

Corporate Responsibility and Regulation: the potential for collaborative or partnered governance.

The theme of this Doughty Centre for Corporate Responsibility seminar is the relationship between regulation and corporate responsibility. Is Corporate Responsibility sometimes effectively individual or collective corporate self-regulation?

Are there circumstances where corporate responsibility is an effective alternative, precursor, complement to smarter regulation?

What may be some of the requirements for this to work successfully from the perspective of regulators, governments, businesses, and civil society?

One current live example is the global alcohol industry. The World Health Organisation is currently in the middle of a multi-year investigation of alcohol and what public health and regulatory recommendations to make to member states. The implications for the industry are potentially profound. The global alcohol industry is actively participating in the WHO investigation. It is also continuing to refine its own initiatives to promote responsible drinking around the world. Some critics dismiss these efforts as tokenistic and ineffective. They are clearly more advanced in some national markets than others. Commitment also varies between individual companies – typically with the global businesses with many well-known brands, being in the forefront of efforts around the world because of reputational challenges and their stake in the long-term prospects of the industry.

Doughty Centre Visiting Fellow Ron Ainsbury has worked for many years as a senior public affairs professional with the global drinks company Diageo. Through his fellowship, he is seeking to distill his learning and that of Diageo about:

- the long-term business case for proactive engagement with stakeholders on responsible drinking;
- what this means for links to corporate citizenship and corporate responsibility;
- how to achieve consistency and share learning across a global business;
- how to ensure marketing, lobbying & external relations and corporate citizenship all reinforce stated Corporate Responsibility commitments;
- what it requires of companies in terms of forming alliances with otherwise fierce commercial competitors and stakeholders;
- and what all this means for new leadership and management skills in business.

The following note is a summary from a longer paper by Ron Ainsbury, to be published shortly by the Doughty Centre on these topics. The current note describes three specific initiatives in one of the national markets where public debates about how to handle the consequences of the mis-use of alcohol are particularly live: Australia.

Amongst the implications for business and its stakeholders of this collaborative approach, Diageo Australia's experience in working on collaborative or partnered governance initiatives with other drinks companies and the state / federal government demonstrates:

- needs top corporate leadership backing and willingness to get personally engaged at crucial moments

- needs capacity to follow-up and implement decisions of leadership group - either sherpas group within companies or common secretariat
- need trusted spokespeople, brokers, negotiators able to work on behalf of industry
- has to be a clear and powerful rationale for business competitors to work together
- given pressures of modern business are so great, it is unlikely that there would be momentum for creation / sustaining of a sectoral or cross-sectoral alliance without a sense of crisis (e.g. threat of legislation / media and ngo campaigns etc)
- have to be able to engage with civil society groups - either within alliance or in discussions with it
- NB objective may sometimes be to achieve further regulation rather than to avoid it: e.g. US Climate Action Partnership (<http://www.us-cap.org/>) want a mandatory cap and trade programme for CO2 emissions

It should be noted that the successful establishment of voluntary initiatives does not necessarily mean that governments or regulators will wish to abandon other levers at their disposal. In recent months, for example, the New South Wales Government has introduced a controversial “lock-in” policy banning access to selected bars and clubs between 2am and 5am, where there has been a record of consistent, alcohol-related violence outside the establishments concerned. The new Federal Government had earlier shocked the drinks industry with a substantial hike in the tax rate for RTD (Ready to Drink) products like Smirnoff Ice.

David Grayson, March 2009

A PRACTICAL EXAMPLE FROM THE AUSTRALIAN DRINKS INDUSTRY: RON AINSBURY, VISITING FELLOW, DOUGHTY CENTRE FOR CORPORATE RESPONSIBILITY AND SENIOR ADVISER TO DIAGEO

DrinkWise Australia

In August 2003, John Pollaers then CEO of Diageo Australia, attended the Alcohol Abuse Summit (“Summit”) organized in Sydney by the New South Wales Government. There, directly confronted with fierce critics of the alcohol industry, he realized that, unless the industry combined to develop a concerted campaign to reduce the misuse of alcohol, particularly amongst young people, the industry would come under increasing scrutiny and face increasingly repressive regulation.

The messages from the Summit, and from the wider public and political debate on alcohol issues in Australia, set the scene for what Diageo described as the need for “Action on Alcohol”. Indeed, this was the title of a paper put together as the basis for discussions between John Pollaers and various companies and associations

The paper set out that:

- Abuse and misuse of alcohol are real and very significant social problems;
- The alcohol industry and related sectors have to face up to these problems constructively and cooperatively;
- Taking action is not just about being socially responsible because the industry’s ‘social licence’ to operate and grow is being challenged. Value is at stake for shareholders and for society.

John Pollaers sought and received permission to devote his attention almost full time over a period of several months to seek a way for competitors in the alcohol industry to work together.

From October that year he approached several companies (at CEO level) and associations in the alcohol beverage sector. He pointed out that public and political concern over alcohol-related harm was escalating around the nation, as were demands for remedies. In spite of very significant commitments to programmes to reduce alcohol harm and to educate the community in relation to the benefits of moderate consumption by a number of individual companies and industry associations, he persuaded many that a more unified approach was required.

The trends being observed reflected similar developments around the world, including comparable developed markets such as those in the UK, Ireland, and the US. Industry leaders agreed that growing community disquiet around alcohol misuse had to be addressed, by pursuing dual objectives of social well-being and business sustainability.

The first major initiative by “Action on Alcohol” was a “Study Tour” at the end of 2003, with delegates from alcohol producers and retailers (and non-industry participants representing youth, the alcohol treatment sector, and social science) travelling to the US, Canada, and the UK. The purpose was to visit and learn from a range of industry-backed initiatives to reduce alcohol harm and promote responsible drinking, many of them with 10 years or more of experience in the field. Organisations visited included the Century Council and the International Center for Alcohol Policy in the US, Educ’Alcool in Canada, and The Portman Group in the UK.

A key learning from the Study Tour was the need to have **community** involvement in such organisations and also to focus on a range of stakeholder partnerships. The importance of industry being strong and **united** also was highlighted.

Following a report back from the Study Tour, an unprecedented meeting of CEOs from major beer, wine and spirits companies and industry associations was held in February 2004. The CEOs mandated (and funded) a cross-industry project team to advise on how best to ensure sustainability for the industry, focusing on a healthy drinking culture that minimises harm and maximises benefits from alcohol consumption.

In May 2004, the representative CEOs, joined by senior retailer representatives from the on- and off-licence sectors, reconvened to hear the recommendations of the “Action on Alcohol” project team. A detailed proposal for a new organisation was endorsed, and interim funding agreed, paving the way for detailed preparation for implementation under the guidance of an Interim Steering Group (‘the ISG’) representing a number of beer, wine and spirits producers, industry associations, liquor stores and hotel publicans.

Thus was born “DrinkWise Australia”.

The current board of directors of DrinkWise represents a balance between directors nominated by industry and community directors. All decisions must be unanimous. All funding is provided by industry.

The Chairperson, Patricia Worth, is Chair of the NSW Government Alcohol Educational Taskforce & Health Consultant to Client Solutions and a former Parliamentary Secretary to the Minister for Education, Training and Youth Affairs,

Industry directors are the CEOs or Chairmen of:

- Australian Liquor Stores Association
- Australian Hotels Association
- Winemakers Federation of Australia
- Distilled Spirits Industry Council of Australia
- Brewers Association of Australia
- Lion Nathan (major Total Beverage Alcohol company)

These are balanced by an equal number of Community representatives, including:

- A person with 35 years experience in communication strategy
- A former Chief Commissioner of the Victoria Police
- A doctor with over 30 years’ experience in Public Health.

There are currently two community board vacancies.

After some teething problems, DrinkWise Australia is now running smoothly, has received government funding, and is working with Australian State and Federal Governments on campaigns to change the drinking culture.

Its first significant investment was to commission a major piece of research, from the National Centre for Education and Training on Addiction. This was jointly funded with the Australian Government Department of Health and Ageing.

The research report, "Young people and alcohol: the rôle of cultural influences" is available on the website: <http://www.nceta.flinders.edu.au/>. Based on its findings DrinkWise developed and launched its first major campaign, one that targets the significant rôle that parents play in their children's drinking behaviour – "**Kids absorb your drinking**". This is currently showing on Australian television.

See <http://www.drinkwise.com.au/>

DRINKiQ

In 2004, Ron Ainsbury then Director Corporate Relations for Diageo Australia ("DA"), was reading through the Strategic Areas of Focus that had been mandated by the Diageo Corporate Citizenship global Leadership Team.

One of these was "All Diageo employees shall be Ambassadors for Responsible Drinking". No further information was given. Upon inquiry, no-one was able to provide an agreed definition of "Responsible Drinking" nor of "Ambassador".

Ron Ainsbury decided to consult some of the DA employees. DA had been working on various "Responsible" initiatives and was supporting the CEO, John Pollaers, in "Action on Alcohol". DA had surveyed staff on attitudes and had undertaken some preliminary qualitative research with a small group of consumers – screening a range of responsible drinking Television and Cinema commercials from around the world. This research had led to the development of a branded TV commercial, in which Smirnoff Ice was used to remind consumers not to drink and drive. In addition, the company was supporting, through employee donations, a charity, LIFE Education, which focused on teaching schoolchildren healthy living, and had supported Life to develop a Website www.think-b4u-drink.com aimed at young teenagers.

Several DA employees had been involved in helping Ron Ainsbury with these undertakings and it was to these that he turned. "I need to help you become Ambassadors for Responsible Drinking but I have no definition of what we mean by either Ambassador or Responsible Drinking, so I need your help!"

They then embarked on a series of conversations and discussions over a period of several months. During this time Ron Ainsbury fed the group (which by this stage had grown to around a dozen committed individuals) information, pointed them to websites, and was involved in several conversations, e.g., did following the Australian Drinking Guidelines constitute "Responsible" drinking?

About that time, DA was sponsoring a series of lectures by a UK Social Scientist, Anne Fox, on the topic of how education might be used to teach people how to drink responsibly. Her ideas and experience with the British army provided inspiration to the team.

After a few months, the team returned. "The output you want is the input" they said. "We have seen that all the information about responsible drinking is easily available. There are numerous websites, books, research reports, pamphlets, and teaching guidelines. There is no shortage of information. What we have found useful are the discussions we have had with you and so we have designed a seminar where we mix information and discussion."

Thus was DRINKiQ born.

First called DRINKSMART but changed to DRINKiQ when DRINKSMART was found to be a registered name.

The key difference in DRINKiQ is that whereas with most alcohol education programmes the starting point is "You have an alcohol problem". DRINKiQ starts from the point of view that many

people drink alcohol for enjoyment and presents the information they need that allows them to enjoy their drinks without passing the “point of no return” and ending up drinking so much that they turn the night into one they would prefer to forget.

The response from the group of “guinea pig” employees who sat through the first trial seminar was very positive. Some changes were made, the advice of a professional educator was sought that led to the seminar being re-packaged to take into account the way that adults prefer to learn (with much more interaction and much more round-table discussion and less “Death by PowerPoint”).

DRINKiQ was presented to the Diageo Global leadership team and it was decided that DRINKiQ represented an effective programme for informing Diageo employees about Responsible Drinking. It was thus endorsed (in early 2008) as the global programme and Diageo has committed to have all 23,000 employees through a DRINKiQ session before the end of Calendar 2009. By February 2009, over 14,000 employees had already attended a session. Response has been singularly positive across employees and external people.

Employees are so impressed with the programme that they have been inspired to invite others to join a session. In Australia, sports teams that are sponsored by Diageo brands are invited to attend a session – in fact 8 out of 10 of the International Rugby League teams that participated in the Rugby League World Cup attended DRINKiQ. Their feedback was consistent with the evaluation by employees:

- 80% rated it “excellent” or “very good”
- 77% rated it extremely or somewhat relevant to their needs
- 69% would be able to apply all or some of the course
- 93% are more aware of their own attitude to drinking
- 98% agree their awareness of standard drinks had improved
- 96% would consider using the hints and tips when out drinking
- 93% would share some of the information with a family member or friend.

Diageo is now exploring how to broaden the distribution of DRINKiQ – including packaging the seminar so that companies and institutions can facilitate the sessions with their own employees as part of their corporate obligations to employees under occupational health and safety guidelines.

DRINKiQ was so successful that Diageo decided to use the name for its global website providing information on responsible drinking: www.drinkiq.com.

Standard Drink Symbol

Diageo did not “discover” Responsible Drinking in 2003 nor the need to be a responsible corporate citizen. Indeed, one could say it is in Diageo’s DNA, building on the legacy provided by the social philanthropy of Arthur Guinness, Grand Metropolitan, and Seagram

In 2002, Ron Ainsbury recognized that if consumers were going to be able to drink responsibly they would first need to understand just how much alcohol they were actually consuming. At that time, the food standards of Australia required that a statement appear on all packaging; stating the number of standard drinks contained within the package. These statements were

typically quite small and practically invisible to consumers, buried, as they often were, at the end of other text.

A typical statement would read “Contains approx 1.2 standard drinks”. Typical font size would be Times New Roman 10 point or less. Virtually illegible.

Contains approx 1.2 standard drinks

Ron Ainsbury designed an easy-to-read symbol – that stood about 1.5 cms high and in 2003 Diageo started to place this symbol on all of its packaging.



In 2004 the NSW Government published a report, *A Review of Alcoholic Beverages That May Harm Young People* in which Diageo’s initiative is praised

http://www.olgr.nsw.gov.au/liquor_review.asp

In 2005 the Distilled Spirits Industry Council of Australia (“DSICA”) endorsed Diageo’s lead. Writing on its website (www.dsica.com.au) DSICA wrote:

DSICA members to adopt standard drinks symbol

In an industry first, DSICA members have announced that they will be introducing a standard drinks symbol on their products to provide consumers with clear and concise standard drinks information on the beverage container. While standard drinks information is currently required by law, it is sometimes almost impossible to find because it gets lost among the other information required on an alcoholic beverage label.

DSICA members took this initiative because there still appeared to be a level of confusion in the community concerning what constitutes a standard drink. The adoption of the symbol by DSICA members will make it easier for consumers to work out how many standard drinks they have consumed and should lead to more informed drinking decisions.

The adoption of the standard drinks symbol follows the NSW Government’s recently released *Review of Alcoholic Beverages That May Target Young People*, which recommends that the standard drinks symbol “be utilized by all manufacturers”.

A DSICA member, Diageo Australia Ltd, designed this symbol and has made it available to any other alcoholic beverages producer outside the spirits industry. DSICA hopes that eventually the symbol is adopted across the entire industry so that consumers are provided with standard and consistent standard drinks information.

The Ministerial Council on Drug Strategy, comprising Health and Justice Ministers of the eight states and Territories of Australia, plus the Commonwealth Government and the Government of New Zealand, urged the wine and beer industries to follow the lead taken by the Spirits Industry.

Finally, in 2006, the industry agreed to “voluntarily” follow the lead of Diageo and DSICA.

http://www.health.nsw.gov.au/news/2006/20060515_00.html