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ALEXIS
BATEMAN: All right. So today we're going to do multi-stakeholder engagement. This is a little bit different than what we've been talking about, as opposed to assessing the impacts of the supply chain and looking at where environmental savings can be made. It's who can collaborate to make those changes.

When a company is trying to integrate different programs within their supply chain, often they can't do it their own because they're working with supply chain tiers deep- - further than tier one, tier two, tier three. So they need some different eyes and different expertise that can support their additional effort.

Palm oil is a really excellent case of this because it's really deep in a lot of different companies' supply chains. It's usually a very small component of a product that they might sell, like in the case of Nestle's Kit Kat. So who, before reading this case knew about the palm oil issue? What do you know about it, that it was--

AUDIENCE: Not the best choice.

ALEXIS
BATEMAN: Not the best choice, OK. Did you know about the environmental impact of it, or more just that it was a bad ingredient?

AUDIENCE: Bad ingredient--

ALEXIS
BATEMAN: Ingredient, OK.

AUDIENCE: Nothing specific.

ALEXIS
BATEMAN: Anybody else have-- yeah, what did you know about it?

AUDIENCE: I knew somewhat about the environmental impact, but yeah, not--

ALEXIS Just knowledge that it was not very good.

BATEMAN:

AUDIENCE: Doing research for the CDP project, they talked about the RSPO. That's one of the things they-- my company highlighted in their CSR, it's like, we are 100% certified palm oil or whatever, and I was like, what is certified palm oil?

ALEXIS Did that cause you to look into it a little bit more?

BATEMAN:

AUDIENCE: Yeah.

ALEXIS Yeah. So palm oil is a perfect example of a material that has a lot of different

BATEMAN: stakeholders that are being affected by the growing of palm oil, by who's sourcing it, and the supply chain that's in between. They have the growers, they have the mill that they process it in, then they also have a lot of middleman.

So that is where the supply chain, because it's a commodity, a lot of times the supply chains are very non-clear, not transparent. So they're not able to see what's happening deep in their supply chains, the actual practices. Did everyone watching the Nestle video? Because I feel like that was the linchpin of this whole story, where-- did everyone see it? You guys all saw it?

Yeah, so that's kind of where it all began, where Greenpeace decided-- they had been actually looking at the palm oil issue for quite a while before they actually when after Nestle. And that was a big turning point, when they decided that they needed to go after the brand.

And that's commonly what we've found in our research, is that going after the brand is the more effective strategy than actually going into the deep tier supplier. Because it gets the publicity, it gets consumers pushing the hand of the brand, and then the brand actually looks into their supply chain.

So what I thought we would do today, I was originally going to break you up into bigger groups, but since we have-- well, that's pretty good attendance, but what I think I'll do is match you up in groups of three and you can talk about the plan that you created. Everyone had the assignment of acting as a consultant for GAR, for Golden Aggregate Resources.

And I want to see what the differences were in your plans and come to an understanding of what you guys thought. And then we can go through the questions together and see how you guys went about it.

So why don't we-- you guys, three, why don't we do threes right here, and then three right here, you guys both triangular, three right here, and then you two, and then back there, and then three in the back. So we'll spend about 15 minutes, and you guys just get your plan and talk about the differences you saw. And then I'll be spot calling on answering questions and your group will have to answer on how you look at it.

So were you guys' strategies very similar or different?

AUDIENCE: Completely different.

ALEXIS Completely different. In what way?

BATEMAN:

AUDIENCE: I said we go with the complete Greenpeace approach and point fingers at anyone who's not, and run our marketing campaign that way. And then Matt took the completely different approach that we should put Greenpeace as an irrelevant outsider and not let the outsiders run the industry, etc.

ALEXIS So what was-- why would you look at it that way?

BATEMAN:

AUDIENCE: Just so that if, particularly from the marketing standpoint I wrote about, from regulation, so regulation is going to be an unknown. And you want to establish, since the RSPO is the industry and that represents the self regulating body, if you

can establish yourself as self regulating, then you increase the chances that you will not require external help.

So hopefully the Indonesian government would play a hands off role if they thought you were taking care of things, and then you can be the master of your own destiny. And then from an investor's side, so that it doesn't look like you're getting pushed around and responding in a reactionary way to everything that any external organization says so that there's some confidence for the investors that you're not going to change your business strategy the next time someone else comes around and says, we think you should do this.

ALEXIS Sure. So we have the pro-Greenpeace, and then we had the non-Greenpeace. Any
BATEMAN: hybrid perspectives? All right, we'll get another team that haven't spoken.

AUDIENCE: Yeah, I think I might have missed a couple of things in that case study, but I really took a market driven approach to take some of these standards, organizations they belong to and set those as the low bar and offer an even higher premium product that meets the Greenpeace requirements and allow the market to decide the best [INAUDIBLE]. And use that additional revenue to drive change down to the farmer and government level.

ALEXIS OK, so we've got three different perspectives. So why don't we diagram out who
BATEMAN: everyone's involved, and we can see what everyone else was thinking on who was involved. Who are all the stakeholders in this issue?

AUDIENCE: GAR.

ALEXIS GAR, so we've got, they're at the center, the supplier of palm oil.
BATEMAN:

AUDIENCE: Rural communities?

AUDIENCE: Customers, the direct customers.

ALEXIS Sure, there are-- so there's several customers.
BATEMAN:

AUDIENCE: I mean the major corporations.

ALEXIS Major corporations, the Nestles and Unilevers and such.

BATEMAN:

AUDIENCE: Yeah, I guess that would be the [INAUDIBLE] brands.

ALEXIS So they're out here. They're a little bit separated. Who else?

BATEMAN:

AUDIENCE: The farmers.

ALEXIS We've got the farmers. So they're in between GAR and the corporation.

BATEMAN:

AUDIENCE: Indonesian government.

ALEXIS Indonesian government. Where would we put them? They're kind of out in left field.

BATEMAN: Oh, we're going to test my spelling skills.

AUDIENCE: Don't we see the processing mills are an intermediary?

ALEXIS Yeah, so there's the mills and processing.

BATEMAN:

AUDIENCE: The certifying bodies.

ALEXIS Certifying bodies, yeah.

BATEMAN:

AUDIENCE: I would say above the corporations you have the consumers.

ALEXIS Oh, yeah.

BATEMAN:

Anybody else?

AUDIENCE: Environmental ag agencies.

ALEXIS Sure. Where should we put them? They're kind of--

BATEMAN:

AUDIENCE: There's the environmental engineer type people, and then there's just people who care about the environment.

ALEXIS That's true.

BATEMAN:

AUDIENCE: And investors.

ALEXIS Investors, absolutely. So they are kind of in between.

BATEMAN:

And we have green customers.

So you have anyone else?

AUDIENCE: Local communities.

ALEXIS Local communities, absolutely. So they're down here with the farmers.

BATEMAN:

What about the people who are impacted by the burning? So it is actually the community. Well, that would be also local communities, but also international communities.

I actually lived in Singapore when they had the burnings, and there was actually haze. I was outside playing soccer and coughed up a lung because you could actually-- the haze was so thick. It's not a fake thing. We've got international communities as well that were impacted by slash-and-burn practices.

So you have all these stakeholders and GAR is trying to figure out their strategy. So you think about who Greenpeace went to. They went directly to the corporation and attacked their strategy and what they were doing, their actual material that they

were sourcing.

But then that got translated back to the actual company that was dealing with the palm oil. And then they had to go through all these different-- so did everyone think about these as they were going through their strategy?

Yes? Sort of? Not really? No, you guys seem to decide fairly quickly. Anyone else? Did anyone else not account for one of these and might think differently, think about some of these other external stakeholders? No? All right. So everyone thought about everyone. Everyone's good.

AUDIENCE: I forgot about the mills.

ALEXIS The mills? Yeah. The mills and press.

BATEMAN:

AUDIENCE: I was thinking about the other growers and other competitors who are joining the ISPO and who might also [INAUDIBLE].

ALEXIS The other-- I'm sorry, say it again.

BATEMAN:

AUDIENCE: Other growers and competitors.

ALEXIS Oh, yes. The other companies that are-- so there are also the other palm oil

BATEMAN: companies. So they're also kind of in between. No, they'd probably be over here. You get the picture.

Anyone want to talk about their strategy that are different from these three, that they thought-- the marketing strategy? Let's start with the first question in terms of how you're going to market your palm oil. Given the strategy they have now, how would you go about it?

AUDIENCE: We thought-- we agreed that we'd be more vocal about publishing the fact that we were trying to take a leadership role in sustainability. So one of those things might include having an annual sustainability report or something along those lines.

And then we talked about continuing to work with Greenpeace to maybe even set increasingly, slightly, higher standards or goals for ourselves. And then again, just talking about those goals and putting those out there so that it gave us additional credibility in the market as a leader in that front.

ALEXIS
BATEMAN: So I don't know if you guys caught the difference between Greenpeace and the Forest Trust. Did you guys catch any subtle difference of how each of those NGOs work?

AUDIENCE: The Forest Trust kind of-- Greenpeace was more on the attack, it looked like. And then the Forest Trust was more of an interview. You're like, OK, we'll work with you to try to get what they want, but-- they were kind of the trusting--

AUDIENCE: They were like the technical experts. So they'd measure trees and thinks like that. They'd know the carbon content of the peat soil. Whereas Greenpeace was just like, you're not doing right and we're going to get you.

ALEXIS
BATEMAN: So they're kind of the voice behind to get the medial attention. So maybe the Forest Trust would maybe be the more strategic collaborator if they were going to have an NGO that was pushing their standards.

Anyone else have different-- so you thought about a sustainability report and then working with an environmental NGO to push goals. To push, to keep them, to push their goals.

AUDIENCE: As well as trying to become a leader with the RSPO, maybe backing away from the NGOs and trying to embark on the global standard, to bring it up to the level you're at and then use your influence with the government and with the organizations, you can set the standard to your advantage.

ALEXIS
BATEMAN: So why did you think that the RSPO might be the way to go instead of doing it more individually?

AUDIENCE: I thought because people would be able to recognize that. People like standards, bodies, they like things set better than just an agreement worked out, where one

party can back out any time. The RSPO, if it gets big enough, it's kind of hard for people to back out and everything, and for it to change.

So I think that the ordinary consumer would see RSPO, they've seen that enough, they know that when they're just like, ours is Greenpeace approved, well, what does that exactly mean? That might be different for every company.

ALEXIS

So, some standardization in the industry. Did anyone think about the Indonesian

BATEMAN:

standard as the way to go, in terms of who they thought the local way? No? No one thought about that. And why didn't you guys think that that was the way to go?

AUDIENCE:

Not a standard.

ALEXIS

Not a standard. But the two differences-- did you guys look at the fact that one was

BATEMAN:

voluntary and then one was mandatory? Did that play into your decision factor at all?

AUDIENCE:

Yeah, we all talked about-- i mean, not like the marketing fluff strategies, but the bigger issue bringing the product to market being that only 10% of palm oil is certified, and of that, a very small margin is actually sold at a premium. So the real issue is getting out of the niche market and making it more of a tradeable commodity.

And to do that, GAR already complies by default with the ISPO standards, just because there are global laws and regulations. And then, obviously, the RSPO is more voluntary. So I think if they work with the government more as law and not as much marketing, it would help the whole industry bring more certified product to market and raise their profitability.

And then the RSPO could be like-- I used the example of the LEED building rating system, where it's this voluntary thing that you can add on to increase the marketability. So it would be like a two tiered system.

ALEXIS

So the standard and the marketing. Got it. So you touch on the fact that there's a

BATEMAN:

price premium that may or may not be making it to the farmers. Do you guys see

other issues with making the sustainable supply chain of palm oil, what the challenges were in translating what they RSPO is doing into a sustainable palm oil supply chain?

AUDIENCE: For example, as we were discussing in the group, [INAUDIBLE] and then the RSPO accepts oil from certified and non-certified plantations. So there are lots of blurry points in the supply chain that will make it difficult to assess if it's really sustainable, and to what extent.

ALEXIS BATEMAN: All right, so a major challenge would be the transparency, so you can't really see where what sources are coming in where. So even if Unilever decides that they want to source 100% RSPO certified palm oil, doesn't necessarily mean that that's all they're going to get. They're going to pay for it, but that might not be the palm oil that they actually receive.

Any the other challenges you guys see in this in terms of maybe the RSPO as an intermediary in the funding having to be paid for-- farmers having to pay for it? Did you guys think about that aspect?

AUDIENCE: Well, one of the things that the ISPO addressed was that the small and medium sized farmers couldn't afford the certification process. So you have to address that if you wanted to take on certification.

AUDIENCE: It also seemed like there was a great amount of uncertainty as to the actual cost. Some studies cited Indian investors buying stock in certified companies because the fact that they were certified reduced projected risk and processing disturbances. They calculated that the cost of certifying would be mitigated by or accounted for by one day of a mill being shut down due to global unrest.

ALEXIS So major impacts to the smaller--

BATEMAN:

AUDIENCE: So there needs to be some more industry collected data if we can agree on it.

ALEXIS More information to make a decision.

BATEMAN:

AUDIENCE: This is sort of [INAUDIBLE], but if we take a look at the sustainability on the supply chain at the larger scale, they were saying in the case that investors and financial people were investing only in plantations and in firms that had a sustainable supply chain. So I'm assuming that if they don't have the transparency to assess this, they might just not fund companies to produce palm oil. At some point, there might be issues also in the supply chain for its long term cost.

ALEXIS Sure. So it's more of a short term perspective.

BATEMAN:

So what else haven't we covered in here?

So we were talking about the burden on the small farmer and their inability to be certified, and maybe the changes in the uprun of costs of certifying and changing to sustainable practices. What do you guys think, what do the different teams think about what GAR should do about that, in terms of treating the small farmers as opposed to their larger farmers? No one thought about the small guys?

AUDIENCE: I thought about them. It's more you actually struggle to figure out how it can be incentivized not to use all their land. So thinking of somehow a way to place a premium on the product that is harvested with less land and putting in a cap on how much virgin forest they need to have in order to be able to sell into the more premium market.

ALEXIS Cap.

BATEMAN:

AUDIENCE: So one of the things that we identified during our discussion was that the Indonesian farmers or production was not very efficient, or they didn't have a very high productivity. So one way we identified to increase production and please local government and local authorities, but also the Indonesian government in general was to actually help the small farmers increase their productivity.

ALEXIS Oh, sure. Be sort of an Intermediary to get them to that place so they could afford it.

BATEMAN:

AUDIENCE: I also found a case that mentioned something about bans and third party audits. So that's a very-- imposing that relations on the farmer, I think it should motivate them to be more sustainable. Instead of using that many fees and scaring them away, incentivize them to use sustainable practices and pay them or use financial incentives to be--

ALEXIS So carrot and stick.

BATEMAN:

Did you guys think the RSPO is more like a stick because it's a costs burden? Or how did you see the RSPO certification?

AUDIENCE: More as the carrot, I think. Because it gives them the incentive whereas the ISPO would be the stick.

ALEXIS Sure, yeah. Everyone agree with that? Yeah, I think sort of the-- kind of see the

BATEMAN: difference.

So what about communication strategy? We talked about marketing, but then you have all these stakeholders that you're then going to start deciding what you're going to do. So there's a-- we thought about a report. Sometimes I sit all day in my office and I read sustainability reports, and I think I'm the only person who reads that. So what other strategies do you think that GAR can do to get down to each of these stakeholders in terms of translating what they're doing?

AUDIENCE: We talked about Justin Bieber, but then we were actually talking about famous soccer players.

ALEXIS I wondered what you guys were talking about over here. Justin Bieber.

BATEMAN:

AUDIENCE: We just used somebody that is-- that all these guys can-- all these stakeholders can relate to or see or know of.

ALEXIS Sure. So maybe some sort of celebrity advocating for sustainable palm oil.

BATEMAN:

AUDIENCE: Or sustainability, yeah.

ALEXIS Sustainability in general or sustainable palm oil?

BATEMAN:

AUDIENCE: Palm oil.

ALEXIS Well, it's different.

BATEMAN:

AUDIENCE: I think in general, it's going to be easier. Otherwise, palm oil is such a low-level ingredient that soccer players [INAUDIBLE] it.

AUDIENCE: We were mentioning in this group that the education of the farmers and the trainees, that can also be a long term return for the [INAUDIBLE] of the population is education in sustainable ways to cultivate, and also get in line with the ENGO and the certifying bodies, medical communities, and pretty much everybody.

ALEXIS Sure. So one challenge that's here is there's usually an upfront cost for the

BATEMAN: company. What would be your argument for, if you guys can chime in, what would be the argument for that, that this would be a valid--

AUDIENCE: I think also a better return. There is an upfront cost, but if the farmers are able to have better production and better education, then there might be also, first, the better return in the end, and then a better relationship with them. And they can also be more cooperative. And it can also ground for the long term [INAUDIBLE] in Indonesia and in this part of the world.

AUDIENCE: Yeah, I think that's key, because they were talking about how negotiating with the local communities was becoming more and more part of what they had to do before they could establish their bigger farms. If they had a reputation of maybe providing educational services or equipment training to local communities, they could

potentially acquire more land and do more business.

AUDIENCE: A lot of these NGOs have deep pockets and far reaches, so if you can partner with them, they would probably participate in an education and training program where wouldn't have to shoulder all of the cost.

ALEXIS
BATEMAN: NGO as a source of collaboration. Anybody else? how about when you're trying to get to your investors? What do you think? An avenue that--

AUDIENCE: Ford just puts their sustainability strategy into their business strategy, so they have all the information on their corporate website, which is probably where current investors and potential future investors are going to go to get information about the company. And then I also said that Ford has a specific sustainability department. So if you had the resources and the manpower, that might be something that they would want to look at doing, just to help communicate the fact that this is something that they think about.

ALEXIS
BATEMAN: So I'm putting in the [INAUDIBLE]. That's the Q&A source.

AUDIENCE: I think it's also not totally unprecedented for governments to provide some kind of financial incentives or tax breaks to companies that do good stuff.

ALEXIS
BATEMAN: Right. So GAR could probably get a lot of different resources going to different stakeholders, going iterative feedback. They can see how they can help them. I like that. All right. Went to sleep.

So then let's think about the bigger picture. So we've got all these stakeholders to decide about a marketing strategy, what are the angles of getting a more sustainable supply chain, how we're going to help the small farmers versus large farmers, and then how we're going to communicate that. So what are the overall impacts? How is this going to translate and impact in terms of whether you're certifying, working with the local farmers? If you guys have some kind of broad take takeaways from the case?

AUDIENCE: Well, I thought one of the major differences between what they're doing now and what the current certification bodies are doing is the deforestation issue. They have to make a decision whether they're going to continue that commitment and, I think, maybe add a certification level on top of what's out there to take credit for what they're doing for the deforestation, or to lower their standards to become more competitive with the other companies.

And I think that that's something they're going to have to make a decision on as far as what they're going to go with as a company. And I don't know, based on the data, that there is a need for something of that high level unless you say you're going to a market with the United States or that's maybe more niche.

Because it shows that the sales right now aren't in markets that really care about the sustainability. They're more cost-driven markets. So I think overall, they need to look at where they want to take their company, if they wanted to the niche sustainability and maintain their deforestation commitment or if they want to lower their standards and become competitive in the bigger markets.

ALEXIS Yeah, perfect way to put it. What did anyone else think about going higher or lower?

BATEMAN:

AUDIENCE: I'd say the same in encouraging innovation in industry, trying to find other ways to grow the business without the deforestation. That was the default for a while, but maybe there are other ways to use their land and that sort of thing, change the way they're growing and that sort of thing. I thought it might open up the industry to some innovation if they stay as one of the leaders.

ALEXIS Sure. Push the industry in support of defaulting to the standard. Yeah, absolutely.

BATEMAN: hasn't spoken? You have some thoughts?

AUDIENCE: Yeah, one thought I have is that for [INAUDIBLE], the company seems like it's passively responsible [INAUDIBLE] coming from different directions. So I think they should take some more proactive actions to take leadership. Inviting multiple different stakeholders [INAUDIBLE]. Especially for the Greenpeace, I think they

should, instead of just [INAUDIBLE] respond to the [INAUDIBLE], they should try and work with Greenpeace, set up common goals.

Because the NGO [INAUDIBLE] environmental issues, people tend to be more educated in governmental targets. So if they are convinced that a company is making great effort, I'm sure I think they are going to promote the brand of the company. So this will actually help to boost [INAUDIBLE] corporations.

ALEXIS

BATEMAN:

Anyone else have thoughts on implications of working with Greenpeace and getting them on board with what they're doing? What's happening there with Greenpeace as sort of the pushing the buttons organization? Kind of the same, everyone saw the same thing. What about overall impacts, other overall impacts of a new strategy?

So, pretty confident? So we're going to-- we're still stuck between adopting a higher-- anyone think staying with a lower standard is the way to go, that going with the way the trend is and committing to the lowest common denominator?

AUDIENCE:

[INAUDIBLE] other than the Greenpeace association. I was very surprised because Greenpeace is defined as a pure ENGO, as opposed to ENGOs [INAUDIBLE], for examples. So pure ENGOs are known to be extremely pure in the line that they preach and not to associate themselves anyhow with corporations because they're not pure enough and they have to [INAUDIBLE].

And [INAUDIBLE] firms like all the primary ENGOs are working hand in hand with corporations. So I was very surprised that Greenpeace would associate itself with GAR and work with them, even if the whole process is not always sustainable. For me, in a way, they are tied with GAR in a very consistent way with what they do in a pure line. But then, I don't think they're pushing the buttons.

Because if we just take a look at the bottom line of their chart of what they want to do, they've cut off now also ties to GAR. And they're also associating themselves with something that is not perfect, which is a huge break compared to what they usually preach.

ALEXIS So you felt like Greenpeace should keep the hard line and not associate--

BATEMAN:

AUDIENCE: No, no. That's not what I'm saying.

ALEXIS Oh, you don't know, it's just something you noticed.

BATEMAN:

AUDIENCE: I was just surprised that there was such a shift, that they accepted such a shift in their model. Because usually they don't.

ALEXIS Right, yeah. So a shift in Greenpeace's strategy.

BATEMAN:

AUDIENCE: [INAUDIBLE] the perspective of other firms [INAUDIBLE] environmentalism. And they're pushing the button in what many people affirm it. I think, actually, the consequences are [INAUDIBLE], given the different models that they had first.

ALEXIS Do you guys have any thoughts on maybe, because of this and how everyone's

BATEMAN: responding as the nature of palm oil, or any thoughts on the issue of the commodity, kind of a commodity product-- material-- as opposed to something that maybe had a more clear supply chain?

AUDIENCE: Well, the problem of the commodity material is that it's basically almost not differentiable. And palm oil [INAUDIBLE] commodity material. So what is the added value of this high differentiation and high efforts and a sustainable supply chain if it's a commodity in the end?

So I think that customers of GAR are really key in this process by pushing the system toward more sustainable practices. But for me, they are the real key of the whole process.

ALEXIS So you think that the corporations are the key in what they're sourcing, like the

BATEMAN: Nestles, or the actual buyer, like the consumers?

AUDIENCE: I think it's the ripple effect. In the case, it was Nestle, but I think Nestle is acting like

this because they are engaged also in sustainable practices because the consumers are wanting it, and they don't want to have this ripple effect on them like Unilever or whatever, or they're using suppliers are destroying forests.

ALEXIS So who thinks customers are actually demanding this? Sustainable palm oil? Did

BATEMAN: anyone know about sustainable palm oil before they got here, when they look at their products? No.

So absolutely, great point, customers are a key factor in this, but in the end, when a customer picks up their product, the likelihood of them actually knowing that palm oil is in the product, so sometimes it's a challenge.

AUDIENCE: I think a lot of these companies also, so the corporate customers probably look at as much of a risk mitigation strategy as they do with anything else. So my background before this was in food and--

ALEXIS Was in what?

BATEMAN:

AUDIENCE: I was in food preparation.

ALEXIS Oh, that's great.

BATEMAN:

AUDIENCE: And I was in a lot of companies where they might not believe that their consumers currently care about what-- about the sustainability of a given ingredient or product, all it takes-- they also realize that all it takes is like, you remember the pink sludge thing that basically shut down an entire company in a matter of a month.

It just takes something like that coming out, like one video, and the next thing you know, then everybody cares very deeply, and there's a big outcry, and you might not have a business. So I think there's some element too where they should be thinking about a long term risk mitigation strategy.

ALEXIS Sure, absolutely. Future risk planning and maybe learning from what happens to

BATEMAN: Nestle. Although Tony and I have been working on a research book on

environmentally sustainable supply chains with a couple of people, Dr. Blanco and Professor Yossi Sheffi. But we actually looked at their shareholder price after, and it did absolutely nothing to Nestle. It actually didn't drop at all, so we were really sad to see that. But we looked.

AUDIENCE: There's also the looming biofuel discussion, which I don't know, but I would imagine there's even less transparency in where you get that palm oil and how it's used.

ALEXIS
BATEMAN: Yeah, I would encouraged you guys to look into ethanol, and you'll see the same exact mess. Very similar. Anyone else who didn't get to get to talk have any overarching comments on what they thought about the case? JB? No, nothing at all?

AUDIENCE: I think overall, addressing all this stakeholders is a step in the right direction. Everything has a pro or con. The impact on what they're trying to do to the environment-- it's in the right direction and everything is going towards a more sustainable. There's still have a lot of work to be done, but getting involved with farmers, stakeholders, governments, even Greenpeace, even though they kind of got manipulated into doing this. It actually ends up being towards the greater good, not only for the communities, but for the environment.

ALEXIS
BATEMAN: So you're kind of on the something's better than nothing. Does everyone feel similar, or feel like the high standard's the way to go? I feel like we have sort of a split in here. Anyone? All right, well--

AUDIENCE: I do have something. Like I shared with them, I just got back from Hershey, Pennsylvania. Went on the little Hershey chocolate--

ALEXIS
BATEMAN: Did you bring back samples for the whole class?

AUDIENCE: Actually, I did, not for the class. I ate what I brought in. If you ever want to go, it's a pretty cool tour. You do wind up with a lot of chocolate when it's all said and done.

But what I was going to say, what I told them about, was one of the things they told

about Milton Hershey was back when he was starting the company after he went bankrupt several times, once he went down to Cuba, he was trying to find out about the sugar that he was using, where it was coming from, how it was coming, basically saw the deplorable conditions that the Cuban sugar cane farmers were working in, and basically created his own collective or his own co-op down there, if you want to call it that.

But did much along the same lines. He went down there, he wasn't prodded into doing it, he just did it. He and his wife had gone down, she had some medical issues, and they were still looking for some place to make her-- she had what we would say today was multiple sclerosis. They went down and they created a school, a hospital, put them all together.

Again, much along the same lines of everything on the board, by bringing them all together, they became more productive sugar cane farmers. They had medical care, they had education, they built schools and things like that for them down there. And it was basically this board, but it was somebody just doing it on their own. Of course, he was making millions of dollars, that probably didn't hurt. But along the same lines, just without the NGOs thrown in, just somebody taking it upon themselves.

ALEXIS Well, if every corporation had a Milton Hershey, then we'd probably live in a better

BATEMAN: place. Perfect story, I mean I think there's a lot of those examples.

AUDIENCE: Very, very applicable.

ALEXIS Yes. Yeah. All right, great. Well, I hope you guys enjoyed the case and learned a

BATEMAN: little bit about palm oil. So actually, one of the cases we learned about in our research about palm oil is that actually two Girl Scouts found out that palm oil was in Girl Scout Cookies, and they actually campaigned against their own institution and brought a huge issue against the Girl Scout Corporation of America, their own-- so it was actually internal agitation, it wasn't an external environmental NGO, and that became a huge thing. You guys should look it up, it's a pretty funny story.

AUDIENCE: Did they change it?

ALEXIS What's that?

BATEMAN:

AUDIENCE: Did they change it?

ALEXIS They did commit. They did commit, so they're in the same conundrum, where

BATEMAN: they've done some, like a certain percentage of RSPO certification. But the actual Girl Scouts who started when they're like 10 and are like now about 17 or something, they're like, no it's not enough, we want you to have a higher standard. So they're still pushing the internal. So it's a huge media thing. But there's-- you can see where different agitation comes in within stakeholders.

So actually, what we were talking about with the NGOs and the different types of NGOs, you mentioned the Environmental Defense Fund. Actually, next week, Environmental Defense Fund is going to come, and they can talk to your point a little bit about-- I'm sure you can push them on some questions on what kind of NGO they are and the more corporate partnerships style, way of working that they do, as opposed to somewhere like Greenpeace that just goes in usually to attack.

So for the rest of today I thought I am going to just kind of give you a brief overview. Anyone else have any questions on the case study?

AUDIENCE: You mentioned ethanol. Are there any studies that compare palm oil to ethanol? I'm assuming there's probably more corn used in the world than palm oil.

ALEXIS Yeah. I don't know about the relative quantities and I'm not sure if there's a study

BATEMAN: comparing the issues behind that. There's definitely different issues in palm oil and ethanol, but I'd encourage you to look up what's happening in the ethanol supply chain and what's happening there, but not off the top my head. If I find one, though, I'll send it to you.

So I thought the palm oil was a perfect example. It's like one of the most-- not the most, but a very complex example of multi-stakeholder engagement. This is just a

small perspective on how many actual stakeholders are involved. Within each of those subheadings, there's multiple corporations, multiple mills, thousands of farmers.

And so getting all these people together to agree on different certifications and how they're going to actually run that was incredibly complex, and it's still very much ongoing. There's still a lot of debate, external debate from the World Wildlife Federation on the standards. A lot of different NGOs are commenting on how it's going.

So we actually covered-- some of the stories that we've looked at and a lot of the times when companies do tend to commit to multi-stakeholder engagements or realize that they have a gap in their strategy, in their sustainability strategy, is when an NGO finds it. And so that's sort of-- these are just two. So Nestle and Greenpeace is what we talked about today, where Greenpeace activists actually dropped into their shareholder meeting dressed as gorillas and totally blockaded the doors.

And there's other examples of Greenpeace. I don't know if they rock climbed or parachuted onto the top of HP and actually spray painted toxic materials on the top of HP because they're attacking HP for some of the materials that they were using in their supply chain that were labeled as toxic.

So they have some very interesting campaign tactics, but definitely get people to look, especially with the Nestle commercial. This actually was a different case where the Rainforest Alliance Network actually attacked Mitsubishi. So Mitsubishi is actually three different companies. There's a parent company and then there's Mitsubishi Electric, and then there's Mitsubishi Automotive which is probably what we're most familiar with, the cars.

But actually the parent company was sourcing paper products that were unsustainable, and there's a lot of clear cutting of rainforest. And what happened was that they just don't have a public face, so the Rainforest Alliance Network actually decided to attack the automotive company, even though they actually had

no connection to the paper sourcing.

So this is where NGOs are using different strategies to get it into the media. So they actually had sit-ins at the dealerships. And what happened was the dealerships then called Mitsubishi Automotive Electric and said, we can't deal with this, we're losing sales. And then the Mitsubishi executives across three different parent companies had to actually decide what they were going to do.

The sad story is that the electric and the automotive actually committed to paper sourcing policies and the parent company still didn't, because they couldn't get down to the actual root problem. So that's some of the perspective on how NGOs go about getting into these complex problems by pushing the hand of the public brand owners.

So one of the most clear, simple ways that companies are engaging is when they realize that they need help in increasing their sustainability. Chiquita actually has-- I think they started in 1992 with the Rainforest Alliance Network. They were getting training and information on how to grow their bananas more sustainably, so they're using the RAN to work with their farmers and growers.

And so they've actually used them for over 20 years. Chiquita has sort of a checkered past, so they obviously decided they needed to have a partner. That was a one-on-one partner, and they've actually worked with them for many years to look at organic issues and Sustainable transportation their products and all of the above. And actually, Chiquita sought out Tony Craig to do their carbon footprint, so they obviously need a lot of help. They were actually looking to Tony to assess their entire carbon footprint of a single banana. So we'd talked about that earlier.

Other one-on-one partnerships-- Dell-- who has a Dell computer in here? Anybody? So a pretty big brand. They've actually-- one of their major problems that they were attacked with was their e-waste. So what are they doing with the end of life products? Several years ago, when they were attacked, I think it was about 10 years ago, they weren't doing anything. And so instead, now, today they've partnered with Goodwill as a collection point.

So the Goodwill can actually collect Dell products, and they also collect any other products. Actually, if you guys look it up, you can turn your e-waste in there, and actually Goodwill collects those products and then Dell pays for the actual recycling and separation of their computers so that they don't go into landfills.

These are one-on-one partnerships where the company decided they needed help with their strategy and then they sought out a partner that was a technical expert in that. In the case of Walmart and the Environmental Defense Fund, you guys will get a little bit more insight into what they're doing in their partnership.

But when Walmart decided to integrate a sustainability program about in 2005, so almost 10 years ago, they needed many partners, and they need one strategic partner to kind of guide their overall strategy. So they brought in Environmental Defense Fund to look at their overarching strategies and how they were going to drive that into their business.

So EDF is actually a really unique story. We're hoping to get the woman that is actually co-located with Walmart in Bentonville. Their offices are in Bentonville, Arkansas, and obviously Walmart, being one of the largest retailers in the world, has a significant impact.

So they actually co-located their office there so that they could have a person on site and work with different Walmart individuals as they come along with different problems. So that's sort of a unique thing. These are examples of one-on-one, where the company decided they needed help, they sought out a single partner.

Other cases are when a company has a lot of different partners, and this is true of many companies where they've decided they needed support in different angles. Starbucks, a major coffee company, I'm sure you guys don't know of them. But they have brought in a lot of different partners.

In terms of how they're moving their cups and other products to more recyclable-- and using more recycled material in their actual products, they've [INAUDIBLE] the Sustainable Packaging Coalition. They've had other-- for more of their social issues,

looking at helping their farmers that grow their coffee and their chocolate, and they've partnered with Root Capital. In terms of how they're actually integrating recycling into their sites, which has been an ongoing problem, they've had working with the National Recycling Correlation, and so forth.

So each of these different angles that they've found a blind spot, they sought out a partner so that they can improve their strategy and also have an expert in that area, as opposed to developing internally. In some cases, some companies choose to develop that expertise internally. So they bring in a sustainability person that is an expert in packaging, and that's true of some companies. And some decide that they don't want to develop that internal expertise, they'd rather seek out someone who's already a leader in that area. Any questions?

And then the last kind of major bucket. Of course, these can all be split into many different hybrid. Some people have a one-on-one collaboration and their industry collaboration, or they have multiple partners and industry. So everyone pretty much just everything now, most of the major companies.

So the other kind of example would be an industry collaboration, as we talked about with the RSPO, where they bring together multiple stakeholders. They are this convening a group that discusses the major issues, and then they may provide certification, they may provide training, they may provide information for the company's stakeholders, all of the above. So that was-- RSPO is one example. Another example is the Sustainability Consortium. Has anyone heard of the Sustainability Consortium? OK, so that's the biggest one, so it's all downhill from there.

The Sustainability Consortium actually came out of Walmart. So Walmart realized that they could only influence so much in terms of their environmental impact within their own four walls. They realized most other impact was outside their four walls. They're buying P&G detergents, they're buying Unilever shampoo and s and they realize all their suppliers were actually a major source of the impact. So instead of just trying to focus on their own internal impacts, they pumped a bunch of money

into making an institution where all of these different suppliers, as well as other people from across the industry, could come together and understand the impacts of products.

The actual outcome of it has been kind of mixed and not totally successful, but it has been a source of provision for companies to learn how where the greatest impacts in major products are. So they have different product groups like shampoo, and understanding where the biggest hot spots of impact, so that a company can address that in their own supply chain. So sort of serving as an intermediary of information for all these different stakeholders.

Another one is the Electronic Industry Citizenship Coalition, EICC. Pretty much every major electronics group, Apple, Dell, they're all part of EICC, and that serves in a couple different ways of helping companies certify their supply chains, and things like conflict minerals, understanding how to go deep into their supply chain to make sure they're not sourcing conflict minerals, or looking at alternatives.

Looking at social issues on how actually the end of supply chain, how social issues are working in manufacturing sites. I'm sure everyone heard about Apple's issues with suicides and other issues at Foxconn. So that was a systemic issue there that EICC has served as sort of a middle ground on how to deal with those kinds of issues, going in your supply chain and certifying that your manufacturing sites are of good condition.

The last one is the Sustainable Apparel Coalition. This is-- there's many of these. You could go on forever. There's quite a few. But this one in particular is looking at clothes and how you certify the impact, how you calculate the impact of the clothes that you're making, from the materials you're using down to getting down to the consumers. So they've come together to understand a tool so that they can know the impact there.

AUDIENCE: It seemed like, say, ten years ago, companies actually tried to say, hey, here's what we're doing. Then it seemed they all stopped, because they were just getting hammered. If they said, hey, we're doing this, then they would get hammered on

five or 10 or 15 other things that they just were like, well, that's stupid. I tried to say I'm doing something right, and you just bludgeoned me mercilessly.

ALEXIS You're talking about the communication strategy?

BATEMAN:

AUDIENCE: Yeah, Walmart especially. Walmart came out and said, OK, we're wrong on all fronts. And then they said, here's what we're trying to do, and then they actually got hit again. But it seems like they've all gone away from saying what they're doing to just simply now touting products, like we said, this product is using certified this or that.

So they focus now simply on products versus the corporate hey, look what we've done. It just seems like they've all gotten away from trying to put themselves on a pedestal and just gone, well, you can look at that product. That's a good product, if you really want to buy something--

ALEXIS So sort of a--

BATEMAN:

AUDIENCE: They focus on that.

ALEXIS A case of a perfect case or--

BATEMAN:

AUDIENCE: I think that the corporations found that you can't say you're doing something right, because there's too many people that will continue to kick you in the shins. I think they'll just stop. We're trying, but trying doesn't work.

ALEXIS Sure. I mean, in our research we found there's quite a few different strategies. So

BATEMAN: you have, if you're a brown firm, brown for meaning you're not doing anything environmentally sustainable, if you say what you're doing and open up, then you're going to get kudos, because you're brown.

And then if there's a neutral firm, it's going to go either way. So it's not clear if you're doing some things but not others, whether if you're more transparent and

communicating what you do. And then on the green side, typically they can communicate, they're just kind of assumed to be a green company.

Has anyone seen with their project companies any issues with the communication practices? How they thought they went about it, they should have been communicating it more or communicating it less? Any thoughts on that? No? Nobody communicated?

Well, it's a good point. Especially in some of these industries, they get a label. A lot of these collaborations and NGOs, they get a label like the Rainforest Alliance, you saw in Chiquita Banana, they had their RAN sticker. And so sometimes companies want to put that on there because they want the consumer to think it's a green product. Some other companies don't, because it confuses the consumers. So there's a lot of different choices and how this goes about, and how do you choose.

So in terms of-- this is just an example of what the Sustainability Consortium does for companies, just showing you the information source. There's a lot of text up here, so don't even worry about reading it. But what they have done is decided to do a literature review on different products and existing research and finding out where the different hot spots are.

So they provide this information, this kind of hot spots of where issues are. So this is on chemical bleach use in pulp manufacturing, so in terms of paper, where the major hot spots and impacts are. They've done a review of the existing information. They tell the companies where the major impacts are so the companies can be aware that when they're looking at their supply chain and then provide them different KPIs that they can actually use to measure the impact.

So that's one example of how an industry association might provide information or support for a company. Does that makes sense? Just an example.

So lastly, the Environmental Defense Fund will be here next week, so actually it'll give you a lot more insight on how they actually go about partnerships with their companies, which will be really great. They actually put out this report with the

Global Environmental Management Initiative, GEMI.

There's a lot of confusion about how NGOs partner with companies and how payment works and how the collaboration works, which is an ongoing issue. So they talked about, first of all, you've got to define your overall objective that you need help with. So in the case of Nestle, they decided they didn't know anything about their palm oil supply chain, so they had to find a partner. So the Forest Trust was a good partner. They were an expert in the area and they brought them in. So it's very, very clear what they needed help with.

So then next would be design the project. So what are the criteria, what are the overall objectives in increasing the transparency, and who's a good partner for that? So there's a lot of seeking out the different experts in that area, as well as project execution.

So on the company side, there has to be someone who is the direct contact for the NGO that's going to provide them information. I don't know if you guys watched a lot of the Forest Trust videos or not, but Scott Poynton, who's the founder, he's very vocal, and I talked to him in interviews several times now, and he's very vocal about the fact that they're not a pay-and-go NGO. They don't want companies just giving them cash so they can say they're working with the Forest Trust. They're very much going to push them on what they need to do and they're not going to let them get off easy.

So there's different kinds of NGOs, where some might be just willing to take some cash and be sort of a figure project lead and say they're working with the company, whereas other NGOs are much more hard hitting. Case of Greenpeace, they don't really want to work with anyone, they just want to push companies.

Finally, one challenge will be the measuring of communication. A lot of companies sometimes are reluctant partner, because what are the actual outcomes? Vague, nebulous outcomes. At the end, we talked about some risk strategy, which is a very apparent and necessary thing, but what are the actual measurable outputs for a company at that time sometimes ends up here. So these are major themes of how

stakeholder engagement can happen. And so- we will have-- yeah?

AUDIENCE: So we have so many certification bodies and so many different standards. Some of them can be paid off. You can buy some of these certifications. Is there any policing body or any audit of these certification bodies that actually pull down those that aren't really-- because for a consumer, it's--

ALEXIS
BATEMAN: Sure, absolutely. I mean, it's a very-- there's Eco Label Index. There's actually a group that compiles all the labels around the world. I think the last time I checked, there's like 440 labels around the world in 30 industries. So it's a ridiculous amount of labels, and most of them don't mean anything. There are within, most within the United States and Europe, there are marketing bodies with the government that can regulate if they feel there's some greenwashing or if there is the actual label isn't actually providing the certification these standards it is.

But the fact of the matter is that there is very little regulation. Some of these marketing regulations contradict themselves. So unfortunately there's very little in the form of that, absolutely. But I do see some of the labels becoming defunct. I actually found a label that was called Green Label, and then you just had to go in and type in that you had, you know, fluorescent light bulbs, and that people carpooled. And then you could get a label for your product, and that's all you had to do. So there's certainly a huge range of the rigor.

AUDIENCE: I wonder if there are things we can learn from the organic farming, because they appear to be a little more stable and more regulated on that side. So if there's anything that we can learn from them and apply?

ALEXIS
BATEMAN: Yeah, organic is a perfect example. They've been around for quite a few years, so there are also challenges within the organic label. The good thing about organic is that's recognized and people understand, for the most part, what it means. The challenge now in that is that now the USDA is actually accepting more materials that can be certified organic that a lot of different bodies don't feel should be able to be classified organic.

Because they're trying to certify organic baking products, which has a lot more inputs, as opposed to an apple or a different fruit or vegetable. So we could definitely-- we should talk, actually, at the-- later on, we're going to have a sustainability supply chain strategy discussion and I'll talk about organic a little bit more, and some of the labels challenges on what is happening in some of these spaces. I think that'd be a great discussion.

Another label that's well recognized is Energy Star. Do you guys all know Energy Star? So there are few labels that are being for the industry standard and they're kind of consolidating around that. And so there are some evidence where there is to go to label that is seen as rigor and the labels that people don't recognize. So in that way, companies are consolidating what they use and how they communicate their strategies. So we could talk about that, definitely, later on in this course.

I think that's it for today. Maybe we should talk about what else we have due. What do we have due, Tony? Do we have anything due? You have no idea. so let's just look at it, because I know that we've been--

So today was the palm oil case study, so we have-- what do we have? Homework? I think next week you guys are sort of-- does anyone else know? I think you're off the hook for something next week. It's-- oh, you have something? OK. Well, that's good. I wanted to-- oh, OK. Deliverable-- OK. You're not off the hook. I'm sorry.

Project deliverable number-- yes, one week from today, and then we're going to make that-- so we're going to do a 10 AM. Everyone OK with this so we know? Do we have a due date already on that? No.

AUDIENCE: It's already on the schedule.

ALEXIS
BATEMAN: It is? OK. All right. So just plan for that, that'll be your homework. So next week, we're going to have Environmental Defense Fund, so make sure you guys get here bright and early. Well, not bright and early, in the afternoon. But--

AUDIENCE: For the lecture on the 30th, we have Noelle Selin, who's a professor in the Engineering Systems division. There may be some reading to go along with that,

just to prepare for it. And we'll post those in the announcements. She's putting that together, so we'll let you know.

ALEXIS

Yeah, so just make sure to check Stellar in the next week. So you'll have the

BATEMAN:

deliverable and some others readings. All right. Thanks, guys. See you guys on Monday.