

Creating Shared Value as a management control tool

A case study of control mechanisms in inter-organizational relationships

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Abstract

This thesis aims to investigate what impact a Creating Shared Value strategy has on inter-organizational relationships (IORs). More specifically, the study seeks to understand the impact of CSV as a management control tool when structuring IORs and the control mechanisms that govern the relationships. This is conducted by performing a case study where a two-year CSV project, initiated by the Nordic Nestlé coffee brand Zoégas, serves as our empirical data analyzed. The framework developed by Dekker (2004) has been used to analyze the impact of Nestlé's CSV strategy on IORs. Our findings indicate that letting the CSV strategy influence the applied control mechanisms governing the IOR, the underlying value-appropriation concerns are lowered. For this to hold the coordination requirements need to be managed. The results show that Nestlé's CSV initiatives also handle these requirements by setting a direction for stakeholders in the value chain. However, for some price mechanisms to work a common direction for the whole market is needed. Similarities were here identified with the theories developed by Miller & O'Leary (2007). This thesis provides a good illustration of the impact of CSV, for future management control research to build upon.

Keywords: Creating Shared Value, Inter-organizational relationships, Appropriation concerns and coordination requirements, The coffee industry

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1. Introduction

“It is vital that we maintain a secure, long-term supply of ingredients for our food and beverage products, the majority of which are grown in rural areas. But more people than ever are moving away to urban areas and we are facing an ageing global farming population, so Nestlé must engage now to support farming as a business and livelihood of choice that offers an attractive income and opportunities for societal advancement. We want to help retain the brightest and best talent within farming communities, and use our ‘agripreneurship’ model as a training pipeline for farmers wishing to develop their skills.”

- Nestlé (Nestlé CSV full report 2013, 2014-04-02, p.102)

1.1 Background

In modern society where information travels fast, consumers are increasingly evaluating companies' actions. It is no longer enough to only be profitable. As a company you have to earn the right to act on a market. Looking at corporate responsibility the requirements for firms to earn their “license to operate” have been changing with changed customer expectations (Eccles & Serafeim, 2013, p.9). Ethics and morals in business have become a more debated topic and up until recently this has all been collected under the term Corporate Social Responsibility (CSR). But the term is not without its skeptics. Some argue that CSR is merely a marketing tool to safeguard companies from negative publicity and that it has no real connection to the companies' core business. They argue that CSR is simply another name for philanthropy (Porter & Kramer, 2006; The Economist's webpage, 2014-03-10). Thus, one could argue that there is a gap between companies' business operations and CSR initiatives.

As a response to this critique, modern research has focused on how the concept of corporate social responsibility can be integrated into companies' strategies and everyday actions. In 2004, Michael E. Porter and Mark R. Kramer, known for their forefront research within the field of CSR, were asked by the multinational Suisse company Nestlé S.A. to evaluate if its business practices were in line with what was considered good CSR practice. After having thoroughly studied Nestlé's business practices in Latin America, Porter and Kramer came back to Nestlé concluding that its business practices had moved beyond what could be classified as CSR. Instead they expressed that Nestlé had erased the gap between its business operations and CSR initiatives, incorporating the social responsibility into its day-to-day business. They named Nestlé's business practices Creating Shared Value (CSV) (Nestlé CSV report 2008, 2014-04-10, p.3). Porter and Kramer continued their CSV research resulting in

their published article from 2011, Creating Shared Value. In their article the concept of CSV is defined as:

The concept of shared value can 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.

Today an increasing number of companies are adapting Porter and Kramer's CSV ideas into their strategies, an indication that closing the gap between core business and CSR initiatives generates benefits for companies. Since the CSV theory is newly developed, companies and scientists have not yet established agreed upon benchmarks of how to most appropriately implement the new CSV business mindset. Researchers have been trying to identify ways to measure and evaluate the financial impact from companies' CSV initiatives. Companies on the other hand have been trying to implement their own valuation models and reporting of non-financial information. A discrepancy has therefore been created between current research and companies' own actions. Researchers are trying to establish the theoretically correct way to financially evaluate companies' actions. This process is often time consuming, lagging behind the companies more practical implementations. Researchers today understand this problem and are now to a larger extent working on engaging research, working closer with companies. Rather than developing new frameworks, researchers are trying to influence the way companies are acting (Adams & Larrinaga-González, 2007). CSV started as research within management and strategy, but has now been integrated into the accounting and financial management field of research. The focus is now on how to create theoretically sound standardized procedures to quantify the financial impact of non-financial information integrating it in companies' financial reports (SASB's webpage, 2014-03-20).

As described, the emphasis of the CSV research within accounting and financial management has been on the financial reporting rather than the implication on management control of using a CSV strategy. Looking at CSV from a management control perspective, not only the stakeholder implementing the CSV strategy should be examined, but also other stakeholders being affected. Since CSV influences how to share value between stakeholders in an industry, the inter-organizational relationships (IORs) within the value chain need to be taken into consideration. This is in line with Eccles & Serafeim's (2013) description of sustainable strategies. *"To endure, a strategy must address the interests of all stakeholders: investors,*

employees, customers, governments, NGOs, and society at large. To do that, it has to increase shareholder value while at the same time improving the firm's performance on environmental, social, and governance (ESG) dimensions” (p.52). Thus, the direction of research efforts should be targeted towards value-appropriation and how to use CSV when structuring control mechanisms constituting the guidelines between different stakeholders maximizing the value of the collaboration.

1.2 Research question and purpose of the study

To gain more knowledge of how CSV can be used in terms of a management control tool in IORs, our study intend to answer the following research question:

What impact does Creating Shared Value have on inter-organizational relationships?

The purpose of this thesis is to, based on a management control perspective, generate a better understanding of the impact of CSV initiatives, thereby clarifying the connections between social responsibility, business strategy and financial impact.

1.3 Contribution of the study

With this study we aim to contribute to research within CSV by taking on a management control perspective. Examining the practices of a multinational organization with an integrated CSV strategy, we want to provide a clear illustration of how CSV affects the structuring of control mechanisms governing a company's day-to-day business relations with other stakeholders in the value chain. Illustrating how CSV can be used when managing the control of IORs, we will create a base to build upon for research of a larger scale.

1.4 Outline

In the following section, 2. Theory, the theories and frameworks applied throughout the analysis will be presented to frame the scientific field we work within. This will be followed by a method section, 3. Method, where the chosen methods will be described enabling for a replication of the study. The fourth section, 4. Empirical data, is a description of the analyzed case based on the data collection. The data presented will then be analyzed using chosen theories and frameworks in section 5. Analysis. Finally, based on our initial research question and the analysis of the empirical results, conclusions will be drawn and a final discussion will be held about the results from our study in section 6. Conclusions.

2. Theory

2.1 The development of Creating Shared Value: a change of focus within CSR

Corporate Social Responsibility has been a debated issue from the middle of the twentieth century. The definition can be interpreted to mean many different things (Garriga & Melé, 2004). Vogel (2005) discusses the ambiguities around the concept of CSR and says that it typically is explained as *“firms’ efforts to do more to address a wide variety of social problems than they would have done in the course of their normal pursuit of profits”* (p.4). However, Vogel also presents arguments that CSR initiatives can be a part of a firm’s normal business activities, or have multiple causes, *“some more narrowly market-driven and others reflecting social pressures or ethical concerns”* (p.4).

Garriga & Melé (2004) also discuss different causes of CSR and classify CSR activities in regards to profits, politics, social demands and ethical issues. They conclude that a new theory should be developed on the relationship between business and society, where these four perspectives should be considered. They suggest that further research should focus on creating a theory that can overcome the limitations of the different perspectives. Porter & Kramer (2006) are also discussing the link between business strategy and society, and argue that CSR should not only be a reaction to external pressure, but be considered as an opportunity for the business to gain profit at the same time as creating social benefits. Their research about the relationship between a company’s CSR activities and its strategy and competitive advantage was proceeding from CSR and led to the development of a new concept: Creating Shared Value.

2.1.1 Creating Shared Value

Porter & Kramer (2011) are defining CSV as a business concept where a company integrates social responsibility into its strategy and operates to create economic value by adding to the overall societal value. Profits should not be made at the expense of the society. The right type of profits can create benefits not only for the organization but also for society as a whole. Porter & Kramer believe CSV to be the next wave of business innovation and -growth and a more long-term approach to doing business. According to Porter & Kramer, shared value can be created in three different ways: by reconceiving products and markets, by redefining productivity in the value chain or by enabling local cluster development.

2.1.1.1 Creating Shared Value by reconceiving products and markets

Porter & Kramer argue that a way to create shared value is by creating products and services meeting the growing societal needs. With business often being more effective than governments and non-profit organizations at making customers embrace products and services creating societal benefits, society's gains become greater. Another relatively untouched business opportunity is meeting the needs of the billions of new customers at the bottom of the world's economic pyramid (Prahalad & Hart, 2002). There are huge possibilities to sell quite simple products and thereby improve the living conditions of a region at the same time as the company is earning profits.

2.1.1.2 Creating Shared Value by redefining productivity in the value chain

Societal problems can create economic costs in the value chain. A long-term focus is therefore advocated, since short-term cost reductions often lower productivity. By revising the resource use, energy use, logistics, distribution, employee productivity, location and procurement, a higher productivity can be achieved. Porter & Kramer exemplifies how the procurement can be revised to increase productivity: *"By increasing access to inputs, sharing technology, and providing financing, companies can improve supplier quality and productivity while ensuring access to growing volume"* (p.70).

2.1.1.3 Creating Shared Value by enabling local cluster development

A cluster is a geographic concentration of firms, related businesses, suppliers, service providers, and logistical infrastructure in a particular field (Porter & Kramer, 2011). If the cluster in which a company operates is malfunctioning, it can affect the profitability of the company. Securing open and transparent markets is therefore a vital part of cluster building. With this in place companies can secure reliable supplies and incentivize suppliers to improve quality and efficiency. Thus, by developing the local cluster, both society and the company will benefit.

2.2 Control of inter-organizational relationships: evidence on appropriation concerns and coordination requirements

Dekker's (2004) article establishes a framework structuring control in IORs. A higher degree of interaction between stakeholders in a value chain creates a need for management control outside the individual company's boundaries (Otley, 1994). Hopwood (1996) also describes why looking at IORs is important: *"Planning, budgeting and control processes flow from one organization into others, creating, as they do, a more explicit awareness of the*

interdependency of action and the role which joint action can play in organizational success'' (p.589). Building on transaction cost economics and organizational theory, Dekker identifies two control problems that arise when firms engage in IORs: appropriation concerns and coordination requirements.

2.2.1 Appropriation concerns

Appropriation concerns build upon three antecedents from transaction cost economics (TCE): asset specificity, environmental uncertainty and frequency. Appropriation deals with how to in a proper way share the value between different stakeholders in a value chain. Dekker argues that higher appropriation concerns lead to an increasing need for hierarchical controls. However, *“when adopting a value-creation perspective on IORs, then TCE’s value-appropriation concerns reduce to only a subset of organizational issues in IORs”* (p.30).

2.2.2 Coordination requirements

Interdependence and task uncertainty are antecedents that create requirements for coordination. The uncertainty of investing in an IOR, not knowing if the other part might act opportunistically, creates a need for coordination amongst stakeholders to ensure that the interdependent activities are performed in a desirable way. Coordination can for example be IORs focusing on sharing complementary technology, jointly reducing innovation time and jointly developing new technology, in which partners actively seek to deepen and broaden skills or to learn and develop new skills (Gulati & Singh, 1998). More uncertain and complex tasks lead to larger contracting difficulties and thus also influence appropriation concerns (Anderson et al., 2000).

2.2.3 Control mechanisms

As a response to the two identified control problems, Dekker describes three different control mechanisms: outcome control, behavior control and social control. Outcome control and behavior control constitute the formal control mechanisms. Social control is an informal control mechanism.

2.2.3.1 Outcome Control

Outcome control presents formal ways of controlling an IOR. It covers the setting of goals, incentive systems and reward structures before initiating a relationship to learn about mutual expectations and achieve goal congruence. The impossibility of controlling everything beforehand with ex-ante mechanisms is managed by ex-post mechanisms of evaluating the performance and rewarding it accordingly (Ittner et al., 1999).

2.2.3.2 Behavior Control

The second formal control mechanism controls the behavior of stakeholders in a value chain. Structural specifications like planning, setting up work procedures and what rules and regulations that must be followed are managed before the cooperation starts. During the relationship behaviors are monitored and rewarded. Das & Teng (1998) argue that behavior control mechanisms are important since IORs are often characterized by goal incongruence and performance ambiguity.

2.2.3.3 Social Control

Social control handles trust in IORs and how to select a partner. Sako (1992) argues that a partner's goodwill and capabilities are important in IORs. Goodwill trust relates to not behaving opportunistically. It is the trust in that the other part will perform in the interest of the relationship, even if it is not in its interest to do so. Capability trust is about the expectation of that the other part has the capability of performing a task. These definitions of trust are managed by interaction between the parts, their reputation and social networks. When building up trust in a relation, risk taking, joint decision-making and problem solving and partner development are important.

3. Method

3.1 Research method

When choosing what method to build our research on, we considered our research question and the empirical phenomena we are studying, together with the data needed to capture this phenomena as suggested by Ahrne & Svensson (2011, p.22). Since our research question is not statistically measurable we have chosen a qualitative research method.

Adams and Larrinaga-González (2007) advocate for a closer connection between research and company practice through engagement research in sustainability accounting and reporting. They argue that this form of research has the potential to improve theorizing, practice and the sustainable performance of organizations. Case studies offer the possibility of understanding the nature of accounting in practice, both in terms of the techniques, procedures, systems, etcetera which are used and the way in which they are used (Ryan et al., 2002, p.143). The advantages of a case study are in line with Adams & Larrinaga-González's recommendations leading us to conduct our research as a case study.

More specifically we have constructed our research as an exploratory case study with the aim to explore market practice in incorporating management control tools when evaluating a company's CSV initiatives. CSV is a relatively new empirical phenomenon where market practice is not set in stone. It is therefore of interest to study these developing practices based on the operations of one specific company. The insights from such a study can hopefully generate market illustrations that can later be tested in larger scale studies (Ryan et al., 2002, p.144). According to Alvehus (2013) a good case study is constructed around a defined system with a personal identity, a distinct behavior pattern separating it from its surroundings. This is in accordance with our choice of focusing on a single project at a specific company. Seeing the nuances of the specific case, we aim to later be able to lift our conclusions to a larger context (Alvehus 2013, p.75).

3.2 Theoretical approach

We have chosen to use an abductive research approach where theory and empirical data are systematically combined. Taking our start in the gathered empirical material, we then apply our theoretical framework and other theories to find new links between the theories that can help us further our knowledge of the empirical phenomena (Alvehus 2013, p.109).

In our theory section we have divided our theories into one section covering Creating Shared Value and one section covering our theoretical framework, Dekker (2004). The two different theoretical domains have been applied with different intentions throughout our thesis. The empirical phenomena has been identified using the CSV theory first developed by Porter & Kramer (2011), helping us distinguishing what aspects of Nestlé's business operations to analyze. With this approach, CSV has become our empirical phenomenon analyzed rather than the theory helping us to understand the collected empirical data. Since CSV is a relatively new theoretical development, there are few restrictions and classifications of what can be classified as theoretically sound CSV practices. The identification of the analyzed CSV practices, our empirical phenomena, is therefore to a large degree influenced by the interpretations of the CSV concept by the chosen company in the study. Dekker's IOR control theory is on the other hand used as our theoretical framework. Letting our empirical data be analyzed with the help of the framework consequently enables us to obtain new knowledge of how CSV can be used as a management control tool. Using this theoretical approach we rely solely on the strength of the Dekker framework. This implies that when evaluating the results from our study, the chosen theoretical approach needs to be taken into consideration.

3.3 Sample and scope

In the process of selecting our case we had to consider the purpose of our research. In order to explore and understand the effects of CSV initiatives, we wanted to choose a company that had worked with CSV over several years, ensuring that CSV is a solid foundation of its business model. We therefore chose Nestlé knowing that it is one of the forerunners of developing CSV practices (Porter & Kramer, 2011). Also Nestlé was chosen because it has the scale required for its business practices to really make an impact in its industry, setting benchmarks in CSV practices.

To avoid simply analyzing policies and guidelines we decided to focus our research on a specific case. We wanted a case with a beginning and an end, incorporating the dimension of time to our research. Only then could we fully apply our theoretical framework with ex-ante and ex-post control mechanisms. We have therefore limited our study to only examine one of Nestlé's CSV projects within the coffee industry. From a CSV perspective, coffee is a very interesting commodity. It is an essential income source for many people around the world, mostly in rural areas of developing countries. It is also an industry with a clear value chain, increasing the traceability from the farmer to the final producer of coffee. It is therefore a good commodity to build our case around in order to say something about the value-appropriation amongst stakeholders in the value chain. To be able to analyze the role of CSV in IORs, we used the Nordic Nestlé coffee brand Zoégas's two-year Kenya project initiated in 2012 as an illustration of its CSV practices. Being integrated in the Nestlé group, Zoégas's business practices are governed under Nestlé's overall business principles. The Kenya project should therefore be a direct reflection of the CSV practices applied by Nestlé. This project is also an appropriate choice since it clearly illustrates our empirical phenomenon CSV, building on two of the three CSV strategies Porter and Kramer described as redefining productivity in the value chain and enabling local cluster development.

3.4 Selection issues

As previously described, Porter & Kramer's definition of CSV is partly based on their studies of Nestlé's business practices after an inquiry from Nestlé. There is therefore a tight link between the company Nestlé and the theories we use to define our empirical phenomena. Porter is also a sitting member of Nestlé's CSV Council, creating an even closer connection between Nestlé and the CSV theories (Nestlé's webpage, 2014-04-01). Choosing Nestlé as our sole research object is therefore a weakness. Selecting instead a company that applied the

CSV concept after Porter & Kramer's publication would have erased doubts about the independency between studied object and used theories.

CSV is a central part of Nestlé's business strategy and it is often highlighted in the company's internal- as well as external communication. As described in the introduction, companies today are to a larger extent expected to do business sustainably. The CSV concept, to create value for all stakeholders, is therefore a convenient message to communicate for goodwill purposes. In this paper we have looked at CSV as a strict business strategy, however, the above described actions indicate that it could also be interpreted as a direct- and indirect communication tool to strengthen the value of the relationships between Nestlé and its stakeholders. We have chosen to neglect this possibility and strictly approach the CSV theory from a strategy perspective.

Looking at the chosen CSV project, analyzing the value-appropriation within Zoégas's value chain, a reasonable question is whose perspective is taken. Analyzing an IOR, the appropriate number of stakeholders selected should be two or more since the mere definition of an IOR is a business agreement between more than one stakeholder. Due to time limitations and geographical distances, we have only been able to secure access to Nestlé and Zoégas. The only practical way for us to reach other market players would have been through recommendations from Nestlé. This would substantially have decreased the credibility of the retrieved information from the new interviewees. Only by securing interviews independent of Nestlé would we have been able to ensure good credibility from the answers.

3.5 The design of the interviews

Arranging our interviews we chose to apply a qualitative interview structure. The advantage of choosing this structure is that we got a broader picture with more nuances and dimensions. This structure would also give us the freedom to adapt our questions and the order in which they are asked to our interviewees (Ahrne & Svensson, 2011, p.40). Using this approach we could steer our interviews based on the specific knowledge our different interviewees possessed. Rather than expecting that every interviewee would give us a complete picture we could rely on that the combined knowledge of all interviewed persons would give us a comprehensive picture of the full case.

The structure of our interview questionnaire (Appendix) is based on our theoretical framework, Dekker (2004). Dividing the questions into three categories based on Dekker's control mechanisms, outcome control, behavior control and social control, we aimed to get a

detailed description of the whole timeframe of the project, starting from the planning phase to the final stages of evaluation. The main advantages of this approach were that we secured the inclusion of all parts of our theoretical framework and it was also easier to formulate specific questions that linked the control mechanisms to each interviewee's position at Nestlé or Zoégas. The disadvantages were that we might have steered the interviewees into thinking based on our framework, thereby becoming too narrow in their approach. Our most important challenge was therefore to design interview questions that as little as possible steered the interviewees into any direction.

Choosing interviewees, we wanted to select persons responsible for different aspects of Zoégas's and Nestlé's businesses. Only with a diversified group of interviewees could we get a comprehensive and nuanced picture of the Kenya project and how it was planned, monitored and evaluated. We therefore chose to interview the following persons:

Interview 1: Birgitte Krenk – Factory Manager

Interview 2: Patrik Erlandsson – Quality Specialist

Snorri Arnarson – Quality Specialist

Linda Linderöth – Quality Technician

Christina Jörne – Quality Technician

Irina Tibre – Factory Quality Advisor

Interview 3: Marie Louise Elmgren – Corporate Communication Manager

Interview 4: Marie Louise Elmgren (follow-up) – Corporate Communication Manager

Interview 5: Cathrine Suter Ossborn – Business Category Manager

Interview 6: Annette Scheer – HR Specialist

Interview 7: Magnus Nordin – Managing Director

Interview 8: Minnette Rosen – Green Coffee Specialist Procurement

3.6 Implementation

To conduct our interviews we spent two days at Nestlé's Swedish head office and Zoégas's factory, both situated in Helsingborg. Together with our contact person at Nestlé, Marie Louise Elmgren, we had scheduled two days of interview sessions. We had planned in advance for five interviews with the intention of having follow-up interviews and if possible getting more spontaneous interviews in connection to the planned interviews. Unfortunately, the schedule changed the day before our visit due to sick leave and urgent business travels. Adding to the unforeseen changes, a local journalist from Helsingborgs Dagblad was also

scheduled to have interviews one of the two days. For practical and scheduling reasons we had to conduct our first three interviews together. The format of the interviews also changed. Rather than being conducted single-handedly in a separate room, the first five interviews were now structured as presentations where we were free to ask questions at any time. Based on these unforeseen last minute changes, we faced the challenge of trying to steer the presentations in a direction benefiting the aims of our research. The last five interviews were held separately according to our initial plan, with the slight change that the last two interviews were performed as telephone interviews. All interviews were audio recorded and later on transcribed.

3.7 From interviews to empirical data

Based on our transcribed interviews we have written our empirical data on the sum of all the perspectives from our interviews. The empirical data is a description of Nestlé's/Zoégas's operations, where we as authors have tried to retell the information given to us in different interviews into one unanimous narrative. We have therefore not used references after all the information provided but rather relied on our understanding of the entire event history. In order to prevent personal interpretations we sent the complete empirical data to Nestlé for approval and confirmation that the event history was presented as described in the interviews without personal interpretations.

4. Empirical data

4.1 CSV – the way Nestlé does business

“...the overall well-being of farmers, rural communities, small entrepreneurs and suppliers is intrinsic to the long-term success of our business.”

- Peter Brabeck-Letmathe, Nestlé Chairman & Paul
Bulcke, Nestlé CEO (Nestlé's webpage, 2014-04-15)

Nestlé is a Swiss multinational food company ranking as one of the largest in its industry with a market capitalization of \$239.58 billions (Forbes's webpage, 2014-04-25). With over 2 000 brands and operations in more than 86 countries (Nestlé's webpage, 2014-03-25), Nestlé's objective is to be the leader in Nutrition, Health and Wellness, and the industry reference for financial performance, trusted by all stakeholders (Nestlé's webpage, 2014-03-27). Long before Porter and Kramer evaluated Nestlé's CSR practices, resulting in the development of the new concept termed Creating Shared Value, Nestlé had worked hard to establish

sustainable, ethical and value creating business practices. From a Nestlé business perspective it is only possible to create long-term sustainable value for shareholders if the company's behavior, strategies and operations are also creating value for the society as a whole including all other stakeholders in the value chain: partners, consumers and the communities where production takes place. CSV is therefore much more than just a term at Nestlé. It is the business principles that permeate all their business operations (Nestlé's webpage 2014-04-15). To continue to be in the forefront of applying a CSV strategy, Nestlé has continued to work closely with Michael Porter who is currently a member of Nestlé's CSV Council together with ten additional external experts (Nestlé's webpage, 2014-04-01).

At Nestlé, CSV initiatives are divided into three main areas: nutrition, water and rural development. Nestlé's coffee business, the focus of this study, is covered under rural development. Being a food and beverage company, a prime concern is to guarantee supply of high-quality primary products. These are often farmed in rural areas in developing countries. Increasing productivity in these areas and securing long-term sustainability is therefore an important objective for Nestlé. The farming of coffee beans is not different. As a response to this challenge Nestlé has initiated several initiatives. The largest initiative to date is the roll out of the Nescafé plan. Vital parts of the project are providing discussion of financial planning, offering microcredit for farmers and distributing 220 million disease resistant coffee plantlets before 2021, countervailing the effects on supply from declining yields caused by ageing trees and/or plant diseases (Nestlé CSV full report 2013, 2014-04-02). Being a multinational company Nestlé has both local and international brands. This has enabled for local brand initiatives to fall under the covering rural development guidelines. Zoégas's Kenya project is such an initiative. Being a Nordic brand Zoégas has been able to develop its own initiative structure, meeting the needs and requirements of its challenges in accordance to the overall brand strategy. To further understand the logic behind Nestlé and Zoégas's business practices, we will continue by looking at the overall characteristics of the coffee industry.

4.2 The coffee industry and Nestlé's position in it

Coffee is a heavily traded commodity in the world economy. The cultivation, processing, trading, transportation and marketing of coffee employ roughly hundred million people all over the world (The International Coffee Organization's webpage, 2014-04-17). 90 percent of the world's coffee production takes place in developing countries and coffee farms are the economic livelihood of more than 25 million people worldwide (Business Insider's webpage,

2014-04-17). It is a traded commodity and the price depends on the economic situation, supply and demand, exchange rates, market expectations, taxes and so forth. If the supply of coffee beans decreases one year the price for coffee will increase affecting all stakeholders along the value chain, ultimately reflected in the price consumers at the retail store have to pay (ICA-handlarnas förbund's webpage, 2014-04-17). From a supply perspective the market is not dependent on any individual farmer. The quantity a single farmer produces is negligible to the overall supply, but collectively on a regional basis the farmers have a larger effect since every region has its own characteristic flavor. Looking at the final coffee producers the situation is reversed. The demand of a few large players combines for a large majority of the overall demand. Nestlé is one of these large players.

Looking at Nestlé's supply value chain, Nestlé is mainly in direct contact with international trading partners. These are often structured with subsidiaries in the different countries supplying coffee. At the local level the trading partners can scatter the market for coffee with the right taste profile and specific quality requested by the coffee producers as part of their special coffee blends. The coffee beans are bought in bulks where one bulk of coffee beans can contain beans from more than one farm in the region. Being structured in cooperatives strengthens the bargaining power of the farmers and creates a more efficient route to the market for the beans from the individual farmer. For Nescafé, Nestlé has also established direct procurement from more than 175 000 farmers taking part in Nestlé's Farmer Connect/Direct Procurement program.

4.2.1 The 4C code and other certifications

"The 4C Association aims to unite all relevant coffee stakeholders in working towards the improvement of the economic, social and environmental conditions of coffee production and processing to build a thriving, sustainable sector for generations to come."

- The 4C vision (The 4C Association's webpage, 2014-04-12)

There are many different sustainability certifications and guidelines on how to act within the coffee industry. Two certifications that Nestlé uses to some extent are Fairtrade and Rainforest Alliance. When working with the Farmer Connect/Direct Procurement networks, Nestlé can be present and teach farmers how to work according to the Rainforest Alliance principles. However, there is not enough supply of Fairtrade or Rainforest Alliance coffee in the world to be able to suffice Nestlé's demand for coffee bean. Instead Nestlé has chosen to apply a more holistic approach to procuring sustainably farmed coffee beans. Nestlé works in

line with the 4C code that in contrast to the two certifications mentioned above is not shown on the coffee packages. This indicates that the purpose behind the initiative is not marketing, but to work for a genuine long-term sustainability for the company.

In 2003, stakeholders in the coffee sector from more than 20 countries gathered in the creation of the 4C (Common Code for the Coffee Community) association to address sustainability issues in a pre-competitive manner. The following years a multi-stakeholder committee started the development of standards for the industry (The 4C Association's webpage, 2014-04-18). To date, over 310 members have joined the 4C platform, including coffee farmer organizations, traders, coffee roasters, retailers and civil society organizations. The 4C Association is promoting sustainability initiatives, addressing critical sustainability issues and providing a platform where stakeholders can discuss sustainability issues that have an impact on the whole coffee industry (The 4C Association's webpage, 2014-04-16). Its goal is to achieve 100% compliance in regards to sustainability amongst stakeholders within the coffee industry. 4C has capacity-building activities and is communicating the benefits with sustainability (4C Policies, Statutes and other general information, 2014-04-10).

The guidelines that should be followed to be able to sell 4C compliant coffee are described in the 4C Code of Conduct (4C Code and Verification documents, 2014-04-11). For example, the code includes that all workers should receive written contracts, have decent working hours and wages complying with national laws. Furthermore, environmental concerns like recycling, conservation of water resources and minimizing the use of pesticides are discussed.

4.3 The operational activities constituting Zoégas's day-to-day business

Zoégas is a coffee brand founded in the south of Sweden in the 19th century by Carlos Zoéga. Throughout its history, Zoégas has specialized in dark roasted coffee coming from mainly East Africa, giving its coffee blends the characteristic Zoégas taste profile. Only the very finest coffee beans can be dark roasted, giving the coffee blends this characteristic taste. Zoégas's operations are therefore highly dependent on the sourcing of coffee beans of very high quality. With its history Zoégas has positioned itself on the Nordic market as a premium brand, building its brand strategy around quality and taste. In 1986, the Nestle group acquired Zoégas. It was Nestlé's commitment to high quality in all parts of its operations and long-term vision of success for the brand that convinced the previous Zoégas owners to agree on the acquisition. Today Zoégas has approximately a 25 percent share of the Swedish coffee

market, but its ambition is to grow. This is indicated by investments in its production facilities improving the emission cleaning system and installing a new roaster with larger capacity.

A specific characteristic for coffee roast houses like Zoégas is that the raw material, coffee beans, constitutes the absolute largest cost item of the final product and it can not be exchanged for another input in the production. It is also important that the coffee beans procured are of the right quality and taste. Cup profiles, specifications of bean quality and flavors that create a specific Zoégas blend therefore have to be communicated with trading partners, who are responsible for the local sourcing of coffee beans from the origin country. The success of Zoégas's relationships with its partners is therefore evaluated on the basis of whether the partner continuously can source the beans demanded from Zoégas. To secure this level of trust, new trading partners are evaluated over an extensive time period before being regarded as trustworthy partners. However, rather than continuously going to the market for new trading partners, it is more common to rely on few trading partners, developing long-term relationships. These relationships are built on a personal level.

It is important for Zoégas to be able to guarantee to its customers that every cup of Zoégas coffee will always give the expected enjoyment. Zoégas has therefore developed extensive testing procedures as part of its procurement of coffee beans. Samples of coffee beans, sourced by the trading partner in accordance with the demanded cup profile, are sent to the quality department in Sweden before any purchase is realized. The quality-tested beans are roasted and brewed, and experienced quality appraisers smell and taste the coffee to determine if the quality and characteristics comply with the required standards. It takes approximately six months of internal training to become an approved Zoégas quality appraiser. No coffee is procured and delivered without Zoégas explicit permission. First when the coffee beans are loaded on carriers, does the risk pass over to Zoégas. At the arrival to Helsingborg's shipping port, the beans are tested again to ensure that they hold the same quality as the initially tested coffee beans. By testing beans from every container, a very high traceability of the beans is achieved, most of the time all the way down on a farmer level.

To create a typical Zoégas coffee with the right flavors, beans from East Africa are required. Thus, it is very important to secure the supply of high-quality beans from this area. Since the cup profile is not quite the same as for example the cup profile of Nescafé, Zoégas cannot use coffee beans from Nestlé's Farmer Connect/Direct Procurement network to such a large extent. An initiative to raise supply was therefore initiated.

4.4 Zoégas's Kenya project

4.4.1 Lack of qualitative coffee beans in East Africa calls for actions

As previously described Zoégas has positioned itself on the Nordic market as a premium brand with high-quality, dark roasted coffee. Its taste profile is predominantly characterized by the rich flavors only found in coffee beans from East Africa, especially Kenya. Supply of high-quality coffee beans from this specific region is continuously threatened by a change in the produced crop within the agricultural sector. Coffee farmers have increasingly started to abandon plantation of coffee beans for crops with faster planting to revenue-cycles. In this African region, poverty is widely spread and the need for an instant source of income is constantly present. This has led farmers to plant crops with more frequent harvest periods, leading to smaller but more frequent revenues, instead of considering what is most profitable long-term. For instance, the plantation of flowers has increased in this area, becoming a strong competitor to coffee. Today Zoégas's business operations are threatened by the risk of falling supply of highly qualitative and sustainably farmed coffee beans not reaching the levels required to meet the increasing market demand. As a response to this development, Zoégas in 2011 started to analyze these market changes and develop strategic actions to ensure future supply of high-quality beans from the region.

Given the market shortage of high-quality East African coffee beans, the starting-point for the planning process for the intended actions was to increase the supply of desired coffee beans. The first step when trying to increase the supply of high-quality beans is to make sure that the existing farmers do not choose to exit the coffee industry and start produce other crops. The next step is to raise the quality of the beans up to the desired level. Zoégas realized that the farmers did not possess the required knowledge of how to produce beans of the demanded quality. To provide farmers with knowledge and education, Zoégas in 2012 decided to invest 1.5 million Swedish crowns in a two-year project in Kenya. Together with Nestlé's central purchasing department and global project coordinator, Zoégas started the search for a project partner that could be a local link between Zoégas and the coffee farmers. The requirement was that the project partner should possess and be able to convey the required knowledge locally in Kenya. The local efforts should lead to the fulfillment of the goals set up by Zoégas. Sustainable Management Services Ltd (SMS), a subsidiary of Ecom Agroindustrial Corporation Ltd., was chosen as the project partner.

The main goal affecting the targets was to increase the supply of high-quality and sustainably farmed coffee beans. The project specific targets were set to educate 8 500 coffee farmers, whereof 30 percent women, in the three Kenyan regions Kiama, Kirurumwe and Kilalani in sustainable coffee farming leading to a 100 percent increase of the output. Informing farmers that high-quality beans have a higher market price was essential to secure and increase sustainably farmed coffee beans (Zoégas's webpage, 2014-04-20). Living close to poverty, higher income is essential for a reasonable quality of life. To ensure future generations of coffee farmers it is important that this livelihood results in a good standard of living, increasing the pride of being a coffee farmer. Farmers need to feel that coffee is a commodity in demand for generations to come. Cathrine Suter Ossborn describes the rationale behind the goals in an illustrative way in the following quote:

“It is not possible to measure an unlimited amount of aspects. And as I said, what is of most importance is that there is coffee for the future. If the trend continues as it is doing now, that it is not profitable for the coffee farmers to produce, then there will be no coffee. So in some way one has to revitalize the production. Make them proud, make them want to hand over the business to their children. This can be done by farming sustainably. There are a number of things one can help them with in order for this to take place and then, the supply will increase. So, supply is actually the only point of interest. Supply of sustainably farmed coffee is therefore the only aspect needed to be measured since everything else is included in it. If you are proud you will want to hand over, right? So the reality, I do not know if I can say that it is less complex, but I believe it is enough to only track one parameter.”

4.4.2 Programs in Kenya to increase output of qualitative coffee beans

Farmers usually organize themselves into cooperatives. This type of commercial undertaking enables even the small-scale farmer to participate in the world trade of coffee beans. Reaching 8500 small-scale farmers single-handedly is not financially feasible or time efficient. It was therefore inevitable to go through the cooperatives when implementing the Kenya project providing willing farmers with education opportunities. The project efforts, with the help of SMS, were therefore directed towards three different cooperatives in Kenya.

In order to raise the standard of agricultural procedures in the three regions, several educational events were held. At these sessions the local needs of farmers and their business realities were met by education in modern agricultural procedures. Farmers were taught how to optimize their crops, identify optimal time to harvest and handle all stages of the coffee

bean treatment correctly. The education was structured to meet the standards set by Rainforest Alliance and 4C. Information about Zoégas requested cup profile was not communicated to the cooperatives. Rather the emphasis was on increasing the overall level of expected quality of the farming within the regions, resulting in larger supply of sustainable high-quality coffee beans of all taste profiles.

Initiating a project of this size, a concern was how the farmers would perceive and react to the communicated information. When establishing relationships with the farmers there is naturally embedded skepticism from farmers originating from the size- and financial strength differences between the stakeholders. Sales from harvested crops are the main income source for the local farmers and any changes to the farming procedures create a natural unsafety. To handle this insecurity for the farmers, cooperating with a much larger organization like Zoégas, some farmers were enabled to go through a more extensive education program. These farmers were termed Promoter Farmers and could on their part educate more farmers. The goal was to create a system where the knowledgeable farmers educate their neighbors creating a multiplier effect. Zoégas did not restrict farmers participating in the project to only sell their beans to Zoégas. Instead they were free to participate on the open market, accepting the highest price offered for their crop.

A second step in the project was to be consistent with the purchasing of coffee from the region. Consistency was here demonstrated in two ways. The first part concerns the consistency in the quality demanded. High-quality beans should always receive a higher price. When farmers sell beans of a lower quality they will not receive the same price. Rather they will be advised to take care of the specific quality issue for next delivery in order to receive a better price. With this system, trust is created between market stakeholders in regards to price per quality. The second aspect is that Zoégas has applied a strategy of continuously purchasing coffee not regarding the market price fluctuations. Coffee beans are not held in large stocks purchased only at low market prices, but rather smaller quantities are procured continuously. Doing so, coffee farmers are ensured a constant flow of income.

4.4.3 Securing a long-lasting impact while evaluating new coffee bean origins

After having the project up and running for the total planned time of two years, Zoégas is currently evaluating the effects and outcomes of the project. As a concluding step, SMS has provided Zoégas with a set of detailed reports of the progress made in the three Kenyan regions over the elapsed project time. These reports have also been provided quarterly during

the project's lifetime. The reports have contained not only information about the level of achievements concerning the set up goals, but also of activities performed locally between SMS and the farmers. Detailed analyses of the trees and the soil quality have also been included. With the provided documents, Zoégas can now evaluate SMS based on if they have performed in accordance with the initial plan and delivered what was promised.

It would be desirable to also measure the more soft aspects of the project, the pride of being a coffee farmer and the tendency in the regions to see coffee farming as a more long-term source of sustenance. These aspects are very difficult to measure. All sub targets should lead to the fulfillment of the main goal, increasing the supply of sustainably farmed coffee beans of a high quality. Thus, if reaching the goal, also the more soft aspects of the project are seen as successfully achieved. It is therefore all about the supply.

Out of the 8500 farmers planned to be part of the project, 6636 farmers successfully participated. 28 percent (1858 farmers) were women and 156 promoter farmers were educated. The goal of 100 percent output improvement was met by increasing the harvest per tree from 1,5 kilograms to 3 kilograms. During the two years, ten wet mills in the three cooperatives have been Rainforest Alliance and 4C certified (Zoégas's webpage, 2014-04-20). Still there is one aspect of the project that has caused Zoégas to deeply analyze future actions. Supply of high-quality, sustainably produced coffee from the region has not increased.

"So we have just received the final report from Kenya. But there we have this specific challenge. We have achieved several of our goals and I am satisfied with the project, but I am not receiving more coffee. This requires us to look broader in East Africa. So then it is all about how to continue to support this project while also finding other projects where we can improve the output even more. So that is what we are currently looking at, looking at new origins, but always eastern Africa, because that is what we need in order to maintain Zoégas's taste profile and that is what we live on. That is what our brand is based on."

- Cathrine Suter Ossborn, Business Category Manager at Nestlé

Knowing that the output improvement goal was met it seems unreasonable that the supply has not risen. The excluded factor in this equation is the macroeconomic environment. Kenya is a region with political instability, heavily affecting exportation of commodities from the country. As an example, one of the cooperatives in Kenya was hostilely taken over by the

local governor prohibiting all exportation of coffee unless prices were paid with a markup to the open market price. Weather factors have also affected the overall supply.

As a final step, Zoégas is now evaluating how to proceed from the current results. As just mentioned, the project was not able to fully deliver the expected results. The level of overall supply has not increased as hoped for. This creates an important question; should Zoégas reinvest in the project, prolonging the time span with the hopes of that the new investments will be able to create the change that was not reached over a two-year period, or should they invest their money elsewhere hoping for better results? After all, the demand from the final customers is still increasing, but the coffee beans supplied do not follow the same pattern, putting the overall business operations at risk. This puts Zoégas in a position with three different alternatives to consider. The first is to reinvest in the current project structure, prolonging the time horizon of the Kenya project. The second alternative is to invest in supply-increasing initiatives in other regions of eastern Africa. Finally, the third alternative is to invest in a new initiative while continuing to provide financial support to the existing project. As a first step to evaluate if the second alternative is possible, Zoégas has visited nearby countries, Burundi and Rwanda, evaluating the characteristics and quality of the coffee produced there. The project has thereby taken the full circle and is now back to planning new initiatives simultaneously as the previous project is evaluated. The CSV initiatives are therefore planned and evaluated according to a long-term plan with sub targets continuously followed up and revised according to the progress made. Overall, Nestlé and Zoégas do not see CSV as projects, but rather as an integrated part of the strategy.

5. Analysis

5.1 Antecedents that constitute the structure of the coffee industry

To understand how CSV steers and influences IORs in the coffee industry it is first important to understand the underlying needs and conditions, what Dekker (2004) has termed antecedents, of the individual stakeholders in the industry. Understanding the reality in which the stakeholders act in and the future challenges they face also help us understand the impact of Nestlé's CSV strategy. First when we understand the contextual reality Nestlé works within we will be able to continue our analysis looking at CSV as a controlling instrument.

As the empirical data states, Nestlé has been active in the coffee industry for over 100 years and its plan is to continue to serve customers with high-quality coffee for at least another 100 years. This is a vision that creates two main challenges. The first challenge is to secure and

expand the demand for coffee throughout the world. The recent expansion of Nestlé's Zoégas factory in Helsingborg, Sweden, is one action indicating an increase in the demand for coffee. The second challenge is to secure the supply and sourcing of high-quality and sustainably farmed coffee beans. An important characteristic of the coffee industry is that the roasting-houses are heavily dependent on one input. The cost of coffee beans is the main cost driver of the final product and this production input is not exchangeable. Thus, the production of coffee is highly asset specific. For farmers the situation is slightly different. For them the sale of crops represents the main source of income, of which they are heavily dependent. However, unlike the coffee producers who are locked to the commodity of coffee, farmers are free to grow any crop, therefore choosing the crop that yields the highest income. They therefore do not only compare their profitability with other coffee bean farmers, but also with farmers producing other crops since it is fairly easy to change the choice of crop. This is confirmed in the empirical data describing former coffee bean farmers converting to crops with a higher capital turnover. Coffee bean farming as such is therefore not as asset specific as the production of the finalized roasted coffee made by Zoégas. However, farming coffee beans requires certain initial investments creating a financial commitment. Changing crop is therefore associated with a financial risk, especially since the income from the harvest is the farmers' entire livelihood. There is also a second risk in regards to changing crop concerning time. The coffee plant requires a five-year period from the initial plantation until the first harvest results in any income. This makes it financially harder for liquidity challenged farmers to invest in the plantation of coffee than for example cash crops like flowers with a higher capital turnover. Once changing production from coffee beans to another crop, farmers might be more reluctant to go back given the five-year period with losses of income. For the same reasons it is hard to attract new farmers to convert to coffee bean farming.

Coffee is a commodity daily traded on the world market. As individual stakeholders the farmers are negligible, but as a whole they are a vital part of the industry. It is therefore hard to speak of any direct interdependence between the individual coffee farmers and Nestlé. Rather it is important to look at the interdependence between Nestlé and farmers as a united whole. Farmers producing coffee need the assurance of continuing demand for their crop in the future, securing them future income leading to a better quality of life. Nestlé on the other hand needs to ensure that future investments in production facilities and new product blends will be profitable with a secure source of coffee beans as input to the production. This creates a problem when looking at IORs. The farmers react and make production decisions as

individual stakeholders, but from a market perspective they are seen as a united whole. A challenge is therefore how to align the expectations on the market regarding what type of beans are demanded and supplied. How should farmers handle their beans in order to comply with the roasting-houses' expectations? The problem at hand for the industry is therefore to create conditions for future prosperity of the market as a whole at the same time as creating incentives for all individual stakeholders. When doing so the environmental uncertainty also has to be considered. Who will bear the risk of unexpected changes on a macroeconomic level?

5.1.1 Antecedents leading to control problems

Looking at the antecedents in the Nestlé and Zoégas context, we see that both appropriation concerns and coordination requirements are present. In the industry both farmers and roasting- houses take on a large financial risk when entering into such an asset specific task as coffee farming and -production. Thus, they must make sure to obtain appropriate value that correlates to their investments. Furthermore, the transactions between the partners are not of a one-time character but rather a long-term commitment with several business transactions. The high asset specificity of coffee production, together with a high environmental uncertainty in the Kenyan region and a high frequency of coffee bean trading are therefore problems that have to be considered for fair appropriation of the created value. The interdependence among the stakeholders and the uncertainty of how tasks should be performed create requirements for coordination in the value chain.

As a response to these two identified control problems, formal and informal control mechanisms exist to jointly create a way for the problems to be managed (Dekker, 2004, p.30). By analyzing the different control mechanisms directing the IORs in the coffee industry, we aim to create a better understanding of the impact of CSV.

5.2 Formal control mechanisms

5.2.1 Ex-ante mechanisms

To be able to reach the set up goals for an IOR, it is important to align the goals among the affected stakeholders (Dekker, 2004). Goal congruence among the stakeholders within the coffee industry exists to the extent that the main goal of both Nestlé and the farmers is to secure a long-term profitability for the industry. However, they have different goals for their operations regarding how to maximize their own profitability. These differences are the main issue counteracting fair appropriation of the created value. As an individual stakeholder you

can easily act opportunistically only considering your own profitability, disregarding the effect of your actions on other stakeholders. This might reduce the overall profitability of the industry (Porter & Kramer, 2011). As an individual farmer it is hard to understand the effects of your actions on the overall industry given your small size. Once again it becomes important to understand the aggregated effect of the united actions of the farmers. When designing incentive systems for the farmers, Nestlé has to be aware of these underlying business targets that motivate the farmers. This has led Zoégas to apply a procurement strategy constantly rewarding higher quality with a higher price, thus incentivizing farmers to strive for a better quality.

Zoégas has applied a premium strategy and is not mainly competing on price. This has enabled Zoégas to pay a premium price for premium quality beans. Farmers striving to maximize their profits interpret the higher price Zoégas will pay for coffee beans of a higher quality as the main incentive. Today, farmers' knowledge of how to produce the demanded coffee with the expected quality is not as widespread as Zoégas would have wanted it to be. As just described, Nestlé focuses on incentivizing industry players to strive for the industry's overall goal of a profitable future in a desirable way through a well-functioning pricing system. In order for this system to have its intended effect on the appropriation of the value created in the industry, farmers need to have the knowledge of what is required from the farming process in order to produce the coffee sustainably and to the expected quality. Here a gap is identified between required knowledge and actual knowledge of how to farm. The intention of CSV is that it should be naturally integrated in all parts of the business and specific projects should thus not be needed (Porter & Kramer, 2011). This insight is supported by Nestlé's belief that CSV should not be considered as a project but rather as a strategy deeply embedded in the day-to-day operations. However, the identified gap restrains the effects of Nestlé's CSV strategy. As a response to this problem Zoégas initiated the planning of a CSV project as an effort to raise the local knowledge level and make the underlying appropriation mechanisms more effective.

5.2.2 Ex-post mechanisms

With the above classification of the Kenya project as a selective measure, we will now rather focus on how an integrated CSV strategy helps to shape the ex-post control mechanisms. In a coffee market without knowledge frictions these should be the only control systems needed for well-functioning IORs. Well-developed monitoring- and reward structures should ensure Zoégas that their goal of a higher expected quality and sustainability in the Kenyan region is

met. As described earlier, the main incentive for farmers to raise the quality of their farming is to receive a higher price for coffee beans at a higher quality. The initial problem was that farmers from the Kenyan region did not have the knowledge needed to farm at the expected level. With the educational efforts from the Kenya project the general level of knowledge in the area is expected to reach the required level, eliminating the identified knowledge gap. If this is the case there is no reason for farmers to not farm at the expected sustainable level. The system of pricing for quality is therefore cleverly self-regulating. It only rewards farmers performing according to the goal set forward for quality. Farmers that do not farm according to the required standards will be punished with a lower price. Since maximizing their income is their main goal, they will change their behaviors in order to perform at a higher level in the future. For the system to succeed in the long-term, it is very important that high quality is always priced higher than low quality and that the classification of different quality levels is consistent over time. Appropriate implementation of this would signal system credibility and reduce task uncertainty amongst farmers.

Monitoring the behavior and performance of the farmers, the only parameter needed to be tested is the quality of the coffee beans. In a coffee market without knowledge frictions, the farmers are expected to possess the knowledge and abilities to produce qualitative and sustainable beans. If they do not produce in accordance with the education given, it will affect their output and the consequence will be a lower price for their crop. Performance monitoring is therefore in this situation more important than behavior monitoring since the performance signals correct or incorrect behavior during the production. Illustrative examples are that finding sour beans among the produced coffee beans indicates incorrect behavior in the water process and stones among the beans indicates improper behavior in the drying process. To simply monitor if the output is of satisfactory quality is also the only financially feasible and practicable way to work. The large amount of farmers makes it impossible to perform quality checks and control the behavior on a farmer-to-farmer basis. The quality check is thus more of a regional question. Is Nestlé getting enough coffee of the right quality from certain parts of the world, or in Zoégas situation, does it get enough supply of coffee beans from Kenya?

Understanding how CSV affects the formal control mechanisms in the coffee industry and what role the Kenya project has, it is now important to better understand the roll out process of the project. As we specified earlier it is nearly impossible to reach the intended number of farmers on a farmer-to-farmer basis. Still Nestlé has the problem of needing to communicate

to the individual farmer. To understand how this is managed we have to take the informal control mechanisms into account.

5.3 Informal control mechanisms

5.3.1 Capability trust

In every IOR there is a need for capability trust with the selected partner. In a business relation one has to feel comfortable that the other partner in the relationship has sufficient competences to perform the required task appropriately before entering into the relationship (Dekker, 2004, p.33). Buying coffee from the open market makes the situation slightly different. All business agreements are concluded after the final product is produced. The buyer does therefore not enter with any financial risk into the business agreement since the product can be evaluated at the time of the transaction and thereafter paid in accordance with its true value and not the anticipated value. However, with the existing transaction agreement structure the problem at hand when selecting the partner is not mitigating the risk of having the supplier not delivering in accordance to the required demands. The challenge is rather to make sure that the cumulative supply from all possible partners will meet the demand. In this situation one does not receive coffee from a single producer but rather from an aggregated number of farmers in the region. Doing so Nestlé evaluates the capability trust on a regional basis rather than on an individual farmer basis. This is also in line with the previously looked at formal control mechanisms, where only regional output is measured and evaluated. It is therefore, in the coffee industry, difficult to select a partner (farmer) on the basis of capability trust since capabilities of the individual partners cannot be assessed. The implication from this market structure is that in order for Zoégas to raise the quality of its procured coffee beans, it has to influence the capability of the whole region.

From a Dekker (2004) perspective the choice of entering into an IOR often depends on if the partner has the required capabilities for the task (p.33). In this case, as just described, this is not applicable. Zoégas is after the specific characteristics of the Kenyan coffee and has therefore selected a region to purchase coffee beans from rather than a single business partner. The parameter capability trust is therefore seen as a property that can be affected throughout the relationship rather than a starting-point. Partner selection on the level of the farmers is therefore not relevant. In Zoégas's Kenya project the issue is not selecting which farmers who should join the program, but rather develop the farmers who voluntarily join the program. From that point on the desired capabilities can be developed. Doing so Zoégas guarantees that

the number of farmers with the knowledge to perform at the required level rises and with that the overall supply of coffee beans. Selecting partners solely based on capabilities would substantially lower the number of possible suppliers and be considerably more expensive and time consuming since a capability check would be needed before selecting a partner.

5.3.2 Goodwill trust

The starting-point in the CSV logic is that all partners in the value chain should have a fair share of the value created (Porter & Kramer, 2011). This requires a certain level of trust between stakeholders so that neither one of them acts opportunistically. This is called goodwill trust and has to be considered when structuring IORs. As described in the empirical data, the farmers participating in the educational program are not locked in to selling agreements with Nestlé. This is an essential characteristic for enabling the overall success of the project. If you are locked into a selling agreement with one partner, then you are dependent on your strength in the negotiation in order to get your fair value. Compared to the small farmer, Nestlé is a gigantic player. If the farmers had been forced to sell their beans to Nestlé, they would take on a substantial risk of being taken advantage of. Farmers would therefore consider if it would be better to not participate in the project and instead continue to sell on the open market, but with the same level of quality as they have at the moment. This would considerably risk the entire aim of the project. With the existing structure, farmers do not have to consider Nestlé's intentions behind the project. They are free to sell on the open market to the buyer offering the highest price. This strongly incentivizes farmers to take part of the educational program, improving the quality of their crops and the sustainability of their farming processes, since they bear no financial risk. From the farmers' perspective the question about Nestlé's intentions with the project has been made irrelevant since it will always be favorable financially to strive for a higher quality knowing that it will result in higher prices from Nestlé or from another player on the open market. Nestlé is not worried about the fact that some farmers may choose to sell their beans to competitors. If the overall quality level of the region increases then there will be a higher level of supply of quality beans for all roasting-houses to share. Knowing that there is a rising demand for coffee, a higher supply would lead to higher income for both farmers selling more coffee beans and coffee producers selling more coffee. The value of the entire market would therefore increase and every stakeholder would get more value for the same percentage share of the market.

To counter the problem of farmers moving to other crops it is important for Nestlé to credibly signal that farming coffee is a profitable business today as well as in the future. The strongest

way to communicate this to the largest amount of farmers is through stable procurement patterns. By purchasing coffee beans regardless of whether the market price is high or low, Nestlé signals that coffee is a trustworthy and long-term stable income source. This purchasing pattern also lessens the appropriation concerns coming from environmental instabilities. Since there are no long-term contracts with fixed prices, the market price is always taken. A characteristic of the market price is that the environmental uncertainties are always reflected in the price. This automatically divides the financial impact to both buyers and sellers. If there would be a longer period of drought lowering farmers' harvest, supply would automatically decrease. Keeping demand constant, the market price for coffee would increase. Hence, farmers would get a higher price per sold coffee bean, but a lower quantity sold. From a buyer perspective the price paid for the same quantity would increase. Thus the appropriation of the value would still be fair, however, the sum of the total value might have decreased. In addition to having a consistent purchase pattern, consistency is also important regarding paying a higher price for higher quality. If both these signaling actions are applied, then farmers can plan for further business investments in new or improved coffee plantations. The important factor is that the market signals to the individual farmer that farming coffee is a trustworthy crop for long-term profitability.

Up until now we have only discussed the formal- and informal control mechanisms independently of each other. In reality this is not practically viable. To fully understand how IORs are managed we have to analyze the combined effect of all control mechanisms working intertwined.

5.4 Combining all control mechanisms to understand the impact of CSV

Formal and informal control mechanisms exist as a response to, and jointly handle, the two identified control problems; appropriation concerns and coordination requirements (Dekker, 2004).

5.4.1 Appropriation concerns

Managing appropriation concerns is very important in an industry with large differences in bargaining power. Having an instrument that signals fair appropriation would make it easier to evaluate possible business partners enabling for more transactions in the market. Such an instrument would lower the initial presumption in the development of a business relation that your business partner might take advantage of you (Dekker, 2004). Analyzing how Nestlé's CSV practices influence the structuring of control mechanisms, we have been able to illustrate

that a well-functioning CSV strategy can work as the tool just described when structuring IORs. With this new business mind set the logic is that when the total market increases, a greater willingness to share the market value in a fair way will arise. At this point the appropriation of the value created becomes less of a concern.

However, only solving the concerns about appropriation is not enough. All individual stakeholders need to know where to strive, to be able to create this greater value. If one stakeholder in the value chain for some reason chooses not to work in line with the others, no additional value will be created and all efforts from the other stakeholders will be in vain. If the stakeholders do not trust each other and start to assume that someone will act opportunistically, there is a risk that no one will dare to invest in the relationship. At this point the only way for a stakeholder to increase its value would be to acquire value on behalf of another stakeholder in the value chain. Thus, for appropriation to not be a concern, it is essential that all stakeholders are highly coordinated.

5.4.2 Coordination requirements

Being one of the most powerful stakeholders on the market, Nestlé has a unique possibility of steering the other stakeholders in the value chain in a desirable direction. As described in the formal control part of the analysis, a constant high demand for high-quality and sustainably farmed coffee beans creates a sustainable price premium for these beans, earning farmers a higher income. This in itself can be looked upon as a self-regulating system indicating for the farmers what the market expects of them. Applying a CSV strategy in the procurement patterns therefore offers an opportunity to communicate a direction and coordinate farmers to achieve goal congruence.

However, for this to work, there can be no obstacles for the farmers to be part of the high price for high quality-system. Nestlé has not been able to obtain this in all parts of its coffee business. In Zoégas's case this has not been obtained due to the local Kenyan farmers insufficient farming knowledge disabling them to produce the quality demanded. As a response to this problem, Zoégas initiated the Kenya project as an attempt to coordinate the stakeholders within the value chain. The main aim of the Kenya project was to enlarge the supply of high-quality and sustainably farmed coffee beans. To enable successful fulfillment of this goal, Zoégas needed to set and communicate a direction for the Kenyan farmers. The large numbers and small size of farmers made it impossible for Zoégas to, on a personal basis, reach every farmer. Handling the coordination requirements appropriately was therefore very

important. With this perspective the project can be seen as a selective measure to educate and inform the farmers of how to reach a higher quality of their farming, thereby enabling to receive a higher price per crop. This should enable for the high price for high quality-system to be self-regulating once the aim of the project is reached. The Kenya project thus can be classified as a coordinating effort. With the rolled out educational project and the incentivizing price for quality-system Zoégas has created a situation where farmers are urged to learn from each other's initiatives creating a multiplier effect in the region. Thus, even though direct communication in many cases was impossible it was possible to create a direction for the market. The beauty of having CSV as a control instrument is that it handles both appropriation concerns and coordination requirements. If an influential player like Nestlé strongly signals a direction for the market, individual farmers will have no other choice than investing in order to apply to market expectations, earning them the income growth coming from a higher price for higher quality. Only when this system holds, can Zoégas obtain a larger supply of high-quality and sustainably farmed coffee beans, securing long-term profitability.

5.4.3 A commonly agreed upon future steering market development

When the value chain is coordinated and the appropriation of the value is structured fairly, there is still a need for the market to set a collective direction for future market development. As we have described earlier the price premium for quality is the main instrument communicating the direction for the farmers. Since coffee prices are set on the world market a price premium for high-quality and sustainably farmed coffee beans can only be achieved if the overall market demand for this increases. Thus, it is not sufficient that only Nestlé demands higher quality to affect the market price. Rather the entire market needs to collectively agree upon a desired market development, supporting the demand for higher quality and sustainably farmed coffee beans.

The Kenya project created compliance in the value chain and was performed in line with the guidelines set up by the 4C Association. The 4C guidelines were agreed upon in 2004 by a multi-stakeholder group within the coffee industry (The 4C Association's webpage, 2014-04-18). Thus, while Nestlé's CSV strategy and projects coordinate stakeholders in Nestlé's value chain, 4C coordinates stakeholders in the whole coffee industry to strive towards more sustainable practices and a more thriving coffee sector with long-term profitability for all stakeholders. This market development has several similarities with the arguments presented by Miller & O'Leary in 2007. Having a direction in place enables individual players at

different levels of the value chain to plan and invest appropriately in order to follow the direction of where the market is heading (Miller & O’Leary, 2007). Comparing the coffee industry with the studies they performed within the semiconductor industry, the 4C code can be identified as a form of roadmap setting a commonly agreed upon path towards a sustainable and profitable future for the industry as a whole. When all stakeholders, including the competitors, jointly follow the 4C recommendations, a market standard will develop over time creating expectations on all individual players. In the same way as Intel was a very important stakeholder for setting a common direction in the semiconductor industry, Nestlé with its CSV strategy can be seen as an actuating and prominent stakeholder for setting a direction in the coffee industry. When all stakeholders adapt budgets and invest according to where the market is heading, in the coffee industry towards high-quality and sustainably farmed coffee beans, continued market growth can be expected (Miller & O’Leary, 2007). If the market expands it is also reasonable for all stakeholders to expect a return on the investments and as described above a fair appropriation of the value will be easier to obtain.

6. Conclusions

6.1 Results of the study

The aim of this paper has been to provide more knowledge about how CSV initiatives affect the structuring of control mechanisms in IORs. This has been accomplished by analyzing the coffee industry and its constituting relationships from the perspective of one of its largest stakeholders, Nestlé. Dekker’s (2004) research has identified two main control problems when structuring business relations between stakeholders: appropriation concerns and coordination requirements. As a response to these problems he suggests that outcome-, behavioral-, and social control mechanisms should be considered and structured between stakeholders in order to secure a mutually beneficial relationship. This framework has been used as a tool for understanding the role of CSV in IORs and the effect CSV has when structuring different control mechanisms.

Looking at Zoégas’s procurement patterns in the coffee industry we have identified a pricing system constantly rewarding high-quality and sustainably farmed coffee beans with a price premium. The structure of this system creates an incentive system for farmers to continuously strive for better quality, maximizing their received price per coffee bean and overall income. Since the quality of the coffee beans reflect the process and behaviors used when farming the beans, the outcome controls are used with higher emphasis than the behavioral controls.

Overall this creates a self-regulating system. The only aspect that is not covered automatically is the fact that the individual farmers initially do not know how to achieve the higher quality. Making this situation even more problematic is the fact that it is not possible for Nestlé to give directions to each individual farmer. Furthermore, it would not be financially or operationally feasible to give directions to each individual farmer.

We were also able to illustrate how CSV was used to overbridge the initial problem of how to establish goodwill trust between market players in the coffee industry. The logic behind CSV is that rather than acting opportunistically, making the appropriation of the existing value more favorable to you, the collective efforts of the market should generate more value for all stakeholders to share. If this is agreed upon by all market stakeholders, goodwill trust will become a less relevant concern when establishing the informal control mechanisms. Another aspect needed to be taken into consideration was the risk taken on by Zoégas when purchasing coffee. Since the coffee beans are procured only after they have passed through quality checks, Zoégas never has to enter into a business agreement before the final product is produced. This allows Zoégas to not have to consider the capability of the individual coffee bean suppliers at this point. The only capability Zoégas has to evaluate is if the East African region as a whole, providing the coffee beans giving Zoégas its characteristic taste, can produce the required supply of coffee beans allowing Zoégas to meet the demand from their customers.

By allowing CSV to influence the formal- and informal control mechanisms, Nestlé has been able to lessen the appropriation concerns. However, this only holds when also the coordination requirements are taken into consideration. All stakeholders need to know where to strive and trust that no other stakeholder will act opportunistically. Otherwise, the stakeholders will start acquiring value from each other instead of creating a greater value to share amongst each other. Zoégas's Kenya project and the self-regulating high price for high quality-system are ways of coordinating the stakeholders in the value chain. While Nestlé's CSV strategy and projects coordinate stakeholders in Nestlé's value chain, the 4C guidelines coordinate stakeholders in the whole coffee industry to strive towards more sustainable practices and a more thriving coffee sector with long-term profitability for all stakeholders. Similarities were here identified with Miller & O'Leary's (2007) arguments about the semiconductor industry. Stakeholders can set a common direction for an industry and make investments accordingly in order to obtain long-term industry growth.

6.2 Discussion

CSV was first developed as a management/strategy theory interlinking companies' financial- and social activities. By using Dekker's IOR framework, we have been able to illustrate that CSV also has implications as a management control tool. We have illustrated how CSV on a fundamental level affects both formal- and informal control mechanisms. Using CSV as a management control tool, affecting the structure of the IORs, directly lowers the initial transaction costs of entering into an agreement for all firms within the industry. This is something that Dekker discussed already in his article from 2004. *"When adopting a value-creation perspective on IORs, then TCE's value-appropriation concerns reduce to only a subset of organizational issues in IORs"* (p.30). However, this thesis has illustrated that CSV is a direct way for companies to apply this value-creation perspective to their business operations. Lowering the value-appropriation concerns creates a higher willingness to enter IORs. This was illustrated with the structure of the Kenya project. By eliminating the risks of being taken advantage of, farmers were more willing to participate in the educational trainings and continue to invest in coffee bean farming. Having CSV as the chosen business strategy sends a strong signal of goodwill trust to the market. This is one of the most important characteristics of CSV, directly answering the appropriation concerns Dekker (2004) derived from the risk of investing in IOR specific projects. This is also in line with Porter & Kramer's statement that *"addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods, and management approaches—and as a result, increase their productivity and expand their markets"* (p.65). Although these ideas were presented already in their article from 2011, this paper has been able to give a new perspective of how the market expansion is actually made possible. CSV indicates that opening up the possibility for more stakeholders to be profitable increases companies' willingness to contribute to the overall expansion of the market. Understanding this helps companies, with an incorporated CSV strategy, to structure the IOR control mechanisms in a way that directly lowers their business partner's intentions to *"safeguard their investments from being appropriated by the potentially opportunistic other"* (Dekker, 2004, p.29).

A parallel to the mediating instrument framework developed by Miller & O'Leary (2007) has also been drawn. In their article their theories were based on technological industries, using the semiconductor industry as an illustration. However, their article concludes with an encouragement for future research to analyze if the developed theories are also applicable in

other industries. In our analysis of the coffee industry we have been able to identify similarities to the development taken place in the semiconductor industry, indicating that these theories might also be applicable within commodity industries. However, in order to prove this with high theoretical validity we would need to change the design of our study. Our intention was never to test Miller & O'Leary's theories, but the similarities found indicate that there is more research to be done in this area.

6.3 Generalizability, validity and reliability

Ryan et al (2002) describe reliability as the extent to which evidence is independent of the person using it and validity as the extent to which the data are in some sense a true reflection of the real world. In case studies, however, they argue that these definitions are not appropriate. Instead they discuss procedural reliability, if the researcher has adopted research methods and procedures appropriately and reliably. Gathering the empirical data, all interviews have been recorded and transcribed providing a coherent set of field notes. However, due to some last minute scheduling changes we had to conduct some of our interviews together with a local journalist. This might have affected the interviewees' willingness to reveal some information. However, this was not perceived as a large problem since we had the majority of our interviews without this procedural issue. A more questionable aspect of our research design is that we have analyzed IORs based on solely the perspective of the largest stakeholder in the value chain. We have also only considered two stakeholders in a value chain, the roasting-house and the farmers, neglecting the intermediaries. The mere definition of a relationship is that more than one stakeholder is involved. Thus, saying something about a whole value chain is not coherent with strong external validity. We are aware of this and can therefore only support observations rather than theoretically proven facts. What we have provided is therefore an observation of a new approach to how CSV can be used as a management control tool when structuring IORs.

Validity on the other hand is discussed in the form of internal and external validity, whereas in case study research internal validity is more appropriately discussed as contextual validity. To raise our contextual validity we have practiced data and research triangulation. Our interviewees have been selected to collectively give a comprehensive description of our case. Our questions have also been asked to several individuals enabling us to compare the different answers. To prevent own interpretations, both authors of this paper have been present at all personal interviews. Regarding the interviews performed over telephone, the author not performing the interview was responsible for transcribing it. The written empirical

data, forming the base for our analysis, has also been read and approved by Nestlé and Zoégas. This has further diminished the risk of our interpretations affecting the data. Considering external validity when performing a context specific case study, it is problematic to draw statistical generalizations. A more appropriate way to consider generalizability is through applying the logic of replication and extension. The qualitative method is merely seen as a method to explain the empirical phenomenon through the use of theories and models. Applying theories to new contexts, testing its validity or refining and/or modifying it when needed, theoretical frameworks and theories can be generalized (Ryan et al 2002, p.149). Analyzing the CSV theory from a management control perspective using Dekker's (2004) theory we have been able to test both theories in new contexts deriving new knowledge.

6.4 Suggestions for further research

As mentioned in the discussion, this paper has identified and illustrated a new way of using CSV as a management control tool when structuring IORs. However, with the chosen research design these observations cannot be scientifically proven with high reliability. A need for further research in this area is therefore present. To build upon the findings from our thesis, we suggest four new approaches for future research in order to prove or dismiss our findings.

Analyzing the usage of CSV to influence the control mechanisms when structuring IORs we solely relied on Nestlé's perspective. Thus, a suggestion for further research is to look at the same case but from another perspective to see if the conclusions drawn in this study also hold if taking the perspective of another stakeholder in Nestlé's value chain in the coffee industry. Suggested interviewees, as a source for new perspectives, would therefore be coffee bean farmers, coffee cooperatives and trading companies. Examining competitors with similar practices would also be interesting.

Miller & O'Leary (2007) suggest that further research should be conducted to see if their theories about mediating instruments could be supported in other industries than technological ones. In our study we have been able to find similarities between the development in the semiconductor industry, described by Miller & O'Leary, and the coffee industry. It would therefore be interesting to have a broader market industry research conducted to analyze if the mediating instrument theories also can be applied in commodity industries.

A third research suggestion, to further understand CSV impact on IORs, would be to analyze a firm's IORs before and after applying a CSV strategy. By doing so it would be possible to illustrate and identify differences and refer these to the impact of applying a CSV strategy.

Finally, in Porter & Kramer's CSV article, three main approaches are described. Our case touches upon two of these three; enabling local cluster development and redefining productivity in the value chain, with emphasis on the second one. Another approach would be to study three separate cases covering the three different approaches, using the Dekker framework to understand how the control mechanisms are structured. With this research structure it could be possible to draw conclusions if different CSV strategies have different effects on how the control mechanisms are structured.

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Snorri Arnarson, *Quality Specialist*, Group interview, 2014-03-18

Linda Linderöth, *Quality Technician*, Group interview, 2014-03-18

Christina Jorme, *Quality Technician*, Group interview, 2014-03-18

Irina Tibre, *Factory Quality Advisor*, Group interview, 2014-03-18

Marie Louise Elmgren, *Corporate Communication Manager*, Group- and individual interview, 2014-03-18

Cathrine Suter Ossborn, *Business Category Manager*, Individual interview, 2014-03-18

Annette Scheer, *HR Specialist*, Individual interview, 2014-03-20

Magnus Nordin, *Managing Director*, Telephone interview, 2014-04-04

Minnette Rosen, *Green Coffee Specialist Procurement*, Telephone interview, 2014-04-04

8. Appendix

The interview questionnaire

Outcome control

Goal setting:

- How do you work in relation to setting targets for your CSV initiatives?
 - How are goals determined at the start of a CSV initiative?
 - Who determines the goals?
 - How are the goals structured?
 - Project level vs CSV level
 - Amount of money, number of people, abstract visions
 - Reachable goals vs remote goals
 - Short-term vs long-term
 - Are set targets being revised throughout the processes?
 - To what degree are the goals determined jointly with other stakeholders?
 - How do you ensure that you work towards the same goals as other stakeholders, thereby creating a successful collaboration (both in the long- and short-term)?
 - To whom and how are the goals communicated?
-

Incentive systems/reward structures:

- What happens if the set up goals are met or not met?
 - Are there incentive systems connected to the outcome of the CSV goals and if so, how are they structured?
 - Who is included in the incentive systems? Nestlé and/or other stakeholders?
 - Are CSV incentive systems based on employee performance, project performance or company performance?
 - Who determines and designs the incentive system structure?
-

Performance monitoring and rewarding:

- How are goals being monitored?
- Who is responsible for monitoring that the goals are met?
- What agreement structures can you apply, allowing you to monitor your suppliers in regards to their performance?
- How do you evaluate the performance of your subcontractors?
 - Who has this responsibility?
- Are CSV projects evaluated in the same way as other operative projects?

Behavior control

Planning:

- Could you describe the planning process of a CSV project?
 - How is it conducted?
 - Who participates?
 - When is it done?
 - How long time is dedicated to the planning phase?
 - Are there any differences to the planning process of a CSV project compared to your other business operations?
 - How is the need for a CSV initiative identified?
 - How is a specific CSV project being selected (selection criteria)?
 - During the planning phase of a CSV project, do you have a dialogue with subcontractors or does Nestlé choose the objectives and structures of the project and in a second phase what subcontractor best matches the criterias of the project?
-

Procedures:

- What are the reasons behind having CSV projects?
 - What advantages do you get from structuring your CSV initiatives as projects?
Is it possible to structure the initiatives in other ways?
 - Does Nestlé need to be present at the location of the project for it to proceed?
 - How does Nestlé's CSV strategy affect your daily work?
-

Rules and regulations:

- What role does your CSV strategy play when you determine rules and standards?
 - Who sets the rules for how you work at Nestlé?
 - How do you ensure that the agreed upon value-appropriation in business relations is followed?
 - How do you structure rules and standards, where the guidelines create advantages for both parts of the agreement? Legal contracts?
-

Behavior monitoring and rewarding:

- How do you monitor that all external partners within an agreement behave according to the agreed upon policies?

Social control

Partner selection:

- How do you select subcontractors? Selection criterias?
 - Who is responsible for identifying new subcontractors and collaboration partners?
-

Interaction:

- How is trust created between Nestlé and subcontractors/collaboration partners?
 - How are Nestlé's business relations affected due to the often very large size differences between you and your subcontractors/collaboration partners?
 - Who is more dependent of whom?
 - Is the interaction between subcontractors/collaboration partners on a personal level or rather based on standardized procedures and documents?
-

Reputation:

- What reputation does Nestlé have amongst its subcontractors and how is this reputation built?
-

Risk taking:

- Are there any risks connected to the CSV projects and if so, how are these mitigated?
 - How is financial risk estimated?
-

Joint decision-making and problem solving:

- Are the subcontractors/collaboration partners taking part in the decision-making process and planning of the development of new CSV projects?
 - Are subcontractors encouraged to come with suggestions for improvements of the CSV projects?
-

Partner development:

- Do you aim to have long-lasting relationships?
- What happens when a project is completed?
- Are subcontractors/collaboration partners taking part in CSV projects treated differently than they would have been in other type of projects?