

## Stakeholder engagement



### Introduction

The Kellogg Company is the world's leading producer of cereals. For more than 100 years, Kellogg's has been a leader in health and nutrition through providing consumers with a wide variety of food products. Kellogg's market leading position and reputation is built on its commitment to ethical business practices and its values-based culture. Business values identify the beliefs that the company holds to be the most important. These values then guide decision making and shape the way the organisation behaves. For Kellogg's, these are referred to as K-Values.



Kellogg's K-Values guide the way the company interacts with all of its stakeholders. Stakeholders are individuals, groups and organisations that have an interest in the decisions a company makes and the products that it produces. They also, depending on their power, affect how businesses perform. Kellogg's products are manufactured in 18 countries and are sold in more than 180 countries. This means Kellogg's has to manage its relationships with a variety of stakeholders around the world. The diagram identifies Kellogg's key stakeholder groups.



Kellogg's long-term business plans, known as strategies, focus on engaging with its stakeholders to ensure their needs are being met. For Kellogg's, this means ensuring the highest ethical standards and sustainable business practices. Kellogg's has a Global Code of Ethics governing how it deals with stakeholders across the world. A sustainable business is one which focuses on minimising any negative impact to the environment to ensure future generations can prosper.

Kellogg's vision and core purpose outline what the company wants to achieve. They guide the organisation's decision making processes to help meet the expectations of its stakeholders. Kellogg's vision, which was refreshed in 2012, sets out the company's main aim: *'To enrich and delight the world through foods and brands that matter.'* This is supported by Kellogg's purpose of *'Nourishing families so that they can flourish and thrive.'* Every Kellogg's employee, no matter where in the world, is working towards achieving these every single day.

### Interacting with stakeholders

Stakeholder engagement, building two-way relationships with its stakeholders, is a key aim for Kellogg's. Two-way relationships help build trust between Kellogg's and its stakeholders. Each stakeholder group has different needs. Engaging with each group individually helps Kellogg's ensure these needs are met. As with any business, its owners are a major stakeholder group. However, Kellogg's does not focus on pleasing shareholders at the expense of other stakeholders.

Kellogg's uses a variety of strategies to maintain positive relationships with its stakeholders. For example, Kellogg's commitment to its stakeholders and ethical practices is demonstrated through its Corporate Social Responsibility (CSR) initiatives. CSR focuses on improving the lives of communities in which the organisation operates. Kellogg's has identified four pillars to its Corporate Responsibility strategy:



- Marketplace ambition - meeting the needs of customers. Selling them safe, high quality products whilst engaging in ethical and responsible marketing.
- Environment ambition - using scarce resources carefully whilst also reducing environmental impacts and supporting sustainable agriculture.
- Community ambition - contributing to the communities in which the company operates, concentrating on nutrition and physical fitness.
- Workplace ambition - supporting a talented and diverse workforce which values diversity and inclusion, abiding by best practice labour standards.

Kellogg's focuses its CSR activity on initiatives that benefit stakeholders across these pillars. For example, Kellogg's Breakfasts for Better Days campaign communicates important information about the benefits of starting the day with a healthy breakfast. It engages stakeholders across three of these pillars – customers, suppliers that provide the ingredients so Kellogg's can guarantee the nutritional content of its products and also the communities in which it operates where the campaign's messages are communicated. A key part of the campaign is Kellogg's support for school breakfast clubs to ensure that every child in the UK gets a good start to the day.

An important part of managing the needs of stakeholders is understanding that different stakeholder groups can sometimes have conflicting interests. It is therefore essential for Kellogg's to consider how it can best balance different stakeholder aspirations. Examples of conflicting stakeholder needs include:

- Government requirements for food content and consumer preferences. Kellogg's recently changed the formula of Honey Loops to reduce the sugar content but this had an impact on consumer's perceptions of the brand.

- Different interests of charity groups requesting Kellogg's support. Kellogg's current CR strategy focuses on breakfast clubs for children so conflict will occur when charities supporting other causes cannot be a focus for Kellogg's at this time.

## Internal stakeholders

Internal stakeholders are those within an organisation who have a key interest in the organisation's decisions. Kellogg's key internal stakeholders include employees at all levels, all over the world, and shareholders. Both groups are integral to the success of the organisation. Employees carry out the day-to-day activities which enable the company to operate globally. Shareholders invest the capital that makes this possible.

Kellogg's seeks to make a profit to secure high returns for its shareholders. Shareholders invest money into the business in return for a stake in the company. If the company makes a profit, its shareholders receive a share of these profits in the form of dividends. At the same time shareholders take a keen interest in the company's strategies and seek to influence decision making to safeguard their investment.

Kellogg's invests heavily in its employees and future employees. Kellogg's global employer brand communicates the K-Values and the wide range of benefits that Kellogg's employees receive. Kellogg's refreshed company vision and purpose were a direct result of feedback from employees. A company's vision and values must be 'lived' by its employees for them to incorporate them into their decisions and actions.

Kellogg's seeks to manage its employer brand in the same way that it manages its product brands. Just as the company uses market research to identify what its consumers want, it uses employee research to find out the needs and opinions of its employees through, for example, an employee survey.





The 2012 survey involved 20,000 employees across the globe (with a 75% response rate). This information was used to improve processes to engage employees. For example, employees requested to be able to communicate more openly so Kellogg's created a feedback training programme for all employees.

In keeping with Kellogg's K-Values, employees are encouraged to listen to and learn from each other. There are a range of ways that employees interact with each other, these include:

- Monthly business huddles - the leadership team talks to the whole UK business about performance against business goals, employee development initiatives and new marketing campaigns.
- Kellogg's global intranet enables communication between employees across the globe, as well as celebrating employee achievements.
- Quarterly team talk webcasts - global and European leaders talk to employees across Europe about the performance of the business via a webcast.

## External stakeholders

External stakeholders are ones who are outside of the organisation. Kellogg's key external stakeholders include customers, suppliers, communities and charities. Kellogg's uses a variety of communications approaches to engage with its different external stakeholders. For example, regular case studies in The Times 100 help the company to engage with young people through educational materials that help to explain the values and goals of the organisation.

Kellogg's engages with communities through its breakfast clubs. Independent research shows that children who have breakfast at the start of the day are able to concentrate for longer by maintaining their energy at school. Kellogg's therefore supports, through donations of cereals and money, breakfast clubs in schools across the UK to make sure that all children have a healthy and nutritious breakfast.

Kellogg's engages with customers and potential customers through its advertising campaigns. For example, TV and print adverts and the use of social media such as Facebook and Twitter. These are all platforms used to create two-way engagement with customers about its products as well as its CSR initiatives.

Another important stakeholder group is suppliers. Kellogg's is committed to an ethical supply chain and has a Supplier Code of Conduct that all its suppliers must abide by. This code requires all Kellogg's suppliers to comply with fair labour practices and ethical business standards. These particularly focus on environmental and health and safety issues.

Kellogg's has a number of farmer development programmes to engage suppliers. A key objective of these programmes is to reduce poverty and promote economic development, thus supporting Kellogg's K-Values and vision. For example, in rural regions of Mexico Kellogg's supports the sustainable production of amaranth, an ancient grain thought to be a staple in the diets of the Incas and Aztecs. Kellogg's is one of several funders of Mexico Tierra de Amaranto (MTA), which teaches community members how to grow and harvest amaranth, use the plant in cooking and baking, and sell the foods they make. The programme has been particularly successful in giving rural women a means to earn an income for their families.

## Communities

Engaging with and improving the communities in which it operates is an integral part of Kellogg's operations. The Kellogg Company prides itself in its legacy of behaving ethically and supporting CSR initiatives. Kellogg's founder, W.K. Kellogg, used his fortune for the benefit of mankind. Kellogg's seeks to continue this legacy by making a difference in the communities in which it operates. The focus is on projects where the company can make a real impact on issues close to its heart, namely food poverty and sustainable agriculture.







Kellogg's food bank initiatives across the world help engage communities and communicate food poverty messages. Kellogg's central objective *'is to convert every kilo of grain that they buy into food that can be sold.'* However, occasionally during the process of warehousing and transporting, packaging can become creased or crumpled. This prevents it being sold through supermarkets and other traditional outlets. Kellogg's donates these products, plus annual cash donations, to food banks around the world. The food bank then redistributes these items to charities, voluntary organisation and breakfast clubs. In April 2013, the Guardian newspaper reported that a quarter of a million people in the UK were dependent on food supplied by food banks.

Kellogg's is committed to working with farmers to achieve 'sustainable agriculture'. This occurs when farmers are able to grow crops year after year without negatively affecting future generations. The yield from their land improves as does their income. If farmers fail to grow enough to sell they are forced to eat more of their own crops, giving them less to sell. Sustainable agriculture helps guarantee security to farmers and their families.

Kellogg's started working with the charity Seeds for Africa in 2010 to develop sustainable agriculture projects in Malawi and Kenya. This partnership was featured on Kellogg's Corn Flakes packets to help raise awareness globally. The charity provides community groups with the tools and training they need to produce nutritious food that is secure and reliable.

In 2012 Kellogg's developed its breakfast clubs initiative with Seeds for Africa in Uganda, Kenya and Zambia. Three breakfast clubs were set up. Researchers evaluated each pupil's attendance and punctuality as well as records of their marks in Maths, English and Science exams before and after the clubs were set up. The results were impressive with the average attendance amongst the 30 children who attended the breakfast club increasing from 64% before the breakfast club to 94% after it was established. Exam marks increased from 47% to 57%.

In addition, the teachers in each of the schools were asked to give each child a 'wellbeing' assessment from A to D – A being the highest. Before the breakfast club was established none of the pupils were given an A by their teachers and 20% got a B. After the club was set up 47% were assessed as an A and 43% as a B. These results were similar across the three breakfast clubs. Given the success of all of the projects, Kellogg's is continuing to support Seeds for Africa.

## Conclusion

Kellogg's business strategy is stakeholder-focused. The company's decisions and actions are all made with the best interest of its stakeholders at the heart. Engaging with both internal and external stakeholders creates two-way communication that brings benefits to both Kellogg's and to each stakeholder group. Although Kellogg's engagement initiatives have huge cost implications for the company, they yield huge benefits to the communities and stakeholders as well as to Kellogg's in order to demonstrate that it's a responsible business.

Kellogg's uses its size as a force for good. Its stakeholder engagement focuses on supporting its CSR activity, such as its breakfast clubs and support for food banks around the world. These initiatives support the company's vision and, through living the K-Values, enable its employees to continue to improve the lives of its global stakeholders.



1. Identify Kellogg's key internal and external stakeholders. (2 marks)
2. Explain why employee engagement is so important to the success of Kellogg's. (4 marks)
3. State two approaches that Kellogg's uses to engage with external stakeholders in the UK. Analyse the strengths and weaknesses of each approach. (6 marks)
4. Evaluate the extent to which Kellogg's initiatives to engage with communities in countries outside of the UK support Kellogg's vision and purpose. (8 marks)