Asian Review of Books

Creating Shared Value: Impacts of Nestlé in Moga, India, Asit K. Biswas, Cecilia Tortajada, Andrea Biswas-Tortajada, Yugal K. Joshi, Aishvarya Gupta (Springer, January 2014)

Reviewed by Jill Baker

5 March 2014 — With 92 billion Swiss Francs in sales in 2013, Nestlé is one of the largest consumer products companies in the world, and—the authors would argue—one of its better corporate citizens. Creating Shared Value, Impacts of Nestlé in Moga, India, postulates and then studies a virtuous circle of interaction between Nestlé and small-hold dairy farmers in the Punjab as an example in microcosm of the Nestlé corporate ethos: "for our business to prosper in the long term we must create value for our employees, customers, stakeholders, consumers and the communities where we live and work."

Nestlé has not always dwelt in a land of milk and honey. In 1866, founder Henri Nestlé, formulated a combination of "cow's milk, wheat flour and sugar, to save the life of a neighbor's child." From those humble beginnings, Nestlé grew into a company with global reach, which by 1977 found itself at the center of a firestorm of bad press for promoting costly baby formula to mothers in the developing world. Some mothers, (for whom breast milk would have been the obvious cheaper and more nutrient-rich alternative), bottle-fed their babies with overly diluted formula, or formula mixed with infected water. Unintentional infant deaths and malnutrition were the tragic result. Nestlé was boycotted and branded "Baby Killer". Since then, the company has done much to rebuild its image.

Bookended by a Forward by Michael Porter and Mark Kramer of Harvard Business School, and an epilogue co-authored by Nestlé's Chairman, Peter Brabeck-Letmathe and CEO, Paul Bulke, the study by Biswas et al. is, unsurprisingly, a glowing tribute to Nestlé. Although the work is undoubtedly one-sided, there are still things to be learned from the Nestlé story. As Porter and Kramer note, Nestlé exemplifies a "corporate model that goes well beyond the current generic, remedial and damage control philanthropic activities to which the term Corporate Social Responsibility (CSR) is usually applied."

In 1961, Nestlé built its first milk processing factory in Moga. It received some incentives from the Indian government, who wanted to save foreign exchange from imports (dairy being one of the most important protein sources for many Indian vegetarians). In an arrangement lasting into the early 1990s, Nestlé was given semi-protected status and was the most significant source of demand for milk from local producers around Moga.

But Nestlé's task was not that simple. Moga was not a dairy center, and at the time of Nestlé's arrival, most of the milk came from families who owned one or two female buffaloes. Dauntingly, selling excess milk held a socio-religious taboo, "akin to selling [one's] own sons." The milk supplied by local sellers at first yielded only a quarter of the capacity of Nestlé's plant. The company soon realized that working with numerous individual owners of nearly starving cows would not do. It introduced improved techniques for dairy farming, the drilling of water wells, milk collection systems, quality control, and so on. The Indian government regulated the price for milk, and Nestlé generally used that as a floor, paying premiums of 9 percent to 12 percent over it. Over the years from 1962 to 1972, milk production in the area rose 13-fold, versus 1 percent per year in India overall. This burgeoning growth, the authors tally, created 2,000 jobs directly, and indirectly, via Nestlé's suppliers, another 86,000 jobs were created, raising living standards in the region.

The idea of "shared value" is simple; Nestlé expanded the local market for its products while at the same time having a positive impact on the region, especially on the small and marginal farmers, who made up around 60% of the local population and who lived at a subsistence level. The authors observe, "It is important to note that the main impact was on small and marginal farmers. This group constituted the largest percentage of people supplying milk to Nestlé and thus benefitted the most from the company's presence at Moga." For these farmers, the milk sales provided income that equalled their agricultural income or was a multiple of it, clearly a welcome addition to their purchasing power.

Professor Biswas and his co-authors also write about value creation in terms of Nestlé's ongoing focus on environmental conservation, citing a 74.3% reduction in water consumption, a 73% decline in wastewater production, and a 65% reduction in energy consumption, per tonne of Nestlé product produced, between 1997 and 2010, throughout India. On a village level in Moga, Nestlé introduced smokeless stoves in 1987, reducing indoor pollution from traditional fuel sources like coal or cow dung. It initiated a project drilling deep bore wells at schools, and runs water awareness programs teaching students the value of water. Each village is responsible for maintenance of its own water facilities. As of 2012, 40,000 students and teachers have benefitted from clean drinking water. Nestlé also focuses on increasing opportunities for women (who, it is noted, do most of the work in the dairy business) through education and training, focused not only on good dairy farming practices but also on personal health, nutrition, and economic independence.

The relationship between Nestlé and the Punjabi dairy farmers grew over a period of decades, starting at a time when companies hardly thought about the social and environmental impacts of their commercial activities. While this study is out to make a point in favor of the corporation, it is still an impressive example of "positive-sum" thinking on the part of Nestlé. In a world where the power of multinational corporations is seemingly ubiquitous, it is rare to find one so willing to engage in dialog and share value with the communities it serves.

Jill Baker is an Adjunct Fellow at the Asia Business Council in Hong Kong.