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Local versus Global

Edited by

Constantin Brătianu

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Elena-Mădălina Vătămănescu

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Local versus Global

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CSR STRATEGIES AND VALUE CREATION IN THE AGRO-FOOD SECTOR: A COMPARATIVE PERSPECTIVE

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Abstract. *The research aims to analyze and compare CSR strategies of four companies in the Italian Agro-food sector with the aim of investigating the level of integration of the CSR policies into the business strategy. The analysis aims to investigate 1) whether the leadership of the market, in terms of revenues, geographical and sectorial pervasiveness, is a factor that can lead to a greater focus on social and environmental issues and to a greater integration of CSR in business strategy and (2) the role of the CSR strategies in value creation in the Agro-food sector in the current economic recession. The findings underlines the best practices and the positioning of each company in terms of CSR integration into the business strategy.*

Keywords: *CSR strategy; value creation; economic crises; benchmarking; agro-food sector.*

Introduction

Corporate social responsibility has often been presented as a firm's responsibility to do good or to give back to society. CSR is not an obligation but provides a process for structuring win-win arrangements between the business and its stakeholders. CSR strategies aim to transform the cultural mindset within the firm management operational business with the end to create value (Martin, Petty & Wallace, 2009). Different drivers can lead to business' promotion of CSR. Leaders' views to fulfil economic, legal, ethical responsibilities lead to framing the organization's responsiveness, and businesses' relationships with the stakeholder (Wood & Jones, 1995).

In the last few years the Agro-food sector, due to the consumers' attention to issues of environmental and social sustainability of production, raised its interests and sensitivity to issues concerning health and food safety and environment aspects. The competitiveness and success of the companies operating in the sector are consequently dependent on the assurance of adequate levels of sustainability. The attention required is not only economic but also social and environmental, producing healthy and genuine food, contributing to the protection of natural and environmental resources and creating jobs with attention to the quality of work.

The research aims to analyze and compare CSR strategies of four important companies in the Italian Agro-food sector (Ferrero, Nestlé, Barilla and Valfrutta, §3), on the base of the main literature theoretical models. The main objectives (§2) is investigating:

1. whether the leadership of the market, in terms of revenues, geographical and sectorial pervasiveness, is a factor that can lead to a greater focus on social and environmental issues and to a greater integration of CSR in business strategy (§3).
2. the role of CSR strategies in the Agro-food sector during the current economic recession (§4).

The theoretical models of analysis, supporting the entire parameters of the comparative studies research relies on the CSR stages model proposed by Molteni §5), the model of Global Corporate Citizenship proposed by Schwab (§5), the empirical studies on the CSR value creation during the crises (§4), theories of stakeholder management (§3.5) and the concepts of shared value and value creation (§6).

Objectives and methodology

The first research objective (Objective 1) aims to investigate whether the leadership of the market, in terms of revenues, geographical and sectorial pervasiveness, is a factor that can lead to a greater focus on social and environmental issues and to a greater integration of CSR in business strategy. The method (Methodology 1) used to address the first research objective is the comparative case study in a view of benchmarking of the four companies. The study performs a documental analysis, mapping the main socials and environmental CSR initiatives at the case studies level. In-depth are assessed the levels of integration of CSR into the business strategy, on different scaling of initiatives adopted (communication forms, standards and certifications, modes of stakeholder engagement). The method permits to assess the maturity of the CSR integration into the business strategy, positioning each company within the five-stage model proposed by Molteni (2007).

The Global Corporate Citizenship model of Schwab (2008) will also be used with the aim to systemize the companies' strategies and show the degree of internalization of the four pillars of good practices of global citizenship. It looks to the business action as a 'good active citizen' not only in the communities and countries where operate, but also at the global level, being attentive to present and to improve the future.

The research integrates the documental analysis by structured interviews with the CSR business managers (Methodology 2), investigating the evolution of CSR strategies in the current economic crises (Objective 2). Previous studies (McKinsey, 2009; Fiorani & Meneguzzo, 2010) on CSR value creation in times of recession bring under debate conflicting perspectives and conclusions. Therefore, seems useful to investigate the dynamics of the sector. The interviews performed aimed to gather the perception of the managers with the main benefits of CSR strategies in the core business and the impact of the economic crisis on CSR investment (years 2008-2014).

Case studies analysis

Leadership of the market

The first research objective analyze if the market leadership and turnover are factors that may lead to being more attentive to the socio-environmental issues. Therefore, a comparison of the case studies turnover for the year 2013 is undertaken.

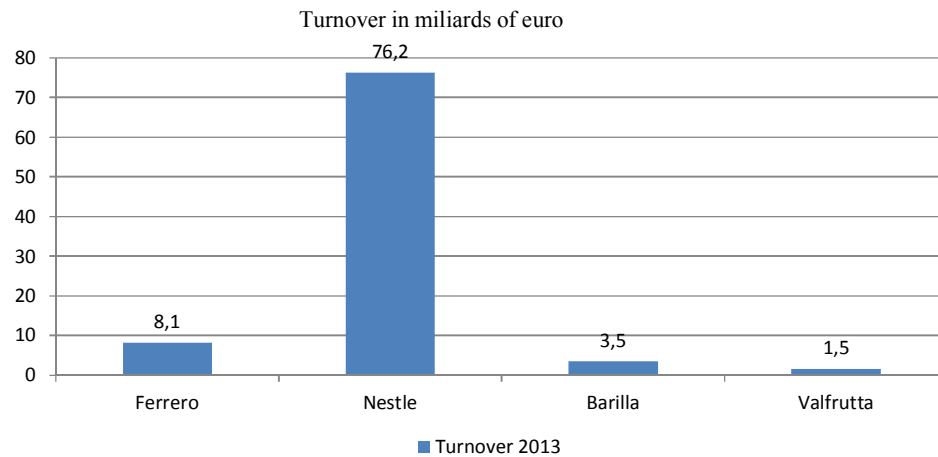


Figure 1. Benchmarking turnover (year 2013) (the data for Valfrutta refers to Conserve Italia)

The above figure underlines the leadership of Nestle within the industry. The group has a strong presence both nationally and internationally, both geographically and economically, being the largest company in the world. The main office is located in Vevey, Switzerland, but its operative offices are scattered around the world. Its leadership stems partly from the fact that the company covers a great part of the market since it produces and distributes a huge range of products from mineral water to homogenized, frozen and dairy products.

In this context, the further analysis focuses on understanding whether the market leadership and turnover are factors that may lead the Nestlé group, more than others, to be more attentive to the socio-environmental issues. To reach such objective, the next section of the analysis investigates, in a comparative perspective, the sustainability policies adopted by the four groups under study.

Social and environmental initiatives

The following table introduces a summary overview of the social and environmental initiatives implemented by the companies.

Table 1. List of social and environmental initiatives

	Soci Initiatives	Environmental initiatives
FERRERO	▪ Ferrero Foundation ▪ Cameron Social Enterprises ▪ India Social Enterprises ▪ Sud Africa Social Enterprises ▪ Kinder+Sport ▪ 94+ school projects for Modiba ▪ EPODE program ▪ Source Trust program	▪ EPI project ▪ AGRICHILE project ▪ AGRIGEORGIA project ▪ Village Resource Center ▪ FADU project ▪ Costa d'Avorio project ▪ "Afforestation" project
NESTLÉ	▪ Nutrikid Observatory ▪ Power Lab project ▪ Family Olympics ▪ ADI-Nestlé Observatory ▪ SHE ▪ 90 days project ▪ 60/40+ Program ▪ Wellness program for employees	▪ Project 'Sun friend.' ▪ Nestlé water project ▪ Energy and water Excellence project ▪ SAIN initiative ▪ Plan of cacao ▪ Plan of Nescafé ▪ AMREF ▪ Wet project ▪ 'Levissima al litro' project ▪ Green fleet project
BARILLA	▪ Casa Barilla project	▪ Renewable energy project

	▪ Furnished kitchen tour ▪ Small big chef tour ▪ Mulino Bianco tour ▪ Giocampus program	▪ Project water resources ▪ Waste Project
VALFRUTTA	▪ Support for Food Bank ▪ Mato Grosso Project ▪ Support Association Third Millennium ▪ Association Friend of Benin ▪ Support of onlus FA.NE.P ▪ Support for food festival and sportive campaigns	▪ Program of products certification ▪ Program of green energy ▪ Integrated production

The comparison of the various initiatives (see Figure 2), similar to the results of the previous parameters, shows that Nestlé has a greater commitment to socio-environmental initiatives. Findings show that Barilla and Ferrero focus more on the social initiatives while Valfrutta and Nestlé are engaging with the environmental initiatives.

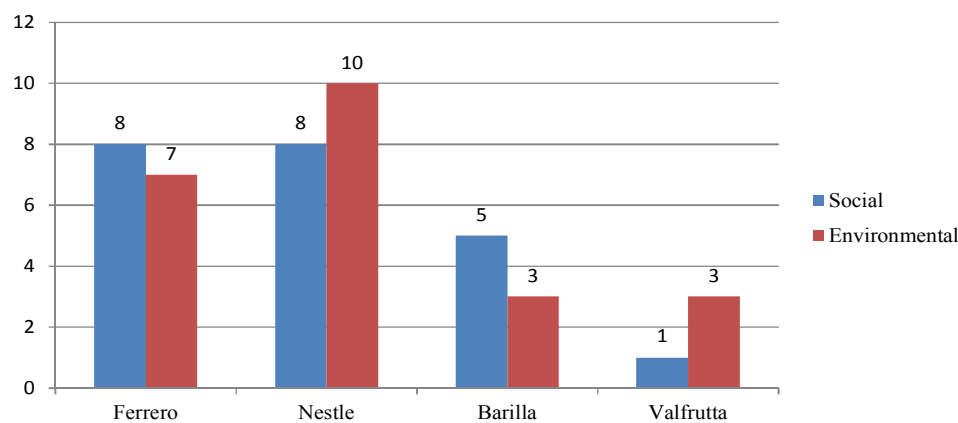


Figure 2. Comparison of the social and environmental initiatives

Interesting are also the findings referring to the geographical position of such interventions. The Nestle Group focuses primarily, both for social and environment measures, on the African continent, particularly in countries such as Ghana, South Africa, Ethiopia, Nigeria and Kenya. However, the Nestlé social and environmental commitments are going beyond, focusing in many other countries such as Europe and Mexico.

The Barilla Group activities are focusing on countries such as the USA, Germany, Sweden, Greece, Brazil, Italy, France and Turkey. Its main initiatives deal with both ‘nutrition education’ and the development of a sustainable agriculture. A significant commitment towards nutrition education is also directed to other countries such as Singapore, Japan, Switzerland, and Russia.

The group Valfrutta primarily focuses its interventions in Latin America, by sending aid in the form of food to the active missionaries in Peru, along with the Operation *Mato Grosso* promoted by *Don Bosco Missions* Onlus. This action contributes to cover the needs of food shortages that plague the region. The company also supports the Association Friends of Benin, dedicated to the poor population in Benin, situated in West African area, where meningitis, malaria, hunger and lack of drinking water are reasons of very high infant mortality.

In terms of geographic distribution, the main achievements are attributable to Ferrero group. Its social and environmental commitment are spread in many countries around the world, from Europe to Asia, particularly India, to Latin America countries, like Chile and Georgia, and finally to Africa countries such as Ghana, Nigeria and Côte d'Ivoire.

Number and frequency of social reports

The bellow analysis shows the year in which the companies have produced their own social and sustainability reports, also indicating from which year began the reporting activity and their frequency to date.

Table 2. Frequency of Social reports

Year Social Report				
2007		X		-
2008	X	X		-
2009	X	X	X	-
2010	X	X	X	-
2011	X	X	X	-
2012	X	X	X	-
2013	X	X	X	-

The findings show that the companies, from the moment started to take the path of socio-environmental reporting, consistently published the social report over the years. The Nestlé group was the first to adopt the social report, followed by Ferrero and Barilla. Instead Valfrutta, despite its commitment to the socio-environmental initiatives, as yet has not started to publish any social report. However, it should be noted that in 2013 the group Conserve Italy, which is part of Valfrutta, signed an *understanding* with the Ministry of Environment, stating its growing interest and commitment to corporate social responsibility.

Standard and certifications

The bellow analysis introduces an investigation on the guidelines, standards and certifications that, over the years, have been adopted by the companies.

Table 3. Standard, guidelines and certifications

				
GRI	X (A+)	X (A+)	X (A+)	
UNGC	X	X		
OCSE	X			
FSC	X : 2012			X : 2010
ISO 9000	X : 1994			
ISO 9001	X : 2008	X : 1998	X : 2000	
ISO 14001		X : 2009	X : 2002	
ISO 17025	X : 2006			
ISO 26000	X : 2013			
SA 8000			X : 2008	
EMAS		X : 2009	X	
IFS, COSTCO, HACCP	X : 2006			

SGS			X : 2001	
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The findings allow identifying the main company that, compared to others, embraced advanced social responsibility policies. Ferrero, compared to others, is committed to achieving these standards and, furthermore, is the only one that, with the objective to act in a more ethical and transparent manner and further to contribute to the health and welfare of society, has embraced in 2013, the ISO 26000 guidelines, which provides guidance on how companies can operate in a more socially responsible manner. Additionally, worth noting Barilla, Nestlé and Ferrero that obtained a certification GRI A (A+).

Modes of stakeholder engagement

CSR evolution towards the logic of global corporate citizenship has had a significant impact on the modes of stakeholder management and engagement. It raised the attention to the criteria and procedures for stakeholder classification and segmentation, going beyond the traditional approach towards the multi-stakeholder management logics. Stakeholder engagement helps the companies to shape responses to common challenges, to drive performance improvements, and ultimately strengthen collective action. The feedbacks gathered in meetings are taken into consideration in the development of policies, commitments, and actions, and are also the basis for the analysis of materiality in the next years.

Mitchell (1997) proposes a theory identifying stakeholders categories mapped through the possession of requirements such as the (1) power (i.e. defined as the ability to impose the will on others, and in decision making); (2) legitimacy in the relationship between the stakeholders and company (i.e. concerning the sphere of social recognition); (3) urgency in the claim of the stakeholder (i.e. the ability to put pressure on the company). From the different combinations of the three attributes are driving seven categories of stakeholders, grouped into three categories (depending on their importance, and determined by the possession of one, two or three attributes), as underlined in the figure 3.

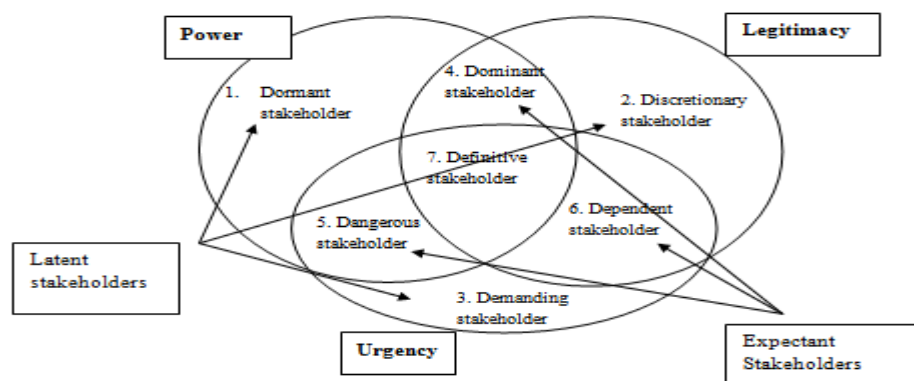


Figure 3. Stakeholder mapping: stakeholder categories Mitchell (1997)

Once classified and identified the stakeholders, the core management should adopt a process aimed at their involvement, based on modes and techniques to organize their participation. These methods of involvement may be more or less intense. It may be simple information, consultation through surveys, focus groups, and workshops aimed at the formulation of social responsibility policies, and active involvement based on collaboration in the implementation of CSR strategies. A summary of the main initiatives of stakeholder engagement adopted is introduced by table 4.

Table 4. Main initiatives of stakeholder engagement

Stakeholder				
Community, academia, consumers, clients, governments, employees, NGOs, suppliers, shareholders, the financial community.	High level of information, focus groups and workshops, during the reports presentation. “The quality is assured with the contribution of all.”	Annual conferences in: 2007 2008 2009 2010 Since the year, 2011 were provided two conferences per year.	Panel stakeholder over the years: 2009 2010 2011 2012 2013 2014	There are no meetings or other recognized modes of stakeholder engagement.

The findings show that Nestlé and Ferrero are the major companies, compared to others, that implemented and demonstrated the importance of the effective dialog with the stakeholders and its role in the creation of shared value. Such orientation is visible at the level of the approach towards dialog based on listening to opinions and concerns and the communication of the commitments. In particular, the Ferrero group is oriented towards enacting models of participation through focus groups, which provides tools for listening and learning and enhance and create communication between different subjects. The main purpose of the focus group is to achieve a better understanding among participants, improving the quality of interpersonal relationships, and creating new channels of communication.

In order to verify the companies readiness for dialog with the stakeholders, the authors tried to investigate beyond what stated in the official documents. Therefore, the research methodology integrated an analysis based on survey submission that allowed gathering of primary data evidence on the companies' approaches.

At the level of each case study has been submitted online questionnaires. A questionnaire directed to the leaders dealing with CSR and looking to investigate what is the impact of the crisis on the CSR strategies. Another questionnaire directed to employees and aiming to investigate the perceptions of the CSR policies within the company.

The method procedures involved the direct survey submission of the questionnaire by Dr. Embraco, in 2014, while being a graduate student. The author plays 'a latent stakeholder', if we consider the Mitchell et al. (1997) theories, to a certain degree "challenging /demanding" the core management of the organization. The relevant attribute of the author is the 'urgency' by administering a questionnaire. This type of stakeholder is to a certain degree a nuisance for managers since it is neither dangerous nor endorsed. Given the time limits, energy, and resources, companies may decide do not consider this stakeholder.

Based on the analysis of the companies' behaviors has been identified four types of approaches to dialog:

1. Closed - "Totally": the company not opened to dialog; not answering to emails and probably there is not a function dedicated to CSR (i.e., Valfrutta);
2. Closed - "detached": the company cannot respond to the survey because it is not required to support and assist graduate students; the company provides only filtered information and invited to website consultation (i.e. Nestlé).
3. Closed - "courteous" (motivated): the company policy does not allow to disclose additional information to that exposed on the company website. The company justifies the impossibility to answering the questionnaire due to confidentiality and data sensitivity (i.e. Barilla).
4. Open - "controlled": the company is interested in stakeholders, even if they are not a key priority for the company's activity. Despite the policy does not allow to disclose additional information beyond that disclosed on the website and to submit the questionnaire, the company granted an interview with the CSR

manager or a responsible person in the CSR function. It is the case of Ferrero, who probably has recognized the stakeholder approach “graduate student” with the attribute of legitimacy, classifying it as a stakeholder “with expectations”. However, this type of stakeholder depends on other stakeholders or company managers expectations.

CSR and value creation

Burke and Logsdon (1996) defines value creation as identifiable, measurable economic benefits that the firm expects to receive. It occurs by combining firm resources in new ways to increase the potential productivity of those resources. The focal point is finding win-win outcomes and positive synergies, creating value-based systems. McKinsey study in collaboration with the Boston College's Center for Corporate Citizenship and the Sustainable Investment Research Analyst Network in 2009 revealed whether and how the environmental and social programs create value. In particular the study show whether and how CSR policies may have generated benefits and economic value to businesses, especially during the slowdown in economic growth, also stressing the relationships, direct or indirect, between social responsibility and competitiveness. The survey was conducted at the international level and involved a large number of CFO's, investors and professionals of CSR. The findings show that the CSR programs have created shareholder value and have generated positive effects in terms of reputation, growth, quality management and return on equity. However have been stressed that the financial crisis and the slowdown in economic growth have reduced the priority of social and environmental programs for the benefit of those of governance.

McKinsey survey has been replicated by Fiorani and Meneguzzo, in 2010, on a sample of 50 professionals of CSR in Italy. Findings shows that, in times of economic crisis, 63% of managers believe that CSR programs not only have assumed a new centrality and prominence, but are expected to play a greater impact in the next 3 to 5 years. Unlike, the McKinsey survey results of 2008, only a third of respondents believe that the economic crisis has not had significant effects on CSR programs or the fact that these programs pass into a second place. Therefore, there is a greater awareness of the strategic role of CSR. The crisis acted as an accelerator of the commitment of companies to sustainability, strengthening the belief that it is an important solution to address the growing market uncertainty, rebuild relationships and trust between business and society. Increasingly common is, therefore, the belief that a coherent involvement in sustainability strengthens the business competitiveness and improves economic performance. The managers were aware that CSR can become a competitive tool if integrated into business strategies.

On a similar vein, the interview with Ferrero Group's CSR manager, on the agro-food sector and the current and future CSR policies relevance and role to the sector and during recession confirms the results of Fiorani and Meneguzzo study in 2010. According to the CSR manager, in managing the effects on the environment and natural resources, reducing the consumption of resources or polluting emissions and waste can not only result in reduced impact on the environment, but such strategy can also bring benefits by reducing energy bill and raw materials costs. Thus, at a time of crisis like the current one - says the manager - has been instrumental for the company to adopt a CSR approach, which in this context of crisis is not decaying, but rather it is more active than ever.

CSR strategy integration: findings

In order to better interpret the empirical findings emerging from the comparative cases, the authors used the CSR stage model developed by Molteni (2007) in order to identify the position of the companies analyzed in relation to the degree of integration of corporate social responsibility strategy. The model provides a process of CSR evolution, of a gradual and incremental integration of CSR into business strategy and is based on five main stages: informal, current, systematic, innovative and dominant (see figure 4).

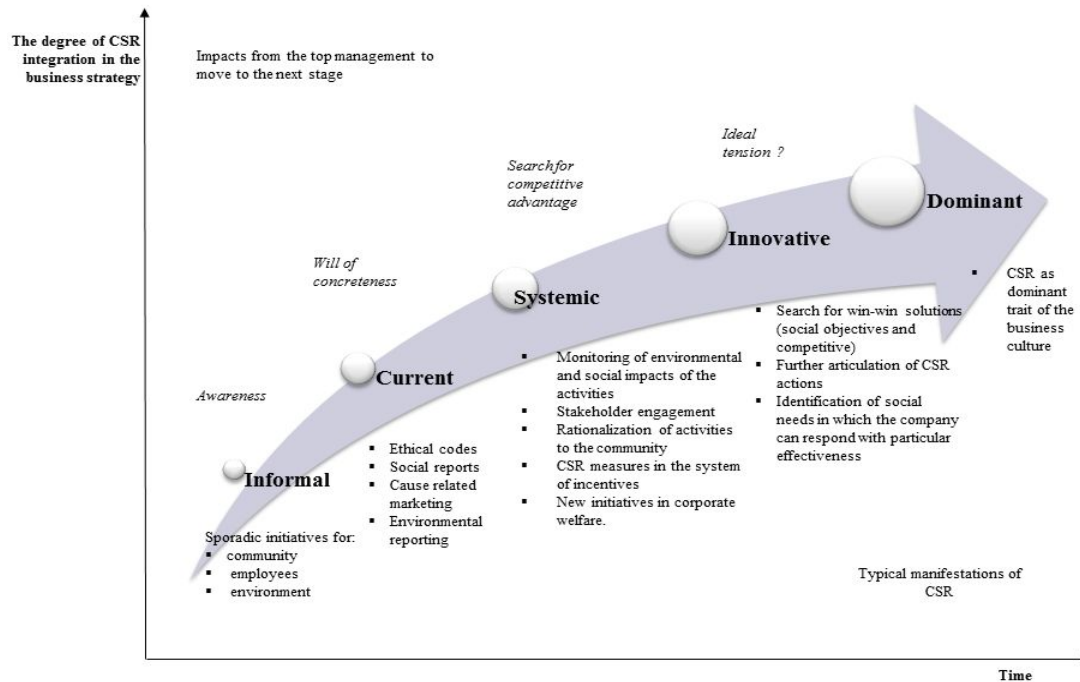


Figure 4. CSR stages of development (Molteni, 2007)

Findings shows that Valfrutta group could be placed between the informal and current phase of CSR development (see figure 5). Some elements emphasize the social and environmental interests of the company. However, there are not the systematic implementation of the social or environmental initiatives in favor of the community and do not have a large number of certifications, except for the FSC (Forest Stewardship Council). In addition, the group seems to have a function dedicated to CSR with an office and a manager, however, it is not implementing procedures for stakeholder engagement, and not performing the sustainability reporting.

Instead, Barilla Group position is in the phase of innovative CSR. The CSR level of integration is likely to create competitive advantages by reducing costs associated with waste and the simultaneous satisfaction of various stakeholders, such as employees, the environment, and the community. In addition, the CSR in Barilla is placed at the service of multiple stakeholders through targeted involvement methods and regular meetings at least once a year.

On similar grounds is the Nestlé, which ranks among the innovative and dominant phase of CSR development, “surpassing” Barilla due to the largest number of certifications, socio-environmental reports and the commitment to stakeholder engagement. The analysis shows that the company since 2011 has doubled the annual meetings with its stakeholders. The Nestlé approach is towards stakeholder engagement, using key stakeholders involvement through dialog and interactive communication, identifying expectations, setting or revising policies and strategies.

Ferrero company’s approach instead shows availability and interest towards others types of stakeholders that are not key to the business activity. The case of the stakeholder approach “graduate student”, can be interpreted as a possible awareness to stakeholder legitimacy and expectation to have access to information. Within the limits of corporate policies and protection of sensitive data, the manager of the company has listened and tried to respond to requests made by stakeholder. In the perspective of the research publication - which may lead to assume a certain “power” or influence due to dissemination of information on the company strategies- it is believed that the Ferrero’s choice was strategically farsighted. Despite the visible commitment with which Nestlé is working in the socio-environmental field, it is believed that the Ferrero group places on the higher dominant stage of CSR. The dominant position due to the fact that the company has succeeded in developing a new model of business management designed to

value the group and its brands consistently through the integration of social and environmental values in the strategies pursued. The Ferrero position is justified by the numerous corporate giving initiatives and the active integration of social actions with the economic ones.



Figure 5. The positioning of the companies in the CSR stages model

Ferrero's business actions are integral part of the communities in which it operates more than its competitors in the sector. The social commitment of the Group has become the instrument towards the full integration of the organization, its stakeholders and the environment in which it operates. Ferrero can be considered a "good corporate citizen" because it has moved from a vision in which the goal is the satisfaction of individual stakeholders to one targeting the society wellbeing. It is achieved integrating different initiatives, through community philanthropy actions and listening to all categories of stakeholders (the motto is: "the quality can be assured with the contribution of all").

The representation and systematization of Ferrero's CSR strategies and activities are in line with Global Corporate Citizenship Model (Schwab, 2008) (see figure 6). The model show that the group has internalized all four pillars of good practices of global citizenship (corporate governance; corporate philanthropy; social responsibility; social entrepreneurship, at the bottom, being the economic contribution). Therefore, the company approach underline that in addition to an active engagement in CSR initiatives (orientation to external stakeholders, adoption of accountability and reporting systems based on the approach triple bottom line), simultaneously puts in place actions of community philanthropy, provides its human resources (skills and know-how) for projects that benefit the community (community volunteering), develops social entrepreneurship initiatives (Social Entrepreneurship), supporting spin-off and start-up of social enterprises or creating its own foundation, and engages directly on Corporate Governance (inward orientation to shareholders). The group acts as a 'good active citizen' not only in the communities and countries where operates, but also at a global level. It is attentive to improve the present and the future, alongside the existing institutions.

On the other side, the data from interview and sustainability reports underlines that Ferrero's sustainability goals have grown from year to year, entailing an increase in investments and a widening of geographical areas of actions. The social and environment initiatives and their investments during the crisis, increased, and are expected to rise gradually. Therefore, can be concluded that the leadership in the market belongs to Nestlé while Ferrero group leads the dominant strategy of CSR.

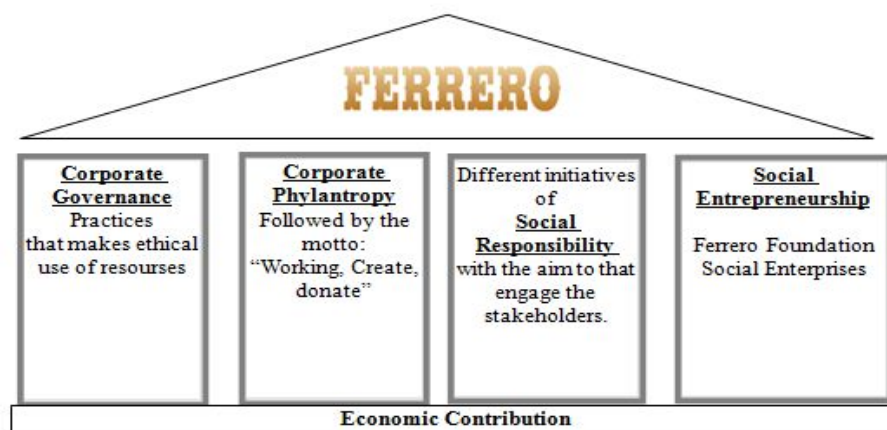


Figure 6. The model of GCC for Ferrero (Schwab, 2008)

Conclusions and implications

Scholarly findings (Fiorani & Meneguzzo, 2010) shows that CSR is a winning strategy for a company's competitive advantage in time of crises. The research confirms similar results for Ferrero Group. The CSR in itself does not guarantee the success of a business, a high rate of sustainable growth, a low unemployment rate, and greater economic stability. However, to prevent the financial crisis without the CSR it is more difficult; the negative effects of the financial crisis can be buffered by the quality and efficiency of each organization (Argadona, 2009).

Therefore, the reputational capital is fundamental to business and its strengthening through a transparent and open communication. Several researchers agree that companies with a good reputation can better resist crisis, with lower economic losses than those who do not have a good reputation. CSR should be considered as a long-term investment on future competitiveness, overcoming the identification of CSR with corporate philanthropy, volunteering, social marketing actions or cause related marketing, in order to integrate shared value processes (Porter & Kramer, 2006). The authors argued that “companies must take steps to integrate their business and society, generating economic value in a way that simultaneously create value for the company and for the larger system in which it operates (suppliers, community, territory), along the entire value chain, with the attention to the decentralization of production at the international level (outsourcing)”.

In the actual scenario, the business are increasingly forced to move towards a sustainable approach, given the scarcity of natural resources and increasing social and environmental issues. Businesses are starting to change the sustainability of their supply chain in the key element to reach the competitive advantage.

The growing pressure from stakeholders drives an increasing number of businesses to pay attention to social and environmental issues in the territory (motto “Think Global, Act Local”). However, European Commission reports show that today less than 10% of large enterprises in the EU regularly publishes information on the environmental and social aspects. The EU Council approved the 2014 Directive on the reporting of social and environmental information (2014/95 / EC “Non-Financial Disclosure”). The Directive should be adopted by the national legislation of European countries by end 2016. The Directive represents a boost for the future development of CSR. In Italy there is a need for greater support from the institutions and public administration through public awareness, promotion of certification systems, policies for partnerships creation, platforms for the exchange of knowledge and research centers aimed at the spread of CSR. However, research findings show that despite Italy do not have specific legislation or national coordination in the field, holds a leading position in terms of CSR. Such position is mainly due to the bottom-up approach to social and environmental innovation and the presence of best practice companies like Ferrero, where CSR is the central element in the business strategy definition.

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