



European Chamber
中国欧盟商会

European Chamber
Efficiency, Productivity and Social Responsibility: Winning Factors for European Business in China

Date: 23rd July 2014, 9:00-12:00PM

Venue: European Chamber, Shanghai Office

ATTENDEES

Organisation	Name
KPMG	Melinda Gao
Lanxess	Aoshuang Xiao
Maverlinn	Luna Honguet
H&M	Veera Sinnemäki
H&M	Robert Ornerfors
Syntao	Yao Chen
Henkel China	Wen-GieSiew
Diageo China	Agyness Zhu
Draeger	Sammi Zhang
Asia Fortune Brands Home and Security	Liyang Shi
ABF Twinings Beverages (Shanghai) Limited	Denis Liu
Legrand China	Judy SHEN
TUV SUD	Prabhu Ramkumar
Dutch consulate in Shanghai	Ming Eikelenboom-Zeng
TUV certificate and test (China) Co., Ltd.	WU zhiping
IKEA	Helen Fu
Walmart	Brain Liu
Pactics Shanghai Co. Ltd	Nicky Lu
Tetra Pak China	Edward Dong
Shanghai Trayton Furniture Co. LTD	Jason Zhang
Carrefour China	Julia Li
Auchan	Edouard de Souance
Abbott	Roy Zhang
Storaeso	Cindy Zhang
Hermes	Tingting Jiang
Astra Zeneca China	Nancy Yu

AGENDA

09:00 – 09:20 Welcome speech by CSR Chair; Moderator introduces participants and announces rules for workshop

09:20 – 10:00 Interaction Session 1: Identify questions and find key factors in operation excellence

10:00 – 10:45 Interaction Session 2: Explore possible ways to expand profit margins and find new market access

10:45 – 11:00 Coffee Break; each team summarize findings and discuss possible solutions for presentation

11:00 – 11:30 Presentation: each team use 10 mins to present their findings and explain their solutions to the problem

11:30 – 12:30 Q & A: Sharing reflections and comments between different teams

MEETING MINUTES

The chair welcomed the participants and briefly announced the rules and procedures of this event. After confirming that each participant is seated with their designated group, he proclaimed the opening of the seminar.

The event is divided into three separate steps. In the first step, participants were asked to analyze a case and identify the challenges and opportunities regarding CSR issues in the case, summarized by a presentation. In the second step, participants were required to transform the crisis into possible profit margins and explore possible ways to expand market access for their products. In this process the presenter will be questioned and challenged by a “secret client”.

1. Identify questions and find key factors in operation excellence

The first group talked about issues regarding responsible sourcing. The members proposed to employ local people familiar with specific conditions, respect people involved in the agricultural supply chain and protect land and biodiversity. Internally, the members emphasized the need to optimize management system to prevent scandals, and use legal implementation to control bad resources. In order to regain consumer confidence, the company should conform to GAP/GMP and increase the consumer’s awareness by education.

The second group, reflecting on the recent Husi scandal, discussed several unstable factors in the manufacturing and supply chain process --- including internal pressure from workers, external pressure from consumers, and uncertainty caused by long-term supply chain improvements. As a response, the group members agreed to use brand reputation, supply chain control, good CSR practice, and management commitment to reduce these potential challenges.

The third group raised similar solutions on responsible sourcing. The members put supply chain control as the company’s top priority, including the inspecting, training suppliers to ensure sourcing the right. A reward/penalty system should be established to promote the transparency and long-term stability of supply chain. The members also encouraged more engagement with local communities to build corporate reputation.

The fourth group, based on their observation of Pepsi potato case, identified major challenges as: changing government policy, negative public image, peer impact caused by intra-industry scandals, environmental/ecological impacts, and consumer’s change of lifestyles. Members also stressed the potential risk of supply chain shortage and stricter quality control requirements. These pressures can transform into opportunities, they argued, if the company can take their price advantage to reduce labor cost, gain more government support, increase

stakeholder commitment, and improve corporate image by contributing to environment protection.

The last group identified their challenge as negative environmental effects caused by their manufacturing activities, and the subsequent risk of media/NGO criticism on its social responsibility. Group members raised several improvement measures, including CSR audit, well-organized supply chain team and better promotion strategies to gradually change its environmental side effects. In order to achieve this goal, it is necessary to employ better people and more competitive frameworks.

The chair announced a 15-minute break for the seminar.

2. Explore possible ways to expand profit margins and find new market access

Based on previous discussion results, members began to figure possible ways to optimize business operation, explore new margins for market, and create a win-win situation for both operational excellence and social responsibility.

The first group, under the fictional retail brand “Warm Art”, proposed to follow up interviews based on the Husi incident. Members decided to enhance stakeholder engagement and internal communication concerning sourcing safety. They also realized that supplier training and verification process is not sophisticated enough. Facing these disadvantages, members pledged to strengthen external training, labelling, management and internal investigation to prevent future problems on the supply chain.

The second group represented a fictional fast-food restaurant MDD, to solve the scandal of bad source supplier. After the crisis, the first response they propose was to protect their brand reputation and prove that the company has good control over food sources. Members also proposed to launch investigation on raw materials and conduct random tests on samples. The company also pledged to set up a food safety hotline and reward consumers who provided clues. Members believed that these actions will help rebuild MDD’s reputation and consumer trust.

The third group, also a fictional fast food provider, faced the same scenario of media exposure on bad food sources. Their measures includes: 1) establish an audit team to estimate the reasonable cost for raw materials, and define as a problem if the price is too low; 2) enhance communication between departments; 3) provide incentives for suppliers to improve product quality. Members were questioned by the secret client on how internal auditing would take place before 3rd party appeared to prevent problems leading to an issue. The presenter explained the measures in regulation compliance and management control.

The fourth group represented a potato chip manufacturer, and the problems they faced were increasing price due to inflation, challenges by peer competitors, and potato chip’s health concern as “junk food”. Members agreed to rely on other competitive factors other than the price, such as its brand effect, high quality and safety, to attract young population. Facing the secret client’s accusation of “junk food”, members claimed that they are promoting the ideal lifestyle of sharing and pleasure, beyond the food itself.

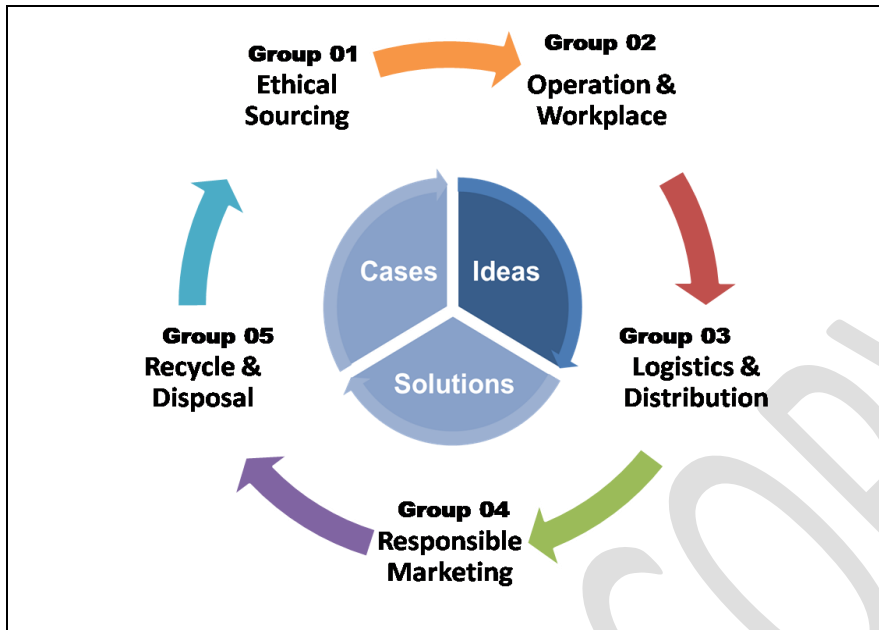
The last group, also role-playing the potato chip manufacturer, was concerned with the problem of balancing the sales volume and youth health. Their proposal was based on enhancing transparency and promoting environment protection. Their specific action include: 1) educating the consumers on the environment campaign; 2) contributing to the community; 3) using small baggage to pack potato chips to encourage less eating; 4) include exercise tips on the package to promote healthy lifestyle. These measures will effectively counteract with the negative health effect of potato chips, the members believed.

3. Conclusion of the Workshop

The chair highly appreciates the ideas and thoughts generated by the participants. He called the event a great success, and encourages companies to figure out more ideas on CSR issues.

The event is hosted by **Roy Zhang** and facilitated by **Tiantian Qi**.

Opportunities, challenges and solutions



Group 1: Ethical Sourcing	
Opportunities: <ul style="list-style-type: none"> •Protect land and biodiversity •Job opportunity 	Challenges: <ul style="list-style-type: none"> •Scandals •Bad resources •Sourcing price VS. Good CSR Cost
Solutions: <ul style="list-style-type: none"> •Employ local people familiar with specific conditions •Respect people involved in the agricultural supply chain •Optimize management system to prevent scandals •Use legal implementation to control bad resources • Conform to GAP/GMP •Increase the consumer’s awareness by education 	

**Group 2:
Operation & Workplace**

Opportunities:

- Green production process
- Safety production
- Employment contribution
- Government support

Challenges:

- Internal pressure from workers
- External pressure from consumers
- Supply chain control
- Environmental/ecological impacts

Solutions:

- Brands should work with supplier together to build and share brand reputation
- Management commitment driven from the top
- Inspecting and training suppliers
- Establish a reward/penalty system to promote the transparency and comprehensive workplace safety and health programs

**Group 3:
Logistics & Distribution**

Opportunities:

- Leverage existing supply chain resource
- CSR audit
- Improve the synergy among supply chain

Challenges:

- Vender Management
- Safety transportation
- Responsible Package
- Environment Concern
- Supply chain shortage

Solutions:

- Encouraged more engagement with local communities to build corporate reputation
- Set high standards for safety transportation
- Use CSR audit to enhance supply chain control
- Avoid excessive packaging
- Improve the synergy among supply chain and leverage existing supply chain resource

Group 4:
Responsible Marketing

Opportunities:

- Government support
- Price advantage
- Market Potential
- Brand reputation
- Customer preferences

Challenges:

- Gap between advertisement and reality
- Change of government policy
- Negative public image
- Peer impact caused by intra-industry scandals

Solutions:

- Stricter quality control requirements
- Take price advantage to reduce labor cost
- Increase stakeholder commitment
- Improve corporate image by contributing to environment protection

Group 5:
Recycle & Disposal

Opportunities:

- Source the right supplier
- Save Resource and Protect Environment

Challenges:

- Negative environmental effects caused by manufacturing activities
- Risks of media/NGO criticism on social responsibility

Solutions:

- Well-organized supply chain team
- Better promotion strategies to gradually change its environmental side effects
- Long-term investment in recycle and disposal
- Advocate optimal packaging
- Engage local community and contribution to local community