

How does Common Value Creation Work in Practice? Case - Based Presentation of CSV Activities at Nestlé Hungary

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Abstract

The relationship between some types of addiction and CSR is a popular research area today. The aim of the authors was to compile a case study focusing on the assessment and evaluation of Nestlé's CSV activities. Based on interviews and secondary analysis of topic-specific company documents, the authors of this study examined the company's CSV activities through global-local-business and brand line, monitoring organizational actors, roles, and decision-making process as well. In addition to presenting the sustainability activities of the world's largest food company, their results also show how strategically focused CSV differs from the CSR approach in practice.

Keywords

CSR, CSV, Value creation, Global organization, Purpose driven brands

Introduction

The focus of responsible corporate activity should be to compensate for the social and environmental externalities caused by the company (Marhfor et al., 2020) 1], just to mention the serious social impact of gambling (Tessényi, 2020) 2] or the harmful social effects of unhealthy eating (Farah – Shahzad, 2020) 3]. Our previous CSR (Corporate Social Responsibility) studies examined the fit and relationship between CSR activity and corporate strategy (Tessényi - Katona, 2020; 4] Katona - Tessényi, 2015; 5] Tessényi - Katona, 2017) 6]. We sought answers to questions such as: (i) What are the pillars of a given company's strategy? (ii) Who are involved? (iii) How do these groups participate in strategy creating? (iv) What performance expectation structure supports the achievement of CSR goals in the organization? (v) How is this measured and how is it attached? (vi) To what extent do the revealed company-specific results strengthen the results of previous research? (vii) What is the direct business and marketing impact of the results? With our current work we aimed to compile a case study focusing on the assessment and evaluation of Nestlé's CSV (Creating Shared Value) activities. We examine and present our findings through global-local-business and brand line, organizational actors and roles and decision-making process. In our approach, executive-driven thinking is prominent, as this innovative mindset is gaining ground today (Narayanan - Das, 2021) 6]. In our research we are primarily looking for the answer to the "HOW?" going beyond the mere description of the case, thought. Nestlé Hungary Ltd. came under our scrutiny because (1) it has a large and diverse history, (2) it has a significant environmental

footprint, (3) it can be compared across several dimensions, (4) it is accessible, open, the culture is specific, (5) there are more categories, more brands in the company's portfolio and finally (6) it was forward-looking and open to outside inquiry. It is worth mentioning that several Hungarian sources have previously processed Nestlé's sustainability activities, around which we highlight the work of Lánginé (2017) [7] based on primary research and Braun's (2015) [8] case studies. In addition, there are huge number of foreign literature on Nestlé's CSV activities, mainly in relation to sustainable coffee supply chains (Bianco, 2020) [9] or to milk production and processing (Takahashi, 2021) [10]. In terms of content, we were able to observe the characteristics of CSR and CSV operation, as well. We have examined the contrast between CSR and CSV in the literature and in business, where it is visible, that there is a tendency to separate the concepts of CSR and CSV (Wójcik, 2016) [11]. According to definitions, CSR shall embody the economic, legal, ethical, and discretionary expectations that society places on business organizations at a given time" (Carroll, 1979, p.500) [12] while CSV may state that it is essential for a company to be successful in the long run - not only if it creates value for its shareholders and stakeholders but also for society (Kramer & Porter, 2011) [13]. These approaches in our view refers eventually to the same thing: CSR is a prescriptive, normative approach, while CSV represents a business-focused, more practical level of action.

Methodology

In terms of complexity, strategy approach and stratification, Cramer's CSR House model (2005) [14] best covers our idea. This model basically approaches the integration of CSR into the organization along the following 6 main steps: (1) the core business of the company, (2) the analysis of the stakeholders, (3) CSR business goals and value creation, (4) CSR business strategy, (5) Internal and external communication and (6) Impact measurement (see Figure 1).

We agree with Aagaard's (2015) [15] approach as these elements are generic, the content behind each phase must be tailored to the organization itself, and the steps are interchangeable

in many cases. We consider Cramer's model to be so valid and current that we base the interpretation of our study on this framework, so that comparability with previous studies can be ensured, too. After formulating our research questions, we sought answers through a secondary analysis of the available literature and Nestlé reports followed by semi-structured interviews with experts at the company (see Table 1).

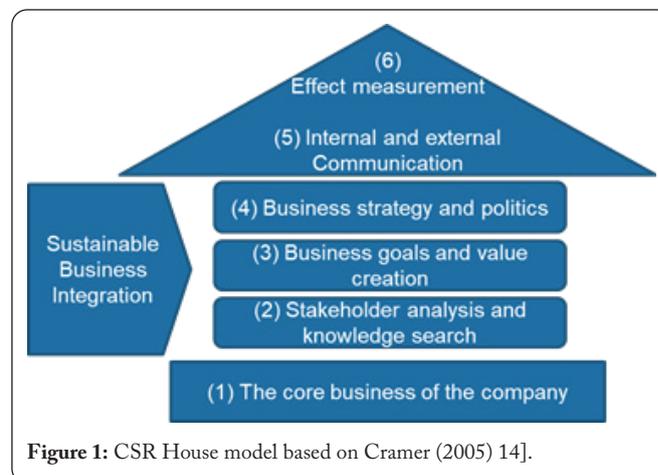


Figure 1: CSR House model based on Cramer (2005) [14].

Presentation of Test Results

The core business of the company

The Hungarian subsidiary of the Swiss food giant is the largest investor, employer, and company in food industry, providing work for total of 2,400 people in their three factories and headquarters in Hungary. In their factory in Szerencs (Northern Hungary) they produce cocoa and coffee products – besides it here operates Nestlé Center for Sensory Research for the Central and Eastern European region, as well, in Diósgyőr (Northern Hungary) chocolate figures and in Bük (Western Hungary) pet food. Hungarian factories ship Nestlé products to more than forty countries worldwide and 80–90 percent of their production is specifically for export. The Nestlé Group's net profit increased from approximately 7 billion in 2017 to

Table 1: Steps of research.

	Required input / support from Nestlé	Focus
Introduction	Getting to know each other, project technical consultation, background / support from Nestlé	The literature
Nests of Nestlé CSV policy	Related documents: public reports, internal decision-making/preparer materials, internal reports, external and internal communication materials, survey	Presentation of research history, outlook
Nestlé CSV policy locally and business line	Related documents: reports, internal decision-making/ preparer materials, internal reports, external and internal communication materials, purpose-driven programs / descriptions	Presentation of Nestlé's CSV policy; Change in their focus/ time series;
	List of activities and matching them to goals and target groups	Identification of stakeholders and their role, weight
	Business area (food) / manager	How global guidance is embedded at the local, business level? How, along which local focus are they designated?
	Consultations (communication, sustainability and brand level)	Where does the focus appear in everyday work, regulations, expectations, reports, KPIs?

near 12.2 billion CHF in 2020. Nestlé is one of the world's largest food and beverage companies with more than 2,000 brands in over 180 countries. In 2019, the best-selling products of the Nestlé Group were powdered, and liquid beverages based on global sales which amounted to more than 23 billion CHF that year (nestle.hu). Nutrition and health science came in second with just 15 billion CHF; however, in terms of organic sales growth it was the best product category that year (statista.com).

Nestlé's global & local stakeholders

On the part of the Nestlé experts being interviewed we experienced a conscious and professional inventory of stakeholders involved. The range, significance, and role of them is well defined and clear among the members of the organization we have reached. Nestlé's key stakeholders are investors, bilateral or multilateral organizations, governments, local communities, suppliers, partners, and employees. Stakeholders include the most industry-relevant groups, too: special consumers e.g. children, overweight consumers, social and civil society organizations, universities and research centers, food experts and FMCG companies of course. As far as stakeholder management is concerned, regular stakeholder dialogues and consultation forums with experts, as well as discussion with industry associations are ongoing. In the words of one of our interviewees: "CSR is about support while CSV is about the value creation itself. For example, in commitments to environmental sustainability, 100% is not enough to leave a mark that creates value not only for shareholders but also for those who live there. The focus is on the active *creation*, not only on the *framework*. Other specific aspect how the company treats its own employees e.g. not only mothers can go on longer maternity leave, so are the newborn fathers." – as one of our interviewees said.

Pillars and elements of Nestlé's CSV activity

Nestlé has developed a three-pillar strategic goal system that is in line with the UN's sustainability goals (sdgs.un.org/goals). All of this is the result of their own global work which fits well with the company's core business as well as its ecological and social footprint. "Our main goal is to explore the power of food to improve the quality of life for generations. Guided by this goal, we are working to make a positive impact on the lives of people and their pets as well as the environment as a whole – now and in the future." one of our interview partners stressed. In its view, CSV means creating value for society as a whole in the long run while also protecting environmental resources. Particular attention is paid to promoting a healthier lifestyle for adults and children, improving the livelihoods of communities, protecting, and restoring the environment. Their work and reports on sustainability are in line with the expectations of the Working Group on Global Guidelines and Climate Financial Reporting as well. In its practice and communication, Nestlé presents its CSV program under the name and along three pillars, organized under the concepts of individual & family, community, and the planet.

Business goals and value creation

Along the three pillars developed at the strategic level, a

number of objectives have been identified in line with Nestlé's activities: a focus on promoting a healthier lifestyle for adults and children, improving the livelihoods of communities and protecting and restoring the environment. Referring to the third pillar, which is about preserving environmental values, Nestlé in a way worthy of a well-oiled, professionally organized global company, has not only set goals but also set a path with timetable for reaching them: by 2050, the company has set itself the goal of to eliminate emissions completely along specific stages: by 2025 by 2025 and by 50% by 2030 (GRI Report, 2020) [6].

CSV is a business strategy

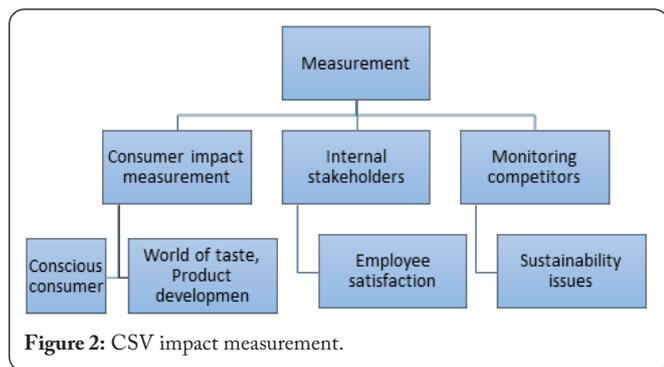
Nestlé's CSV management is a good reflection of the defining characteristics of global operations, as the global center has set the direction, it has a regional breakdown, while in addition to regional markets, and there are brand centers that are also linked to the objectives, as Nestlé functions as a matrix organization. The operation of Nestlé is a good example of the unavoidable role of the product management level (purpose drive brands) in CSV management. For example, the commitments and activities of powdered products (e.g. Maggi soup powders or condiments) are well-suited to all objectives: (1) nutritious food with natural ingredients – linked to the number one pillar, (2) convenience and good usability with online recipe books – it reflects the second pillar, (3) environment and climate-friendly design with a focus on natural food and vegetables – linked to the third, environmental pillar and (4) encouraging lower environmental impact by reducing the size of packaging and reducing food waste, supporting the third pillar.

Internal and external communication

When examining CSV communication of Nestlé, we found that internal communication is very strong – and thus coupled with spectacularly high engagement while external communication of CSV topics and outcomes focuses mainly on GRI reports and ad hoc program and research communication which may be somewhat more sporadic. We found a deep and honest identification with the company's values during each interview which can result in highly motivated colleagues involved in the management of CSV working on projects on their own. As we see, this provides a very solid additional basis for Nestlé to report on these (internal) activities even more frequently and to present them to a wider audience or consumer.

Impact measurement

It is clear, that three legs of CSV impact measurement could be distinguished at Nestlé (see Figure 2): (1) Consumer impact measurement focusing on: consumer awareness, shaping the taste of products, (2) monitoring competitors, focusing on monitoring competitor's responses to sustainability issues and (3) that of among internal stakeholders which focuses on measuring employee satisfaction as well as their engagement. Overall, we see that impact measurement also offers opportunities for further development. A good example of impact measurement and active feedback is the research carried out in 2020 which looked at how eating habits changed during the COVID – on which communication activity was also built



(GRI Report, 2020) 16]

In addition, the company conducted research on the nutrition of children aged 4–10 with the help of the National Association of Hungarian Dietitians (GRI Report, 2020) 16]. In connection with the consumer perception research (Nestlé's Sustainability Research 2021) 17], it should be emphasized, for example, that: (1) Hungarian consumers have little knowledge of the indications of recyclability of packaging; (2) Hungarians choose products primarily on the basis of taste, quality, reliability and price, (3) environmentally friendly packaging and the sustainable sourcing of raw materials for products are less important to them.

Conclusions

With our current work, we aimed to compile a case study focusing on the assessment and evaluation of Nestlé's CSV activities following Cramer's (2005) 14] CSR house model. We have found that Nestlé provides a good example of a professional approach and organized, measurable implementation of CSV strategic management - in a global, multinational environment. In the set, the global and local roles are perceptibly and plastically separated and the tasks affecting the central and the markets are clearly outlined. We also found the rapid and responsible response to the pandemic exemplary, for example, in 2020 they spent 420 million HUF on direct financial support for their employees and an additional 100 million HUF on health and safety measures. They were helped to get to work with targeted support, and free meals were provided once a day in their factory units. Our parent company supported the fight against the coronavirus in the world with 10 million CHF, which it offered to the International Committee of the Red Cross and its national societies. Nestlé Hungária has given nearly 100 million HUF worth of donations to families in need in Hungary: among other products, nearly 12 tons of Easter chocolate have been donated to the Hungarian Food Bank Association (GRI Report, 2020) 16].

As for the content approach of CSR and CSV, it is clear from the case that CSV activity is a strategic and then tactical business breakdown that permeates the operation of the organization, and thus all this is reflected along the purpose-driven brands while CSR is a normative approach to addressing sustainability issues in companies generally. The Nestlé case is a good example of how consistent internal communication also has a positive effect on loyalty to CSV's values, all of which reinforce its practical integration into the company's day-to-

day operations. All this contradicts the results of Kolnhofer Derecskei - Nagy 's (2020) 18] large - scale international studies, who proved that demographical differences do not, but company-level actions influence the intensity of formal volunteering. At the same time, we believe that self-assessment is often not sufficiently objective or credible, as it is performed by internal actors, such as employees and experience shows (van der Heijden & Nijhof, 2004) 19] that in many cases it is loyalty that can limit subjective value judgment and limits development opportunities, too. In this context, we suggest that it would be beneficial to bring the re-measurement of the developed, well-layered CSV management integrated into the corporate strategy even closer to the consumers, making the purpose and underlying content clear. Thus, we see that several development opportunities are emerging that could further deepen the impact of Nestlé's CSV activities: such as further strengthening consumer communication, education and incorporating a codified, systematic re-measurement point for other stakeholders into practice.

Today, corporate responsibility, which is more plastic in practice, has become indispensable both in the case of larger and small and medium-sized companies. The aim of sustainable management is to pay equal attention to the economy, society and the environment in order to ensure the long-term existence of the company and, last but not least, its good image among consumers. As President of Procter and Gambling said: "Consumers have high expectations of brands and want to know what they are doing for the world. But you have to act with credibility and real conviction" (Kotler - Keller, 2016) 19]. All of this is a case study of Nestlé's CSV activities, compiled with an exemplary organization and managed in a professional manner.

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Conflict of Interest

The authors declare that they do not have any interests that could constitute a real, potential or apparent conflict of interest with respect to their involvement in the publication. The authors also declare that they do not have any financial or other relations (e.g. directorship, consultancy, or speaker fee) with companies, trade associations, unions or groups (including civil associations and public interest groups) that may gain or lose financially from the results or conclusions in the study. Sources of funding are acknowledged.

Ethical Approval

All procedures performed in this study involving human participants were in accordance with the ethical standards of University's Research Ethics Board and with the 1975 Helsinki.

Author Contribution

Informed consent was obtained from all participants.

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