How Creating Shared Value integrates with Management Control Systems

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Abstract

Title: How Creating Shared Value integrates with Management Control Systems

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Five key words: Management Control Systems, Creating Shared Value, Corporate Social Responsibility, Sustainability, Integration

Purpose: The purpose of this thesis is to describe and analyse how Creating Shared Value integrates with a company's management control systems.

Methodology: A qualitative single case study has been conducted. Semi-structured interviews has been applied throughout our interviews with Nestlé Nordic.

Theoretical perspectives: Literature covering the Creating Shared Value concept, Management Control System frameworks as well as related research in this field.

Empirical foundation: The primary empirical data is based upon semi-structured interviews with relevant individuals at Nestlé Nordic. Secondary data has been collected through various reports and internal documents.

Conclusions: Our findings suggest that CSV integrates with several of the company's MCSs. In cultural controls through an increased CSV culture, awareness of the value of CSV, a sense of ownership and a conductive culture. In planning controls through explicit goals, engagement of suppliers and developed shared commitments. In non-financial measurement systems through numerous uncomplicated measures and engagement with customers. CSV also integrates with rewards and compensation controls through adequate performance measures. In organisational structure, through strategic business units. With the governance structure through a CSV board and meetings. CSV integrates with policies and procedures through e-learning, intranet, developed shared commitments, training and workshops.

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1 Introduction

1.1 Background

Corporate Social Responsibility (CSR) has emerged over the years and has become an inevitable part for companies all over the world (Porter & Kramer, 2006). Corporate responsibility or sustainability reporting was in 2011 commonplace in 95 percent of the 250 largest global companies (KPMG, 2011). Although sustainability statements could be found by most large companies, such statements of sustainability do not reveal much about their actual practices (Parisi, 2013, p. 73). Subsequently, scholars and practitioners suggest that sustainability should move from a peripheral activity, to be integrated into core business activities (Ibid.). Along with the shift from margins to mainstream, the debate has shifted from focusing on whether companies should engage in sustainability, to focus on how these challenges can be addressed (Moon et al., 2011).

A reason for this emerging CSR trend is because governments, media and other stakeholders holding companies accountable for the social consequences of their activities (Porter & Kramer, 2006). Companies has contributed to the society in various ways by improving social and environmental issues, but the effort given by companies has not turned out to be as productive as it could be (Ibid., p. 78). According to Porter and Kramer (2006) there are two reasons why. Firstly, companies tend to pit their business towards the society instead of consider the two as interdependent. Secondly, the pressure from the society forces the companies act in a generic way regarding CSR. According to the authors, traditional CSR programs have a primarily focus on reputation and the connection to business is limited, which makes CSR difficult to maintain in the long run (Porter & Kramer, 2011). Companies should instead act in a way most appropriate for their business (Porter & Kramer, 2006). But since companies are not accountable for all problems in the world and definitely do not have resources to

solve them all, companies must identify a specific set of social problems where they best can help and at the same time gain as much competitive advantage as possible (Ibid.). This idea of creating economic value for the company by creating societal value, the authors call *Creating Shared Value* (CSV) (Porter & Kramer, 2011). According to the authors, the CSV concept could be defined as:

> 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. Shared value creation focuses on identifying and expanding the connections between societal and economic progress. (Porter & Kramer, 2011, p. 66)

According to Porter and Kramer (2011) there are several differences between CSR and CSV. The authors describe that CSR can be brought to the society by doing good, whereas for CSV value is created by economic and social benefits in relation to the cost. Moreover, CSV should according to the authors be an integrated part of a company's competitiveness and profit maximization, whereas CSR is often used as a response due to external pressure (Ibid.). The authors also describe that CSR mostly is separate from profit maximization whereas CSV has a jointly value creation between companies and the community. In line with Porter and Kramer, the European Commission (2011, p. 6, emphasis added) has also taken this extended CSR approach in their new CSR strategy:

> To fully meet their corporate social responsibility, enterprises should have in place a process to *integrate* social, environmental, ethical, human rights and consumer concerns *into their business operations and core strategy* in close collaboration with their stakeholders, with the aim of:
> – maximising the *creation of shared value* for their owners/shareholders and for their other stakeholders and society at large;
> – identifying, preventing and mitigating their possible adverse impacts.

Even if some scholars argue differently, which will be covered later, Porter and Kramer's CSV concept has undeniably gained high recognition. Their article from 2011 won McKinsey's price for the best Harvard Business Review that year (Crane et al., 2014). Further, their article was cited more than ten times as much as the second most reviewed article concerning similar issues, as well as the CSV concept also have entered the management literature and received great attention in well-known newspapers (Ibid.).

1.2 Problem discussion

In a study by Lacy et al. (2010), 96 percent of CEOs from companies all over the world believed that sustainability issues should be an integrated part of a company's business and strategy. The study however revealed that even if it has emerged a perceived importance of sustainability as a vital part of companies operations, the findings demonstrated a lack of integration into the core businesses, i.e. into the companies' processes and systems (Ibid.). Consisting attempts to integrate sustainability within strategy, beyond the rhetoric in sustainability statements, should be reflected in a company's control mechanisms (Gond et al., 2012). With an extensive literature review Crutzen and Herzig (2012) stress the need for research that deals with the integration of social, environmental and economic aspects in strategy and management control. Most research only addresses definitions of, and motivation for, organisations' interest in social and environmental concerns (Parisi, 2013). Companies should incorporate social responsibility matters into their management control systems (MCSs) to recognise the importance of it (Durden, 2008). In the increasing pressure of how to integrate social and environmental activities into strategic processes, research is needed to understand how MCSs are used to facilitate CSR activities that support the attainment of organisational goals (Arjaliès & Mundy, 2013).

Despite the various terminologies that have been brought up, i.e. CSV, CSR and sustainability, the literature calls for more insight of how these concepts are

integrated into organisations' MCSs. Malmi and Brown (2008) declare that there is a range of ways MCSs have been defined by researchers. The authors however state, as a general conception, could e.g. traditional accounting controls such as budgets and financial measures, but also more socially based controls as values and culture, be considered as MCSs. Organisations often have numerous controls present and MCSs are important elements in ensuring that employee behaviour is consistent with the organisational objectives and strategy (Ibid.). Previous research in this area has shed light into the role of MCSs in companies CSR strategies (Arjaliès & Mundy, 2013), the measuring and monitoring of social responsibility within MCSs (Durden, 2008) and the integration of sustainability within MCSs (Moon et al., 2011).

It has been described that a CSV approach could be undertaken in order to create both economic and societal value, thus contributing to society's broader sustainability agenda in a way beyond rhetorical sustainability statements. By examine how an organisation's CSV work integrates with its MCSs, contributes with knowledge of how societal and environmental challenges can be addressed. Since the CSV concept is relatively newly defined, there has been a lack of research in this area (Williams & Hayes, 2013). The authors also mention that it is not completely clear how to define if a company is pursuing CSV in contrast to the overlapping area of CSR. Porter et al. (2012) however describe that several organisations have embraced the CSV concept. As a response to calls for research in this area, it is therefore of interest to examine how CSV are integrated into a company's MCSs.

In order to get as thoroughly insight as possible regarding how CSV is integrated into a company's MCSs, a company that undertakes the CSV approach would therefore be necessary for this study. Nestlé is considered as pioneers within the CSV concept (Crane et al., 2014). Nestlé states in *Nestlé in society - Creating Shared Value and meeting our commitments 2013:* "Creating Shared Value is the approach we take to the business as a whole" (CSV report, 2013, p. 4). In this report it is also stated that the stakeholders of Nestlé calls for more insight of how CSV is

implemented and managed in different markets and businesses through performance measurements processes and other management tools. By addressing the empirical gap of how CSV integrates with Nestlé's MCSs, provides a practical as well as a theoretical contribution.

1.3 Purpose

The purpose of this thesis is to describe and analyse how Creating Shared Value integrates with a company's management control systems.

1.4 Structure of this thesis

This thesis will be organised as follows. The following chapter will provide the reader with our methodological choices as well as consequences of these choices. Chapter 3 comprises a theoretical framework. It starts with a description of CSV concept. The chapter proceeds with a presentation of MCSs frameworks and subsequently arguments for our choices. Prior related research in this area is also presented and the chapter culminates with an explanation of how concepts and previous research will be used in the analysis. In chapter 4 our case will be presented, which is preliminary based upon five in-depth interviews with employees in different positions and from various divisions at Nestlé Nordic. The empirical material from chapter 4 will be analysed in chapter 5. The last chapter provides our conclusions, contributions as well as limitations and suggestions for future research.

1.5 Limitations

Due to resource constraints, this study preliminary comprises the Nordic organisation of Nestlé, even if many findings that we have made may apply to the whole organisation of Nestlé.

2 Methodology

In the following section the methodological choices will be presented and motivated theoretically. The choice of research method will initially be discussed; this will be followed by a detailed description of our theoretical study. Further, our primary and secondary data will be provided and finally a discussion of the quality of our research design through validity and reliability.

2.1 A qualitative empirical method

In order to fulfil our purpose, to describe and analyse how CSV integrates with a company's MCSs, a qualitative, in-depth single case study has been conducted. Case studies are relevant when contemporary events should be examined (Yin, 2009). Qualitative research is useful in order to reach a greater understanding about the case (Bryman & Bell, 2011). A case study is beneficial when performing in-depth questions since it permits a holistic understanding of real-life events (Yin, 2009). By raising further questions throughout the interviews we ensured not to miss-out any important information. This is in alignment with semi-structured interviews according to Bryman and Bell (2011). Instead of focusing on quantitative research we wanted to gain as much and deep knowledge as possible about one particular company, we therefore conducted a qualitative research. With the use of a qualitative research we have allocated plenty of time and effort on our interviews since we considered that detailed information gathered from the interviews provided us with the most suitable information for the purpose of this thesis. Moreover, when theory is underdeveloped, case studies are argued to be relevant (Scapens, 1990). This is the situation in our case since CSV is a rather newly defined concept with lack of research in the area (Williams & Hayes, 2013).

2.2 Theoretical study

We have in our theoretical study used several articles. These has been gathered at Lund University's article database LUBsearch and additional literature from library directory Lovisa. Google Scholar has also been used in order to find various articles. Keywords used when searching for the articles were i.a. "CSV", "Creating shared value", "MCS", "Management control", "Management control systems". Furthermore, we have in our theoretical section both explained the CSV concept as well as MCSs. Numerous MCS frameworks has over the years been established, however, Malmi and Brown's (2008) package has been applied to a great extent in our thesis. Their package is based on four decades of comprehensive literature review (Ibid.). Malmi and Brown's (2008, p. 291) package focus on a sufficient broad scope of MCSs but yet parsimonious in order to be able to study the phenomenon empirically. This framework facilitated this study since it enabled us to conduct a broader discussion during the interviews and capture thoroughly insight of several different MCSs, and subsequently for the purpose of this thesis to explain and analyse how CSV integrates with MCSs.

In our theoretical framework we have referred a great extent to Porter and Kramer when explaining the CSV concept. The reason why Porter and Kramer have been used to that extent is because the two authors defined the concept (Crane et al., 2014) but also since the concept is new and limited literature has been available (William & Hayes, 2013). Although not dismissing critical voices of the CSV concept, but since our purpose has been to examine how CSV integrates with MCSs, to what extent the CSV concept is different from related concepts is outside the scope of this thesis to determine. It cannot be overlooked that the CSV concept has been enshrined in official EU strategy for CSR (European Commission, 2011) and reached the academic management literature (Crane et al., 2014). As mentioned in the introduction, Porter and Kramer's (2011) article has been cited numerous times. Some of the scholars that have cited their article are Arjaliès and Mundy (2013), Crane et al., (2014) William and Hayes, (2013), Pfitzer

et al. (2013) and Bockstette and Stamp (2011). All of which has been used in this study.

Porter et al. (2012) acknowledge that the CSV concept is still in its infancy stage and understanding of the potential of the concept has just begun (Porter & Kramer, 2011). Companies relatively recently have started to undertake the CSV approach, previous research has not addressed how CSV and MCSs integrates. We have therefore in our theoretical framework included prior research that examines related topics as CSR and sustainability in relation to MCSs, namely Arjaliès and Mundy (2013) and Gond et al. (2011). These authors take the perspective that CSR/sustainability should be an integrated part of the company's core business, which to our best knowledge is a close view to the CSV approach. Since both Arjaliès & Mundy (2013) and Gond et al. (2011) employs Simons' (1995) levers of control framework in their empirical studies, we have carried out a comparison between Malmi and Brown's (2008) management control systems as a package and Simons (1995) Levers of control framework, to illustrate the similarities.

2.2.1 Criticism of the CSV concept

Crane et al. (2014) have a diverse opinion than Porter and Kramer. The authors consider CSV as similar to existing CSR concepts. Additionally the authors criticise Porter and Kramer for defining CSR as something that is detached from profit maximization. Instead the authors say that Porter and Kramer overlook decades of CSR literature that have examined CSR as a business case. Crane et al. (2014) claim that similar mind-sets as CSV has existed for decades. For example, Drucker (1984) anticipated already during 1980s that a company need to act in self-interest in order to manage their business when they conduct social responsibilities. William and Hayes (2013) emphasis that there is not any clear way of measuring shared value created. The measurement tools today suffer since they only measure the task completed or products distributed, they do not measure the impact (Ibid.). Further, Crane et al. (2014) expresses their view on CSV as a possible and new sophisticated

way of greenwashing. The authors state: "there are no realistic way to distinguish a CSV initiative from, say, a strategic CSR initiative, except for its label." (Crane et al., 2014, p. 153).

2.3 Empirical study

Due to the empirical gap of knowledge of how CSV integrates with MCSs, we aimed to study a company that was undertaking the CSV approach. The reason why we choose to conduct a case study at Nestlé was because they are considered as pioneers within the CSV concept (Crane et al., (2014), as well as the statement by the company that the CSV approach "is taken to the business as a whole" (CSV report, 2013, p. 4).

Sources of evidence can be gathered in various ways in a case study (Yin, 2009). Interviews are according to Yin (2009) considered to be one of the most relevant source of information. Further, interviews are labelled as primary data according to Björklund and Paulsson (2003). As secondary data, we have also used documentations as internal documents and various corporate reports. Yin (2009) emphasise that single case studies are time consuming and creates large scope of material. Moreover, qualitative data analysis can often be very time-consuming (Bryman & Bell, 2011). We attacked this problem by selecting relevant scope of data in our empirical material for the purpose of this thesis.

2.3.1 Our contact with Nestlé and selection of interviewees

We had an introductory meeting with Magnus Nordin, CEO of Nestlé Sweden and Marie Louise Elmgren, Corporate Communication Manager at Nestlé. During the meeting our purpose and ideas was presented. We discussed throughout the meeting potential persons to interview and Nordin thereafter connected us with additional relevant persons for the purpose of this thesis. Our choice of interviewees can be considered as expert selections, which is interviewees that holds plenty of knowledge in a particular area in which a study take place

(Gustavsson, 2004). Our interviewees fit well into this description, since they all possessed knowledge of both CSV and MCSs in the company. A description of the interviewees follows.

We have conducted five interviews with individuals working in various divisions and positions at Nestlé, both on a management level as well as an operating level. This was done since we aimed to reach both a holistic, but yet deep, insight of how the company work with CSV in their MCSs. Our first interview took place with Nordin. He has worked for Nestlé for more than 35 years, whereas CEO of Sweden for seven years. Nordin is thereof well familiar with CSV and additionally possess broad insight of how Nestlé manages its operation throughout the whole organisation. Are second interview took place with Brigitte Krenk, which has worked for Nestlé for seven years and the last four years at one of Nestlé's brands, Zoégas. Krenk has been the plant manager for almost three years. Another interview took place with Minette Rosen, who works as a purchaser of coffee. Rosen holds thoroughly knowledge about CSV, since she has been in Kenya and worked with one of Nestlé's CSV initiatives. Due to this knowledge, it was possible to raise further questions about Nestlé's CSV work. Our fourth interview was carried out with Ulrika Wallberg, divisional executive manager at Nestlé Nordic. Wallberg is responsible for several of Nestlé's categories e.g. within food, confectionery and beverage. Our last interview took place with Karolina Bengtsson, who works as a sales controller at Nestlé. We aimed to receive a controller's expertise of CSV and the company's MCSs. Contact with our interviewees has been carried out throughout the process.

2.3.2 Interviews

Before we met the interviewees we conducted an interview guide, which covered the main questions that was relevant in order to fulfil our purpose, see *Appendix*. The vast majority of our questions consisted of *how* questions while some were *why* questions. *How* and *why* questions are effective when performing a case study where incomplete theories are evident (Yin, 2009). In order to respond to our purpose of

this thesis, *how* questions are was most suitable since we examine how CSV integrates with MCSs. Moreover, in our interview guide we included seventeen questions in order to ensure that we did not miss out any important information. However, the interviews were more of a discussion about and around the questions in order to receive as useful empirical data as possible. Out of our five interviewees we met three at their office and the other two interviews took place through telephone. We started all interviews by introducing the purpose of the interview; thereafter a brief introduction took place about ourselves. This was made in order to make the interviewee aware of the aim of our thesis (Kvale & Brinkmann, 2009).

2.4 Validity and reliability

By examine the validity and reliability, Yin (2009) describes *construct validity, external validity* as well as *reliability*. The quality of the thesis will enhance if those tests are performed (Ibid.).

Construct validity can be strengthening by using several different empirical sources (Yin, 2009). This has to a certain extent been achieved since five interviews have been conducted but also as mentioned before, empirical sources as internal documents. Further, Yin (2009) describe that single case studies have received criticism since researchers have treated data subjectively. In order to avoid this, we have allowed interviewees but also external parties read the thesis. This was done to prevent misinterpretations, and also strengthen our construct validity.

External validity refers to the extent the findings can be generalized (Yin, 2009). Case studies are criticised for not being able to generalize (Ibid.). The intention of our thesis has been to make a thoroughly study of one single company. Companies have their own tailored MCSs and are pervaded by several contextual factors. Further, CSV opportunities vary depending different factors such as industry and company (Porter & Kramer, 2011). Our case study is very closely tied to the specific context of Nestlé Nordic. One must also recognise that

the empirical data cannot be fully representative for the studied organisation as a whole due to the fact that the empirical material to a large extent is based on five interviews. Generalisations to other organisations may therefore not be feasible.

Whether a completely new researcher can reconstruct the study with similar results as the first researcher using the same approach is considered as reliability (Yin, 2009). However, Yin (2009) argues that factors such as being a good listener, asking suitable questions and possessing of high knowledge is examples of factors that can affect the result from a study which in turn lower the reliability. Moreover, Yin (2009) explains that reliability aims to lower the amount of distortions and errors in the thesis. A thesis should therefore be conducted with the mind-set that someone constantly is monitoring in order to encourage documentation (Yin, 2009). We have throughout the thesis documented our work, which enabled us to return to documentation earlier written in the process.

3 Theoretical Framework

This chapter will first provide the reader with a description of the CSV concept, accompanied with examples of the approach. Further, a review of MCSs frameworks will be presented. This will be followed by research covering aspects of interest for the purpose of this thesis. Finally, this chapter ends with a description of how the theoretical framework will be used in the analysis.

3.1 Creating Shared Value

3.1.1 The development of CSV

The mindset of the CSV concept was discussed already in 2002 by Porter and Kramer in their article *The Competitive Advantage of Corporate Philanthropy* (William & Hayes, 2013). In line with Williams and Hayes (2013), Crane et al. (2014) describe that CSV has been developed by Porter and Kramer's many articles in Harvard Business Review. Porter and Kramer (2002, p. 57) express their criticism towards charity donation: "Most companies feel compelled to give to charity. Few have figured out how to do it well".

For instance, the authors discuss the decrease of charity contributions from U.S. companies to society. Further, during 2001, donations decreased by 14.5 percent and throughout a 15-year period donations made by companies had dropped with 50 percent (Ibid.). The authors argue that this behaviour has its explanations; executives are less willing to donate since they experience donations as a no-win situation. Additionally, it is described, by giving more does not satisfy those who are critical, it rather raises the expectations (Ibid.).

In an article published a couple of years later, Porter and Kramer (2006) developed their thoughts and coined the term *creating shared value*. Prevailing approaches of CSR is according to the authors separated from business and

strategies. CSR should instead be integrated into the same framework companies use when doing business (Ibid.). That being said, companies would realise that CSR could be more than only a cost (Ibid.). Instead, CSR should be something which creates competitiveness and opportunities, corporations and society are interdependent and *shared* value must therefore be created (Ibid.). Additionally, in 2011, Porter and Kramer describe the CSV concept more thoroughly in their article *Creating shared value; How to reinvent capitalism - and unleash a wave of innovation and growth*. The authors state:

> The opportunities to create shared value are widespread and growing. Not every company will have them in every area, but our experience has been that companies discover more and more opportunities over time as their line operating units grasp this concept. (Porter & Kramer, 2011, p. 76)

A more detailed description of what the CSV concept involves an how to create CSV opportunities will be explained below through three different ways.

3.1.2 How to create shared value opportunities

It is assumed that companies are compliant with laws and ethical standards are followed when undertaking the CSV concept (Porter & Kramer, 2011). Furthermore, Porter and Kramer (2011, p. 77) state: "It is not philanthropy but self-interested behavior to create economic value by creating societal value".

In order to achieve future competitiveness for a company, Porter and Kramer (2006) argue that creating shared value should be seen as a long term investment. Porter and Kramer (2011) provide an example of how to create shared value, established by the multinational company Johnson & Johnson when it invested in employee wellness programs. The outcome of this investment was that the Johnson & Johnson saved $250 million in health care costs, as well as the absence of employees reduced and the productive workforce therefore increased.

The society benefited since the employees and their respective families got healthier.

Several companies has started to undertake the CSV approach Pfizer et al. (2013), for instance Intel, Coca-Cola and IBM to name a few. Bockstette and Stamp (2011) describe that companies that have started with this approach consider contributing to society as a potential business and simultaneously understand that it is of great importance that society is healthy and well-functioning. A company needs a successful and healthy society where education, healthcare and equal opportunities are vital in order to reach a productive workforce (Ibid.). Companies, NGOs and governments must according to Porter and Kramer (2006, p. 92) stop considering "corporate social responsibility" and instead focus on "corporate social integration". Further, Porter and Kramer (2011, p. 75) state: "Shared value is defining a whole new set of best practices that all companies must embrace. It will also become an integral part of strategy." The CSV concept is illustrated in *Figure 1*.

Creating Social Value:
Investments that address social and environmental objectives

Creating Shared Value:
Investments in long-term business competitiveness that simultaneously address social and environmental objectives

Creating Business Value:
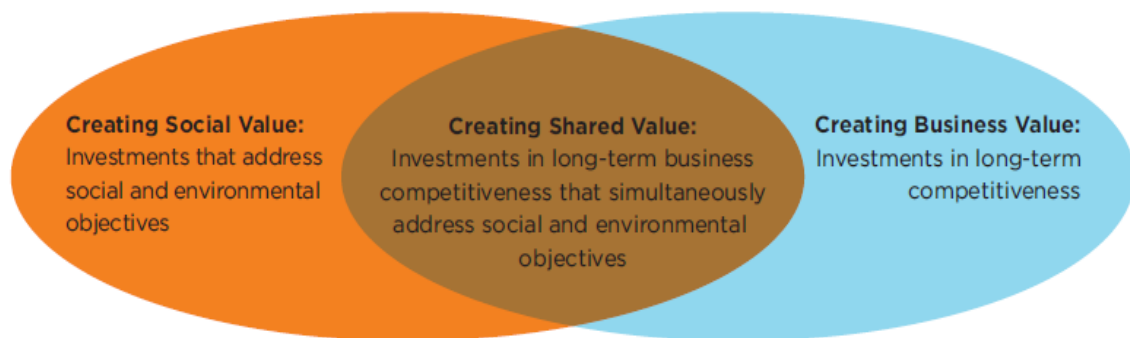Investments in long-term competitiveness

Figure 1. Creating Shared Value (Bockstette and Stamp, 2011)

Moreover, Porter and Kramer (2011) present three ways for companies to create economic value by creating societal value. These are reconceiving products and markets, redefining productivity in the value chain and enabling local cluster development.

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Reconceiving products and markets

Porter and Kramer (2011) explain that a company could create shared value by examine its own products. Moreover, Porter et al. (2012) describe that when a company sell their product or service they should focus on profitability, market share and revenue growth. These factors should be related to environmental and social development (Ibid.). According to Porter and Kramer (2011) could these factors be for example health, better housing, improved nutrition, less environmental damage and better financial security. In order to create shared value one should also identify various benefits and harms that are or could be related to a company's product (Ibid.). Nevertheless, Porter and Kramer (2011) argue that companies for decades have analysed and manufactured demand but at the same time missed to consider the greatest demand of them all. Companies should instead ask themselves if their products are good for the customers and customers' customers (Ibid.). As an example, focus has traditionally in advanced economies been on taste and quantity for food companies (Ibid.) However, the focus has changed to consider aspects as better nutrition in the products, and the reason why is due to the changed demand from society according to Porter and Kramer (2011).

Redefining productivity in the value chain

A second opportunity to create shared value is to redefine productivity in the value chain. Societal issues consciously or unconsciously affect a company's value chain (Porter & Kramer, 2011). Issues such as natural resources and water use, health and working conditions (Ibid.) Nevertheless, when societal problems occur, costs can arise (Ibid.). The authors argue that these problems could in turn create an opportunity for a company to create shared value. Porter and Kramer (2011) provide an example concerning Wal-Mart. Greenhouse gases is costly for the environment but also for the business. By reducing the packaging and also rerouting the trucks and thereby cutting the route, Wal-Mart saved $200 million even though they shipped more products. At the same time the company lowered

the carbon emissions. An innovation of how to dispose plastic used in stores was also made which saved them millions since they lowered its disposal costs to landfills.

Enabling local cluster development

A third opportunity to create shared value is by enabling local cluster development (Porter & Kramer, 2011). The authors describe that no single company is self-contained; all companies are affected by supporting companies but also the infrastructure located around them. The authors use the word clusters to explain a geographical concentration of various firms and mention the IT cluster in Silicon Valley as an example. Porter and Kramer (2011) explain the importance of enabling clusters since they contribute with competitiveness, productivity and innovation. Further, the authors describe that clusters consider aspects as schools, universities and market transparency. If a society suffers from poor transportation, poor public education and poverty, companies will face limited demand of their products, high training costs, unhealthy workers and increased logistic costs (Ibid.). Porter and Kramer (2011) provide an example of this that considers Yara, worlds largest mineral fertilizer company. Yara invested $60 million together with the Norwegian government in infrastructure, which created growth corridors between Mozambique and Tanzania. This investment is expected to create more than 350,000 new jobs and benefit 200,000 farmers in the two countries. The benefits from the investment will support the agricultural cluster but also help Yara to grow their business. By performing such investment together the outcome will often be greater according to the authors.

3.1.3 Measuring CSV

It is of great importance for a company to be capable of measuring the impact of their CSV work in relation to the economic value (Bockstette & Stamp, 2011; Porter et al., 2012). Further, Porter et al. (2012) argue that if a company are unable

to measure their CSV impact, they cannot know how valuable the CSV work is. By not measuring the impact of a company's CSV work, essential factors such as growth and social impact will be suffered (Ibid.). The authors further explain that leading companies which undertake the CSV concept still struggle with absence of data needed to improve their results. Porter et al. (2012) acknowledge the difficulties with measurement of CSV. The authors state: "Efforts to understand the link between business performance and social value creation are just beginning." (Porter et al. 2012, p. 2)

3.2 Management Control System

A wide range of MCS frameworks have been developed over the years, with differences in scope of controls. Samuelson (2004) makes a breakdown into three different forms of controls: formal controls, organisation structure and less formal controls. Ax et al. (2009) exemplifies different controls in Samuelson's typology. Formal management controls include performance planning, budgeting and several other formal techniques of management control, while organisational structure includes controls such as responsibilities and reward systems. Less formal controls comprises corporate culture, learning etc. Other authors make other breakdowns. Merchant and Van der Stede (2007) divide controls into result, action and personnel controls in their object of control framework. Result controls often include rewards and are preferable when performance is measurable. Action controls are used to constrain behaviour while personnel controls include training and encouragement of norms.

There are numerous other MCS frameworks and typologies. However; more recently, Malmi and Brown (2008) presented a framework, MCSs as a package, based on a comprehensive literature review comprising almost four decades of MCS research. To illustrate the strengths of their framework, Malmi and Brown make a comparison with Merchant and Van der Stede's (2007) object of control framework. Some of the MCSs in their typology are also based upon Simons'

(1995) Levers of Control framework. Malmi and Brown argue: "this analytical conception of MCS as a package provides a sufficiently broad, yet parsimonious approach for studying the phenomenon empirically" (2008, p. 291).

Malmi and Brown (2008, p. 295) also argue that even if many conceptions of MCSs packages have appeared in the last decades, they omit key MCSs managers actually could use. In line with the arguments by Malmi and Brown (2008) and in order to make a thoroughly analysis of how CSV integrates with a company's MCSs and best fulfil our purpose, we have chosen Malmi and Brown's MCSs package for our study. Although not dismissing the other MCS frameworks, we believe Malmi and Brown's package provides a comprehensive framework that still is explicit in terms of actual MCSs that can be used.

In the next section, Malmi and Brown's (2008) MCSs package will be described. In the following sections will also Simons' (1995) levers of control framework be discussed in relation to Malmi and Brown's (2008) package, since previous related research of interest for the purpose of this thesis have employed Simons' framework in their research.

3.3 Management Control Systems - Holistic perspective

Malmi and Brown (2008) have included both traditional controls such as budgets and financial performance measures with more socially based controls such as culture in their MCSs as a package framework. The term package is used, since in most contemporary organisations there are several different MCSs, which most often have been introduced in different times and therefore not been designed as one coordinated system (Ibid.). Malmi and Brown (2008) state that the strength of their typology is the broad scope of controls more than a deep discussion of any individual MCS, where many is associated with a representative research stream. The authors also makes a distinction between decision-making and controls used to direct behaviour, and their definition of MCS is therefore: "those systems, rules,

practices, values and other activities management put in place in order to direct employee behaviour" (p. 290). The authors also add that simple rules not should be labelled as MCSs. The point of departure of the typology is that control is about managers ensuring consistent behaviour of employees and other relevant parties with the organisation's objectives and strategy.

Cultural Controls					
Clans	Values			Symbols	
Planning		**Cybernetic Controls**			**Reward and Compensation**
Long range planning / Action planning		Budgets	Financial Measurement Systems	Non Financial Measurement Systems / Hybrid Measurement Systems	
Administrative Controls					
Governance Structure	Organisation Structure			Policies and Procedures	

Fig. 2 Management control systems package (Malmi & Brown, 2008, p. 291)

Malmi and Brown's (2008) MCSs package conceptual framework is overall divided into five types of controls. Cultural controls are illustrated at the top of the typology, as they provide a contextual frame for rest of the controls. The authors has depicted planning, cybernetic as well as reward and compensation controls in the order that they are most likely to occur in contemporary organisations, and these controls are assumed to often be linked to each other. Administrative controls are placed in the bottom of the figure since they create the foundation in which planning, cybernetic and rewards and compensation controls take place (Ibid.). In the following sections an explanation of the different MCSs will be presented.

3.3.1 Cultural controls

Malmi and Brown (2008, p. 294) refers to the definition of organisational culture by Flamholtz et al. (1985, p. 158), which have been supported by many researchers: "the set of values, beliefs and social norms which tend to be shared by its members and, in turn, influence their thoughts and actions". Culture might at times go beyond the control of managers, even if it exists as a context in the organisation (Malmi & Brown, 2008). However, the authors argue that culture is a control system when it is used to control behaviour. The MCSs package considers three different aspects of cultural control: value-based controls, symbol-based controls as well as clan controls. The concept of value controls is derived from what Simons (1995) describes as a belief system, and are defined as: "the explicit set of organisational definitions that senior managers communicate formally and reinforce systematically to provide basic values, purpose, and direction for the organisation" (in Malmi and Brown, 2008, p. 294). Symbols could also be used as a way to control behaviour through developing a certain type of culture, e.g. visible expressions such as office design or dress codes (Malmi & Brown, 2008). The authors explain that the concept of clan controls was developed by Ouchi (1979). Malmi and Brown (2008) describe that clans could by either a certain profession or a group within the organisation which have some kind of boundary to the rest of the organisation and are socialized into the clan. Values and beliefs within the clan work as clan controls (Ibid.).

3.3.2 Planning controls

Malmi and Brown (2008) refer to Flamholtz et al. (1985) when discussing planning as a control. Flamholtz et al. (1985) explain that it is an ex ante control, since it involves goal setting and standard establishment. The information should in turn be used to direct and guide the employee's actions (Ibid.). Malmi and Brown (2008) stress that goal setting and standard establishment clarifies how much effort and

what behaviour that is expected by the employees. The authors explain that planning enables the organisation to co-ordinate and align different goals within the organisation. It also enables that different activities by employees are controlled and congruent with the organisational objectives (Ibid.).

Malmi and Brown (2008) have broadly divided planning into long range planning and action planning. Long range planning has a more strategic focus, which considers the establishment of planning more than one year ahead (Ibid.). Action planning on the other hand has a more tactical focus, usually goals and actions within the immediate or nearest future (Ibid.). Malmi and Brown (2008) argue, opposed to Merchant and Van der Stede (2007) who put planning within the financial control systems, that planning not necessarily has to involve finance. This could be certain strategic projects and initiatives put in place to direct the employees (Ibid.).

3.3.3 Cybernetic controls

Malmi and Brown (2008) consider four different cybernetic systems in their package, which they have identified in previous MCS research. Budgets, financial measures, non-financial measures as well as hybrids, which contain both latter mentioned measures. Cybernetic controls are assumed to be MCSs since they direct behaviour to targets as well as establish accountability for performance variations (Ibid.). Budgets have several purposes, especially performance planning and afterwards evaluation of the actual performance to the plan (Hansen et al., 2003 in Malmi and Brown, 2008). Further, Malmi and Brown (2008) explain that this process controls the acceptable level of behaviour in the organisation.

While budget is a broad technique, financial performance measurement systems can on the other hand be used for narrower target-setting (Ibid.). Financial measures may however be linked to information in budgets (Ibid.). Malmi and Brown (2008) states that non-financial measures have received increased importance as MCSs in contemporary organisations. These systems could be used

when limitations in financial measures are perceived (Ibid.). The last cybernetic control the authors call hybrid, which contains both financial and non-financial measures (Ibid.).

3.3.4 Reward and compensation controls

Reward and compensation systems are put in place to both motivate employees and increase goal congruence of employees and the organisation (Bonner and Sprinkle, 2002, in Malmi & Brown, 2008). The authors argument is that rewards and compensation increase the effort by the employees in contrast to an absence of these kinds of controls (Ibid.). Malmi and Brown (2008) argue that even though rewards often are linked to cybernetic controls, an organisation could reward and compensate in other situations as well, e.g. to retain employees. Therefore are rewards and compensation systems displayed separate in their package (Ibid.)

3.3.5 Administrative controls

There are three different types of administrative controls in the typology by Malmi and Brown (2008); governance structure, organisational structure as well as policies and procedures. Governance structure refers to board structure, management and project teams etc., as well as systems for coordination, e.g. meetings and schedules (Ibid.). For example, the outcomes of meetings are often agendas and deadlines used to direct employee behaviour (Ibid.).

There are many other researchers who consider organisational structure as a contextual variable (Ibid.). In contrast, Malmi and Brown (2008) argue that since the organisational structure is possible to change and the variability of behaviour can be controlled through organisational design structure, organisational controls are included in their typology.

The final MCS within the administrative controls, policies and procedures, are put in place to specify behaviour and processes, as standard operating practices and procedures (Ibid.) Rules and policies derived from Simons (1987) are also included (Malmi & Brown, 2008). According to Malmi and Brown (2008) could

some control mechanisms put in place be included in several different MCSs. E.g. training could be seen as an administrative control, if it includes following specific policies and procedures. However, training could also be seen as a cultural control, if training is used as a way to manage the corporate culture.

3.4 Management Control Systems - Levers of Control perspective

Simons' (1995, p. 5) definition of MCSs are "the formal, information-based routines and procedures managers use to maintain or alter patterns in organisational activities". Malmi and Brown (2008) consider their definition of MCS very similar to Simons', apart from Simons' narrower focus of information-based routines. Simons (1995, p. 5) however state: "These information-based systems become control systems when they are used to maintain or alter patterns in organisational activities." Simons' (1995) levers of control framework are divided into four different systems: belief, boundary, interactive and diagnostic, and are considered as four opposing forces to effectively implement strategy. *Belief* systems are used to inspire employees and *interactive* control systems to stimulate organisational learning as well as encourage new ideas and strategies Ibid.). *Boundary* systems sets limits to ensure compliance and *diagnostic* control systems are used to motivate, monitor as well as reward employees when goals are achieved (Ibid.). Belief systems are a central part of the levers of control. Both since they operate in a way that all four controls work together and since belief systems underpin the way in which the other systems operate (Widener, 2007, in Arjaliès & Mundy, 2013).

As described earlier, Malmi and Brown's (2008) value controls are derived from what Simons describes as belief systems, which therefore are equivalent in the two MCS frameworks. Further, Simons (1995) describes e.g. business plans and budgets as diagnostic control systems. What Simons (1995) describe as diagnostic controls would therefore be most equivalent to what Malmi and Brown (2008)

divide into planning, cybernetic as well as rewards and compensation controls. According to Malmi and Brown (2008) are what they term policies and procedures, partly derived from what Simons (1987) term rules and policies. Rules and policies are included in Simons' (1995) boundary systems, which therefore could be argued to be in line with what Malmi and Brown (2008) terms policies and procedures within the administrative controls. An equivalent MCS in Malmi and Brown's MCSs package to Simons' interactive control system may be harder to pinpoint. However, since interactive control systems are used to encourage organisational learning and the development of new ideas and strategies (Simons, 1995), several different MCSs could fill this role.

3.5 CSR and Sustainability in Management Control Systems

CSV is relatively newly defined concept and prior research has not been focus on how MCSs integrates with CSV. Both CSR and sustainability in relation to MCSs have been studied and a variation of previous research that have interest for the purpose of this thesis will therefore be presented below.

3.5.1 CSR and Management Control Systems

Arjaliès and Mundy (2013) employ Simons' levers of control framework in order to investigate how companies use MCSs to manage their CSR strategy. The authors have gathered data from the 40 largest listed companies in France and take a perspective that views CSR strategy as an essential part of a company's core business. To our best knowledge this perspective is related to the CSV concept, and therefore will parts of the study by Arjaliès and Mundy (2013) be presented below.

Diagnostic processes are important in order to successfully achieve CSR objectives. Compensations are important to encourage managers to devote

themselves to CSR activities. However, the authors found in their study that there often were incomplete measures and lack of compensation in regards to CSR. With regards to belief systems, the authors describe that this type of process can in relation to CSR integrate values to the objectives of an organisation. Belief systems are used through a shared vision to commit employees to CSR plans to inspire them when implementing the CSR initiatives. Boundary systems in regards to CSR can for example be voluntary guidelines and codes of conduct and therefore set acceptable levels of behaviour in regards to CSR. Intranet systems are according to the authors a MCS that is used both for interactive processes, but could also be used as a belief system in regards to CSR activities.

3.5.2 Integration of CSR and Sustainability in Management Control Systems

Moon et al. (2011) examine integration of sustainability/CSR and MCSs in their case study of three companies. In order to investigate to what extent sustainability/CSR are integrated with MCSs, the authors identify barriers and enablers of integration, which are derived from other scholars (cf. Hoffman and Bazerman, 2007 in Moon et al., 2011). These are termed as cognitive, organisational and technical dimensions of integration. The cognitive dimension of integration refers to how people think, the organisational dimension of integration refers to how processes are structured and organised and the technical dimension of integration refers to how different tools are used (Moon et al., 2011, p. 2). Enablers and barriers identified by Moon et al. (2011) will be presented below, which also clarifies the meaning of different dimensions. These possible enablers and barriers of integration will subsequently be applied in our analysis. In their study, companies differed both in size and core knowledge, but the findings were quite consistent regarding identified enablers and barriers of integration (Ibid.). We acknowledge the different context compared to our study, however, we believe

comparable parallels can be made with Moon et al's (2011) findings in order to analyse how CSVs integrates with Nestlé's MCSs.

Cognitive enablers involved awareness of potential value of sustainability/CSR among the employees. To constantly work and support with a cultural shift with regards to sustainability, as well as interacting with different stakeholders e.g. customers, where also identified as possible cognitive enablers. An indicated cognitive barrier on the other hand was lack of engagement and understanding of sustainability among the employees.

An overall encouraging sustainability culture was identified as an organisational enabler. Organisational enablers also involved clearly specified organisational goals regarding sustainability as well as a conducive corporate governance for CSR/sustainability. Organisational silos with disconnected CSR staff were seen as a organisational barrier on the other hand. Staff training programs across different departments could however help overcome this barrier.

Technical enablers involved the use and capacity of the company's intranet. Well-developed metrics for CSR/sustainability were also identified as technical enablers. Technical barriers on the other hand included difficulties in developing appropriate metrics as well as challenges with measuring and accounting for various sustainability impacts.

3.6 How concepts and prior research will be used in the analysis

For the purpose of this thesis, Malmi and Brown's (2008) MCSs package will be used as a framework when describing and analysing how CSV integrates with a Nestlé's MCSs. Prior related research in this field, that have employed Simons' levers of control framework can still be used in our analysis since there are several similarities between the two MCSs frameworks as discussed above. Since Arjaliès and Mundy's (2013) also take the perspective that CSR are an essential part of a company's core business, their study of how MCSs are used in CSR strategy will

therefore be applied in the analysis of our empirical data. Drawing upon the study by Moon et al. (2011), enablers and barriers will also be applied to our empirical data. By applying the three dimensions of integration in the light of Moon et al's (2011) study, factors that facilitates as well as hinder integration of CSV and MCSs can be identified and analysed and thus provide an indication of how CSV integrates with Nestlé MCSs.

4 Empirics

This chapter will start with a description of the case company, followed with a presentation of the CSV concept in the organisation. A description of CSV initiatives acquired from the interviews will be presented in order to get an overview before more a detailed presentation of the empirics in relation to CSV and MCSs will be provided.

4.1 Nestlé and Creating Shared Value

Nestlé, with headquarters in Switzerland, is the world's largest food and beverage company measured by revenues with CHF 92 billion in sales 2013. Further, the company has been operating for almost 150 years and has more than 2 000 brands. Nestlé has more than 330 000 employees, operating all over the world. Nestlé Sweden forms Nestlé Nordic together with the Nestlé subsidiaries in Denmark, Finland and Norway.

Nestlé chose in 2007 the three CSV areas nutrition, water and rural development for company investment and communication (CSV report). The following year the first Nestlé Creating Shared Value Report was published, which included the new CSV pyramid. The pyramid integrates CSV with sustainability and compliance in a visible way (see *Figure 3*).

> Compliance means we will not sacrifice our principles and values for short-term success. Conditioned upon strong compliance, we aim to run our business sustainably and for the long term. We aim to create shared value. (Nestlé, 2013, p. 10)
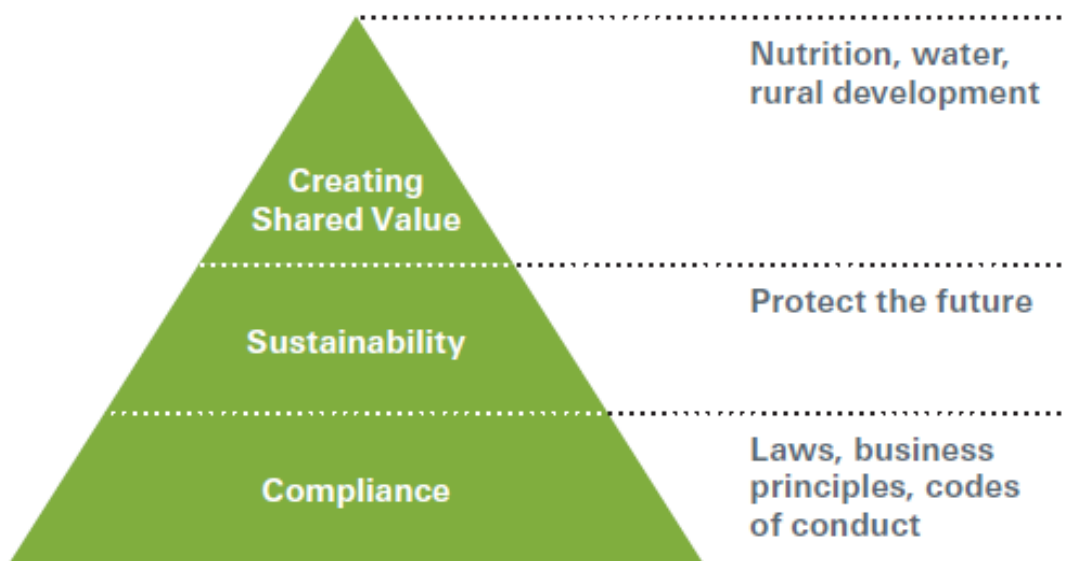
Figure 3. Creating Shared Value at Nestlé (CSV report, p. 8)

In 2013 Nestlé began to publish a range of forward-looking commitments that covers all parts of Nestlé's business, and for which it makes it possible for the company's stakeholders to hold Nestlé accountable. The commitments include both short and long term objectives with regards to their CSV work, spanning from 2014-2020. It is important for Nestlé to have an effective dialogue with its stakeholders in order to create shared value. Nestlé also describe that their CSV work take a step further than only being compliant with laws and act sustainable. The company therefore invest in areas where the potential to create most shared value are biggest, and also seeks to co-operate with stakeholders in the society. The three areas, nutrition, water and rural development, are central for Nestlé's business strategy as well as critical for the society's welfare in those countries the company operates. However, Nestlé also tries to create shared value not explicitly related to the three central areas described above. An example of that is Nestlé's recent launch of *Youth Employment*. The company is pledging to create 20 000 positions for young people by 2016. In order to create as much shared value as possible, Nestlé is also encouraging its 60 000 suppliers to conduct similar initiatives. Since unemployment is huge problem in Europe, Nestlé wants to get involved and lower the unemployment by offering jobs. This is possible since

Nestlé is growing in Europe. At the same time Nestlé is in need of youths, shared value is created.

4.1.1 Nestlé Nordic Creating Shared Value

Most of the CSV initiatives are determined at the Swiss headquarters, which in turn pervades the Nordic organisation. However, Nestlé Nordic also establishes CSV initiatives. For example, Nestlé Sweden's first major CSV initiative started in 2012. This CSV initiative included educating and training of 8500 farmers in Kenya. This initiative is carried out in collaboration with Sustainable Management Service, a company with local knowledge. The coffee price is determined by the global market price and when the coffee price drops, it is common that farmers start to grow e.g. flowers instead. Since Nestlé faces a growing demand for coffee and the supply in Kenya has decreased by more than 60 percent since the '80s, it is important for Nestlé to build long term relationships with the farmers so Nestlé can buy coffee in the future. Another reason why it is vital to establish good and long term relationships, is because it takes several years from planting to harvest. One solution is thorough education. By educating the farmers, more coffee can be grown on their plants which will increase the farmers' profit. Another outcome with educating the farmers is that the quality of the coffee beans enhances which is important when selling the product to the end customer. Local knowledge about the culture, language and traditions is important for Nestlé to establish in order to create good networks and relations.

Another CSV initiative made by Nestlé Sweden has been established in Helsingborg, Sweden. Nestlé made an investment and installed a new purification system at their Zoégas plant. In the process of roasting coffee, certain particles are released which affects the surrounding environment negatively. However, the outcome of this investment has been healthy, the plant now release cleaner air than it is receiving. This installation has created shared value, since both the society and Nestlé has benefitted. The value for the society comes from the fact that the plant

releases cleaner air which is good for the environment. The value for Nestlé is that the plant after the new purification system is allowed to be run during night time.

4.2 Management Control Systems and Creating Shared Value

The described initiatives are only some examples of how Nestlé Nordic creates shared value. More CSV work will be described in relation to different MCSs below.

4.2.1 Cultural controls

CSV is a part of Nestlé's business strategy; it permeates the entire organisation according to Bengtsson. Krenk describe that the company's CSV work is a major signal that Nestlé want to make an impact. Further, during the interview with Krenk, she demonstrated the Corporate Business Principles of Nestlé which were displayed on a poster at wall in her office. These principles include the three main CSV areas of focus among other principles. According to Nordin there has been a major change in the corporate culture during the last decade with regards to CSV. He further explains that he believes this changes stems from Nestlé's bad reputation both globally, but certainly in Sweden. In Sweden, this bad reputation originates from the '70s when the company was accused for children's death in relation to breast milk substitute. Nordin explains that due to scandals like this, and subsequent boycotts, the company wanted to enlighten the society about what the company actually does for society and refers to the CSV reports. This has resulted in greater awareness concerning those questions. CSV has become a central part of the company, since the company's CSV work is communicated and shared within and outside the organisation according to Nordin. He explains further that employees feel proud about the company's CSV work and states: "this is a culture we really want to create; CSV is something that all employees own". In regards to Scandinavia, discussions of topics related to CSV have been covered by media and

consumers a lot. Wallberg says that in combination with the increased CSV reporting, increased awareness has been created among the employees. Wallberg state:

> CSV has become a part of Nestlé's DNA. The basic philosophy is not something new. It has more to do with increased awareness and communication, regardless where in the world a co-worker is employed.

4.2.2 Planning controls

Nestlé has both long range and action plans in regards to CSV. The company use a top-down approach, where goals are rolled out from the headquarters and thereafter a bottom-up approach which consist of more detailed information from Nestlé Nordic to the headquarters. Nestlé have numerous long range plans with regards to CSV and these plans are constantly updated. These plans include goals for the initiatives set by the headquarters in Vevey, Switzerland. For the plans that are set globally, the interviewees refer to Nestlé's CSV report (2013). In the CSV report several long range goals are presented, which cover the company's three main CSV areas of focus but also areas such as unemployment. In Nestlé's commitment to offer 20 000 job opportunities for people in Europe below 30 years by 2016, Nestlé Nordic has a commitment for a piece of this goal. In regards to the Kenya initiative established by Nestlé Sweden, this initiative is a part of Nestlé Nescafé Plan, which involves distributing 220 million coffee plants by 2020. Around 300 000 farmer has been trained, where Nestlé Sweden's project involves training of 8500 as mentioned earlier. In this long range plan, over 5000 farmers have been trained so far. All of the interviewees acknowledge the importance of long term goals when discussing CSV.

Long range planning and goals in regards to CSV gets divided into action plans and Nestlé Sweden establishes their own specific action plans. A long term CO_2 reduction plan could for example through an action plan with regards to the company's car park is established in order to lower the CO_2. A car policy is created

and decides which cars employees are allowed to choose between. The action plans are updated at least once every year, however; action plans to lower the energy use are constantly developed. Nestlé also have certain action plans for specific divisions, which are connected to different goals, for example to lower the amount of salt in their spice-mixes sold in Finland. Among many others, are these plans part of Nestlé Global overall goals to lower the salt content in their products, which include for example reduction of salt by ten percent in all products that do not meets certain criteria.

4.2.3 Cybernetic controls

Nestlé Sweden has to pay a licence fee to the parent company in Switzerland every year. Since most of the CSV initiatives are made from the headquarters, all local Nestlé subsidiaries are therefore together budgeting to CSV projects indirectly. Nestlé Sweden are also budgeting for some local initiatives, for example the purification system in Helsingborg. However, CSV initiatives are often well integrated as a part of Nestlé's overall work which makes it is difficult to earmark CSV investments at all times. CSV is often indirectly a part of the budget, but the budget items are not labelled as CSV. If Nestlé for example should establish a campaign where the content of salt should be reduced, employees must first travel to e.g. Germany in order to meet the product developer. There might also be a new design of the package due to the campaign. All these efforts are a part of a bigger CSV initiative; however, the different costs are not earmarked as CSV costs. Budgeting in regards to CSV is therefore often difficult to define by words and numbers. A budget was however conducted for the initiative in Kenya but the outcome is difficult to track.

It is especially difficult to track financial measures within CSV. With reference to the company's Kenya initiative, Nestlé have not performed any financial measurements that have been directly reflected in their accounts. CSV initiatives are also about long term investments in the brand. Since CSV is hard to

measure in the income statement, Nestlé use different non-financial measures with regards to the CSV initiative in Kenya. The shared value is also hard to measure since the project recently started. Nestlé measure how many farmers that has been trained, how they have adopted good manufacturing practices and the farmers yield from harvest. Nestlé also strive for educating as many women as possible. Coffee growing has traditionally been reserved for men, but Nestlé have the experience that women are better to reinvest the yield in their business. Nestlé therefore track how many women that have undertaken the training in order to increase that number. Nestlé can also measure how much the coffee plants have increased in quality. Since it is both good and bad years within the coffee production it is hard to determined how much these initiatives has increased the yield for the farmers. Media attention and feedback is also something Nestlé can measure, i.e. how consumers reacts on these initiatives.

Nordin explains that the CSV initiative in Kenya certainly have created shared value, even if it is hard to measure exactly how much increased value this has resulted in for the farmers as well for Nestlé. From the farmers perspective, the initiative in Kenya is expected to double the farmers' harvest though. It is however also possible for Nestlé to measure the increased value after training has been conducted in other ways. As an example, the outcome of education of farmers is also less wood particles and stones along with the coffee beans, which extends the lifetime of production equipment.

The youth employment initiative includes offering job opportunities for people under 30 years old, create apprenticeships and traineeships as well as provide activities as information sessions and CV clinics. In regards to this CSV initiative, a certain number of young employees should be hired as well as a certain number of trainees should be employed. This initiative is therefore easy to measure. Other initiatives that are easy to measure is for example the CO_2 initiatives. With regards to the car policy, is easy to measure the amount of emission they are causing by calculating which car the employees are using and how far they drive.

4.2.4 Reward and compensation controls

Bonuses related to CSV are given on a higher level, for instance to country managers (e.g. Nordin) and category managers (e.g. Wallberg). Both Nordin and Wallberg have rewards that are linked to CSV through the youth employment initiative. The reason the youth employment initiative is linked to their bonus is because Nestlé consider this initiative as important.

4.2.5 Administrative controls

Nestlé have a specific CSV board located in Switzerland. Further, no single employee in Sweden is responsible for CSV. Nestlé Sweden is organised within a Nordic matrix. Nestlé has many levels of management positions and where to report depends on what category one works with. For example, those who works with cereals report to England which in turn reports to Switzerland. Some categories report directly to Switzerland while some reports to the Nordic department in Copenhagen, which in a later step reports to Switzerland.

Nestlé's Group government structure ensures that all policies of Nestlé are followed. Nestlé's principles are mandatory for all employees to follow and Nestlé constantly monitor that the organisation are applying the principles. The company must be compliant and sustainable to be able to create shared value. Further explained; if Nestlé fail to apply its business principles, shared value cannot be created. Nestlé Nordic does not conduct own specific principles but instead follow the global principles. There are strategic business units in Switzerland for all of their product categories, which works as internal support functions without any operational responsibility. These strategic business units support local subsidiaries in questions regarding CSV among other things.

In order to raise awareness amongst the employees concerning CSV, Nestlé provide their employees with CSV education. At first when a new Nestlé employee gets hired the co-worker is obliged to read through i.a. Nestlé Corporate Business

Principles which amongst other information concerns CSV. The business principles have also been updated several times in the last years to more conform to the company's CSV approach. Nestlé Corporate Business Principles is one of the foundations for CSV. The employees also use the intranet regarding CSV internally, as well as email correspondence on a regular basis in regards to CSV. Workshops for employees are also conducted in regards to the corporate business principles. Further, Nestlé has weekly meetings at the office with the staff, those meetings concerns CSV work among other things. Nestlé provide employees with CSV in all their courses in 2014. Courses take place in Switzerland and reach 3000 current and future leaders annually. Nestlé also provide all their employees with e-learning program in relation to CSV.

5 Analysis

In this chapter the empirical data will be analysed by applying concepts and prior research from the literature review. CSV work that is connected to several different MCSs will be discussed in regards to their interdependence. The MCSs package by Malmi and Brown (2008) will be used as a framework when analysing how CSV integrates with the company's MCSs.

5.1 Cultural controls

Cultural controls provide a contextual frame for all other control systems (Malmi & Brown, 2008). Value-based controls are communicated in the organisation to establish values, purpose and direction for the organisation. Symbols could also according to Malmi and Brown (2008) be used as control mechanism to direct employee behaviour. Arjaliès and Mundy (2013) found that companies use values to establish a shared vision of CSR, which also has been revealed at Nestlé but in regards to CSV. It is explained that CSV is a part of Nestlé's DNA and that increased awareness have been created among the employees. Previous scandals are a factor to the increased communication and sharing of CSV work. During the interview with Krenk she referred to a poster on the wall that outlined the company's corporate business principles, which has also been described as a foundation for CSV. These principles have also been updated several times to be more consistent with the company's CSV approach. It has been explained that is has been a major shift in the corporate culture in last decade since CSV is a central part of the company. These findings are in line with Moon et al's (2011) findings of the maintenance of a cultural shift as a cognitive enabler. It is explained that the employees feel proud of the company's CSV work and Nestlé really that wants to create this culture. This is also in alignment of a cognitive enabler in Moon et al's (2011) findings, due to the awareness among the employees of the value of Nestlé's

CSV work. Moon et al. (2011) also found that a conducive culture was an organisational enabler, which is in line with the CSV culture at Nestlé.

Clan controls are also a form of cultural control in Malmi and Brown's (2008) package. If all employees feel a sense of ownership of CSV as well as there is no single person responsible for CSV within the Nordic organisation indicate that there is not any clans in relation to CSV. Moon et al. (2011) found that underdeveloped shared engagement and understanding of sustainability could be a cognitive barrier. However, in regards to CSV, the opposite could be identified at Nestlé. The employees are both aware and collectively committed to CSV, which therefore could be seen as a cognitive enabler in the organisation.

5.2 Planning

Malmi and Brown (2008) refer to long range planning, which has a strategic focus. Much of the CSV planning conducted at the headquarters reaches the Nordic organisation through different goals, mostly within the three CSV areas of focus, but also other CSV goals as youth employment. Long range planning and associated goals are also presented in the company's CSV-report. Since CSV goals are explicitly specified in the long range planning, this is line with Moon et al's (2011) description of an organisational enabler of integration. Porter and Kramer (2006) acknowledge the importance of long term thinking in regards to CSV, Nestlé emphasise that local knowledge is important, and long term relationships are important in order to receive knowledge of culture, language etc. The long term relationships with its suppliers are vital in Nestlé's long term planning in order to secure the coffee supply in the future. The long term relationships with the farmers, is in line with the findings by Moon et al. (2011) that engaging with stakeholders could be a cognitive enabler.

The second aspect by Malmi and Brown (2008) in regards to planning refers to action planning, which has a more tactical focus. Action controls are used to ensure that the long range plans and goals are fulfilled. The Nordic organisation

receives goals with regards to CSV from the headquarters, e.g. reduction of salt, energy usage and CO_2. Then it is up to the Nordic organisation to establish action plans. This could for example be reflected in new car policies in order to meet the targets. In contrast to Moon et al. (2011) findings that underdeveloped shared commitments could be a cognitive barrier, the planning controls with regards to CSV at Nestlé are more aligned with the opposite. The commitments are shared through long range as well as action planning, and could therefore be seen as a cognitive enabler of integration within the company's CSV work.

5.3 Cybernetic controls

Budgets are especially used in order to plan as well as evaluate the performance (according to Hansen et al., 2003 in Malmi & Brown, 2008). The CSV Kenya initiative was budgeted as well as the new purification system. The licence fee is also budgeted, although it is difficult to say how much of the fee that is allocated to CSV. Nevertheless, tracking or defining the outcome of CSV initiatives is difficult. The CSV initiatives are not considered as costs but more as long term investments. CSV is not labelled as CSV in the budgets. Further, the connection between shared value created and budgeting is hard to tell since it is often budgeted indirectly. The difficulties in putting words and labelling CSV in Nestlé's budgets are in line with Moon et al's (2011) findings of difficulties in accounting for sustainability impacts as a technical barrier. Budgetary control could therefore be seen as a technical barrier within the company's CSV work, since the CSV budgets are unable to follow up.

Further, another cybernetic control described by Malmi and Brown (2008) is financial measures. Nestlé considers it difficult to track financial measurements in relation to CSV. In regards to the Kenya initiative for example, the company have not conducted any financial measurements that has been accounted for, it is more about a long term investment in the brand and ensuring for long term supply of coffee. Similar to budgets, financial measures are difficult for Nestlé to perform in

relation to CSV. Financial measurement in regards to CSV can therefore also be seen as a technical barrier of integration in line with Moon et al's (2011) findings, since Nestlé has difficulties in developing financial KPIs.

Another cybernetic control is non-financial measures (Malmi and Brown, 2008), which in contrast to financial measures are most visible in the Nestlé CSV work. Non-financial measures are easier to measure with regards to CSV. In the Kenya CSV initiative, measures such as number of trained farmers, quality of the plants and to what extent they have adopted good manufacturing practice. Another non-financial variable Nestlé can measure concerns the farmers' harvest, for example how much the farmers harvest has increased since the training started. Gender is also something Nestlé measure at the farms in Kenya. The CSV initiative youth employment can also be measured, through e.g. how many that have been employed and numbers of traineeships offered. Within nutrition, Nestlé can measure reduced salt among other things in their products. Reduced CO_2 and energy usage can also be measured. In Moon et al's (2011) study, the development of applicable metrics was seen technical enablers of integration. Due to the numerous uncomplicated non-financial CSV measures Nestlé use, these are in alignment with Moon et al's (2011) findings as technical enablers of integration. Additional aspects Nestlé consider when measuring their CSV work is the extent of media attention they have received as well as how Nestlé's consumers react. This non-financial measurement is in alignment with Moon et al's (2011) findings which concerns cognitive enables, more precise involving and engaging the stakeholders about their CSV initiatives.

It is important to measure progress of strategic CSR initiatives towards performance (Arjaliès and Mundy, 2013). Furthermore, Porter et al. (2012) also acknowledge the importance of measuring CSV. If companies are incapable of measuring their CSV work, they are unable to know how much shared value they are creating (Ibid.). If companies do not evaluate the interrelationship between social and business results, they can forfeit opportunities such as growth and social impact (Ibid.). Nestlé acknowledges difficulties in measuring the shared value

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created. Today, Nestlé can for example measure the increased value for the farmers in their Kenya initiative. However, it is difficult for Nestlé to determine whether the increased value for the farmers depends on the training provided or if it has been a good year of coffee harvest. Nestlé can perform several non-financial measurements that are connected to long term goals, but the company seems to find it difficult to explicitly connect it to profitability. Nestlé is in a start up phase concerning the CSV initiative in Kenya for example, which per se explains some of the difficulties in measuring shared value created.

In their MCSs package, Malmi and Brown (2008) also include hybrid measurement systems in their package of controls. However, the absence of financial measurements within Nestlé's CSV work explains the absence of hybrid measurements systems in regards to CSV.

5.4 Reward and compensation controls

Compensations are important to motivate managers in order to devote themselves to CSR activities (Arjaliès and Mundy, 2013). Nestlé considers the CSV initiative youth employment as important, and is therefore a part of managers' bonuses. This indicates a clear purpose of this reward model by Nestlé, i.e. to ensure goal congruence, which is the reason why these systems are put in place (Bonner & Sprinkle, 2002 in Malmi & Brown, 2008). Malmi and Brown (2008) also state that reward and compensation systems often are linked to other cybernetic controls, which is also the case at Nestlé. More particularly are the CSV rewards clearly linked to several MCSs. From initial long range planning controls, i.e. 20 000 job opportunities should be created by 2016, to action controls in the Nordic organisation where managers have a piece of this goal. Further, how well this initiative has been fulfilled are evaluated by non-financial performance measures, and finally rewarded if the targets have been met. The rewards of this CSV initiative is therefore well integrated into the several different MCSs and could in line with Moon et al's (2011) findings be seen as a technical enabler, since

appropriate performance measures have been developed and integrated. This could be put in contrast to the findings by Arjaliès and Mundy (2013), where the studied companies both struggled with incomplete measures as well as lack of compensations in regards to CSR initiatives.

5.5 Administrative controls

The governance structure consists of e.g. board structure but also systems for coordination such as meetings (Malmi & Brown, 2008). Nestlé's CSV board is located in at the headquarters in Switzerland. Nestlé's Group government structure makes sure that policies are followed. Furthermore, there is nobody directly responsible for CSV within the Nordic organisation of Nestlé. Nestlé has weekly meetings for all employees, which includes new and present CSV initiatives. Moon et al. (2011) found that supportive corporate governance could be seen as an organisational enabler for integration. Since Nestlé has a specific CSV board, as well as meetings comprising CSV are conducted in the Nordic organisation, these findings could be seen as an organisational enabler of CSV integration.

The organisational design can control the behaviour of the employees (Malmi and Brown, 2008). The Nordic organisation of Nestlé is organised as a matrix. The organisational structure includes several levels of managers. Nestlé has strategic business units located at the headquarters, which role is to support local subsidiaries with i.a. CSV related questions. Moon et al. (2011) found that organisational silos could create organisational barriers. However, the strategic business units that support local subsidiaries with CSV related questions could seen as an organisational enabler of CSV integration.

Further, another administrative control in Malmi and Brown's (2008) package is policies and procedures, which can control employee behaviour through standard operating practices and policies. The authors also describe that training could be an administrative control if it involves following policies and procedures. This is the situation for Nestlé since it is mandatory for all employees to follow

Nestlé's business principles. If the company fails to apply to their business principles, shared value cannot be created. Arjaliès and Mundy (2013) found that companies in their study set boundaries through e.g. codes of conducts in relation to CSR. Through training as well as thoroughly understanding of Nestlé business principles among the employees, indicates a cognitive enabler of integration with CSV which in contrast to Moon et al's (2011) findings that underdeveloped shared commitments and understanding of sustainability could be seen as cognitive barrier. Nestlé use for example its intranet in controlling its CSV work as well as developed e-learning programs to reach all employees with CSV education, which both are in line with Moon et al's (2011) findings as possible technical enablers of integration. Cross-functional training programs can be possible organisational enablers of integration (Moon et al., 2011). The 3000 leaders that are reached with CSV education at the international training centre in Switzerland, as well as workshops around Nestlé Corporate Business Principles, could therefore both seen as organisational enablers of integration.

Figure 4. Integration of CSV in MCSs presented in Malmi and Brown's (2008) MCSs package.

After having analyzed how CSV integrates with the Nestlé's MCSs, several enablers and a couple of barriers have been identified. An enabler indicates how CSV is integrated with a specific MCS, while a barrier on the other hand indicates that CSV is not integrated with a certain MCS, which is displayed in *Figure 4.*

6 Conclusions and Discussion

The purpose of this thesis is to describe and analyse how Creating Shared Value integrates with a company's management control systems. Our findings suggest that CSV integrates with several of the company's MCSs. In cultural controls CSV integrates through an increased CSV culture, awareness of the value of CSV, a sense of ownership and a conductive CSV culture. It integrates with planning controls through explicit goals, engagement of suppliers and developed shared commitments. In non-financial measurement systems CSV integrates through numerous uncomplicated measures as well as engagement with customers. CSV also integrates with rewards and compensation controls through adequate performance measures. In administrative controls, more specifically in organisational structure, integrates CSV through strategic business units. In the governance structure is CSV integrated through a CSV board and meetings. CSV integrates with policies and procedures through e-learning, intranet, developed shared commitments, training and workshops.

Cognitive enablers of integration have mostly been identified. Since cognitive enablers refer to how individuals think our findings suggest that the right CSV mindset is important in order to integrate CSV with MCSs. Several organisational enablers of integration have also been identified. Most CSV initiatives with subsequent goals are determined at the headquarters in Switzerland where the CSV board is located. The strategic business units that support local subsidiaries with CSV related questions are also located at the headquarters. Furthermore, Nestlé headquarters trains 3000 leaders annually in courses regarding CSV. All these organisational enablers have its origin at the headquarters, which indicates that Nestlé Nordic is controlled by the headquarters to a large extent with regards to CSV.

The identified technical barriers concern budgets and financial measurement systems. The company facing difficulties in integrating CSV into financial measures

since much CSV work are considered as long term investments. This is similar for CSV budgets, as they are difficult to follow up. Either because a CSV initiative is in an early stage or since CSV is incorporated in the mainstream business. Financial measures and budgets can therefore not be used as MCSs in the company's CSV work. Non-financial measurement systems are on the other hand identified as a technical enabler due to all established uncomplicated non-financial measures. The reason why rewards also have been identified as a technical enabler is partly because the CSV rewards subsequently are based on non-financial measures.

6.1 Contributions

Nestlé is a prominent company as the biggest food company in the world and has been described as forerunner within organisations that undertakes the CSV concept. Companies recently have started to undertake the CSV approach and there has been little research in this area. As response to calls for more research dealing with the integration of social, environmental and economic aspects of management control, our study contributes to the literature by bringing knowledge of how CSV can integrate with different MCSs of a company, and thus help filling this empirical gap. Our study also provides a practical contribution. Insight in how CSV integrates with several of the organisations MCSs, can be beneficial to other organisations interested of adopting the CSV approach or recently have done it, and therefore have to integrate CSV into their MCSs. Even if our findings are very context specific, a relatively broad scope of enablers and barriers of CSV integration into MCSs has been identified. Understanding of how CSV can integrate with different MCSs could therefore be beneficial for both smaller and larger companies, regardless of MCSs structure.

6.2 Limitations and suggestions for future research

The interview persons were all working in different positions and in several different divisions. Additional interviews with persons in different divisions or at other positions in the Nordic organisation of Nestlé might have contributed with more insight of how CSV integrates with different MCSs. Even if our findings were quite consistent regarding the CSV culture, the empirical material within cultural controls was to a rather large extent based on how the culture was perceived among the different interviewees. This limitation, along with the fact that this case study was conducted at the Nordic organisation of Nestlé with its specific context, possibilities for generalisations are very limited.

With more resources and time it would be of interest to do a case study at the headquarters of Nestlé. A case study at the headquarters would much likely contribute with more insight of how CSV integrates with the company's MCSs, since much of the CSV work is determined there. Further, since we have undertaken a single case study, it would be of interest for future studies to conduct multiple case studies with several companies in various industries that undertakes the CSV concept. Differences could be compared and analysed between companies and industries of how CSV integrates into different MCSs. Since our findings indicated most difficulties in the integration of budgetary controls as well as financial measurement systems, future research could also target especially these systems. A longitudinal study would be suitable in order to gain more knowledge of how financial measures and budgets are tracked and followed up.

6.3 Final reflections

By integrating CSV into a company's MCSs indicates that companies can incorporate social and environmental matters into their core business, and thus contributing to societies broader sustainability agenda beyond discourses in sustainability reports. If societal matters can be addressed by undertaking a CSV

approach, it could be argued that it is not the most important issue whether one could distinguish a CSV approach from a similar concept. But since the CSV concept is undertaken in the name of self-interest might be the sore spot in some quarters regardless of what the outcome would bring. Standpoints of companies' responsibilities are however more of an ideological question, and are handed over to the reader to ponder on.

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Appendix

Interview guide

1. How long have you worked in the company?

2. How long time have you had this position?

3. How would you describe your role in the company?

4. How do you work specifically with CSV in your long term planning (strategic focus)? (longer than one year)

5. How is long term planning of CSV reflected in your daily work?

6. How does your action plans related to CSV look like?

7. How is CSV considered in your budgets?

8. Is there a budget item directly / indirectly related to CSV?

9. Do you measure and track financial ratios (KPIs) related to CSV? How?

10. Do you measure and track non-financial ratios to CSV? How?

11. Do you have rewards / bonuses linked to CSV? How are they designed?

12. Do you have any specific policies / principles related to CSV? How are they designed?

13. Do you have a specific CSV culture? How does it manifest?

14. Have your MCSs changed after CSV became an explicit concept in the organization? How?

15. What aspects of the MCSs are most important for your CSV work? How? Why?

16. Is there anything you would like to add?

17. Do you have any questions for us?