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EXAMPLES OF CREATING SHARED VALUE (CSV) IN AGRIBUSINESS IN POLAND

Key words: corporate social responsibility (CSR), creating shared value (CSV), agribusiness

ABSTRACT. The research goal of this paper is to identify the possibility to transform the concept of Corporate Social Responsibility (CSR) towards the concept of Creating Shared Value (CSV) in agribusiness. In the paper, both concepts are compared and the ways of their application are exemplified. A literature review and summative content analysis have been used to study CSR reports of four leading food companies in Poland. The study enabled the exemplification of good practices of shared value creation in the analysed agribusiness entities which publish information on their social impact. It concludes that the implementation of a new CSV approach is an important challenge for agribusiness companies. There are many areas where economic value can be augmented by new approach applications in agribusiness. Unfocused philanthropy, in the form of charitable donations and volunteering, should be replaced by the direct activity of companies aimed at solving social and environmental problems of agribusiness. Companies should make more effort towards shared value creation focused on reconceiving products and markets, redefining productivity in the value chain and building supportive agribusiness clusters. Some good practices presented in this study already are implemented. It contributes to identifying and gaining insight into the process of superseding CSR by the CSV approach in agribusiness, in Poland. This paper brings the discussion about social responsibility in agribusiness to a new level.

INTRODUCTION

Sustainable development has come to be the most urgent need of modern nations all over the world. It is connected with increasing production and its adverse effects on society and nature. For this reason, the legitimacy of business has fallen and social pressure has risen towards corporate social responsibility. Most modern economists highlight that corporate social responsibility has its roots in business ethics [Gasparski, Ryan 1996, Klimczak 2011, Kaczocha 2017]. Wojciech Gasparski [2005] understands corporate responsibility as a whole composed of accomplishing the company's goal, maintaining, in the long run, proper relations with main stakeholders and conducting practices compatible with the law and delivering on socially accepted ethical norms. According to Marcin Żemigła [2007], corporate social responsibility integrates social and environmental aspects to everyday operational activity and relations with stakeholders on the principle of voluntariness.

However, the way that corporations deal with the problem nowadays has recently been criticized, mainly for not addressing societal needs and challenges, through the business itself with a specific business model, but marginally addressing it with unfocused corporate philanthropy. This criticism is also accurate with agribusiness in Poland, where over 50% of activities reported by CSR leaders, in the years 2007-2016, were connected with the aim of community development. It was mostly undertaken in the form of support of cultural, sport, tourism, education, leisure organizations and social campaigns against undernourishment or excessive consumption [Wiśniewska-Paluszak, Paluszak 2017]. The research of different authors show that agribusinesses identify CSR with public relations, sponsoring and ethical business [Wołoszyn, Ratajczak 2011]. Although, they may have a positive societal impact, they did not target solving these problems directly. The research goal of this paper is to identify the possibility to transform Corporate Social Responsibility (CSR) towards Creating Shared Value (CSV) in agribusiness. CSV is recognised as addressing societal needs and challenges with a business model for making profit. As a result, this paper is designed as a voice in the discussion on the ways of sustainable development in agribusiness.

RESEARCH MATERIAL AND METHODS

The research material mainly comes from the literature study and CSR/CSV reports published in 2017. Reporting mainly covers the years 2014-2016. The methodology was based on a systematic literature review and summative content analysis. This is a case study investigation of a collective case of four leading food companies in Poland, for whom the implementation of a new approach has been recognized. It is a qualitative study intended to capture the complexity of the phenomenon being studied.

FROM CORPORATE SOCIAL RESPONSIBILITY TO SHARED VALUE CREATION

The concepts of corporate social responsibility have been evolving for decades. It has increasingly gained the interest of academics and practitioners. Though its scope has evolved over time (Table 1).

An important argument against the criticism of CSR has come from stakeholder theory [Freeman et al. 2010]. It says that corporate governance takes into account the interests of such stakeholders as: employees, customers, suppliers and communities directly affected by corporations. CSR considering stakeholders' requirements creates value in different corporate areas, e.g. attracts new investors, consumers or a high quality workforce.

According to Michael Porter and Mark Kramer [2002], there is no inherent contradiction between improving the competitive context and making a sincere commitment to bettering society. Philanthropy is used as a form of public relations or advertising, promoting a company's image or brand through cause-related marketing or other high-profile sponsorship. Therefore, M. Porter and M. Kramer [2006] think that social responsibility is usually underpinned by four motives: moral obligation, sustainability, license to operate and

Table 1. The evolution of theoretical approaches to social responsibility and shared value

Authors	Concepts
M.Friedman (1970)	CSR Instrument-to increase corporate profit and create value through social and political risk reduction
A.Caroll (1979, 1991)	CSR Pyramid-four areas of responsibility: economic, legal, ethical, philanthropic
M.E.Porter and M.R.Kramer (2006)	CSR Strategy-value chain impacts and competitive context: –strategic philanthropy that leverages activities and capabilities to improve salient areas of context, –transform value chain activities to benefit society while reinforcing strategy
R.E.Freeman et al. (2010)	Stakeholders theory-corporate governance takes into account interests of such stakeholders as: employees, customers, suppliers and communities directly affected by corporations
M.E.Porter and M.R.Kramer (2011)	CSV Initiative-integral to a company’s profitability and competitive position by: –economic and societal benefits relative to cost, –joint company and community value creation, –integral to competing, –integral to profit maximization, –agenda is company specific and internally generated, –realigns the entire company budget

Source: own elaboration

reputation. Usually, the company’s involvement in the development of social responsibility results from the need to compensate for adverse environmental and social impacts. Such measures are of strategic rather than responsive nature, and are not necessarily related to sensibility or a protest against emerging environmental and social problems. The latest works by the authors show the need of redefinition of Corporate Social Responsibility (CSR) into Creating Shared Value (CSV) defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing economic and social conditions in communities in which it operates [Porter, Kramer 2011, p. 66]. There are three distinct ways by which this can be achieved:

- reconceiving products and markets,
- redefining productivity in the value chain,
- building supportive industry clusters at the company’s locations [Porter, Kramer 2011, p. 67].

CSV is integral to a company’s profitability and competitive position. It leverages the unique resources and expertise of the company to create economic value by creating social value [Porter, Kramer 2011, p. 76]. The authors believe that the new approach will have a relatively higher impact on the sustainable development of the world economy by better serving all of its three goals: economic, societal and environmental. Most of the authors highlight that CSV will be an important step forward in sustainable development [Mirońska, Steuwe 2018, Nowakowska 2016, Urbanowska-Sojkin, Weinert 2016]. CSV

is noticeably different from CSR in that the former focuses on earned income in the pursuit of social change, while the latter focuses primarily on the creation of positive social change with economic income as a by-product.

AGRIBUSINESS-RELATED CORPORATE SOCIAL RESPONSIBILITY

Agribusiness is one of the world's largest manufacturing sectors in terms of output value, employment and international trade. It comprises of: pre-production industries, agriculture, food processing, distribution and trade. Its main function is to produce a sufficient quantity of quality food to maintain a healthy population. It concerns every individual as it satisfies basic human needs. It depends heavily on natural resources and has a huge impact on ecological issues. Its globalization and economic growth bring ecological, social and health threats. Its social responsibilities focus is much wider than other sectors of the economy as it emphasises nutritional, economic, social, environmental, institutional and spatial values.

Therefore, agribusiness-related corporate social responsibilities are being discussed widely in the literature and authors challenge the legitimacy of specific agribusiness CSR. According to Monika Hartman [2011, p.310], the main pressures are linked to such societal concerns as: natural resources, animal welfare, labour rights, procurement processes, bargaining power, food supply chains, and food multinational companies. According to Henrike Luhmann and Ludwig Theuvsen [2016], agribusiness-related CSR is connected with its main function to produce a sufficient quantity of quality food to maintain a healthy population. H. Luhmann and L. Theuvsen [2017] and Marco Lerro et al. [2018] also think that consumer perception of CSR in agribusiness is high. They care about safety and the healthiness of food, worker conditions and the environment. As underlined by Michael Maloni and Michael Brown [2006], the importance of CSR is linked with food supply chains and is connected with such responsibilities as: purchasing, logistics, health and safety, risk-minimizing, biotechnology and fair trade. Following Mathias Heyder and Ludwig Theuvsen [2012], negative externalities of food production and moral concerns, e.g. with regard to the use of genetically modified organisms (GMOs), pesticide residues, obesity, alcohol abuse and other health related issues should be of greatest concern to CSR policies. The research results of Anrtonio Peñalver, et al. [2018] show the relationship of CSR with innovativeness and cooperation in food companies connected with the implementation of new values in organizational culture.

According to Amber Rankin et al. [2011], CSR may be realized on one of five levels: regulatory compliance, profit-driven, innovative, organizational and societal. Actually, most agribusiness companies undertake a large part of their CSR activities mostly to address pressures from stakeholders. They make many efforts to improve their reputation and image in the eyes of consumers [Ross et al. 2015] Some measures are motivated by a genuine need to selflessly serve society in general areas, which are not significantly connected with the company's core business.

AGRIBUSINESS-RELATED SHARED VALUE CREATION

Many areas of shared value creation exist in agribusiness. This is connected with its social and environmental interconnections and influences. Therefore, agribusiness’s responsibility focus is much wider than other sectors of the economy. It is responsible to:

- mother nature (flora, fauna, environment, landscape),
- natural resources (land, water, sunlight, atmosphere, all vegetation, crops, living organisms, animal life, biodiversity, geodiversity),
- human resources (health, nutrition, security, social welfare, labour conditions),
- raw materials (animal welfare, waste).

During recent decades, it has become evident that economic and technological development in agribusiness not only has social and environmental but also essential institutional, spatial and nutritional consequences. This is where the main possibilities for creating shared value lie (Figure 1).

Agribusiness entities are responsible for creating moral, ethical and legal institutions free from opportunistic behaviours, providing low transactional costs and high value for customers. Today, the most important institutional challenges are creating sustainability of valuable food chains and networks. In the spatial dimension, it is responsible for local sustainable development free from draining resources. Nutritional responsibility means securing healthy and nourishing food. But, according to the CSV approach, the main challenge for agribusiness today is being profitable while addressing these societal, environmental, nutritional, spatial, and institutional needs.

Recently, a growing number of companies all over the world has started addressing societal needs and challenges with a new business model of CSV [Harvard Business School 2019]. They have already reconceived needs, products, and customers, redefined

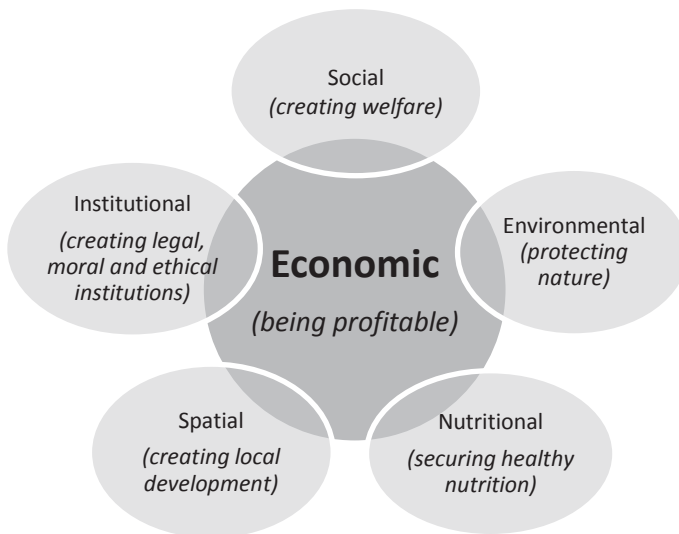


Figure 1. The main areas of creating shared value (CSV) in agribusinesses
 Source: own elaboration

productivity in the value chain and enabled local cluster developments. Also, agribusiness companies in Poland are changing their business models into more socially integral ones and have already embarked on important efforts to create shared value by reconceiving

Table 2. Examples of creating shared value (CSV) introduced by food producers in Poland in the years 2014-2016

Company	Areas of transformation			
	mission/vision	products/markets	value chain	industry clusters
Nestlé Polska S.A.	–developing life quality	–proper nutrition profile of foodstuffs, –traditional products for local consumers, –products for consumers with specific medical needs	–local producers of raw materials, packaging, manufacturers and consumers	–cooperation platforms with suppliers, –cooperation on circular economy development
SuperDrob S.A.	–delivering convenience poultry products with a clean label	–new receipts, tastes, ideas	–safety from egg to ready-to-eat poultry products, –locally produced raw materials	–own entities: feed plant, hatcheries, chicken farms, poultry processors, logistics and transports, branch shops, catering services and charity foundation
Hortimex Plus Sp. z o.o. Spółka Komandytowa	–supporting the processes of producing food	–complete food design according to clients' needs	–inspiring and designing foods, –technological advisory, –probing and prototyping, –delivering raw materials	–setting up the Polish Chamber of Food Additives, –cooperation with universities in preparing professional food designers
Nutricia Polska Sp. z o.o.	–helping people with special nutritional needs	–innovations in medical nutrition, –complex home help for non-hospitalized patients	–production outsourced with specialized suppliers, –distribution through a distribution center and local magazines	–Central-East European cluster of 14 countries, –participation in branch organizations

Source: own elaboration based on [SRB 2019]

the intersection between society and corporate performance. Instead of sponsoring societal events, they choose to collaborate closely with their partners to improve quality and yield, invest in better methods and input and design their business models, processes and products to directly address societal needs and open new markets by serving unmet needs in underserved communities, locations, institutions or nutrition. We recognized these transformation powers with the example of four agribusiness enterprises (Table 2). They choose to follow the new approach of doing business by serving society and addressing problems directly with their new business models. All of them redefined their mission/vision, products/markets, value chains and aimed at creating industry clusters.

The presented CSV implementations in agribusiness show that the companies gained a new competitive advantage through meeting new societal needs and challenges. Most of them were able to redefine their business models in collaboration with their suppliers, buyers and competitors, as well. They provided resources, technology and capabilities in new spheres of societal and environmental needs for long-term development. This seems to be the main advantage of CSV over one-sided and often short-term, ad-hoc, volunteering and philanthropic CSR undertakings. The aim of the former is to create economic value in a way that creates shared value for society, while the later aimed mostly at improving trust and reputation by ethical behavior aimed at mitigating societal and environmental risks and harmful agribusiness activities. Therefore, CSV is recognized more easily than CSR by different stakeholders because they are engaged in common value creation in all dimensions of agribusiness. This is the way in which CSV have lower transactional costs than in CSR.

CONCLUSIONS

The evolution of social responsibility approaches shows that, nowadays, it can no longer be understood as a collateral activity limited to philanthropic expenses that enhances, in particular, the managerial ego, the company's reputation, marketing, advertising or public relations. It can no longer be assumed as compliance with community standards or sustainability initiatives which mitigate risk and harm or just improve trust and status. Although, this way of being responsible may somehow relieve society or nature, but its costs and results are really difficult to assess. Social and environmental responsibility should become the core corporate business, creating shared value. This challenge is, nowadays, facing agribusiness corporations in particular since, in this sector, in comparison to other industries, many more areas of shared value creation exist. Soon, agribusiness companies will also face most of the challenges connected with the development of bio-economy and bio-business as well as circular economic systems. All over the world, including Poland, good practices of food corporations described in case study literature exist. The discussed examples of food producers operating in Poland, two of them representing a family business, show that the managers truly understand the idea that serving, supporting and helping society directly is the best business for them creating long-term sustainable shared value for both all parties involved.

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PRZYKŁADY TWORZENIA WSPÓLNEJ WARTOŚCI (CSV) W AGROBIZNESIE W POLSCE

Słowa kluczowe: społeczna odpowiedzialność biznesu (CSR), tworzenie wspólnej wartości (CSV), agrobiznes

ABSTRAKT

Celem badań było zidentyfikowanie możliwości zastąpienia koncepcji społecznej odpowiedzialności biznesu (CSR) koncepcją tworzenia wspólnej wartości (CSV) w agrobiznesie. Obie koncepcje porównano, a także zegzemplifikowano sposoby ich zastosowań. Dokonano przeglądu literatury i przeanalizowano treści raportów CSR czterech liderów wśród przedsiębiorstw produkujących żywność w Polsce. Badanie umożliwiło egzemplifikację dobrych praktyk tworzenia wspólnej wartości w analizowanych przedsiębiorstwach agrobiznesu, które upubliczniają informacje o ich oddziaływaniu społecznym. Z badań wynika, że implementacja nowego podejścia CSV jest ważnym wyzwaniem dla przedsiębiorstw agrobiznesu. W wielu obszarach agrobiznesu wartość ekonomiczna może zostać podniesiona przez zastosowanie nowego podejścia. Przypadkowa filantropia w formie charytatywnych datków i wolontariatu powinna zostać zastąpiona bezpośrednią działalnością przedsiębiorstw ukierunkowaną na rozwiązywanie problemów społecznych i środowiskowych agrobiznesu. Przedsiębiorstwa powinny podjąć większy wysiłek w kierunku tworzenia wspólnej wartości przez skupienie się na przeformułowaniu swoich produktów i rynków, przedefiniowaniu produktywności w łańcuchach wartości oraz budowaniu wspierających klastrów agrobiznesu. W artykule przedstawiono już zastosowane dobre praktyki. Artykuł przyczynia się do zidentyfikowania i pokazania procesów zastępowania CSR przez koncepcję CSV w agrobiznesie w Polsce. Artykuł podnosi dyskusję o społecznej odpowiedzialności w agrobiznesie na nowy poziom.

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