CATÓLICA LISBON SCHOOL OF BUSINESS AND ECONOMICS

Creating Shared Value. The Case of Nestlé.

MSc. Candidate: João Maria de Noronha Galvão Vieira Neves

Academic Advisor: Professor Susana Frazão Pinheiro

Dissertation submitted in partial fulfilment of requirements for the degree of MSc in Business Administration, at the Universidade Católica Portuguesa, June 2013.

"Only if business learns that to do well it has to do good can we hope to tackle the major social challenges facing developed societies today."

- Peter Drucker, 1984

Abstract

Title: Creating Shared Value. The Case of Nestlé.

Author: João Maria de Noronha Galvão Vieira Neves

In the past years, a lot has been said about the role business develops in society. There are opposite views about the position that both business and society should take. In fact, it is a theme that is increasingly popular and there is an increasing discussion around it in the business academic arena. However, one thing is clear: companies have to address societal issues in a proactive way in order to satisfy the increasing demands of their stakeholders. They really have to do good or, at least, appear to. This is the reason why many companies have been pursuing Social Responsibility strategies in order to rebrand its image, trying to create a competitive advantage in an evolving market.

The main idea of the present dissertation is to study why and how companies should engage in Social Responsibility strategies in order to create both economic and societal value. The problem statement relies on understanding how a strategic focus on social issues may create a sustainable, long-term view where both economic and social values are created.

The present dissertation, written in the form of a case study, aims to present the successful case of Nestlé when developing and implementing its Creating Shared Value strategy. All the steps that Nestlé took since 2006 are analysed to explain why and how did Nestlé successfully change the image of the company while increasing the total pool of value created, which is divided in both economic and social value along its entire value chain.

Table of Contents

Preface

Addressing the way business interacts with society and contributes to its wellbeing has ever been a theme of my interest since the first time I had knowledge of the Social Responsibility concept. I studied the evolution of this main idea over my academic path, both on the Undergraduate and the Master of Science programs, but it was my student experience in IE Business School in Madrid, when I took the Business, Government & Society course that underlined the actual increasing importance of this concept.

Moreover, the notion that companies should target its Social Responsibility activities as a strategic aspect of its core business operations, being at the centre of what they do, captivated me. It was a topic that was somehow different from what companies have been doing so far, so there was both academic and managerial relevance. Thus, I decided to embrace this topic and develop an academic case study dissertation about Nestlé, the worldwide leading company in the food and beverage segments.

Bearing in mind that the final result of the present academic case study dissertation would not be possible without the help and support of some interveners, I would like to deeply thank to everyone who made it achievable. First, I would like to truthfully thank to Professor Susana Frazão Pinheiro, my academic advisor, for all the help, support and availability during the dissertation period. I would also like to express my gratitude to Marta Amaro, the Corporate Communication Manager at Nestlé Portugal, for all the availability and valuable information. Finally, I would like to sincerely thank to my family - especially my parents, my sister Margarida and my brother Sebastião - and friends, who have always supported me to achieve both my professional and personal challenges.

List of Acronyms

CSR Corporate Social Responsibility

CSV Creating Shared Value

List of Annexes, Exhibits and Figures

Chapter 1. Introduction

1.1. Managerial and Academic Relevance

A lot has been said about the role business has in society. Some argue that social issues are not a business problem and thus companies should not interfere in them; rather that governments and individuals should. Others claim that is it a moral obligation of business, to give back to society what they have taken away.

As far as the debate about the role of business on society and the communities where it operates goes, it becomes clear that companies have to address societal issues in a proactive way in order to satisfy the increasing demands of their stakeholders. They really have to do good or, at least, appear to.

More recently, some authors defend that only companies who create societal value will be able to create a long-term sustainable economic value that will be reflected in the company`s competitiveness. Some believe that strategically addressing societal issues from a business perspective is the only way to differentiate a company and succeed in the capitalism era; these are the only companies that will survive in a changing world.

However, is it really needed? How good should business be? And how should it address societal issues in order to create not only societal, but also economic value?

1.2. Problem Statement and Research Questions

The main aim of the present dissertation is to study why and how companies should engage in Social Responsibility strategies in order to create both economic and societal value. The problem statement relies on understanding how a strategic focus on social issues may create a sustainable win-win situation, both for business and society, in the long-term.

In order to answer this problem statement, the following questions may be addressed:

Research Question 1: Why do companies engage in Social Responsibility strategies?

Research Question 2: Should social issues be a critical point in companies` strategies?

Research Question 3: How should companies address societal issues in their strategies?

Research Question 4: How do companies engage in Social Responsibility strategies in order not only to create societal value, but mainly economic long-term, sustainable value?

1.3. Dissertation Structure

The methodology adopted to analyse this topic is a case study approach of one single company, Nestlé. This approach was chosen as it seems to be the best way to understand a contemporary phenomenon within a real life context that is shaping business nowadays. The choice regarding the company, Nestlé, was based on the fact of being a worldwide leader in the segment where it operates and a pioneer in the Social Responsibility arena, showing a strong strategic commitment to society.

In chapter 2, Literature Review, a review of the theories of Corporate Social Responsibility is presented, focusing on the link between business and society. Its evolutionary path is documented; underlining the different approaches companies have pursued to implement CSR. The arguments for and against a strategic approach to social issues are also presented, as well as the *whys* and *hows* of whether companies should address a Social Responsibility strategy. Moreover, the last trend concept about the topic, the Create Shared Value approach, is also presented and explained. This chapter is illustrated with several annexes so that the reader can better follow all the reasoning behind the topic.

In chapter 3, Case Study, the complete case study is presented, showing the challenge Nestlé faced some years ago and how the company was able to develop a Strategic Social Responsibility strategy based on the last trending concept of Shared Value in order to rebrand its image. It shows not only why the company decided to pursue a Social Responsibility practice at the same time it would create economic value for the company itself, but also how it was successful in its path towards a closer link between the company and society and how it has allowed to strength its competitive advantage in the economic arena. The case study is enriched by elucidative exhibits that aim to help the reader better understand the provided information.

In chapter 4, Methodology, the methodology followed to write this dissertation paper is presented. It encompasses all the stages I went through in order to develop each of the other dissertation`s chapters.

Chapter 5, Teaching Notes, was prepared in order to assist professors when using the present case study in class discussions. A summary of the case study is presented, as well as the main learning objectives. Moreover, teaching questions and some suggested guidelines to answer them are also presented. This chapter is illustrated with several exhibits in order to illustrate both the questions and their respective answers.

In chapter 6, Main Conclusions, Limitations and Future Research, the main conclusions not only about the evolution of the link between business and society, but also about the way business can leverage it, are presented, as well as the present dissertation limitations and some worth and interesting topics for future research.

Finally, a complete References list presents not only the academic papers, journal articles and reports, but also all the online information and videos about both the Social Responsibility topic and the Nestlé company itself that were analysed in order to develop this dissertation paper. Should the reader be interested on the topic, all the sources are at his disposal.

Chapter 2. Literature Review

2.1. The role of Business in Society

2.1.1. An evolution of the concept

Over the decades the debate about the role business can have in development and society has grown in importance and significance (Carroll 1999; Carroll and Shabana 2010; Lee 2008). However, it is a post-World War II phenomenon and in fact it did not surge in importance until the 1960s (Carroll and Shabana 2010).

The very first idea about the intervention of business in society was published in 1951 by Abrams, who argued that companies had to think "not just about profits but also about their employees, customers and the public at large"[1] (Abrams 1951; Bernstein 2000). The idea that business "has not only economic and legal obligations"[2] anymore (Kotler and Lee 2005; McGuire 1963) has spread over time.

Indeed, in 1977 less than fifty per cent of the Fortune 500 firms cared about their impact on society. However, by the end of 1990, almost ninety per cent of these companies embraced this idea as a critical element in their organizations (Boli and Hartsuiker 2001). In fact, companies were obliged to adapt to a new reality of social responsibility that was mainly driven by external and socially conscious motivations (Carroll 1979; Lee 2008; Zadeck 2004), faster than it might have otherwise (Zadeck 2004). The increasing link between business and society has been a "response of the firm to the demands and expectations of society"[3] (Carroll 1979). "The world has changed"[4] (Gunther 2004) and a "new reality of business"[5] has emerged (Fiorina 2001). It is believed that, today, in order to succeed, "business needs to be, or at least appear to be, ´good`"[6] (The Economist 2008).

Despite the importance of the topic, there is not a single definition of social responsibility (Argandoña and Hoivick 2010), due to a lack of consensus on what the concept really means (Carroll 1979). In fact, there are many useful definitions of the term, such as philanthropy, corporate citizenship, business ethics, stakeholder management or simply sustainability (Carroll and Shabana 2010). Several interpretations have been given or added and so it is a dynamic phenomenon (Carroll 1991). However, it is believed that Corporate Community Involvement is an "umbrella term"[7]

---

1 Abrams, F. W. "Management`s Responsibilities in a Complex World", *Harvard Business Review* 29(3), May, 1951, pp. 29-34

2 Carroll, A. B., and Shabana, K. M. "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice", *International Journal of Management Reviews* 12(1), 2010, pp. 86-105

3 Carroll, A. B., 1999. "Corporate Social Responsibility: Evolution of a Definitional Construct", *Business and Society* 38, pp. 268-295

4 Carroll, A. B., and Shabana, K. M. "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice", *International Journal of Management Reviews* 12(1), 2010, pp. 86-105

5 Carroll, A. B., and Shabana, K. M. "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice", *International Journal of Management Reviews* 12(1), 2010, pp. 86-105

6 "How good should your business be?", *The Economist* 386, January 19, 2008

7 Seitanidi, M.M. and Ryan, A. "A Critical Review of Forms of Corporate Community Involvement: from

(Brammer and Millington 2004; Moore 1995; Patterson 2004) that addresses a "sustainable development that meets the needs of the present without compromising the ability of future generations to meet their own needs"[8] (World Commission on Environment and Development 2002) within social, environmental and economic dimensions (Wheeler et al. 2003).

The term Corporate Social Responsibility has also been a "vague concept with no clear definition, […] an umbrella term with an unclear content"[9] (Lin-Hi 2010). In fact, it is associated with corporate giving (Brammer et al. 2006), corporate volunteering (Moon et al. 2009), corporate philanthropy (Kotten 1997), cause-related marketing (Bronn and Vrioni 2002), personal values of managers (Hemingway and Maclagan 2004), stakeholder engagement (O`Riordan and Fairbrass 2008), sponsorship (Meenaghan 1983), among others. Thus, Corporate Social Responsibility is "a brilliant term [that] means something, but not always the same thing, to everybody"[10] (Votaw 1973).

It is believed that the content and application of the social responsibility concept will vary over country (Argandoña and Hoivick 2010; The Economist 2008), over time (Argandoña and Hoivick 2010) and also among firms (Argandoña and Hoivick 2010; Porter and Kramer 2002, 2006 and 2011). However, all the concepts should be related, as they may have as key aspects some underlying themes, such as value, balance and accountability (Carroll and Schwartz 2008).

2.1.2. Arguments against the impact of Business in Society

The concept of an active role of business in society has always faced some arguments against it. In 1958, Theodore Levitt started warning the business world about the "dangers of social responsibility"[11], arguing that business was not the responsible for society, but governments (Hayek 1969; Levitt 1958). He believed that business final aim should be to "take care of the more material aspects of welfare"[12] and was afraid that, if companies started a social responsibility strategy, they might detract from its profit main aim. Another objection to the link between business and society regards the belief that managers do not have the needed expertise to make socially oriented decisions (Davis 1973).

Philanthropy to Partnerships", *International Journal of Nonprofit and Voluntary Sector Marketing*, 12, April 30, 2007, pp. 247-266

8 Wheeler, D., Colbert, B. and Freeman, R. E. "Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholder Approach in a Network World", *Journal of General Management* 28(3), Spring, 2003

9 Lin-Hi, N. "The problem with a narrow-minded interpretation of CSR: Why CSR has nothing to do with philanthropy", *Journal of Applied Ethics*, 1(1), 2010, pp. 79–95

10 Lin-Hi, N. "The problem with a narrow-minded interpretation of CSR: Why CSR has nothing to do with philanthropy", *Journal of Applied Ethics*, 1(1), 2010, pp. 79–95

11 Levitt, T. "The dangers of social responsibility", *Harvard Business Review*, September-October, 1958, pp. 41-50

12 Levitt, T. "The dangers of social responsibility", *Harvard Business Review*, September-October, 1958, pp. 41-50

However, the main opposition to the business` social responsibility idea came from Milton Friedman. He believed that "there is one and only one social responsibility of business: to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game"[13] (Friedman 1962). If the free and open market could not solve the social problems, individuals and government, through legislation, should handle them, not business (Friedman 1962).

All these arguments were later refused (Barnett 2007; Drucker 1954 and 2006; Kramer and Porter 2002; Mulligan 1986).

2.1.3. Why should Business make an impact on Society?

Although there is no concrete data showing that companies performing social responsibilities are more successful financially (Margolis and Walsh 2003; Vogel 2005), there is an increasingly belief that the strategic adoption of social practices could lead to financial rewards in the long-term (Lee 2008).

In fact, it is believed that there is a strong interdependence between business and society (Berger et al. 2007; Kramer and Porter 2002 and 2006). Thus, a strategic approach to society could set clear benefits to the firm: benefits in terms of cost and risk reduction (Berman et al. 1999; Dechant and Robinson 1999; Kurucz et al. 2008; Smith 2005), a positive effect on competitive advantage over other firms (Kramer and Porter 2002 and 2006; Kurucz et al. 2008; Smith 2003; Smith 2005), a positive effect on company reputation (Fombrun and Shanley 1990; Kurucz et al. 2008 Smith 2003; Smith 2005), creation of win-win outcomes both for the firm and its stakeholders (Kramer and Porter 2002 and 2006; Kurucz et al. 2008). It could also affect consumer`s behavioural intentions (Bhattacharya and Sen 2001 and 2004; Brown and Dacin 1997), help to avoid consumer and activists boycotts (Luo and Bhattacharya 2009; Vogel 2005) and even improve employee attraction, motivation and retention (Bhattacharya, Korschun and Sen 2008).

The role of business in society is evolving to a core business function, which should be central to each firms' overall strategy as it is vital to its success (Kramer and Porter 2006 and 2011; Vogel 2005). In fact, only the companies who bring society to its long-term strategy will be able to successfully compete in this new world (Bildfell and Cadman 2012; Bockstette 2011). However, it has to be planned and strictly developed accordingly with each firm`s strategy in order to be successful (Kramer and Porter 2006; Smith 2003; Smith 2005).

---

[13] Friedman, M. "The Social Responsibility of Business is to Increase its Profits", *New York Times Magazine*, September 13, 1970, 32-33, 122, 126

2.2. Social Value in the Organization

2.2.1. Creation of Social Value

Value creation, defined as "benefits relative to costs, not just benefits alone"[14] (Kramer and Porter 2011) has always been the central aim for companies, the main purpose of business (Wheeler et al. 2003). However, businesses have rarely approached societal issues from a value perspective, but rather as a secondary topic (Kramer and Porter 2011).

Value may be created across three main dimensions – economic, social and ecological (Wheeler et al. 2003). This way, David Wheeler, Barry Colbert and Edward Freeman presented a Pyramid of Organizational Culture inside an Organization (annex 1) that would allow segmenting companies with respect to organizational attitudes towards both stakeholders and value creation.

This way, companies are segmented in three different levels. The first level, known by Compliance Culture, is the stage where companies do not take their stakeholders into consideration when developing their strategies, but where values are consistent with the basic societal laws and norms. In this stage, companies try to avoid the destruction of economic, social or ecological value.

In the second level, named Relationship Management Culture, companies recognize the importance of having a close relationship with their immediate stakeholders and so an engagement strategy is created to each one of them.

Finally, in the third level of Organizational Level, the Sustainable Organization Culture, companies recognize the close interdependence between business and society and so they seek to maximize the creation of economic, social and ecological value as a single one; all the three dimensions are equally important and they all should be incorporated in the strategy of the firm.

As far as the companies goes further on this classification, they focus more on a long-term strategy for value creation rather than a simply fight over the short-term reality.

2.2.2. Organizational Learning and Issue Maturity

Companies have been obliged to adapt to a new reality of social responsibility that was mainly driven by external and socially conscious motivations (Lee 2008; Zadeck 2004), faster than it might have otherwise (Zadeck 2004). In fact, many companies have engaged in social responsibility practises because they had a social issue that directly made a negative impact on the company itself (Kania and Kramer 2006; Zadeck 2004).

However, companies can and should prepare themselves as soon as the issue is evolving. There are different stages of issue maturity that directly have a different impact on the firm (Bach

14 Porter, M. E. and Kramer, M. R. "Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth", *Harvard Business Review* 89(1/2), January-February, 2011, pp. 62-77

2010; Zadeck 2004) (annexes 2 and 3). Thus, every company should take a position in every issue that could significantly affect the firm`s ability to create or appropriate value. In fact, the company should not only neutralize its nonmarket threats, but also recognize the issues whose favourable resolution would create a positive business opportunity. The importance of each issue is then determined by the company`s overall strategy (Allen and Bach 2010; Bach 2010).

Any company may go through five different stages as they move along the learning curve (Zadeck 2004) (annex 4). Every company should develop its own path, addressing the way it interacts with society in a particular way. Moreover, it will always be important to understand what other companies are doing, from the same area of activity or not. In fact, once leading companies adopt unconventional commitments and practices around societal issues, other companies must follow or risk the future consequences (Zadeck 2004).

When dealing with a social issue, the best way to succeed is to actively involve the company`s stakeholders (Barnett 2007; Bhattacharya 2013; Bildfell and Cadman 2012; Eccles and Serafeim 2013). However, a simple engagement on social issues will not differentiate the company anymore. The challenge today is not only to address social issues, but rather to handle these issues in the best possible way so that they could conform to the increasing expectations of company`s stakeholders (Bhattacharya 2013). Only this way the company will be able to create value (Bhattacharya 2013). In fact, "creating social value is [now] a prerequisite for creating business value"[15] ((Bhattacharya 2013).

2.3. The link between Business and Society

2.3.1. The Pyramid of Corporate Social Responsibility

In 1961 Keith Davis suggested that social responsibility should refers to "business` decisions and actions taken for reasons at least partially beyond the firm`s direct economic or technical interest"[16] (Davis 1960). Archie Carroll clarified this definition, arguing that there are four different types of social responsibilities that business should develop: economic, legal, ethical and discretionary[17] (Carroll 1979 and 1991). Then, he represented them on a pyramid, named the Pyramid of Corporate Social Responsibility (annex 5).

The first level of the pyramid concerns the economic responsibilities of business. It represents the main aim of every company of producing goods and services that society needs, in a profitable way. It is the foundation upon which all other responsibilities must rest, as without it the others would simply become moot considerations. The second level of the pyramid concerns legal responsibilities.

[15] Bhattacharya, C. B. "Leveraging Corporate Responsibility: The Stakeholder Route to Maximizing Business and Social Value", *Stanford Social Innovation Review*, 2013

[16] Davis, K. "Can Business Afford to Ignore its Social Responsibilities?", *California Management Review* 2, 1960, pp. 70-76

[17] This category name changed from discretionary (Carroll, 1979) to philanthropic (Carroll, 1991) and keeps being stated as such.

It defends that business has to obey the law and play by the rules of the game. The third level regards to ethical responsibilities, meaning that business has to be ethical, doing what is right, just and fair, avoiding harm.

Finally, the final stage of the pyramid regards to philanthropic responsibilities of business. Carroll believes that business is expected to contribute financial and human resources to society and improve the quality of life by being a "good corporate citizen"[18].

2.3.2. Corporate Philanthropy

Corporate Philanthropy is one of the ways business could make an impact on society by the donation of money and other corporate resources to social causes (Cutlip et al. 1994; Frederick 2006; Kramer and Porter 2002; Kramer 2009; Porter 2011).

Corporate Philanthropy is a simple concept that is enjoying increasing popularity in practice (Brammer, Millington and Pavelin 2006) due to the numerous advantages it brings to companies (Lin-Hi 2010). In fact, first, philanthropic activities offer high visibility to the company (Fishman, Heal and Nair 2006). Secondly, philanthropic activities are quick and easy to run, and do not require complex management skills or know-how (Stendardi 1992) and finally, these activities are measurable and therefore easy to quantify (Campbell, Moore and Metzger 2002).

There are mainly three reasons for business giving (Kania and Oakley 2003). The most basic one regards to a sense of duty to the community where the company operates in the desire of being a good citizen. Another one regards to the reputation and relationship building of the company itself, in which it secures the goodwill of its stakeholders by supporting causes that they may favour. The final reason is truly strategic. In fact, here the company`s focus is on philanthropic activities that simultaneously evolves not only social, but also business objectives.

In spite of all these three reasons being undoubtedly good for society, only the strategic one will make a positive long-term impact to the company (Kania and Oakley 2003; Kramer and Porter 2002). In fact, corporate philanthropy makes sense only when it "serves both the needs of communities and enhance the long-run financial performance of the firm"[19] (Brammer and Millington 2005).

In fact, it is not true that every corporate expenditure will bring a social benefit. In the same way, not every social benefit will improve the company`s competitiveness. In fact, "it is only where corporate expenditures produce simultaneously social and economic gains that corporate philanthropy

[18] Carroll, A. B. "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders", *Business Horizons* 34(4), July-August, 1991, pp. 39-48
[19] Lin-Hi, N. "The problem with a narrow-minded interpretation of CSR: Why CSR has nothing to do with philanthropy", *Journal of Applied Ethics*, 1(1), 2010, pp. 79–95

and shareholders interests converge. […] It is [only] here that philanthropy is truly strategic"[20] (Kramer and Porter 2002).

However, there are many companies that aim to publicize how much money and effort they are contributing to society rather than to promote an image of social responsibility (Kramer and Porter 2002). They often mistake corporate philanthropic activities with marketing purposes (Kramer and Porter 2002). The truth is that as long as companies are worried about their image through their contributions, instead of the real impact of their activities, they will be sacrificing opportunities to create both economic and social value (Kramer and Porter 2002). Therefore, "the acid test of good corporate philanthropy is whether the desired social change is so beneficial to the company that the organization would pursue the change even if no one ever knew about it"[21] (Kramer and Porter 2002).

2.3.3. From Corporate Philanthropy to Partnerships

Philanthropic and community involvement activities have been criticized by not being embedded in the overall strategy of the firm, thus not creating the optimal economic and social value they could (Kramer and Porter 2002). Due to the increasing amount of money companies where spending on social responsible programs and activities, there was a huge need to find corporate benefits that would better justify such expenses (Voort et al 2009).

In fact, social responsible activities only provide corporate benefits if they are embedded in the company`s strategy (Hess et al. 2002; Kramer and Porter 2002) and recognize its stakeholders expectations (Bhattacharya 2013; Brammer and Millington 2003; Bildfell and Cadman2012; Eccles and Serafeim 2013). These thoughts originated other ways from which companies could make an impact on society. Corporate Community Involvement is an "umbrella term"[22] that expresses these forms of business involvement with society (Ryan and Seitanidi 2007).

The evolutionary path of Corporate Community Involvement has three main stages (Austin 2000; Ryan and Seitanidi 2007): philanthropic, transactional and integrative. Although all these stages are seen as a progressive and natural evolution of the link between business and society, companies do not necessarily have to pass through each of them sequentially (Austin 2000).

The way a company will integrate its activities in each of these stages will depend on its strategy. There are three main governance forms (Husted 2003). The first, named charitable

[20] Porter, M. E. and Kramer, M. R. "The Competitive Advantage of Corporate Philanthropy", *Harvard Business Review* 80(12), December, 2002, pp. 56-69
[21] Porter, M. E. and Kramer, M. R. "The Competitive Advantage of Corporate Philanthropy", *Harvard Business Review* 80(12), December, 2002, pp. 56-69
[22] Seitanidi, M.M. and Ryan, A. "A Critical Review of Forms of Corporate Community Involvement: from Philanthropy to Partnerships", *International Journal of Nonprofit and Voluntary Sector Marketing* 12, April 30, 2007, pp. 247-266

contributions, is the dominant method used in corporate philanthropy activities: companies donate resources to a third party organization, which is responsible for managing them and making an impact on society. Therefore, it is a method in which the donor is not directly involved in the delivery of social outputs.

The second form, an in-house project structure, is characterized by the existence of a specific department within the company that is responsible for developing and delivering social responsible outcomes. An important advantage of this method is that it allows companies to control the delivery of social responsible activities and also resource expenditures.

Finally, in the third method, named collaboration, corporations and third sector organizations develop a common strategy to address social issues within a long-term perspective. It is becoming increasingly popular as corporations are placed under greater pressure to deliver social out- comes.

Paul Tracey, Nelson Phillips and Helen Haugh introduced a fourth method in 2005, which they called partnership. In this specific approach, there is a two-way transfer of resources between all the partners presented. It is also believed that not only money, but also knowledge and intellectual capital should be shared. Therefore, there is a higher degree of interdependence between the company, the third party organization and the community itself, and so communities are brought into the process in a way that it would be rarely possible in the previous methods. All the methods are shown on annex 6.

2.4. Addressing Corporate Social Responsibility Strategically

Four main reasons have been raised to justify the presence of business in society: moral obligation (Hart and Milstein 2003; Kania and Oakley 2003; Martin 2002; Martin et al. 2009), sustainability (Hart and Milstein 2003; Lacy et al. 2010), license to operate (Lin-Hi 2010), and reputation of the company (Bhattacharya and Sen 2004; Martin 2002; Lacy et al. 2010). However, all these reasons focus on the tension between business and society, and not in their interdependence (Kramer and Porter 2006, 2011). Therefore, the final result is a set of uncoordinated social responsible efforts from the company that are disconnected from its overall strategy and do not provide any social meaningful impact nor strength the firm`s long-term competitiveness (Kramer and Porter 2006). Thus, there is a tremendous lost opportunity to create both economic and social value.

In the long-term, social and economic goals are interdependent and interconnected (Kramer and Porter 2002, 2006, 2011) and shared value should be created (Kramer and Porter 2006, 2011). In fact, in order to be successful, a Corporate Social Responsibility strategy should follow the principle of shared value, meaning that every choice must benefit not only society, but also the business. In fact, companies are not responsible for the entire world`s problems and they cannot solve all of them. Instead, each company should identify a particular set of social issues that it is best equipped to address and from which it can gain the greatest competitive benefit (Kramer and Porter 2006). Then, "the essential test that should guide CSR is not whether a cause is worthy but whether it presents an opportunity to create shared value, that is, a meaningful benefit for society that is also valuable to the business"[23] (Kramer and Porter 2006).

In a Strategic CSR strategy a company has to redefine its value chain in order to sustain shared value creation. In order to do so, it has to identify either inside-out practices in its value chain where addressing social issues become and economic opportunity, and outside-in social issues in its competitive context that may have a positive impact in a company's competitiveness (Porter and Kramer, 2006). A Strategic CSR strategy goes further than a Responsive one (annex 7), moving beyond good corporate citizenship and evolving its value chain in order to support a smaller number of initiatives which both social and business benefits are larger and distinctive from other companies. It is here that a company really reaches a shared value approach. Moreover, the most strategic CSR occurs when a social dimension is embedded in a company value proposition, making its social impact part of its day-to-day overall strategy (Kramer and Porter 2006).

2.5. Creating Shared Value

In early 2011 Michael Porter and Mark Kramer presented a concept that goes beyond Corporate Social Responsibility: Create Shared Value. Creating Shared Value is not about corporate philanthropy, giving back to society, personal values, ethics, sustainability or balancing the stakeholders' interests. Nor is it about sharing the value that was already created by companies. Instead, it is about "expanding the total pool of economic and social value"[24] (Kramer and Porter 2011). It is a new way to achieve economic success. It is not at the border of what companies do, but at the center of their strategy.

The principle of shared value involves creating economic value that also creates value for society by addressing its needs and challenges (Kramer and Porter 2011). The concept of shared value can be defined as "the policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. [It] focuses on identifying and expanding the connections between societal and economic progress"[25] (Kramer and Porter 2011).

---

[23] Porter, M. E. and Kramer, M. R. "Strategy and Society: the link between Competitive Advantage and Corporate Social Responsibility", *Harvard Business Review* 84(12), December, 2006, pp. 78-92

[24] Porter, M. E. and Kramer, M. R. "Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth", *Harvard Business Review* 89(1/2), January-February, 2011, pp. 62-77

[25] Porter, M. E. and Kramer, M. R. "Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth", *Harvard Business Review* 89(1/2), January-February, 2011, pp. 62-77

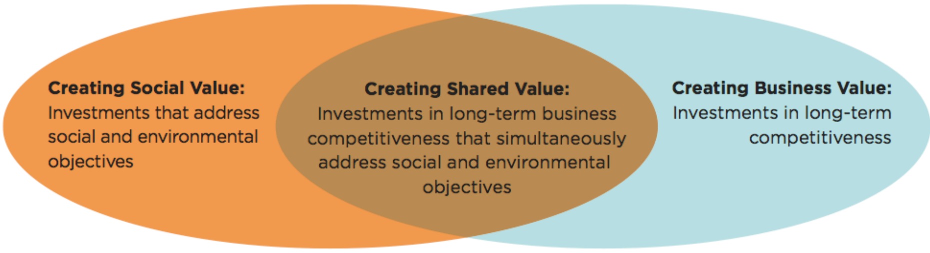


Figure 1: Creating Shared Value[26]

The concept of shared value underlines the idea that not all profit is equal. In fact, Michael Porter and Mark Kramer believe that "profits involving a social purpose represent a higher form of capitalism, one that creates a positive cycle of company and community prosperity"[27] (Kramer and Porter 2011). That is the reason why all companies must embrace the concept as a central part in its strategy. And it is not about philanthropy, but a self-interest behavior to create societal value by creating economic value. It represents a "broader conception of Adam Smith`s invisible hand"[28] (Kramer and Porter 2011) as, if every company pursues a shared value approach connected to its particular business` interests, society`s overall interest would be matched.

Michael Porter and Mark Kramer define three different ways to create shared value. The first main source of Shared Value is achieved by Reconceiving Products and Markets, in which companies should create products and services that address specific social issues in existing markets, new ones; or lower its costs through innovation. The second main source, named Redefining Productivity in the Value Chain, embodies the company`s need to redefine its value chain in order to drive not only economical, but also social value creation. Finally, the third way to create shared value is by Enabling Local Cluster Development, focusing in the fact that companies do not operate in isolation from community. Thus, companies can create shared value by building these clusters to improve their productivity while addressing the gaps or failures in the whole community the company operates.

Moreover, the right shared value approach should be unique to each firm, depending not only on its strategy, context, competitive position, but also on the way a company`s particular business and strategy intersect with social issues (Bockstette and Stamp 2013; Kramer and Porter 2011; Porter et al. 2011). In order to do so, special attention should be given to the vision, strategy, delivery and performance of each company`s shared value approach (Bockstette and Stamp 2013) (annex 8).

Furthermore, shared value has to be measured in order not to miss important opportunities for innovation, growth and social impact (Porter et al. 2011). There are a lot of measurement approaches that rely on statistical correlations and estimated monetary values of social outcomes. However,

---

[26] Source: Bockstette, V. and Stamp, M. "Creating Shared Value: A How-to Guide for the New Corporate (R)evolution", *Foundation Strategy Group*, 2012

[27] Porter, M. E. and Kramer, M. R. "Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth", *Harvard Business Review* 89(1/2), January-February, 2011, pp. 62-77

[28] Porter, M. E. and Kramer, M. R. "Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth", *Harvard Business Review* 89(1/2), January-February, 2011, pp. 62-77

shared value measurement should not follow them. Instead, it should establish a direct link between social issues outcomes and actual financial results; "measuring how social outcomes directly drive tangible business value creation"[29] (Porter et al. 2011) (annexes 9 and 10) A proper shared value measurement should also have in mind the strategy of the company. This way, the measurement of shared value should be made based on the social issues the company decided to target, and all the results should be analyzed in order to create additional value (Porter et al. 2011) (annex 11).

Although the Creating Shared Value idea was formalized by Michael Porter and Mark Kramer as a disruptive one, the main idea is not so different than the Strategic CSR concept defined by the same authors in 2006. Moreover, there were others authors that have also discussed the same idea of shared value some time before. In fact, Peter Drucker has already presented it on 1984, defending that "the proper "social responsibility" of business is to tame the dragon, that is to turn a social problem into economic opportunity and economic benefit"[30] (Drucker 1984). David Wheeler et al. have also defended that "in certain circumstances the creation of communities and social networks [named value-based networks] united by a common sense of what is valuable is a pre-requisite to economic pay-off"[31] (Wheeler et al. 2003). The idea that business should address new markets based on social issues, being profitable, was also presented by both C. K. Prahalad and Allen Hammond and C. K. Prahalad and Stuart L. Hart in 2002, arguing that "low-income markets present a prodigious opportunity for the world`s wealthiest companies – to seek their fortunes and bring prosperity to the aspiring poor"[32] (Hart and Prahalad 2002). Moreover, the concept carries some critics regarding the way it should be implemented (Aaker 2011; Weinberger 2011).

2.6. Strategic Drivers and Design Processes of Social Initiatives

Business is facing increasing pressure from society to redesign the way it operates (Hess, et al, 2002). In fact, "the world has changed"[33] (Gunther 2004) and a "new reality of business"[34] has emerged (Fiorina 2001). Thus, companies have to strategically change the way they do business and face society. Only the companies who address social issues strategically, understanding the interdependence between business and society (Kramer and Porter 2006, 2011), will be able to compete in this new world (Bockstette 2011; Kramer and Porter 2011).

---

[29] Porter, M. E., Hills, G., Pfizer, M., Patscheke, S. and Hawkins, E. "Measuring Shared Value: How to Unlock Value by Linking Social and Business Results", *Foundation Strategy Group*, 2011

[30] Drucker, P. F. "The New Meaning of Corporate Social Responsibility", *California Management Review* 26(2), Winter, 1984

[31] Wheeler, D., Colbert, B. and Freeman, R. E. "Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholder Approach in a Network World", *Journal of General Management* 28(3), Spring, 2003

[32] Prahalad, C. K. and Hart, S. L. "The Fortune at the Bottom of the Pyramid", *strategy+buziness magazine, by Booz & Company*, 26, 2002

[33] Carroll, A. B., and Shabana, K. M. "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice", International Journal of Management *Reviews 12(1), 2010, pp. 86-105*

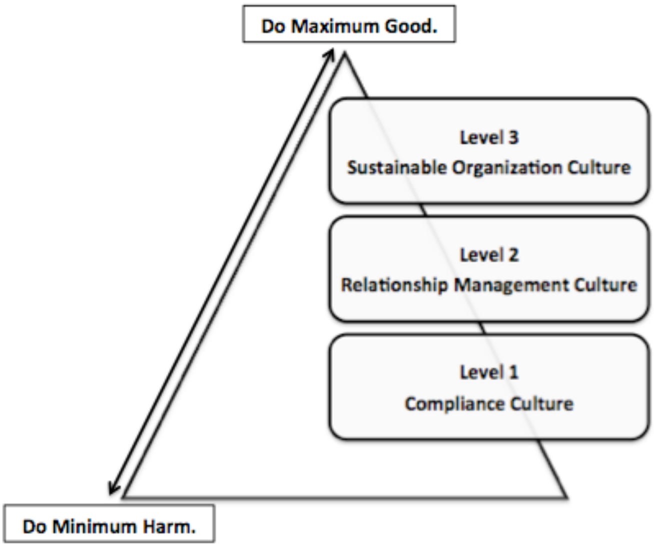
[34] Carroll, A. B., and Shabana, K. M. "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice", *International Journal of Management Reviews* 12(1), 2010, pp. 86-105

In order to do that, companies have to take into consideration not only its stakeholders` expectations (Barnett 2007; Bhattacharya 2013; Bildfell and Cadman 2012; Eccles and Serafeim 2013), but also its own competences (Kramer and Porter 2002, 2006 and 2011), in order to find the social needs to which the company can best respond for the benefit of the community (Hess, et al, 2002; Kramer and Porter 2002 and 2006).

Moreover, clear objectives and measurement techniques should be defined in order to facilitate the strategy implementation and evaluation (Handy 2003; Hess, et al. 2002; Porter et al. 2011). However, despite measuring and evaluating the impact the company develops over social issues has been proven to be very difficult (Maas and Liket, 2011), companies are beginning to embrace social auditing and corporate reporting practices in order to communicate its achievements to community (Bhattacharya and Sen 2004).

Annexes

Annex 1: Pyramid of Organizational Culture



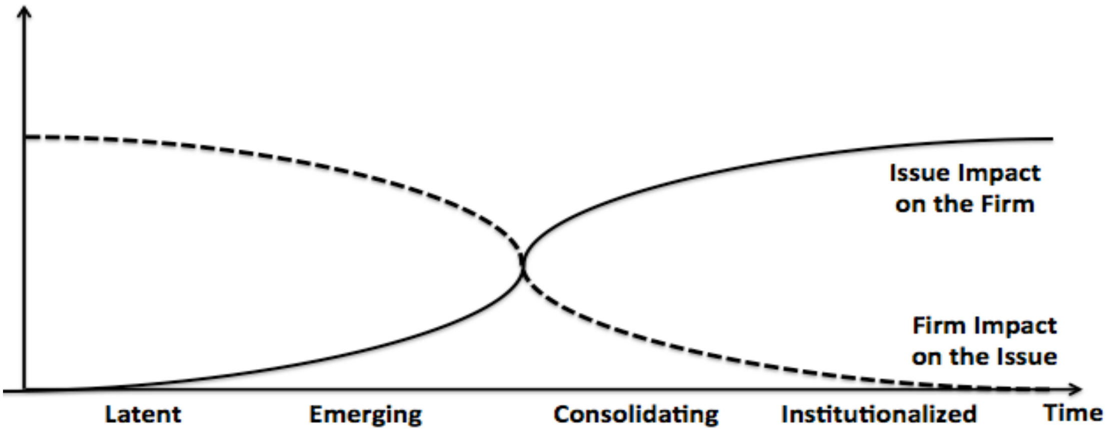
Source: Wheeler, D., Colbert, B. and Freeman, R. E. “Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholder Approach in a Network World”, Journal of General Management 28(3), Spring, 2003

Annex 2: Stages of Issue Maturity

Stage	**Characteristics**
Latent	Activist communities and NGOs are aware of the societal issues. There is weak scientific or other hard evidence. The issue is largely ignored or dismissed by the business opportunity.
Emerging	There is political and media awareness of the societal issue. There is an emerging body of research, but data is still weak. Leading businesses experiment with approaches to dealing with the issue.
Consolidating	There is an emerging body of business practices around the societal issue. Sectorwide and issue-based voluntary initiatives are established. There is litigation and an increasing view of the need for legislation. Voluntary standards are developed, and collective action occurs.
Institutionalized	Legislation or business norms are established. The embedded practices become a normal part of a business-excellence model.

Source: Zadek, S. “The Path to Corporate Responsibility”, *Harvard Business Review,* 82(12), December, 2004, pp. 125-132

Annex 3: The Issue Life Cycle



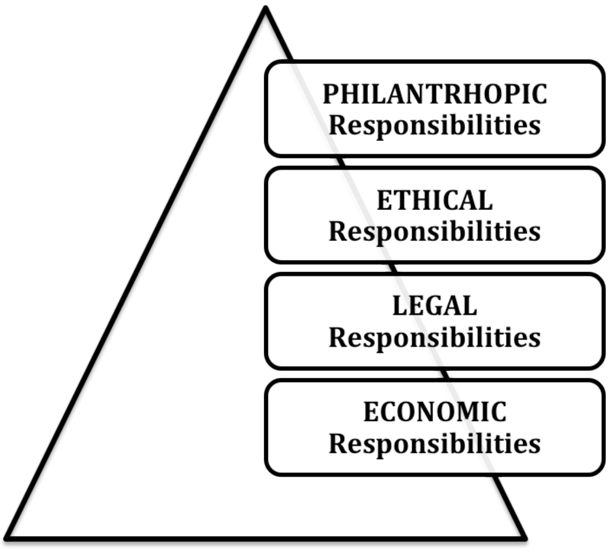
Source: adaptation from Bach, D. "Analyzing the Nonmarket Environment of Business: the $(ia)^3$ Framework", *IE Business School*, March 25, 2010

Annex 4: Stages of Organizational Learning

Stages	What Organizations Do
Defensive	Deny practices, outcomes and responsibilities. Objective: defend against attacks to their reputation that in the short-term could affect sales.
Compliance	Adopt a policy-based compliance approach as a cost of doing business. Objective: mitigate the erosion of economic value in the medium-term because of ongoing reputation and litigation risks.
Managerial	Embed the societal issue in their core management processes. Objective: achieve longer-term gains by integrating responsible business practices into their daily operations.
Strategic	Integrate the societal issue into their core business strategies. Objective: enhance economic value in the long-term and to gain first-mover advantage by aligning strategy and process innovations with the societal issue.
Civil	Promote broad industry participation in corporate responsibility. Objective: enhance long-term value by overcoming any first-mover disadvantage and to realize gains through collective action.

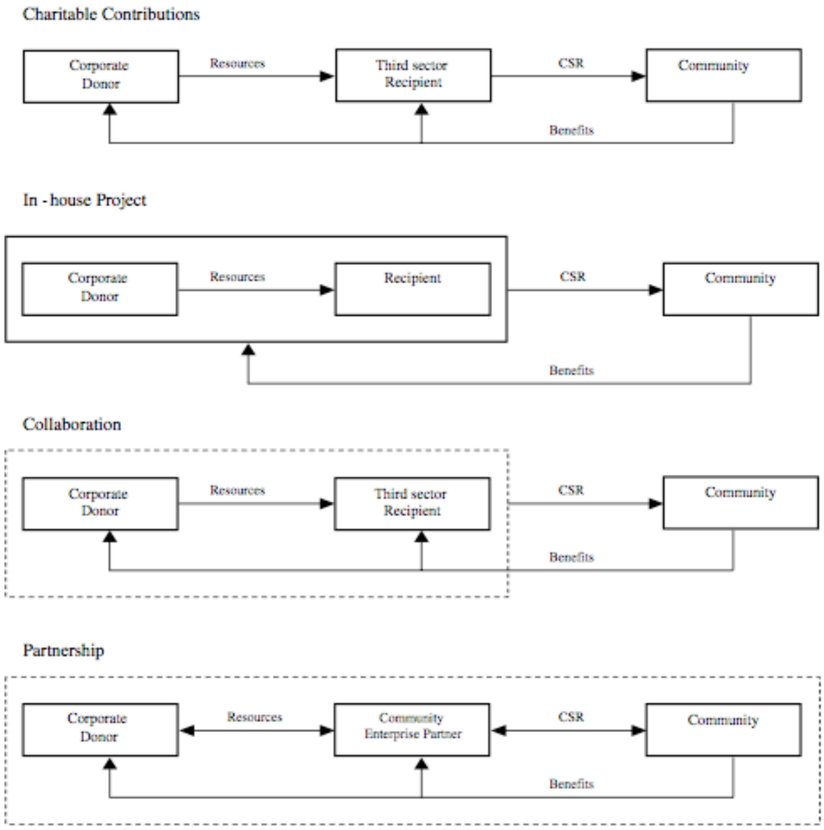
Source: adaptation from Zadek, S. "The Path to Corporate Responsibility", *Harvard Business Review*, 82(12), December, 2004, pp. 125-132

Annex 5: The Pyramid of Corporate Social Responsibility



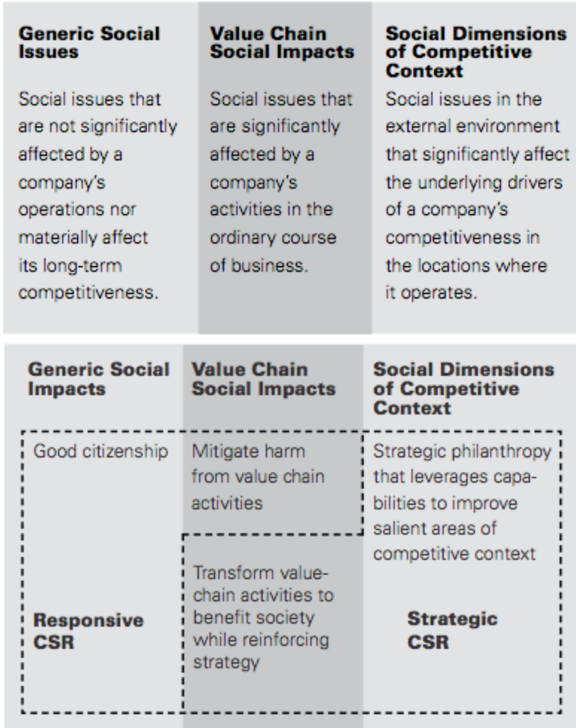
Source: adaptation from Carroll, A. B. "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders", *Business Horizons* 34(4), July-August, 1991, pp. 39-48

Annex 6: Beyond Philanthropy, CSR governance structures



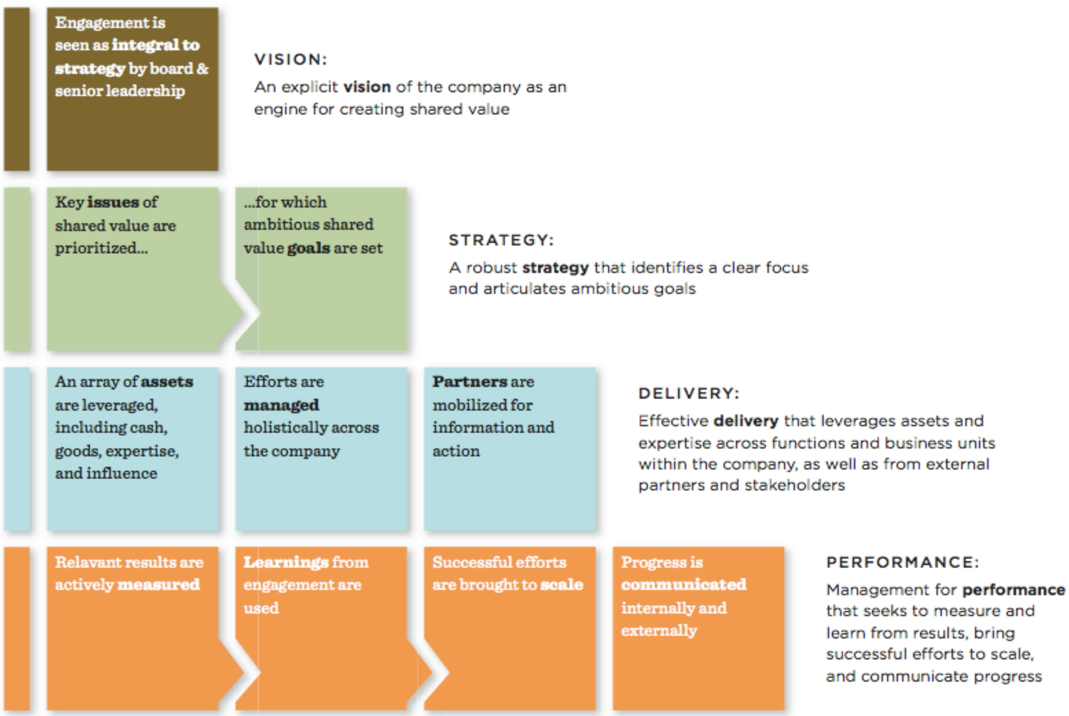
Source: Tracey, P., Phillips, N. and Haugh, H. "Beyond Philanthropy: Community Enterprise as a Basis for Corporate Citizenship", *Journal of Business Ethics*, 58, Spring, 2005, pp. 327-344

Annex 7: Strategic vs. Responsive CSR



Source: Porter, M. E. and Kramer, M. R. "Strategy and Society: the link between Competitive Advantage and Corporate Social Responsibility", *Harvard Business Review* 84(12), December, 2006, pp. 78-92

Annex 8: The Building Blocks of Creating Shared Value



Source: Bockstette, V. and Stamp, M. "Creating Shared Value: A How-to Guide for the New Corporate (R)evolution", *Foundation Strategy Group*, 2012

Annex 9: Understanding the Purpose of Measurement

MEASUREMENT FOCUS	WHAT TO MEASURE?	WHY MEASURE?	FOR WHOM?
Shared Value	**Joint business and social value creation**	• **Grow the total shared value created**	• **Primarily for management** • **Targeted communication to external stakeholders**
Sustainability	Efficiency in the use of input factors (e.g., natural resources and labor) and improved product and community impacts	• Minimize negative externalities and augment positive impacts • Maintain a license to operate	• Management • Communication to external stakeholders
Impact Assessment	The long term social and economic development impacts of operations and/or philanthropy	• Track progress on social and economic development impact • Maintain a license to operate	• Communication to external stakeholders
Reputation	How societal impacts contribute to company reputation	• Manage reputation	• Primarily for management
Compliance	Compliance with laws and voluntary policies, standards, and codes	• Ensure adoption and compliance • Maintain a license to operate	• Management • Communication to external stakeholders

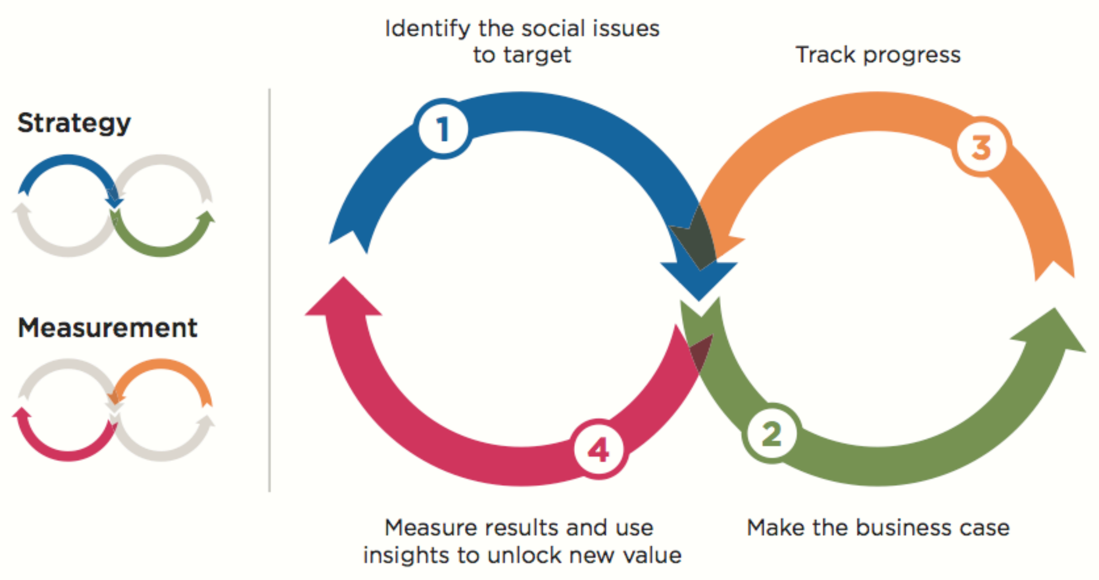
Source: Porter, M. E., Hills, G., Pfizer, M., Patscheke, S. and Hawkins, E. "Measuring Shared Value: How to Unlock Value by Linking Social and Business Results", *Foundation Strategy Group*, 2011

Annex 10: Illustrative Business and Social Results by Level of Shared Value

LEVELS OF SHARED VALUE	BUSINESS RESULTS	SOCIAL RESULTS
Reconceiving product and markets: How targeting unmet needs drives incremental revenue and profits	• Increased revenue • Increased market share • Increased market growth • Improved profitability	• Improved patient care • Reduced carbon footprint • Improved nutrition • Improved education
Redefining productivity in the value chain: How better management of internal operations increases productivity and reduces risks	• Improved productivity • Reduced logistical and operating costs • Secured supply • Improved quality • Improved profitability	• Reduced energy use • Reduced water use • Reduced raw materials • Improved job skills • Improved employee incomes
Enabling cluster development: How changing societal conditions outside the company unleashes new growth and productivity gains	• Reduced costs • Secured supply • Improved distribution infrastructure • Improved workforce access • Improved profitability	• Improved education • Increased job creation • Improved health • Improved incomes

Source: Porter, M. E., Hills, G., Pfizer, M., Patscheke, S. and Hawkins, E. "Measuring Shared Value: How to Unlock Value by Linking Social and Business Results", *Foundation Strategy Group*, 2011

Annex 11: Integrating Shared Value Strategy and Measurement



Source: Porter, M. E., Hills, G., Pfizer, M., Patscheke, S. and Hawkins, E. "Measuring Shared Value: How to Unlock Value by Linking Social and Business Results", *Foundation Strategy Group*, 2011

Chapter 3. Case Study. Creating Shared Value at Nestlé

The unique role of business is value creation; that is, in order to develop a successful long-term business, we must go beyond compliance and sustainability, and actually create value for society. […] We go beyond consumer value, and aim to create value where it makes long-term business sense, for farmers, for our employees, for small entrepreneurs and for the communities where we operate. We believe that this long-term view is what distinguishes us from many companies and has been a clear competitive advantage.

- Peter Brabeck-Letmathe, Chairman Nestlé[35]

Nestlé basic business principle is that we can only create value for our shareholders if at the same time we create value for society. We have identified areas where, for Nestlé, business and societal value creation can be optimized. […] We call this Creating Shared Value.

- Paul Bulcke, CEO Nestlé and Peter Brabeck-Letmathe, Chairman Nestlé [36]

Good compliance is a condition for us to credibly engage with society. Beyond compliance, we do business sustainably, preserving our business and our environment for future generations. Ultimately, to build a profitable business, we must create long-term value for society as well as for our shareholders. We must Create Shared Value.

- Nestlé Annual Report 2012

Nestlé was founded in 1866 when the Anglo-Swiss Condensed Milk Company opened the first European condensed milk factory in Switzerland. A year later, Henry Nestlé launched an infant formula that offered a safer and more nutritious alternative to the existing products. The two companies merged in 1905 to become the Nestlé & Anglo-Swiss Condensed Milk Company.

Over the next years Nestlé entered in new markets and geographies around the world due to contacts with other leading companies that led to strategic acquisitions. Product diversification within the food category was key. At the same time, research and development inside the company led to the development of new products and brands through innovation and renovation, which was the reflex of a consistent strategy that did not sacrifice long-term development potential to short-term gain.

Nestlé evolved from a traditional food manufacturer to the largest food and beverage group, selling its products in 113 countries all over the world. Offering 80 different brands across different areas of the food and beverage industry, including some worldwide famous brands such as Cerelac, Nesquick, Nespresso or Haagen-Dazs, the group wanted to be perceived as the worldwide leader in Nutrition, Health and Wellness.

However, Nestlé had also faced some demanding challenges in its growing path. In fact, from the 1950s Nestlé had been facing non-market related issues that acquired increasing popularity in the last years. The most famous challenge that Nestlé had to face was the concern about Nestlé`s aggressive marketing campaign of breast milk substitutes in developing countries. This challenge started in 1977, with the support of many well-established international organizations and people who supported this cause, resulting in a huge boycott to the company products. The actions of this activity

35 Nestlé Creating Shared Value Report 2008

36 Nestlé and the United Nations Development Goals 2010

lasted mainly until 2007, and even today some people did not forget it. There was an on-going importance for Nestlé to stop and control it, in order to refresh its image as a company. What should Nestlé do?

3.1. Nestlé and Society

Nestlé has ever communicated the concept of sustainable development, a "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"[37] in its activities. However, it has always been an abstract concept with no real effort from the company. In fact, results were not announced and company`s stakeholders did not know what the strategy and its real application was about.

2006 was the year to change. In that year, Nestlé contacted Foundation Strategy Group - a non-for-profit consulting firm specializing in strategy, evaluation, and research, from which both Mark Kramer and Michael Porter were founders, - in order to study the company corporate social responsibility activities and recommend ways in which Nestlé could better align those practices with its overall corporate strategy, expanding both economic and social value.

This consulting project suggested implementing the concept of Creating Shared Value, which Nestlé adopted. This principle involved creating economic value that also creates value for society by addressing its needs and challenges. This way, a company`s strategy should not only create economic value for its shareholders, but also create social value for society. It explained how businesses could create competitive advantage, expanding the total pool of economic and social value.

In order to be effective, this concept had to be at the center of a company`s strategy. It was believed that business would succeed and society would benefit only if businesses were able to:

- Reconceive Products and Markets, developing products and services that meet societal needs in both developed and developing countries
- Redefine Productivity in the Value Chain in order to drive not only economical, but also social value creation, using resources in a more efficient way across the entire value chain
- Enable Local Cluster Development in order to improve businesses productivity while addressing the gaps or failures in the whole community in which businesses operate, improving the conditions for local economic and social development

3.2. Nestlé in Society Pyramid

Adopting the concept of Creating Shared Value, Nestlé was able to create its own Nestlé in Society Pyramid (exhibit 1) reflecting how it interacted with society. Nestlé created a pyramid with three different levels: Compliance, Sustainability and Creating Shared Value.

---

[37] Nestlé Creating Shared Value Report 2009

The first level, Compliance, regarded to the obedience with national laws, codes of conduct and other important conventions, such as the United Nations Millennium Development Goals, as well as Nestlé principles regarding the way Nestlé should do business and engage with society. These principles were all stated in its Management and Leadership Principles, its Corporate Business Principles (exhibit 2), its Code of Business Conduct and its Supplier Code. These codes addressed issues concerning human rights, responsible advertising and marketing, mainly for infant food, anti-corruption, product safety and quality, amongst others.

Good compliance was believed to be an essential condition in order to Nestlé credibly engage with society. This first level of the relationship between Nestlé and society was supervised by not only Nestlé corporate functions, but also specific internal and external audit programs, which composed the CARE audit program.

Beyond Compliance, Sustainability was the key word. This level adopted a position of protecting the environment for future generations, adopting policies regarding the environmental life cycle of Nestlé products, from the production quality of its raw materials to the manufacturing process, its packaging, transport and distribution. Moreover, Nestlé also attempted to promote a sustainable consumption of its products and their recycling.

Ultimately, there was the strong belief that for Nestlé business to prosper over the long-term, the communities where the company was presented would have to prosper as well. This way, Nestlé had not only to create economic value, but also social value where it operated. Nestlé had to Create Shared Value.

3.3. Creating Shared Value Strategy

Nestlé`s Creating Shared Value strategy combined the company`s ambition to meet the needs of its consumers and shareholders, as well as its own commitments to respect people and the environment. It was a long-term strategy where every single investment had to create a sustainable value to the company`s business, its shareholders and society as a whole.

In order to create its Creating Shared Value strategy, Nestlé decided to focus on areas where not only its shareholders but also society would have a strong interest, and where value creation could be optimized for both. Nestlé was committed to create shared value by:

- using its core business strategies to create economic value to its shareholders
- serving consumers by offering them healthy products that contribute to their lives
- improving both the economic and social conditions for people and communities across its value chain

Nestlé decided to focus in three distinct areas: nutrition, water and rural development. All these areas of Shared Value Creation were achieved at each stage of Nestlé`s value chain (exhibit 3) and all the value created – in economic, innovation, social and environmental terms – was shared between Nestlé and its stakeholders (exhibit 4).

3.3.1. Nutrition

Nutrition was the first focus on this strategy as it was the basis of the company`s business, being "the reason why we [Nestlé] exist"[38]. In fact, the primary value that Nestlé wanted to create to its consumers was better nutrition.

Nestlé aimed to contribute to the health and wellbeing of its consumers by offering them highly nutritious products that were accessible at an affordable price. Moreover, Nestlé wished to create awareness, knowledge and understanding about the theme among consumers throughout a clear and responsible communication, so that they were informed and could decide what was the best option for them.

Then, Nestlé wanted to play a central role in helping society to address over-nutrition, under-nutrition and obesity, problems that were affecting billions of people all over the world. In order to play that role Nestlé has developed some real actions among its entire value chain, in the regions where it operated. One of the underlying programs developed by the company in order to address this topic was the Healthy Kids Global Program, which aimed to teach children about the value of nutrition and physical activity. The program had already reached 5,4 million children in 2012, being active in more than 50 countries worldwide.

Nestlé had also made a strong commitment to promote a safe and adequate nutrition program for infants, implementing the World Health Organization`s International Code of Marketing of Breast-milk Substitutes (WHO code) voluntarily, whether or not national regulation existed. As a result, in March 2011, Nestlé became the first infant formula manufacturer to be included in the FTSE4Good (Financial Times Stock Exchange responsible investment) index, the only in the world that had a criteria on the marketing of breast-milk substitutes.

Furthermore, Nestlé wanted to pursue its strategy offering nutritious affordable products to emerging markets. Thus, in order to address this specific consumer segment, Nestlé created the Popularly Positioned Products, which focused on creating products that were both highly nutritious and affordable on a daily basis for low-income consumers, based on a low-cost, high-quality business model.

Moreover, Nestlé created both Nestlé Nutrition, a global business unit, and a Corporate Wellness Unit, with the main mission of driving the nutrition, health and wellness orientation across all the company`s businesses. These units were responsible for renovating almost 7.000 Nestlé products in order to address the new nutrition and health requirements. They had also provided nutritional training to 226.000 employees.

---

[38] Nestlé Creating Shared Value Report 2009. A message from our Chairman and CEO.

In 2011, Nestlé created its Nestlé Health Science institute with the main aim of developing science-related personalized nutrition solutions to chronic medical conditions, becoming the world`s largest private nutrition research and development organization.

All these aspects did not only create a social value for society, but also an economic one to Nestlé. In fact, due to these activities, Nestlé had a deeper knowledge of nutrition and health themes, which the company encompassed to its business strategy, developing new products that would better meet consumer`s needs. Moreover, Nestlé achieved a higher brand awareness and recognition, increased consumer loyalty and adjusted its business strategy in order to achieve a long-term market growth, market share and profitability.

3.3.2. Water

Water was chosen because it was the key aspect needed to ensure the future of Nestlé business. In fact, it was a key focus on the company`s operations and its long-term resources depended on the water resources that support both their business operations (mainly agriculture, for which two-thirds of worldwide fresh water was allocated) and the livelihoods of Nestlé`s suppliers and consumers. Moreover, Nestlé`s consumers used water to consume and prepare some of its products.

Thus, water was a critical resource for Nestlé and the company was committed to develop its business in a way that facilitated an effective water stewardship in geographies where Nestlé`s raw materials were sourced from, where its factories were located, and where its suppliers and consumers were. In short, everywhere. In 2010, Nestlé made a public commitment supporting the human right to water: the W.A.T.E.R. commitment (exhibit 5), underlying five important objectives that every operation should target.

Furthermore, Nestlé engaged in a series of activities and partnerships in order to underline the importance of the topic. Thus, in 2007, Nestlé was a founding party of the UN Global Compact CEO Water, a public-private partnership with the main aim of helping companies with their water sustainability policies and practices; the following year, Nestlé was a founding member of the 2030 Water Resources Group, a partnership among private sector companies, NGOs and governments that addressed the water challenge worldwide. Nestlé was also a partner of two other water related initiatives, the Water Footprint Network and the Alliance for Water Stewardship.

More recently, Nestlé created a blog – the Water Challenge blog –, a personal blog of the Nestlé Chairman, Peter Brabeck-Letmathe, and his guests that had as main purpose to stimulate the discussion of critical water challenges worldwide.

Apart from these actions, Nestlé was also working in order to standardize the international methodology that should be used to asses the impact of water use, which was not a reality at the time, and so every company presented its results in the format that best suits to it. Thus, Nestlé was a public supporter of measurement and management water processes, the new ISO 14046 Water Footprint Standard.

As a consequence of this effort, Nestlé achieved the highest score of any food producer in the water-related risk section of the 2012 Dow Jones Sustainability Index among food producers. It was also awarded by ESSEC Business School in France, which recognized the company`s effort of assisting local farmers in order to improve their water efficiency.

The result of this Nestlé`s effort regarding the perseverance of water worldwide creates a shared value, both social and economic. In fact, whereas for society it enabled a universal access to clean water and sanitation facilities, for Nestlé it enabled to reduce risks and costs and allowed forecasting a long-term availability of raw materials and water, which translated in a profitable and sustainable growth.

3.3.3. Rural Development

Rural Development was the third theme that belonged to Nestlé`s Creating Shared Value strategy. It was justified by the strong belief that the overall wellbeing of farmers, small entrepreneurs, workers, Nestlé suppliers and even the rural communities in which the company operated was essential to the company`s long-term business success. Moreover, as worldwide population increased, the challenge of producing sufficient agricultural raw materials was becoming even more demanding. Moreover, Nestlé recognized the important role that farmers developed in their business operations, supplying the company with its raw materials, mainly the dairy, cocoa and coffee farmers, from whom Nestlé purchased directly.

This was why it was so important to Nestlé to ensure it sourced its raw materials in a responsible and sustainable way. Nestlé depended on more than 5 million farmers who grew all the raw materials that appeared in the company`s products, working directly with more than 690.000 farmers. These farmers composed the Farmer Connect program, in which they had to comply with the Nestlé Supplier Code, which stated strict rules regarding business integrity, working conditions and sustainable and environmental practices. These rules were then controlled by the Responsible Sourcing Audit Program, conducted by Nestlé. Apart from the supplier code, every supplier was also asked to register in the Supplier Ethical Data Exchange, the largest independent global database of ethical workplace practices.

Moreover, Nestlé was the first food company to work with the Fair Labor Association NGO, a non-profit association that worked with major companies in order to help them to improve working conditions in their supply chains.

Furthermore, Nestlé also directly worked with its suppliers in order to improve their efficiency. In fact, in 2012, through the Nescafé Plan and the Cocoa Plan, more than 270.000 farmers received a capacity-building program training that focused mainly on the efficient use of water and land conservation, as well as agricultural best practices and education to the community, without any condition attached. Nestlé had also provided financial assistance to 44.000 famers in 2012 (exhibit 6) by investing in factories and rural areas that created infrastructures and employment, and developed an R&D program with the main objective of helping farmers producing their crops in a long-term sustainable way. A team of over 1.100 agronomists and 12.000 agricultural staff worldwide, who was also responsible for maintaining an on-going dialogue with governments and NGOs partners, supervised all these activities.

The strategy that Nestlé developed inside its Rural Development area translated in the creation of economic and social value. In fact, whereas society had the opportunity to face higher quality crops, employment and economic development opportunities and a huge increased in farmers` knowledge and income, Nestlé benefited from a more secure supply of high-quality raw materials with lower procurement costs and a consumer preference for its products, which, once again, translated into a sustainable and profitable growth to the company.

3.4. Implementing the Creating Shared Value Strategy

In order to correctly implement its Creating Shared Value strategy, Nestlé had to incur in other activities that would reinforce the creation of additional economic and social value.

3.4.1. Governance of CSV, Sustainability and Compliance

The role Nestlé developed in society was an important aspect of its business strategy, and so both the Chairman and the CEO were directly involved in its supervision and management. Under their direction, other teams and executive officers were responsible for the areas of Compliance, Sustainability and Creating Shared Value (exhibit 7).

The quarterly Creating Shared Value Alignment Board, directed by Nestlé`s CEO, overseed the strategic implementation of the concept of Creating Shared Value across all the company`s businesses, thinking about how to create value in a sustainable way that is good both for Nestlé and society.

The Creating Shared Value Advisory Board, created in 2009, brought together external experts (exhibit 8) in the areas of corporate strategy and Nestlé`s Creating Shared Value areas - nutrition, water and rural development – to assess the company`s progress in that area and discuss Nestlé`s CSV possible opportunities and challenges. All board members were elected for three years and met annually, participating in the annual Nestlé CSV Global Forum. It is important to underline that one of the CSV Advisory Board members was Michael Porter, Bishop William Lawrence University Professor at Harvard Business School, one of the authors of the Creating Shared Value concept. The presence of the CEO in both the CSV Alignment Board and the CSV Advisory Board ensured alignment between both parts.

3.4.2. Stakeholder Engagement, Partnerships and Industry Alliances

Nestlé believed that trust was a crucial aspect of its business. As both the Chairman of the Board, Peter Brabeck-Letmathe and the CEO, Paul Bulcke, underlined in their letter to shareholders in 2009, "the notion of trust was central to the [2008 economic] crisis. Trust, therefore, is central also to the recovery: between business partners, between legislators and industry, and between companies and the consumers of their products. […] We know that trust needs to be earned with all stakeholders product by product, brand by brand, consumer by consumer, and we understand that trust is also about corporate behaviour"[39]. Trust was the main reason why Nestlé involved in stakeholder engagement activities and searched for strategic partnerships and industry alliances.

A wide range of stakeholders influenced Nestlé businesses: from consumers, customers, employees, and suppliers, to governments, NGOs and communities, among others. Engaging with them was the way Nestlé thought in order to not only build a solid trust, but also identify emerging issues so that it could better adapt its business and continue to drive performance improvements. In fact, this way Nestlé was able to understand different viewpoints from a wide variety of external entities, which provided a broad perspective and identified future trends, risks and opportunities that could shape Nestlé`s businesses in the near future. Thus, Nestlé encouraged each of its businesses to identify the most important stakeholders, who were then strategically coordinated at both the CSV Forum and the stakeholder convenings.

The CSV Forum, which took place annually, happened for the first time in 2007. This was an international conference that took place in a different location every year and that brought together a lot of external experts (individuals and organizations), including all the members of the Nestlé CSV Advisory Board, in areas that were relevant to Nestlé. These sessions focused on the role of business in society and its development, particularly in the nutrition, water and rural development areas.

The stakeholder convenings were more focused on Nestlé`s specific issues, including the company`s own accountability and commitments` delivering in CSV. These stakeholder convenings started in 2007 in Geneva, but from 2011 Nestlé had decided to hold two convenings a year, one in London and another in a rotating emerging market. Every stakeholder presented had the opportunity to recommend future actions to Nestlé, which should be then taken into account for future strategies and actions. In fact, feedback from these convenings in earlier years had led to Nestlé`s partnership with the Fair Labor Association. Senior managers and decision-makers from Nestlé businesses attended both events.

Partnerships and industry alliances were also a crucial point in Nestlé`s Creating Shared Value strategy. In fact, Nestlé believed that "creating and maintaining long-term, trusting relationships with partners is the key to Creating Shared Value"[40]. Indeed, these strategic partnerships helped the

---

[39] Nestlé Annual Report 2009. Letter to our shareholders.
[40] Nestlé website. http://www.nestle.com/csv/nestle/partnerships-alliances [accessed May 14, 2013]

company to achieve its own objective of inspiring, building and protecting trust with its stakeholders. Moreover, through these partnerships Nestlé was able to enhance its reputation of the leading Nutrition, Health and Wellness company, while helping to address economic, social and environmental challenges. Thus, Nestlé had more than 25 partnerships or industry alliances with a wide range of organizations in diverse areas related not only with the nutrition, water and rural development areas, but also human rights and environmental protection, among others.

3.4.3. External Assessments, Reporting and Trust

Nestlé started reporting its Creating Shared Value strategy in 2006. Since that year on, apart from the annual managerial report, Nestlé always launched an annual Creating Shared Value report where it not only presented the concept and how the company was implementing it, but also the challenges it was facing, its commitments, its performance and its external recognition for what had been done. This way, Nestlé was able to be transparent with all its stakeholders, underlying the importance of trust that allowed it to achieve a higher sustainable performance in both economic and social terms. It is also important to underline that in every report there was a letter from both the Nestlé`s Chairman and CEO that was addressed to Nestlé`s stakeholders. All reports were aligned with the international Global Report Initiative 3.1 guidelines.

The external assessments (exhibit 9) that Nestlé was able to excel with distinction, from which the Dow Jones Sustainability Index 2012 was the most relevant one, were also an important aspect of the company`s strategy. In fact, these assessments fortified the company`s image and reinforced the trust relationship with its stakeholders. It was the external evidence that Nestlé was evolving in the right path in its strategy.

3.5. The Nestlé Transformation

In 2008 Nestlé transformed its corporate businesses strategies and operations in order to achieve its main goal, to be the worldwide leader in Nutrition, Health and Wellness, trusted by all stakeholders. A new framework, the Nestlé 4 X 4 X 4 Roadmap, would set out the necessary changes in strategy and operations in order to achieve that objective. This framework was intended to create alignment to all Nestlé employees behind a consistent set of strategic priorities that would accelerate the achievement of the main goal. In fact, this framework was expected to underline Nestlé`s commitment of Good Food, Good Life, providing “consumers with the best tasting, most nutritious choices in a wide range of food and beverage categories and eating occasions, from morning to night, and thereby to help them to live enjoyable, healthy lives”[41].

The Nestlé 4 X 4 X 4 roadmap combined four Nestlé competitive advantages – unmatched product and brand portfolio; unmatched research and development capability; unmatched geographic

[41] Nestlé Annual Report 2009

presence and people, culture, values and attitude – with four growth drivers – premiumisation; out-of-home leadership; emerging markets and popularly positioned products and nutrition, health and wellness – and four operational pillars – innovation and renovation; operational efficiency; whenever, wherever, however and consumer engagement (exhibit 10).

However, the most important aspect to underline is that, at the centre of this framework, there were not only Nestlé culture, values and principles, but also the compliance and sustainability principles and the Creating Shared Value concept. In fact, this concept was transversal to all Nestlé`s businesses and its strategy, developing a critical point in Nestlé`s competitive advantage, growth drivers or operational pillars. Only applying this concept in its daily reality was the company able to achieve its main objective. In fact, Creating Shared Value "is our basic way of doing business"[42]. The justification of this strategic approach was given by Paul Bulcke, Nestlé CEO, "Nestlé`s orientation is long-term [and] we would not do anything for a short-term advantage which might jeopardize our long-term interests. This reflects how we see our role: evolving with society, safeguarding our relationships with the communities in which we work, because we intend to continue to be a part of those communities. This is why we have linked the concept of corporate social responsibility with our basic activities. Our success must be linked, not only to the creation of value for our shareholders, but also to the creation of value for society. This is what we call Creating Shared Value"[43].

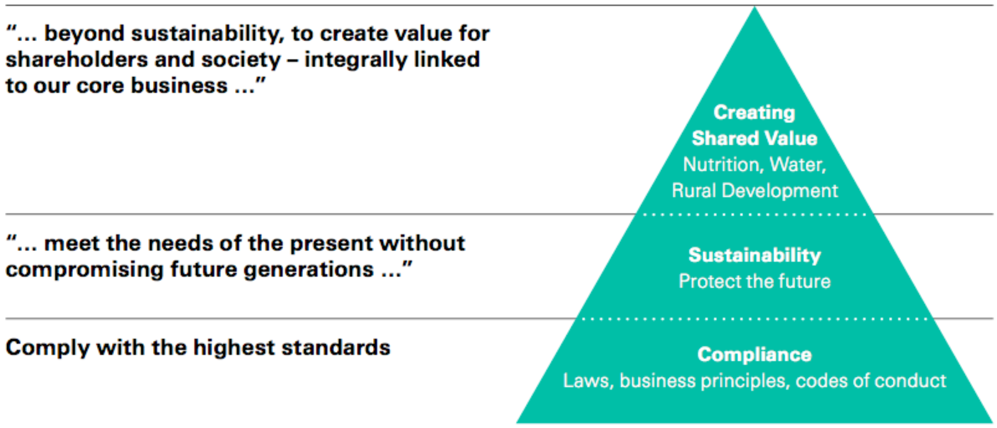
This strategic change in the company was known as the Nestlé Transformation and helped the company to achieve its Nestlé Model, an high level of organic sales growth together with a sustainable improve in its profit margins, objective that Nestlé was able to target from 2006 (exhibit 11). The Nestlé Creating Shared Value strategy, which undoubtedly contributed to this transformation, had been evolving since its implementation in 2006. Now, new questions rise: how should Nestlé improve its strategy in order to meet the increasing expectations of its stakeholders, while creating both economic and social values? Should Nestlé adopt other areas of interest in its strategy, apart from Nutrition, Water and Rural Development? And how should this Nestlé leadership role in the Creating Shared Value arena influence its overall strategy?

---

42 Nestlé Rural Development Report 2010. A message from our Chairman and CEO.
43 "Guest Interview: Paul Bulcke, Nestlé", Iso Focus, July – August, 2012

Exhibits

Exhibit 1: Nestlé in Society Pyramid

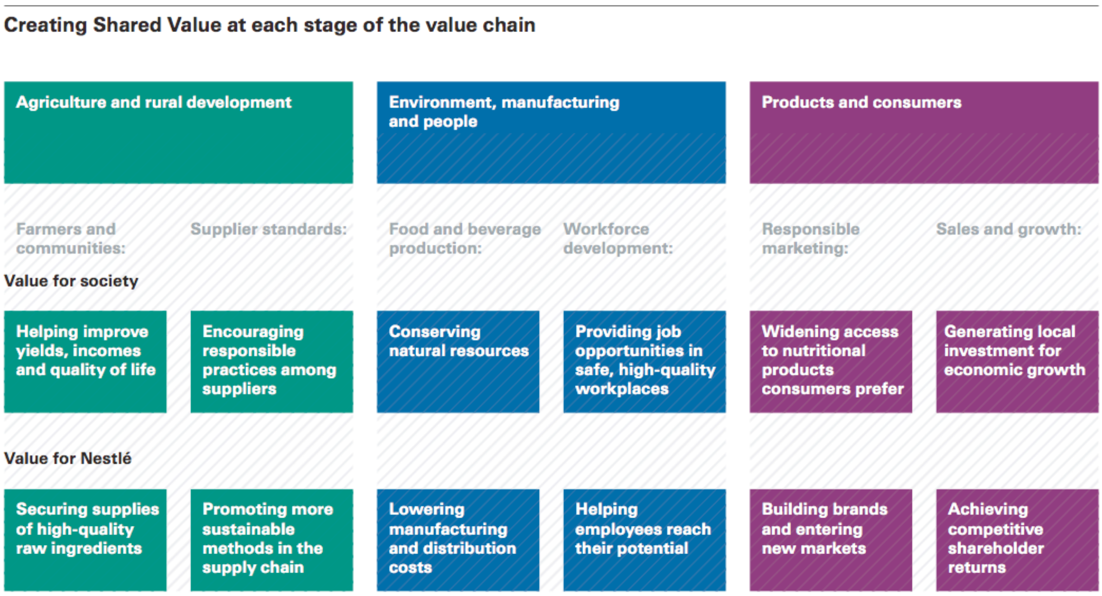


Source: Nestlé Creating Shared Value Report 2011

Exhibit 2: Nestlé Corporate Business Principles

Source: Nestlé in Society: Creating Shared Value and meeting our commitments 2012

Exhibit 3: Creating Shared Value at each stage of the Value Chain



Source: Nestlé Management Report 2008

Exhibit 4: Nestlé Creating Shared Value with its Stakeholders

	Economic	Innovation & Knowledge Transfer	Social and Health Environmental
Consumers	Consumer Surplus	Knowledge on Nutrition and Health	Products with low-cost
Suppliers & Distributors	Supplies of Raw Materials and Packaging	Knowledge transfer to farmers and improvements in the value chain	Sustainable Processes
Industry	Price and Cost pressure on other actors	Improve the efficiency of the food and beverage industry	Improvement of labour and environmental standards
Employees	Jobs and Income for employees and their families	Training of Employees	Social security, workplace health and safe
Communities and Government	Taxes and Infrastructures	Community Education Programs	Shareholder value for pension funds
Shareholders	Increased Shareholder value		

Source: Adapted from Nestlé Management Report 2009

Exhibit 5: Nestlé W.A.T.E.R. Commitment

- **W** — **Work to achieve water efficiency across our operations.** Leading in water resource management and excelling in the reduction of the direct water use in all our facilities.
- **A** — **Advocate for effective water policies and stewardship.** Promoting public policies that place value on water at every level.
- **T** — **Treat effectively the water we discharge.** Setting strict targets for returning clean water to the environment.
- **E** — **Engage with suppliers, especially those in agriculture.** Helping to improve their water management with focus on impacts at watershed level.
- **R** — **Raise awareness of water access and conservation.** Engaging employees, communities and consumers in the water imperative.

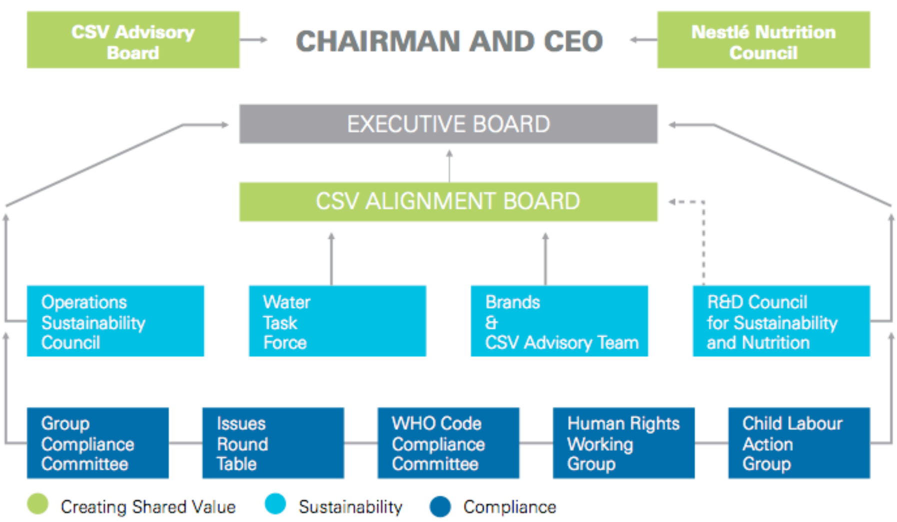
Source: Nestlé Website. http://www.nestle.com/csv/water/managing-water [accessed May 13, 2013]

Exhibit 6: Rural Development Training and Financial Assistance initiatives

	Farmers trained through capacity-building programs	Farmers benefiting from financial assistance
2010	144.900	44.000
2011	200.751	45.000
2012	273.808	44.000

Source: Adapted from Nestlé Website. http://www.nestle.com/csv/rural-development/farmers [accessed May 14, 2013]

Exhibit 7: Governance of CSV, Sustainability and Compliance



Source: Nestlé in Society: Creating Shared Value and meeting our commitments 2012 Report

Exhibit 8: Creating Shared Value Advisory Board Members 2012

Nancy Birdsall

Nancy Birdsall is the founding president of the Center for Global Development. Before founding the Center, she served for three years as Senior Associate and Director of the Economic Reform Project at the Carn- egie Endowment for International Peace. From 1993 to 1998, she was Executive Vice President of the Inter-American Development Bank. Before joining the Inter-American Development Bank she spent 14 years in research, policy and management positions at the World Bank.

Robert E. Black

Robert E. Black is Chairman of the Department of International Health, Johns Hopkins University, Bloomberg School of Public Health. He has devoted his research and professional activities to reducing the number of unnecessary child deaths from diarrhoea, pneumonia, malaria, measles and malnutrition. His many studies are also focused on the impact of nutrition programmes in developing countries and the strengthening of public health training.

John Elkington

John Elkington is co-founder of Sustain- Ability, and Founding Partner and Director of Volans. He is a world authority on corporate responsibility and sustainable development. In 2004, BusinessWeek described him as "a dean of the corporate responsibility movement for three decades," and, in 2008, The Evening Standard named John among the "1000 Most Influential People" in London, describing him as "a true green business guru," and as "an evangelist for corporate social and environmental responsibility long before it was fashionable."

Venkatesh Mannar

Venkatesh Mannar is President of the Micronutrient Initiative (MI) and oversees the implementation of MI's global mandate to support national actions to eliminate micronutrient malnutrition. MI works in collaboration with major international agencies, national governments, private industry and non-governmental organisations (NGOs) to expand and strengthen national programmes through a combination of technical, operational and funding support.

Ruth Khasaya Oniang'o

Ruth Khasaya Oniang'o is formerly Professor of Food Science and Nutrition at Jomo Kenyatta University of Agriculture and Technology, Nairobi, Kenya and adjunct Professor of Nutrition at Tufts University in the USA. She is also Founder and Executive Director of the Rural Outreach Program Kenya, as well as Founder and Editor-in-Chief of the African Journal of Food, Agriculture, Nutrition and Development. She has published and communicated widely on household food and nutritional secu- rity, women's nutrition and children's health, works in rural development focused on women smallholder farmers and is a former member of parliament in Kenya.

Prabhu Pingali

Prabhu Pingali, Deputy Director of the Agriculture Development Program at the Bill and Melinda Gates Foundation, has over twenty five years of experience in assessing the extent and impact of technical change in developing agriculture in Asia, Africa and Latin America. He was formerly the Director of the Agricultural and Development Economics Division of the Food and Agriculture Organization (FAO), and earned a Ph.D. in Economics from North Carolina State University in 1982.

Michael E. Porter

Michael E. Porter is Bishop William Lawrence University Professor at the Harvard Business School. He is a leading authority on competitive strategy, the competitive- ness and economic development of nations, states and regions, and the application of competitive principles to social problems such as healthcare, the environment and corporate responsibility.

Ismail Serageldin

Ismail Serageldin, Director, Library of Alexandria, also serves as Chair and Member of a number of advisory committees for academic, research, scientific and international institutions and civil society efforts, which include the Institut d'Egypte, TWAS (Academy of Sciences of the Developing World), the Indian National Academy of Agricultural Sciences and the European Academy of Sciences and Arts.

Robert L. Thompson

Robert L. Thompson, Professor Emeritus of Agricultural Policy at the University of Illinois in Urbana-Champaign, is an international authority on agricultural development and international agricultural trade policy. He is a Senior Fellow of the Chicago Council on Global Affairs and serves on the USDA-USTR Agricultural Policy Advisory Committee for Trade and the International Food and Agricultural Trade Policy Council. Formerly, he was Director of Rural Development at the World Bank, Dean of Agriculture at Purdue University, and Assistant Secretary for Economics at the US Department of Agriculture.

Kraisid Tontisirin

Kraisid Tontisirin is Director of the Institute of Nutrition at Mahidol University in Thailand and FAO's former Director of the Nutrition and Consumer Protection Division. He is President of the 2009 International Congress of Nutrition Organizing Committee, which was held in Bangkok in October 2009. He has an extensive background in successful efforts to improve diets and re- duce nutritional deficiencies in developing countries.

Ajay Vashee

Ajay Vashee was, most recently, President of the International Federation of Agricultural Producers (IFAP), which represented farmers at the world level. Elected at the 38th IFAP World Farmers' meeting in June 2008, he was the first President from a developing country (Zambia).

Ann M. Veneman

Ann M. Veneman has a distinguished career in public service. Most recently, she served as Executive Director of UNICEF from May 2005 to April 2010; previously, she was US Secretary of Agriculture from 2001 to 2005. While at UNICEF, she worked to advance issues to support child health and nutrition, quality basic education for all, access to clean water and sanitation, and the protection of children and women from violence, exploitation and HIV/AIDS. In 2009, she was named in the Forbes 100 Most Powerful Women list, ranking 46th. Ann M. Veneman serves as co-Chair of Mothers Day Every Day, a bipartisan campaign to raise awareness and resources to improve the health of mothers and newborns globally.

Source: Nestlé in Society: Creating Shared Value and meeting our commitments 2012 Report

Exhibit 9: Nestlé`s External Assessments

Carbon Disclosure Leadership Index 2012

For the third year running, Nestlé has been included in the Global 500 Carbon Disclosure Leadership Index for its proactive approach to climate change. Nestlé has topped a list of global companies in efforts to disclose and cut carbon emissions.

Carbon Disclosure Project (CDP) Water

Nestlé participated on the CDP Water Program every year since its launch in 2010.

Dow Jones Sustainability Index 2012

Nestlé was included again in the Dow Jones Sustainability Index, achieving a Silver Class distinction.

Oxfam – Behind the Brands

Nestlé has scored the top rank in Oxfam`s, which assessed policies and commitments of 10 leading food manufacturers towards sourcing of agricultural commodities in developing countries.

Forest Footprint Disclosure

Forest Footprint Disclosure is a special project of the Global Canopy Foundation. Initiated in 2008 the project is designed to improve corporate understanding of a 'forest footprint' generated by the use of forest risk commodities: soy, palm oil, timber, cattle products and biofuels.

Source: Adapted from Nestlé website. http://www.nestle.com/csv/performance/external-assessments [accessed May 14, 2013]

Exhibit 10: Nestlé 4 X 4 X 4 Roadmap

Four competitive advantages

Nestlé's product and brand portfolio ranges from global icons to local favourites. It is supported by an **unmatched research and development capability**, with clear priorities, focused on driving innovation and renovation that is relevant and attractive for consumers.

Our Group has an **unmatched geographic presence**, due to the depth of our roots in countries all over the world, which often stretch back many generations. This has created strong relationships between our brands and their consumers, as well as an unrivalled understanding of consumers, enabling us to anticipate their needs and improve the quality of their lives.

Our people, culture, values and attitude are our greatest strength. The Nestlé culture, with its natural openness to diversity, binds our people together all over the world with a shared set of behaviours and values into a single way of doing business. Our culture combines a long-term mindset with short-term action. It encompasses a passion for quality – in products, in relationships, in everything we do. It is focused on competitiveness, calculated risk-taking and an unswerving determination to deliver our goals, while creating value for society as a whole.

Four growth drivers

Leadership in **Nutrition, Health and Wellness** means offering tastier and healthier choices to consumers throughout the day; it means responding to specific nutritional needs through Nestlé Nutrition; and it means pioneering ways to address critical illness through nutrition at Nestlé Health Science.

Emerging consumers are consuming our **Popularly Positioned Products (PPP)**. We bring all our nutritional know-how to these consumers, the same brand promise and quality, and we strive to add the extra plus – such as fortification against nutritional deficiencies. With **premium products**, consumers want an indulgent moment of pleasure, an everyday reward. Our premiumisation strategy, incorporating systems, services and products, is enhancing consumers' lives, whilst creating additional value per consumption moment: many consumers are not looking to eat and drink more; they are looking to eat and drink better.

Out-of-home consumption is a fast growing part of our industry. This covers leisure, from roadside kiosks in Asia to gourmet restaurants in the capitals of the world, and institutional catering, from schools to hospitals. Our focus here is on added-value branded food and beverage solutions and services.

Four operational pillars

We want to be the leader in **innovation and renovation**, whether of products, systems or processes. Some products will be entirely new, some will have a refreshed aspect. Regardless, we take an invigorating point of view to keep our consumers excited about our brands.

We also need to have the most efficient supply chain – from farm to fork and beyond – to ensure that we have the best raw materials, the best processes and the freshest products on our customers' shelves. Nestlé Continuous Excellence is our approach to **operational efficiency**, with its objectives of eliminating waste, increasing efficiency and effectiveness, and improving quality in all operations.

It is not enough, however, just to make the most innovative products in the most efficient way; we also need to ensure that our products are available sustainably **whenever, wherever and however** consumers want to buy them. And, of course, we need to **engage with our consumers** in a dynamic way: both to keep them abreast of all that is new and exciting, but also to learn from them, so that we can bring their experiences to bear on our new and updated products – helping us to achieve our ambition to be a leader in innovation and renovation.

Source: Nestlé Annual Report 2012

Exhibit 11: The Nestlé Model

	Organic Sales Growth	Operating Profit Margin
2006	6,2%	13,5%
2007	7,4%	14%
2008	8,3%	14,3%
2009	4,1%	14,6%
2010	6,2%	14,8%
2011	7,5%	15%
2012	5,9%	15,2%

Source: Nestlé Annual Reports (from 2006 to 2012)

Chapter 4. Methodology

In order to correctly answer the research questions proposed in the Introduction chapter, it was important to collect both qualitative and quantitative data. In fact, qualitative data would give us an idea about the strategy companies should implement in order to create a sustainable and long-term social and economical value, whereas quantitative data should have confirmed our main conclusions.

First, important **secondary data** was obtained through academic papers and newspaper news about the discussion regarding the role business should take in society. It was important to consult some scientific papers from a different temporal perspective in order to understand the evolution of the Corporate Social Responsibility concept, as well as the evolving discussion of the interdependence between business and society. All these findings were addressed in the Literature Review, which led us to the main concept of the presented case study, Creating Shared Value.

Then, **qualitative data** was obtained in Nestlé`s website. All Managerial Annual reports since 2001 were analysed, as well as all the Creating Shared Value reports of the company, amongst other reports and Nestlé`s public commitments that focused on Nestlé`s Creating Shared Value strategy. These reports were critical to the development of the case study, as they allowed not only to gather more data about Nestlé`s strategy on the topic, but also to understand how Nestlé was able to implement it. Moreover, these reports were also important to collect **quantitative data** about the financial performance of the company in general and specific numbers regarding to its Creating Shared Value strategy in particular areas.

An **interview** with Marta Amaro, the Corporate Communication Manager at Nestlé Portugal, was fundamental to gather more qualitative, detailed and reliable data about Nestlè`s Creating Shared Value strategy that is not presented in the company`s website, as well as clarify some doubts about the data presented.

Thus, the present case study was done based on data collected from the company`s website, company reports and presentations, the interview with Marta Amaro and scientific papers and magazine news that focused on Nestlé`s Creating Shared Value strategy.

Finally, all the data gathered was fundamental to elaborate the Teaching Notes chapter that aims to analyse the present case study by combining the result of a deep study about the case with a study about the topic of Corporate Social Responsibility. The analysis to the case study was done through the path of suggested teaching questions, complemented with a suggested discussion approach based on the data collected in the Literature Review section, the case study itself and illustrative frameworks.

Chapter 5. Teaching Notes

5.1. Introduction

The present chapter has as main objective to guide the presentation and the analysis of the "Creating Shared Value at Nestlé" case study.

First, a Case Synopsis is presented that aims to present an overview of the case study and its main topics. Then, the Learning Objectives that should guide professor`s concern about the final goals are presented, as well as the Teaching Questions that professors should ask in order to guide the case study analysis and discussion.

Moreover, a section containing the Suggested Additional Teaching Material is available so that students could deepen their knowledge on the subject, as well as a Suggested Teaching Method section, where a recommendation about the time and in-class approach that professors should take to this specific case study is presented, as well as an analysis of the teaching questions that would better guide class discussion.

5.2. Case Synopsis

The present case study, "Creating Shared Value at Nestlé", is about the way Nestlé, the worldwide leading company in the food and beverage segments, was successful in implementing its Creating Shared Value strategy in its business strategy and operations, creating both economic and social value.

The case study starts with a brief introduction about the company itself and the non-market related challenges it was facing, mainly the sensible topic of responsible marketing of breast milk substitutes in developing countries. These were challenges that were becoming increasingly important to Nestlé`s stakeholders, increasing its popularity and its direct negative effect on the company results.

Something had to be done by Nestlé. The present case study focuses mainly since 2006, the year when that change started. It shows what Nestlé did, adopting the Creating Shared Value concept into its core strategy: the way Nestlé thought about it, how it implemented and how its strategy was evolving until 2013.

The principle of Creating Shared Value involves creating economic value that also creates value for society by addressing its needs and challenges. This way, a company`s strategy should not only create economic value for its shareholders, but also create social value for society. In order to be effective, this concept has to be at the center of a company`s strategy, only being successful if businesses are able to:

- Reconceive Products and Markets, developing products and services that meet societal needs in both developed and developing countries
- Redefine Productivity in the Value Chain in order to drive not only economical, but also social value creation, using resources in a more efficient way across the entire value chain

- Enable Local Cluster Development in order to improve businesses productivity while addressing the gaps or failures in the whole community in which businesses operate, improving the conditions for local economic and social development

The present case study shows how Nestlé was able to implement this concept, creating both economic and social value across its entire value chain. It presents the areas where Nestlé decided to focus: areas where not only its shareholders but also society would have a strong interest, and where value creation could be optimized for both. These are the areas of Nutrition, Water and Rural Development. The reasoning behind such a choice is presented, as well as the particular activities that Nestlé has been developing in each area. Moreover, the social and economical aspects of value creation for society and the company are also presented.

The case study also presents the overall Creating Shared Value strategy concerns. In fact, a Nestlé in Society Pyramid was created and a lot of other initiatives took place, such as the stakeholder engagement activities, the creation of strategic partnerships or industry alliances, the existence of external assessments and the company`s particular reporting in that area, amongst others. The reasoning behind why they were important to the overall strategy and the way they were implemented in the Nestlé 4 X 4 X 4 Roadmap transformation strategy is also analysed.

Finally, it is examined the way this Creating Shared Value strategy contributed to the successful performance of the Nestlé Model and the evolving way as Nestlé was being perceived as the worldwide leading Nutrition, Health and Wellness company.

5.3. Learning Objectives

The "Creating Shared Value at Nestlé" case study was prepared to show how a company should address its non-market environment challenges in the Corporate Social Responsibility arena, building a long-term, sustainable relationship with society; how should a company create a competitive advantage through its strategy related with the way it connects with society. Thus, the presented case study is suitable for any strategy and corporate strategy course, or others that may underline the role of business in society. This case study is appropriate to any Undergraduate, Master of Science, MBA or Executive Education program that may focus on the referred arena.

The main purpose of this case study is to show the reality of a company that was facing demanding challenges due to non-market related issues that were strongly making a negative impact in its business strategy and results. To show how the company was able to face these challenges and reformulate its strategy in order to meet the increasing requirements of its stakeholders in a successful way. Accordingly, the main learning objectives could be underlined in the following items:

- to understand that non-related market issues can have a strong negative impact in a company`s business strategy and results

- to lead the discussion about the role of business in society: when and how does it make sense?
- to understand what could be the corporate objectives when addressing a strategy that also creates social value, and in which aspect does the company create value for itself
- to understand how should a company think about and implement a corporate strategy that creates both economic and social value

5.4. Teaching Questions

Teaching questions are suggested questions that might lead the discussion of the case study. All the teaching questions are related with the main research questions of the thesis, and they are the following:

TQ1: Why do companies engage in Social Responsibility strategies? How do they should implement these strategies?

TQ2: In what sense do you think that leadership in Nestlé influenced its Social Responsibility commitments?

TQ3: What were the important steps in order to Nestlé develop and implement its Creating Shared Value strategy?

TQ4: Do you think Nestlé was successful in its Social Responsibility strategy?

TQ5: Can Nestlé`s Creating Shared Value strategy be a sustainable source of competitive advantage?

5.5. Suggested Teaching Material

It is recommended that the present case study is prepared with the reading of the main paper about the topic:

- Porter, M. E. and Kramer, M. R. “Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth”, *Harvard Business Review* 89(1/2), January-February, 2011, pp. 62-77

Moreover, other two papers are strongly recommended:

- Bockstette, V. and Stamp, M. “Creating Shared Value: A How-to Guide for the New Corporate (R)evolution”, *Foundation Strategy Group*, 2012
- Porter, M. E., Hills, G., Pfizer, M., Patscheke, S. and Hawkins, E. “Measuring Shared Value: How to Unlock Value by Linking Social and Business Results”, *Foundation Strategy Group*, 2011

5.6. Suggested Teaching Methods

The suggested time approach to the class discussion to the present case study is 60 minutes. Students may be prepared to this specific class by reading the case study and, if asked, other suggested teaching material. Time distribution can be devised in the following way:

Part I: Brief Introduction regarding the Case Study (5 minutes)

- a brief introduction to the case study, asking students the main subject of the case, the main challenges the company was facing and its main protagonists should be done

Part II: The theory behind the Case Study (45 minutes)

- the discussion of the case study about Nestlé and its Creating Shred Value strategy should be lead by the teaching questions presented, combining both practical and theoretical content

TQ1: Why do companies engage in Social Responsibility strategies? How do they should implement these strategies? (10 minutes)

This first teaching question aims to present a general approach to the link between business and society, explaining why should business interfere in community. In order to answer this question, the contents explained in the Literature Review chapter should be briefly analysed, mainly expressing the reasons why should business pursuit a Social Responsibility strategy. Thus, business would benefit from, among other advantages:

- cost and risk reduction
- positive effect on competitive advantage over other firms
- positive effect on company reputation
- creation of win-win outcomes both for the firm and its stakeholders
- positive effect on consumer`s behavioural intentions
- help to avoid consumer and activists boycotts
- improvement on employee attraction, motivation and retention

However, more important than that, the concepts of Responsive vs Strategic CSR (annex 6 from chapter 2) should be explained and students should be aware that, in order to achieve the best results, a company should always pursuit a strategic approach to Social Responsibility strategies.

TQ2: In what sense do you think that leadership in Nestlé influenced its Social Responsibility commitments? (10 minutes)

"We believe that leadership is not just about size; it is also about behaviour. Trust, too, is about behaviour, and we recognize that trust is earned only over a long period of time by consistently delivering our commitment of Good Food, Good Life."

- Nestlé website

At the time (2006) Nestlé was the leading food and beverage worldwide brand. Thus, all the attention regarding bad operating practices was centred in Nestlé. Of course there might have been other companies that were doing the same, or even worse, as Nestlé. However, Nestlé was the market leader and so all the negative aspects, critics and boycotts were addressed to it. The same happened with Nike in the 1990s.

In fact, a study from the Foundation Strategy Group showed that Nestlé practices were among the best in the food and beverage industry. Still, Nestlé had to act as a leader, facing the challenge and trying to solve it. The choice was developing and implementing its Creating Shared Value strategy. This was certainly a strategic, leadership move in order to properly address the issue maturity and its possible impact in the company (review annexes 1 and 2 from chapter 2).

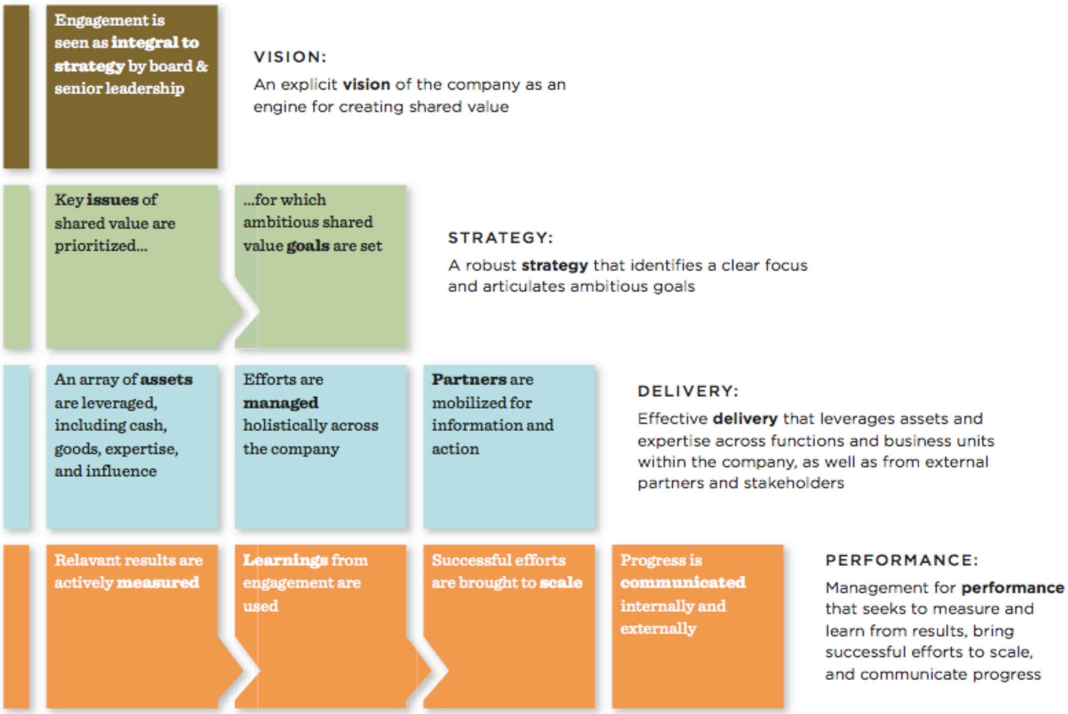
Moreover, even now Nestlé is acting as a leader in the formulation of the Creating Shared Value concept. This way, the company is not only addressing social issues, but also doing it in the way that best performs its own objectives. A clear example of that is the involvement of the company as a public supporter of the measurement and management of water processes, the ISO 14046 Water Footprint Standard, meaning that Nestlé could influence the creation of this new ISO in the way that would better benefit the company in the future.

TQ3: What were the important steps in order to Nestlé develop and implement its Creating Shared Value strategy? (15 minutes)

The very first thing to do in order to analyse this question would be to discuss the concept of Creating Shared Value, addressing its definition and the three main ways from which business would be able to achieve it. Moreover, it would also be important to compare it with the concept of Corporate Social Responsibility, showing that CSV goes even further. The following exhibit could be presented:

Annex 11: CSR vs CSR (Michael Porter and Mark Kramer, 2011)

Then, in order to correctly answer the question presented, students should apply the framework of annex 7 in the Literature Review chapter, the Building Blocks of Creating Shared Value, to Nestlé concrete example:



Source: Bockstette, V. and Stamp, M. "Creating Shared Value: A How-to Guide for the New Corporate (R)evolution", *Foundation Strategy Group*, 2012

Vision:

- Nestlé objective: to be the leading Nutrition, Health and Wellness company worldwide
- CSV engagement from top management, specifically the CEO and Chairman of the company, who are presented in both the CSV Advisory and Alignment Boards

Strategy:

- Key issues: Nutrition, Water and Rural Development
- Main goals:
    - Nutrition: help society to address over-nutrition, under-nutrition and obesity
    - Water: underline the importance of the topic and promote a sustainable use of this resource
    - Rural Development: promote training and financial assistance to its suppliers in order to improve their efficiency and from the communities in which they operate

Delivery:

- Assets: cash, Nestlé expertise in the areas of CSV and Nestlé reputation
- Management: CSV is a core aspect in every strategy or operation of Nestlé businesses, being present in every action made

- Partners: Nestlé hold more than 25 partnerships that would help the company to achieve its main goal, the worldwide leadership in Nutrition, Water and Rural Development

Performance:

- Despite being difficult, Nestlé has to work better its performance metrics so that it could actively measure its results and directly learn from it
- Nestlé is communicating, both internally and externally, its CSV strategy through its annual CSV reports

TQ4: Do you think Nestlé was successful in its Social Responsibility strategy?
(10 minutes)

In spite of being difficult to concretely determine the impact of Nestlé`s Creating Shared Value, due to the main difficulty of separating the impacts of economic and social value creation, Nestlé case is a successful one in its development and implementation.

In fact, Nestlé was able to achieve important objectives in both an economic and social perspective in its entire value chain, as showed in exhibit 3 from the case study.

Moreover, the introduction of the CSV concept at the centre of the Nestlé Transformation strategy, changing the way the company would do business, definitely contributed to the successful performance of the Nestlé Model and the evolving way as Nestlé was being perceived as the worldwide leading Nutrition, Health and Wellness company.

TQ5: Can Nestlé`s Creating Shared Value strategy be a sustainable source of competitive advantage? (10 minutes)

> *The unique role of business is value creation; that is, in order to develop a successful long-term business, we must go beyond compliance and sustainability, and actually create value for society. […] We go beyond consumer value, and aim to create value where it makes long-term business sense, for farmers, for our employees, for small entrepreneurs and for the communities where we operate. We believe that this long-term view is what distinguishes us from many companies and has been a clear competitive advantage.*
>
> - Peter Brabeck-Letmathe, Chairman Nestlé[44]

The Creating Shared Value concept that Nestlé adopted can be easily replicated by other companies in related or non-related industries. However, Nestlé`s Creating Shared Value is unique from Nestlé and is not easily to duplicate. In fact, Nestlé implemented a strategy that is directly related with its own businesses. Thus, it is easy for Nestlé to create both economic and social value with this strategy, but other companies would not straightforwardly be able to. Furthermore, the corporate culture of long-term thinking, which does not cannibalise short-term gains for long-term financial

[44] Nestlé Creating Shared Value Report 2008

results, as well as its central and strategic aspects and the true belief from its employees are essential for the success of Nestlé`s Creating Shared Value strategy.

Moreover, the wide range of strategic partnerships and industry alliances, as well as the Advisory Board, the external assessments and the reporting specifically developed by the company reinforce this sustainable source of competitive advantage that will certainly be translated in financial results, due to:

- higher reputation of the company
- consumer`s awareness and willingness to buy Nestlé products
- higher opportunity to achieve employee attraction, motivation and retention
- cost and risk reduction

This idea can be translated by the external assessments that Nestlé achieved, mainly by the incorporation of the company in the Dow Jones Sustainability Index or the FTSE4Good (Financial Times Stock Exchange for Good), which evaluate companies based on its sustainable practices related with its good financial performance.

Chapter 6. Main conclusions, Limitations and Further Research

6.1. Main conclusions

Founded in 1866, Nestlé has always communicated and embedded in its practices the concept of sustainable development, in the way that business should operate and meet the needs of the present without compromising the needs of the future. In order to comply with this concept Nestlé has implemented the concepts of Compliance and Sustainability that every operation should meet.

However, in 2006, Nestlé changed the way it presents its Social Responsibility activities. It presented the Creating Shared Value concept, going a step further. In fact, accordingly to this concept, Nestlé businesses should not only create economic value to its shareholders, but also societal value for the communities in which the company was presented. Moreover, this should be a concept that would be at the centre of what the company does; it should be its way of doing business. Only this way would the company be able to succeed in the long-term.

Nestlé has developed its Creating Shared Value strategy in three main areas that are extremely relevant to its business operations and strategies – Nutrition, Water and Rural Development – in order to not only better align its results and objectives with society, but also increase the total pie of the value created with both economic and social slopes. The truth is that, although it is very difficult to correctly measure the performance of Social Responsibility activities, mainly Creating Shared Value activities, it seems that Nestlé Creating Shared Value was successful. In fact, it is a long-term strategy that is helping the company to achieve the Nestlé Model, defined as a high level of organic sales growth together with a sustainable improvement in its profit margins, objective that Nestlé was able to target from 2006.

This way, the Creating Shared Value concept seems to be the future path in what company`s Social Responsibility activities is concerned, allowing them to be directly related with the core business practices of a company and then having a major impact in both society and the company itself. It seems that business has the tools and knowledge needed to create both economic and social value in the communities in which is operates, within a long-term and sustainable perspective, with Nestlé being the perfect example that business may do well, being good.

6.2. Limitations and Further Research

The first and leading limitation is related with the format of the present dissertation itself. In fact, it is a case study based on a single company, Nestlé, and therefore the context and the data availability extremely conditioned its final result. However, in spite of this limitation, the present case study represents a deep study of the company itself and translates the successful way in which Nestlé was able to evolve and implement its Creating Shared Value strategy, certainly constituting a valuable resource and example of a company for future researchers interested in the business` Social Responsibility theme.

Another limitation regards to the way data was collected. In fact, the present case study was written based on mainly secondary data, publicly available or gathered in the interview with Marta Amaro. Thus, other data collection sources, such as focus groups or surveys, could better show the opinions of Nestlé`s stakeholders, mainly its partners, its suppliers and its consumers.

However, the most complex limitation was felt when measuring shared value. In fact, although Nestlé corporate practices are mentioned, concrete direct financial return was completely impossible to measure, as it is very difficult to correctly measure the performance of Social Responsibility activities, mainly Creating Shared Value activities. This is an area where Nestlé is working, and in which the first steps have already been taken. However, it is a long process that certainly constitutes a good topic for further research, as it is crucial to understand how business can really measure both the economic and social impact of their Social Responsibility initiatives.

Regarding Nestlé, it would be interesting to research future areas in which the company could implement its Creating Shared Value approach, apart from Nutrition, Water and Rural Development. These should be areas where not only Nestlé`s shareholders, but also society would have a strong interest, and where value creation could be optimized for both. The areas of Responsible Sourcing, Human Talent and Environmental Sustainability seem to be worth studying.

References

Aaker, D. "Creating Shared Value vs. Leveraged Social Programs", *Harvard Business Review Blog Network*, June 30, 2011

Aakhus, M. and Bzdak, M. "Revisiting the Role of "Shared Value" in the Business-Society Relationship", *Business & Professional Ethics Journal* 31(2), 2012, pp. 231-246

Abrams, F. W. "Management`s Responsibilities in a Complex World", *Harvard Business Review* 29(3), May, 1951, pp. 29-34

Argandoña, A. and Hoivik , H. W. "Corporate Social Responsibility: One Size Does Not Fit All. Collecting Evidence from Europe", *Journal of Business Ethics* 89, Spring, 2009, pp. 221- 234

Bach, D. "Analyzing the Nonmarket Environment of Business: the $(ia)^3$ Framework", *IE Business School*, March 25, 2010

Bach, D. and Allen, D. B. "What Every CEO Needs to Know About Nonmarket Strategy", *MIT Sloan Management Review* 51(3), Spring, 2010, pp. 41-48

Berger, I. E., Cunningham, P. H. and Drumwright, M. E. "Social Alliances: Company/Nonprofit Collaboration", *California Management Review* 47(1), Fall, 2004, pp. 58-90

Bhattacharya, C. B. "Leveraging Corporate Responsibility: The Stakeholder Route to Maximizing Business and Social Value", *Stanford Social Innovation Review*, 2013

Bhattacharya, C. B. and Sen, S. "Doing Better at Doing Good: When, Why, and How consumers respond to Corporate Social Initiatives", *California Management Review* 47(1), Fall, 2004

Bhattacharya, C. B., Sen, S. and Korschun, D. "Using Corporate Social Responsibility to Win the War for Talent", *MIT Sloan Management Review* 49(2), Winter, 2008, pp. 37-44

Bockstette, V. "Create Shared Value with a Trampoline Approach", *Harvard Business Review Blog Network*, November 16, 2011

Bockstette, V. and Stamp, M. "Creating Shared Value: A How-to Guide for the New Corporate (R)evolution", *Foundation Strategy Group*, 2012

Bonini, S. M. J., Mendonca, L. T. and Oppenheim, J.M. "When Social Issues become Strategic", *The McKinsey Quarterly* 2, 2006, pp. 19-31

Brammer, S. and Millington, A. "The Effect of Stakeholder Preferences, Organizational Structure and Industry Type on Corporate Community Involvement", *Journal of Business Ethics* 45, 2003, pp. 213-226

Bronn, P. S. and Vidaver-Cohen, D. "Corporate Motives for Social Initiative: Legitimacy, Sustainability, or the Bottom Line?", Journal of Business Ethics 87, Spring, 2009, pp. 91-109

Bronn, P. S. and Vrioni, A. B. "Corporate social responsibility and cause-related marketing: an overview", *International Journal of Advertising* 20(2), 2001, pp. 207-222

Cadman, R. and Bildfell, D. "Putting Shared Value into Practice", *Stanford Social Innovation Review*, December 4, 2012

Campbell, J. L. "Why would corporations behave in socially responsible ways? An institutional theory of Corporate Social Responsibility", *Academy of Management Review* 32(3), July, 2007, pp. 946-967

Carroll, A. B. "A Three-Dimensional Conceptual Model of Corporate Performance", *Academy of Management Review* 4(4), 1979, pp. 497-505

Carroll, A. B. "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholders", *Business Horizons* 34(4), July-August, 1991, pp. 39-48

Carroll, A. B. "Corporate Social Responsibility: Evolution of a Definitional Construct", *Business and Society* 38, September, 1999, pp. 268-295

Carroll, A. B., and Shabana, K. M. "The Business Case for Corporate Social Responsibility: A Review of Concepts, Research and Practice", *International Journal of Management Reviews* 12(1), 2010, pp. 86-105

Corey, E. R. "Writing Cases and Teaching Notes", *Harvard Business School Publishing*, November 5, 1998

David, K. "Can Business Afford To Ignore Social Responsibilities?", *California Management Review* 2, 1960, pp. 70-76

Davis, K. "The Case for and Against Business Assumption of Social Responsibilities", *Academy of Management Journal* 16(2), June, 1973, pp. 313-322

Devinney, T. M. "Is the Socially Responsible Corporation a Myth? The Good, the Bad, and the Ugly of Corporate Social Responsibility", *Academy of Management Perspectives* 23(2), May, 2009, pp. 44-56

Driver, M. "An Interview with Michael Porter: Social Entrepreneurship and the Transformation of Capitalism", *Academy of Management Learning & Education* 11(3), 20121, pp. 421-431

Drucker, P. F. "The New Meaning of Corporate Social Responsibility", *California Management Review* 26(2), Winter, 1984

Eccles, R. G. and Serafeim, G. "The Performance Frontier: Innovating for a Sustainable Strategy", *Harvard Business Review*, May, 2013, pp. 50-60

Edlund, B. "Shared Value: The Thing With Growth vs. Development", *Arthur Page W. Society*, March 6, 2013

Friedman, M. "The Social Responsibility of Business is to Increase its Profits", *New York Times Magazine*, September 13, 1970, 32-33, 122, 126

Groza, M. D., Pronschinske, M. R. and Walker, M. "Perceived Organizational Motives and Consumer Responses to Proactive and Reactive CSR", *Journal of Business Ethics* 102, Spring, 2011, pp. 639-652

"Guest Interview: Paul Bulcke, Nestlé", *Iso Focus*, July – August, 2012

Hart, S. L. and Milstein, M. B. "Creating sustainable value", *Academy of Management Executive* 17(2), May, 2003, pp. 56-69

Hemingway, C. A. and Maclagan, P. W. "Manager`s Personal Values as Drivers of Corporate Social Responsibility", *Journal of Business Ethics* 50, 2004, pp. 33-44

"How good should your business be?", *The Economist* 386, January 19, 2008

"Just good business. A special report on corporate social responsibility.", *The Economist*, January 19, 2008

Kania, J. V. and Oakley, M. W. "Design for Giving: Understanding what motivates Corporate Philanthropy", *Foundation Strategy Group Perspectives on Corporate Philanthropy*, Winter, 2003

Kramer, M. R. "Catalytic Philanthropy", *Stanford Social Innovation Review*, 2009

Kramer, M. and Kania, J. "Changing the Game: Leading corporations switch from defense to offense in solving global problems", *Stanford Social Innovation Review*, Spring, 2006, pp. 22-29

Lacy, P., Cooper, T., Hayward, R. and Neuberger, L. "A New Era of Sustainability." UN Global Compact – Accenture CEO Study 2010. June, 2010.

Lee, M. P. "A Review of Theories of Corporate Social Responsibility: its Evolutionary Path and the Road Ahead", *International Journal of Management Reviews* 10(1), 2008, pp.53-73

Levitt, T. "The Dangers of Social Responsibility", *Harvard Business Review*, September-October, 1958, pp.41-50

Lin-Hi, N. "The problem with a narrow-minded interpretation of CSR: Why CSR has nothing to do with philanthropy", *Journal of Applied Ethics* 1(1), 2010, pp. 79–95

Linder, J. "Writing Cases: Tips and Pointers", *Harvard Business School Publishing*, April 10, 1994

Lohr, S. "First, Make Money. Also, Do Good", *The New York Times*, August 14, 2011

Maas, K. and Liket, K. "Talk the Walk: Measuring the Impact of Strategic Philanthropy", *Journal of Business Ethics* 100, Spring, 2011, pp. 445-464

Margolis, J. D. and Walsh, J. P. "Misery Loves Companies: Rethinking Social Initiatives by Business", *Administrative Science Quarterly* 48, 2003, pp. 268-305

"Mark Kramer & Shared Value". *IMP Perspectives Management Journal* 40, 2011, pp. 72-73

Martin, R. "The Virtue Matrix: Calculating the Return on Corporate Responsibility", *Harvard Business Review*, March, 2002, pp. 69-75

Martin, R., Kemper, A. and Riel, J. "The Virtue Matrix Reloaded: what can it tell us about Corporate Social Responsibility now?", *Rotman Magazine*, Fall, 2009, 5-10

Mulligan, T. "A Critique to Milton Friedman`s Essay ´The Social Responsibility of Business Is to Increase Its Profits`", *Journal of Business Ethics* 5, 1986, pp. 265-269

Okoye, A. "Theorising Corporate Social Responsibility as an Essential Contested Concept: Is a Definition Necessary?", *Journal of Business Ethics* 89, Spring, 2009, pp. 613-627

Porter, M. E., "Corporate Philanthropy: Taking the High Ground", speech given at the Center for Corporate Citizenship, Boston College. New York City, May 14, 2003

Porter, M. E. “The Role of Business in Society: Creating Shared Value”, in *Babson Entrepreneurship Forum*. Boston, Massachusetts, November 13, 2011

Porter, M. E. and Kramer, M. R. “Philanthropy’s New Agenda: Creating Value”, *Harvard Business Review*, November-December, 1999, pp. 121-130

Porter, M. E. and Kramer, M. R. “The Competitive Advantage of Corporate Philanthropy”, *Harvard Business Review* 80(12), December, 2002, pp. 56-69

Porter, M. E. and Kramer, M. R. “Strategy and Society: the link between Competitive Advantage and Corporate Social Responsibility”, *Harvard Business Review* 84(12), December, 2006, pp. 78-92

Porter, M. E. and Kramer, M. R. “Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth”, *Harvard Business Review* 89(1/2), January-February, 2011, pp. 62-77

Porter, M. E., Hills, G., Pfizer, M., Patscheke, S. and Hawkins, E. “Measuring Shared Value: How to Unlock Value by Linking Social and Business Results”, *Foundation Strategy Group*, 2011

Prahalad, C. K. and Hammond, A. “Serving the World`s Poor, Profitably”, *Harvard Business Review* 6, September, 2002, pp. 48-57

Prahalad, C. K. and Hart, S. L. “The Fortune at the Bottom of the Pyramid”, *strategy+business magazine, by Booz & Company,* 26, 2002

Roberts, M. J. “Developing a Teaching Case (Abridged)”, *Harvard Business School Publishing*, June 28, 2001

Schreck, P. “Reviewing the Business Case for Corporate Social Responsibility: New Evidence and Analysis”, *Journal of Business Ethics* 103, Spring, 2011, pp. 167-188

Seitanidi, M.M. and Ryan, A. “A Critical Review of Forms of Corporate Community Involvement: from Philanthropy to Partnerships”, *International Journal of Nonprofit and Voluntary Sector Marketing* 12, April 30, 2007, pp. 247-266

Shapiro, B. P. “Hints for Casewriting”, *Harvard Business School Publishing*, July 23, 1986

Stephenson, C. “Creating Shared Value: The Inseparability of Business and Society”, *Ivey Business Journal*, July-August, 2008

Tracey, P., Phillips, N. and Haugh, H. “Beyond Philanthropy: Community Enterprise as a Basis for Corporate Citizenship”, *Journal of Business Ethics* 58, Spring, 2005, pp. 327-344

Wheeler, D., Colbert, B. and Freeman, R. E. “Focusing on Value: Reconciling Corporate Social Responsibility, Sustainability and a Stakeholder Approach in a Network World”, *Journal of General Management* 28(3), Spring, 2003

Weinberger, D. “Shared Value vs. Don`t Be Evil”, *Harvard Business Review Blog Network*, April 26, 2011

Zadek, S. “The Path to Corporate Responsibility”, *Harvard Business Review* 82(12), December, 2004, pp. 125-132

Videos

Creating Shared Value: Connecting Business, Societal Value and Opportunity 2011, Foundation Strategy Group, [accessed 14 March 2013]
Available at: http://www.youtube.com/watch?v=kF3wsT7FG7k

Creating Shared Value: It's the Future 2012, Foundation Strategy Group, [accessed 14 March 2013]
Available at: http://www.youtube.com/watch?v=1vK3cxnP6I4

Creating Shared Value: Redefining the Role of Business in Society 2011, Global Peter Drucker Forum, [accessed14 March 2013]
Available at: http://www.fsg.org/tabid/191/ArticleId/535/Default.aspx?srpush=true

Creating Shared Value Roundtable, Foundation Strategy Group, [accessed 14 March 2013]
Available at: http://www.fsg.org/tabid/191/ArticleId/359/Default.aspx?srpush=true

Insights: Ideas for Change - Creating Shared Value - Michael Porter 2012, World Economic Forum, [accessed 14 March 2013]
Available at: http://www.youtube.com/watch?v=xuG-1wYHOjY

Kevin Trapani: All Profits are Not Created Equal 2011, TEDxTalks, [accessed 14 March 2013]
Available at: http://www.youtube.com/watch?v=NPbdo0LyEfI&feature=player_embedded

Mark Kramer on Shared Value: not just lipstick on a pig 2011, tea with The Economist, [accessed 14 March 2013]
Available at: http://www.economist.com/node/21017720

Michael Porter: Creating Shared Value 2010, Committee Encouraging Corporate Philanthropy, [accessed 14 March 2013]
Available at: http://www.youtube.com/watch?v=z2oS3zk8VA4

Rethinking Capitalism: an interview with Michael Porter 2011, Harvard Business Publishing, [accessed 14 March 2013]
Available at: http://www.youtube.com/watch?v=LrsjLA2NGTU

Nestlé Documents

Annual Report 2009
Annual Report 2010
Annual Report 2011
Annual Report 2012
Code of Business Conduct
Global Creating Shared Value Report 2007
Global Creating Shared Value Report 2008
Global Creating Shared Value Report 2009
Global Creating Shared Value Rural Development Report 2010
Global Creating Shared Value Report 2011
Management Report 2001
Management Report 2002

Management Report 2003
Management Report 2004
Management Report 2005
Management Report 2006
Management Report 2007
Management Report 2008
Nestlé Charter on Infant Formula
Nestlé Commitment on Rural Development
Nestlé Commitment on Water Stewardship
Nestlé in Society: Creating Shared Value and meeting our commitments 2012
Nestlé Policy and Instructions for Implementation of the WHO International Code of Marketing of Breast-milk Substitutes
Nestlé Prize in Creating Shared Value
The Nestlé concept of CSR as implemented in Latin America 2005
The Nestlé Corporate Business Principles
The Nestlé Supplier Code

Nestlé Videos

CSV Forum 2012 Summary Film, Nestlé Global website, [accessed 10 April 2013]
Available at: http://www.nestle.com/aboutus/mediavideos/CSV-Forum-2012-Summary-Film

Nestlé 2012 in 3 minutes, Nestlé Global website, [accessed 10 April 2013]
Available at: http://www.nestle.com/aboutus/mediavideos/Nestle-2012-3-minutes

Nestlé and Human Rights: why is it our business?, Nestlé Global website, [accessed 10 April 2013]
Available at: http://www.nestle.com/aboutus/mediavideos/Human-rights-our-business

Nestlé in Society: Creating Shared Value and meeting our commitments, Nestlé Global website, [accessed 10 April 2013]
Available at: http://www.nestle.com/aboutus/mediavideos/Nestle-in-society-Creating-Shared-Value-meeting-our-commitments

Nestlé Prize in Creating Shared Value, Nestlé Global website, [accessed 10 April 2013]
Available at: http://www.nestle.com/aboutus/mediavideos/Nestle-Prize-in-Creating-Shared-Value

Meeting the Global Water Challenge, Nestlé Global website, [accessed 10 April 2013]
Available at: http://www.nestle.com/aboutus/mediavideos/Global-Water-Challenge

Prize winner: Fundación Paragaya de Desarrollo y Cooperación, Nestlé Global website, [accessed 10 April 2013]
Available at: http://www.nestle.com/aboutus/mediavideos/Prize-winner-Fundacion-Paragaya-de-Desarrollo-y-Cooperacion