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THE IMPLEMENTATION OF CREATING SHARED VALUE CONCEPT IN MULTINATIONAL CORPORATIONS

The article summarizes contemporary peculiarities of corporate social responsibility of leading multinational corporations. Creating shared value and its implementation in MNCs are analyzed.

Keywords: creating shared value (CSV); corporate social responsibility (CSR); multinational corporation (MNC).

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ВИКОРИСТАННЯ КОНЦЕПЦІЇ СТВОРЕННЯ СПІЛЬНОЇ ЦІННОСТІ В МУЛЬТИНАЦІОНАЛЬНИХ КОРПОРАЦІЯХ

У статті узагальнено сучасні особливості корпоративної соціальної відповідальності провідних транснаціональних корпорацій. Здійснено аналіз концепції створення спільної цінності та її використання транснаціональними корпораціями.

Ключові слова: створення спільної цінності (ССЦ); корпоративна соціальна відповідальність (КСВ); мультинаціональна корпорація (МНК).

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ИСПОЛЬЗОВАНИЕ КОНЦЕПЦИИ СОЗДАНИЯ ОБЩЕЙ ЦЕННОСТИ В МУЛЬТИНАЦИОНАЛЬНЫХ КОРПОРАЦИЯХ

В статье обобщены современные особенности корпоративной социальной ответственности ведущих транснациональных корпораций. Осуществлен анализ концепции создания общей ценности и ее использования транснациональными корпорациями.

Ключевые слова: создание общей ценности (СОЦ); корпоративная социальная ответственность (КСО); мультинациональная корпорация (МНК).

Problem statement. Managers and investors of the world's leading multinationals have long ago become aware of the necessity of responsible initiatives. Intergovernmental bodies and non-governmental organizations, think tanks and socially responsible investors, activists and media have much interest in different aspects of a company's activities and the impact they have. For example, pharmaceutical companies discovered that they are expected to respond to the AIDS pandemic in Africa even though it is far from their primary product lines and markets. Fast-food companies are now being held responsible for obesity and poor nutrition. Nestle may serve as a demonstrative example here. The world's largest purveyor of bottled water, Nestle has become the major target in the global debate on the access to fresh water, despite the fact, that Nestle's bottled water sales consume just 0.0008% of the world's fresh water supply (Porter and Kramer, 2006). All the above mentioned factors forced MNCs invest in social practices often viewed by them as costly philanthropic initiatives aimed at supporting company's reputation.

Literature review. The idea of creating an economic value in a way that also creates value for society by addressing its needs and challenges was developed by the following authors: J. Elkington (1994), S. Bonini and J. Emerson (2005), D. Grayson and A. Hodges (2004), S. Hart (2005), R.M. Kanter (1999), J. Mackay and R. Sisodia

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(2013), M.E. Porter and M.R. Kramer (2006, 2011), C.K. Prahalad and S.L. Hart (2002), A. Savitz and K. Weber (2006), D. Schwerin (1988) and others.

The research objective is to analyze the current state of creating a shared value concept implementation by leading multinationals.

Key research findings. The solution to the problem of company and society confrontation became the Creating Shared Value (CSV) concept, initially proposed by M.E. Porter and M.R. Kramer in the article "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility" (2006) and further developed in "Creating Shared Value" (2011). M. Porter and M. Kramer (2006: 81) stress the fact of mutual dependence between corporations and society: "If either a business, or society pursues policies that benefit its interests at the expense of the other, it will find itself on the dangerous path". The authors define the concept of shared value as policies and operating practices that enhance company's competitiveness while simultaneously advancing economic and social conditions in the communities in which it operates (Porter and Kramer, 2011: 63). Three ways of creating shared value were articulated: reconceiving products and markets, redefining productivity in the value chain and local cluster development. The description and examples of these approaches are presented in Table 1.

Table 1. The ways of creating shared value

The way of CSV	Description	Examples
Reconceiving products and markets	Defining markets in terms of unmet needs or social ills and developing profitable products and services that remedy these conditions	Thomson Reuters has developed a service for farmers in India, that provides weather and crop-pricing information and agricultural advice for the fee of 5 USD per quarter. The service reaches an estimated 2 mln farmers, and early research indicates that it has helped increase incomes for more than 60% of them. Becton Dickinson developed a new type of safety syringe to reduce healthcare worker needle-stick injuries. This product innovation grew to 2 bln USD, approximately a quarter of the company's revenue.
Redefining productivity in value chain	Increasing the productivity of company or its suppliers by addressing social and environmental constraints in value chain	Walmart saved 200 mln USD in distribution costs while growing the quantities being shipped by reducing packaging and improving delivery logistics. Dow Chemical managed to reduce consumption of fresh water at its largest production site by 1 bln gallons – enough water to supply nearly 40,000 people in the US for a year – resulting in 4 mln USD savings
Local cluster development	Strengthening the competitive context in key regions where company operates in the ways that contribute to company's growth and higher productivity	Cisco reduced a key constraint to growing its addressable server market by launching the Networking Academy to train over 4 mln network administrators globally. Nestle set out to build agricultural, technical, financial, and logistical firms and capabilities in each coffee region to support efficiency and high-quality local production.

Adapted: Porter and Kramer (2011); sharedvalue.org.

It is worth mentioning that the CSV concept is being criticized by some academics. A. Crane et al. (2014) consider this concept unoriginal, naive as to business compliance and being based on shallow understanding of corporations' role in society. M. Porter and M. Kramer acknowledge the fact that numerous writers made substantial contributions to the body of thinking in this area, such as D. Grayson and A. Hodges (2004), S. Bonini and J. Emerson (2005) (blended value), S. Hart (2005) (mutual benefit), C.K. Prahalad and S.L. Hart (2002) (bottom of the pyramid) and others. R.M. Kanter (1999: 123) articulated the notion "social innovation" as a process when companies take "community needs as opportunities to develop ideas and demonstrate business technologies, to find and serve new markets, and to serve long-standing business problems". Despite criticism, both articles by M. Porter and M. Kramer won the 2006 and 2011 McKinsey Awards for the best article in HBR; "shared value" has been enshrined in the official EU strategy for CSR. M. Porter along with P. Hawken, P. Senge, R. Anderson, P. Polman and L. Scott is also considered to be the pioneer of sustainability according to the investigation, conducted by Weinreb Group (Epstein-Reeves and Weinreb, 2013). Whether it is because of Porter's framing CSR activities in appealing managerial language or because the CSV concept provides a strategic view on the role of corporations in the society, leading multinationals embraced this idea. An impressive amount of multinationals are clients of M. Porter's and M. Kramer's consultancy "FSG", which provides a range of services including strategy, evaluation, implementation and research and helps not only businesses, but also foundations, nonprofits and governments around the world create large-scale, lasting social change. Table 2 represents some FSG's clients projects.

Table 2. Representative FSG's Clients Projects (www.fsg.org)

Company	Project Description
Pfizer	Assistance in developing a shared value strategy in Africa to better align Pfizer's market interests and social investments activities
The North Face	Consultancy was engaged to develop a shared value strategy to further company's outdoor participation efforts in order to drive greater social impact while also creating business value
Shell Oil Company	Assistance in the development of a new social investment strategy and a comprehensive implementation plan
SAP	FSG helped create a high impact CSR portfolio through a series of engagements, including developing a global shared value initiative, refining regional CSR strategies, designing a measurement framework
Novartis	FSG was engaged to help systematically pinpoint how specific societal issues connect with company's core business model
Nestle	Consultancy was hired to research and identify how Nestle creates value for society through its business and social engagement initiatives. Company also sought to further sharpen its social engagement.
Merck	FSG was hired to review Merck's philanthropic portfolio and develop new initiatives to align business and philanthropy
Mattel	The development of a strategy on creating shared value that would generate meaningful ways to create positive impact for society while also driving new business opportunities
Mars	FSG developed a cocoa sustainability strategy for Mars in Cote D'Ivoire with the goal to revitalize the cocoa sector in the world's largest cocoa producing country

Not only FSG's clients can boast numerous CSV initiatives, a lot of MNCs from various sectors embrace this idea. Thus, "Adidas: has partnered with Nobel Laureate Muhammad Yunus's microfinance organization, "Grameen Bank" to manufacture low-cost shoes for the poor in Bangladesh. The BMW Guggenheim Lab is a mobile laboratory that will travel to 9 major cities worldwide over 6 years. Led by international, interdisciplinary teams of emerging talents in the areas of urbanism, architecture, art, design, science, technology, education and sustainability, the Lab will address the issues of contemporary urban life through programs and public discourse. Its goal is to explore new ideas, experiment, and ultimately create forward-thinking solutions for urban life. This program establishes a social purpose for BMW that could help address the exclusiveness of the "Ultimate Driving Machine". "Heinz" has launched micronutrient campaign to combat the threat of iron-deficiency anemia and vitamin and mineral malnutrition among infants and children in the developing world. More than 5 mln children in 15 developing countries have received sachets of vitamin and mineral powders approved by UNICEF and the World Health Organization as a cost-effective treatment for iron deficiency (Klein, 2011).

Probably the brightest example of Porter's and Kramer's ideas implementation is creating shared value strategy of Nestle, a global leader in nutrition, health and wellness. Nestle was one of the first companies to collaborate with FSG. This collaboration led to 2006 report on creating shared value in Latin America and from 2008 onwards global, company-wide "Creating Shared Value (CSV) reports". The description of company's CSV initiatives starts from the front cover of reports. On the front cover of "Nestle in society: Creating Shared Value and meeting our commitments 2013 (summary)" we may see Mrs Grace Wambui Wanyeki (together with her daughter), who has been a coffee farmer for the past 24 years in Kenya. She is a member of a coffee cooperative under the Nescafe Plan and a promoter farmer for women's empowerment programme, participating in training sessions and using her farm as a demonstrative plot. Nestle demonstrates that it is encouraging more female coffee growers in Kenya to take up leadership roles in farming co-operatives to promote gender equality and education for women and girls (Nestle Creating Shared Value report, 2013: 3). Ramyn Male Calcy from Spain is pictured on the front cover of "Nestle in society: Creating Shared Value and meeting our commitments 2014 (summary)". He is a technical leader for the bottling line in the Nescafe Dolce Gusto factory in Schwerin, Germany, who was hired through "Nestle needs YOUth" programme. The initiative to hire 10000 young people across Europe, 10 000 trainees and apprentices aged below 30 is designed to attract talented youth the company will need to develop and grow (Nestle Creating Shared Value report, 2014: 3).

CSV is firmly embedded in company's holistic management thinking across all parts of business. Internal management tools help facilitate the process of CSV, such as a strategic portfolio tool that assesses company's brands against financial and nutrition targets, a capital expenditure process that includes societal indicators, and Rural Development Framework which digs deep into the needs of cocoa, coffee and dairy farmers and farming communities, helping Nestle better target its efforts and investments. Nestle's pyramid of CSV is demonstrated in Figure 1.

To keep abreast of changes and new challenges for business, to provide a robust basis for decisions on what is covered by CSV strategy and ensure it meets different

stakeholders' needs for information and to meet GRI G4 requirements for materiality "Nestle" works with partners (including FSG) to create a Materiality Matrix which plots economic, social and environmental issues of most concern to stakeholders against the impacts they may have on company's reputation, operations and finances. The 2014 matrix emphasizes the priority both Nestle and its stakeholders place on addressing global challenges such as over and under nutrition and water stewardship. It also highlights acute stakeholder concern over climate change, natural capital and human rights, as well as Nestle's growing understanding of potential business impacts of these and other issues, including animal welfare and food waste.

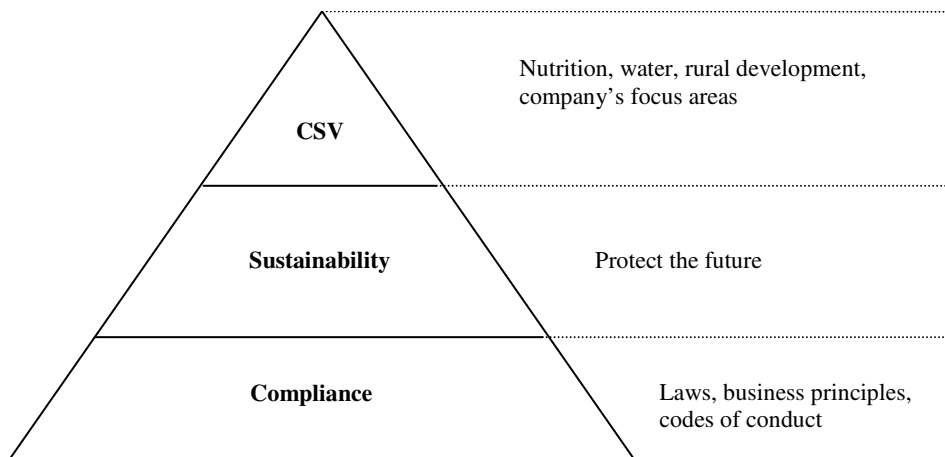


Figure 1. **Nestle's Pyramid of CSV** (Nestle Creating Shared Value report, 2014: 5)

Nestle's commitments relate directly to their material issues. The examples of some of them are presented in Table 3. Each of these commitments can be demonstrated by the company's programs worldwide.

The achievement of CSV objectives in Ukraine can be demonstrated by the following responsible initiatives, reflecting key company's commitments. Thus, Nestle Ukraine constantly reduces salt and sugars in products produced at Mivina, Torchyn and Svitoch factories; provides education programmes for good nutrition and feeding practices for children ("Abetka harchuvannya" program); delivers nutrition information and advice on all labels (Nestle Nutritional Compass); rolls out the Rural Development framework to understand the needs of farmers and implements responsible sourcing in supply chain ("Hospodar" program); works to achieve water efficiency and sustainability in operations; offers job opportunities for young people below 30 (We Need YOUth programme); provides CSV, NQ and environmental sustainability training for employees. This is not the full list of company's CSV initiatives in Ukraine, but even these ones may serve as demonstrative examples for companies in Ukraine.

Conclusions. We must admit that leading multinationals liked the proposition to transform social problems relevant to the corporation into business opportunities, thereby contributing to solving critical societal challenges while simultaneously driving greater profitability. The idea of creating shared value should be better popular-

ized among Ukrainian companies for them to understand that responsible practices may increase company’s performance and addressing various societal issues may open new opportunities for business.

Table 3. Key Nestle’s Commitments (Nestle Creating Shared Value report, 2014: 6–7)

Sphere	Commitments
Nutrition	<ul style="list-style-type: none"> - build knowledge leadership in children’s nutrition; - provide nutritionally sound products designed for children; - help reduce the risk of undernutrition through micronutrient fortification; - reduce sodium (salt), sugars in products; - deliver nutrition information and advice on all labels; - provide education programmes for good nutrition and feeding practices.
Rural development	<ul style="list-style-type: none"> - roll out the Rural Development framework to understand the farmers’ needs; - implement responsible sourcing in supply chain; - roll out the Nestle Cocoa Plan with cocoa farmers; - roll out the Neskafe Plan with coffee farmers.
Water	<ul style="list-style-type: none"> - work to achieve water efficiency and sustainability across operations; - advocate for effective water policies and stewardship; - engage with suppliers, especially those in agriculture; - treat water discharge effectively.
Environmental sustainability	<ul style="list-style-type: none"> - improve resource efficiency in operations; - improve the environmental performance of packaging; - assess and optimize the environmental impact of products; - provide climate change leadership; - preserve natural capital, including forests.
People, human rights and compliance	<ul style="list-style-type: none"> - assess and address human rights impacts in operations and supply chain; - eliminate child labour in key commodities; - work against corruption and bribery; - ensure all Nestle units have basic safety and health protection systems for all employees; - enhance gender balance in workforce; - offer 20,000 job opportunities for young people below 30 in Europe; - provide CSV, NQ and environmental sustainability training for employees.

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