H. R. Bowen, *Social responsibilities of the businessman*, Harper, New York, 1953

<sup>2</sup> M. Friedman, *The social responsibility of business is to increase its profits*, *Journal New York*, pp. 122-124, 1970

## **THE NEW CONSUMER**

The theme of responsibility has received, especially in recent years, significant attention from food companies and consumers. As mentioned earlier, it is important to emphasize that this trend is wanted not only by businesses but also by final consumers.

The goal of this research is to find the new variables that influence consumer buying decisions.

As said previously, it has been confirmed by an empirical investigation based on a qualitative and quantitative methodology.

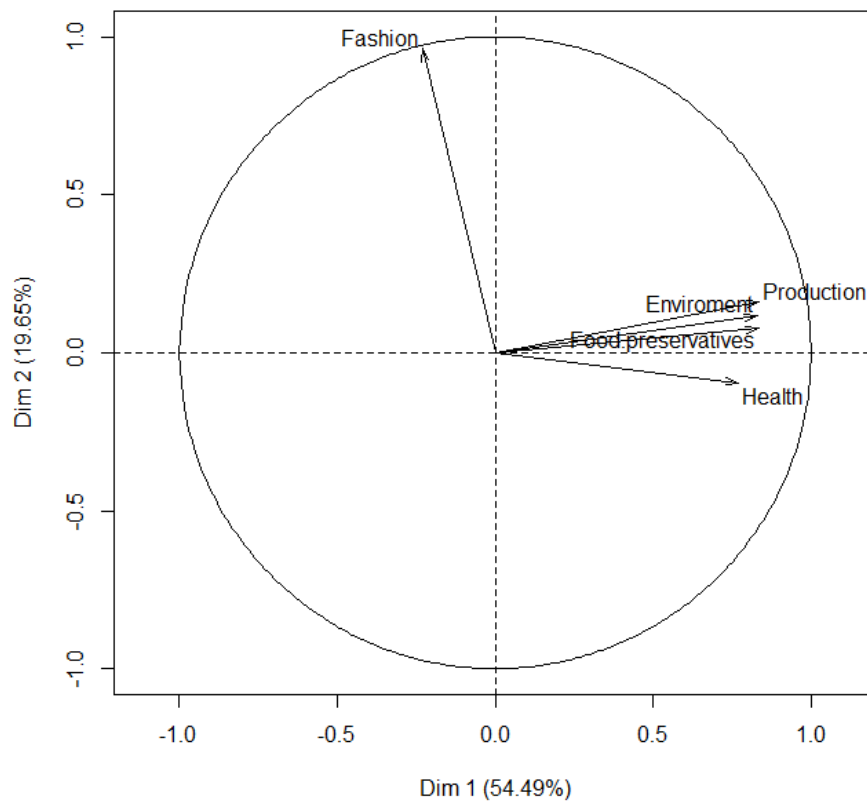
Broad questions were built mainly to answer closed, seeking to deepen the growing importance new variables that drive consumer choices.

The questionnaire is tested through word of mouth, social networking and online forums regarding the sector analyzed, it was divided into several sections.

The survey is aimed at studying the consumer with specific questions in order to identify, understand their needs, expectations, habits and preferences. The statistical sample that responded to the questionnaire consists of 66.7% of women and 33.3% of men, total responses amounted at 187.

In particular, with regard to the objectives of this article, it is useful to clarify that the variables that drive and that influence consumer buying choices have been identified: environment, protection, preservatives, fashion and health.

These values were used to see if there could be a particular correlation and verify which of the options listed above, are mainly related and those that are less so.



**Table 1** – The drivers that influence purchases<sup>1</sup>

The PCA chart shows us substantially the correlations between the various options.

The aim was to figure out which variables are in close correlation and therefore influential consumer buying behaviour. It can be seen as producing, preservatives and environment variables are strongly related to each other and at the same time are correlated with health but not with the same intensity that they have between them.

These variables can be summarised in the search by consumers of food obtained through quality production not to mention the respect for the environment.

One can therefore argue that the importance attached by the consumer to just one of these variables ensures the same importance as the other variables considered, precisely because they are related to each other. Regarding the variable fashion, we can affirm that in relation to the variable health appear to be inversely related (who looks more fashionable doesn't consider the salutary effect of a food).

<sup>1</sup> Source: Authors's elaboration

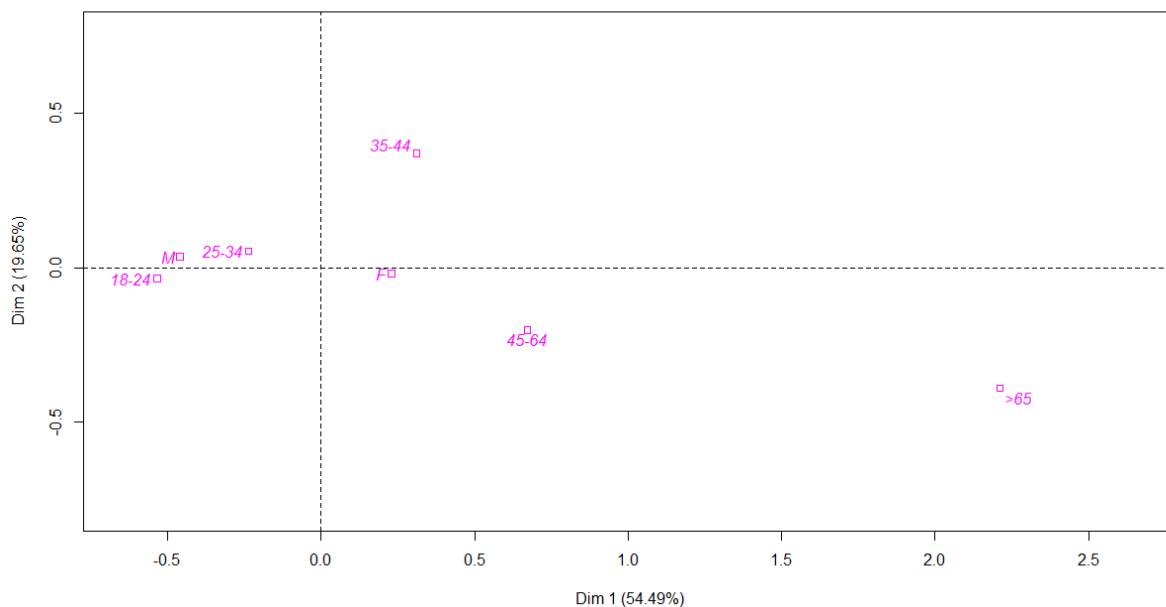
Finally, according to the PCA methodology arguably preservatives and fashion are as independent as can be seen from the graph form a right angle.

The second PCA was performed taking into analysis the sex and age of the respondents.

As can be seen from the graph females (black dots) are located further to the right than men, this demonstrates that women, main purchasing managers, are affected most to the peculiar characteristics of foods such as naturalness and quality.

Also, considering the age of respondents, we can see from the chart as people aged from 45 years of age are those that take into account the size that runs from left to right of the graph above and seek the assurance of a quality product.

Clearly it can be assumed that this preference of these variables requires a larger budget. In conclusion, this poll, with subsequent statistical analysis, allowed to better analyze what ought to be the characteristics of the food in front of consumers who are increasingly knowledgeable and competent. In addition, this analysis gives help and clarification about the composition of the market not only the institutions but also individual companies operating in this sector.



**Table 2** – Interviewees<sup>1</sup>

The questionnaire results represent a possible starting point of analysis to readers about the consumer orientation towards new paradigms.

<sup>1</sup> Source: Authors's elaboration



## **SOCIAL AND RESPONSIBLE BUSINESS INCREASES THE TURNOVER**

The theme of corporate social responsibility (CSR) has become a topic of interest to the community. The European Commission (EC) on 25 October of 2011 has defined CSR as “corporate responsibility for their impact on society”.<sup>1</sup>

By this definition of CSR from the European Commission wants to push companies to focus their attention on a new way of doing business; incorporating the maximization of profit with the desire to play an active role in the context in which they operate.

This concept of CSR must go far beyond the simple compliance with any applicable laws, but the development of CSR practices should lead to business growth (Brino 2014).

Until a few years ago seemed a theme contrasting with the business, now it has become an integral part.

Here is that CSR becomes a useful tool capable of creating different types of value for a multitude of actors<sup>2</sup>:

- for employees: assuring them better working conditions and increasing their well-being;
- for vendors: through a logic of co-operation and sharing of objectives and values;
- for customers: by maximizing their well-being but also through the adoption of an ethical process of production;
- for the community: taking an active part in society through the development of activities aimed at environmental protection.

## **CONCLUSION**

In a highly complex environment, the company is confronted with an environment, which changes unpredictably. The company is called to play a productive role in response to the different needs of demand and the welfare of the local community in which it resides.

Corporate responsibility, understood as a commitment by the company to the environment in which it operates, has effects on both the internal and operational management and towards external social actions to maintain and increase the consensus of all stakeholders.

It's clear that this issue is important not only for businesses operating in B2C but is considerable even for companies operating in a logic of B2B.

---

<sup>1</sup> Taken from the Green Paper "promoting a European framework for corporate social responsibility" of 2001.

<sup>2</sup> For further information please visit: Tantalus C., R. Priem, Competing for stakeholders: toward them to more context-sensitive theory of business sustainability ", accepted in the Journal of Management Studies," The Foundations of Sustainability "conference, Burleigh Court, Loughborough, 27th-29th September 2010.

In the questionnaire proposed in the paper, it was possible to highlight how the issue of social responsibility is a sensitive issue for final consumers.

It should be stressed that whatever the competitive situation in which the company develops, both B2B and B2C, to have huge success is not enough that the firm is proficient from the production point of view, but it is also very important that it be accepted by society.

## REFERENCES

- ABBASI M., NILSSON F. (2012), *Themes and challenges in making supply chain environmentally sustainable*, Supply Chain Management, Vol.17, n.5, pp.517-530
- ABDELHAKIM HAMMOUDI, CRISTINA GRAZIA, YVES SURRY, JEAN-BAPTISTE TRAVERSAC (2015), *Food Safety, Market Organization, Trade and Development*, Springer-Verlag
- ASBURY S., BALL R. (2016), *The Practical Guide to Corporate Social Responsibility: Do the Right Thing*, Routledge
- ASHBY A., LEAT M., HUDSON-SMITH M. (2012), *Making connections: a review of supply chain management and sustainability literature*, Supply Chain Management, vol.17, n.5, pp.497-516
- BARILE S., SAVIANO M., POLESE F., DI NATURA P. (2013), *Il rapporto impresa-territorio tra efficienza locale, efficacia di contesto e sostenibilità ambientale*, Sinergie, n.90, pp. 25-49
- BARRIENTOS S. (2012), *Ethical Sourcing in the Global Food System: Challenges and Opportunities to Fair Trade and the Environment*, Routledge
- BOLLANI L., BOTTACIN (2016), *Statistica per informare l'azienda*, Pathos, Torino
- BOWEN H. R. (1953), *Social Responsibilities of the Businessman*, Harper, New York
- CASELLI L. (1995), *Le parole dell'impresa. Guida alla lettera del cambiamento*, Franco Angeli, Milano
- CASELLI L. (2004), *Neppure le imprese possono fare a meno dell'etica*, Franco Angeli, Milano
- CAVALLO E., FERRARI E., BOLLANI L., COCCIA M. (2014), *Strategic management implications for the adoption of technological innovations in agricultural tractor: the role of scale factors and environmental attitude*, Technology Analysis & Strategic Management 26 (7), pp. 765-779
- CAVALLO E., FERRARI E., BOLLANI L., COCCIA M. (2014), *Attitudes and behaviour of adopters of technological innovations in agricultural tractors: A case study in Italian agricultural system*, Agricultural Systems 130, pp 44-54
- D'AVENI R. A. (2013), *Hyper-Competitive Rivalries. Competing in Highly Dynamic Environments*, The Free Press, New York
- DALLOCCIO M., PERRINI F., VURRO C., RUSSO A. (2010), *Creare valore nella supply chain: modelli di gestione a confronto*, Egea, Milano
- DANI S. (2015), *Food Supply Chain Management and Logistics: From Farm to Fork*, Kogan
- DI TORO P. (1993), *L'etica nella gestione d'impresa*, Cedam, Padova
- DOWLER E., JONES FINER C. (2003), *The Welfare of Food: The Rights and Responsibilities in a Changing World*, Blackwell Pub
- EASTHAM J, SHARPLES L., STEPHEN BALL S. (2001), *Food Supply Chain Management: issues for the hospitality and retail sectors*, A Butterworth-Heinemann
- EHRGOTT M., REIMANN F., KAUFMANN L., CARTER C.R. (2011), *Social sustainability in selecting emerging economy suppliers*, Journal of Business ethics, vol.98, n.1, pp.99-119
- ELEFThERIOS IAKOVOU, DIONYSIS BOCHTIS, DIMITRIOS VLACHOS, DIMITRIOS AIDONIS (2016), *Supply Chain Management for Sustainable Food Networks*, Wiley
- ESTELLE BIÉNABE, JULIO BERDEGUÉ, JOHN BELT, LUCIAN PEPPELENBOS (2016), *Reconnecting Markets: Innovative Global Practices in Connecting Small-Scale Producers with Dynamic Food Markets (Gower Sustainable Food Chains Series)*, Routledge
- FREDDIE L. BARNARD, JAY T. AKRIDGE, FRANK J. DOOLEY, JOHN C. FOLTZ, ELIZABETH A. YEAGER (2016), *Agribusiness Management*, Routledge
- FRIEDMAN M. (1970), *The Social Responsibility of business is to increase its profits*, Journal New York, pp. 122-124
- GIDDENS A., BARBAGLI M., BALDINI M. (2006), *Fondamenti di sociologia*, Il Mulino
- GIDDENS A. (2000), *Il mondo che cambia. Come la globalizzazione ridisegna la nostra vita*, Il Mulino

- GREEN PAPER (2001), *Promoting a European framework for corporate social responsibility*
- HAMPRECHT, CORSTEN, NOLL, MEIER (2005), *Controlling the sustainability of food supply chains*, International Journal n°10
- JOHANSSON V.J.K. (2006), *Global Marketing*, McGraw-Hill International, pp.55
- KEVIN MORGAN, TERRY MARSDEN, JONATHAN MURDOCH (2006), *Worlds of Food: Place, Power, and Provenance in the Food Chain*, OUP Oxford
- KERSTIN GUSTAFSSON, GUNILLA JONSON, DAVID SMITH, LEIGH SPARKS (2009), *Retailing Logistics & Fresh Food Packaging: Managing Change in the Supply Chain*, Kogan Page Ltd
- KOTLER P., PFOERTSCH W. (2006), *B2B brand management*, Springer, Berlin
- KOTLER P. (2004), *Marketing Management*, Pearson, Milano
- KOTLER P., V. WONG, J. SAUNDER, G. ARMSTRONG (2005), *Principles of Marketing*, Prentice Hall, Englewood Cliffs
- KOTLER P. (1990), *Globalization - Realities and Strategies*, Die Unternehmung, Vol.44, No2, pp 79-99
- LEBART L., MORINEAU A., PIRON M. (2006), *Statistique exploratoire multidimensionnelle*, Dunod, Paris
- MARVULLI R. (2008), *Introduzione alle indagini di opinione. 488 questioni sui questionari*, Franco Angeli
- MICHAEL BOURLAKIS, ILIAS P. VLACHOS, VASILEIOS ZEIMPEKIS (2011), *Intelligent Agrifood Chains and Networks*, Wiley-Blackwell
- MICHAEL A. BOURLAKIS, PAUL W. H. WEIGHTMAN (2004), *Food Supply Chain Management*, Blackwell Publishing
- ONIDA P. (1951), *Il bilancio di esercizio nelle imprese*, Giuffrè, Milano, pp 33
- OPPENLANDER ROBERT A. (2011), *Comfortably Unaware: Global Depletion and Food Responsibility... What You Choose to Eat Is Killing Our Planet*, Langdon Street Press
- PELLICELLI A.C. (1999), *Le strategie delle imprese high tech*, Giappichelli, Torino
- PELLICELLI A.C. (2009), *Introduzione al marketing strategico*, Giappichelli, Torino
- PELLICELLI A.C., CARIGNANO M., ARES M., DAVI G., ROSSETTI F., (2016), *Marketing del III Millennio- Economie emergenti e concept evolutivi di imprese in rete*, Amici D'Autore
- PELLICELLI A.C. (2004), *La gestione dei rischi nelle imprese*, Giappichelli, Torino
- PULLMAN M., ZHAOHUI WU (2011), *Food Supply Chain Management: Economic, Social and Environmental Perspectives*, Routledge
- PRESTON W. BLEVINS (2012), *Food Safety Regulatory Compliance: Catalyst for a Lean and Sustainable Food Supply Chain*, CRC Press
- RICOTTI P. (2003), *Corporate Responsibility, compatibilità e mercati*, Symphonia. Emerging Issues in Management, n.1
- RULLANI E., VICARI S. (1999), *Sistemi ed evoluzioni nel management*, Etas libri, Milano
- SARACENO P. (1970), *La produzione industriale*, Libreria Universitaria Editrice, Venezia
- SCIARELLI S. (2001), *Economia e gestione delle imprese*, Seconda edizione, Cedam, Padova
- SMITH C.N. (2003), *Corporate Social Responsibility: whether or how?*, California Management Review, 45,4
- ZAPPA G. (1956), *Le produzioni nell'economia delle imprese*, Tomo I, Giuffrè, Milano, pp 312