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DECISION OF USING LOCAL SUPPLIERS AS A CSR STRATEGY: DRIVERS AND BENEFITS FOR LARGE INTERNATIONAL COMPANIES

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Dissertation presented to Escola de Administração de Empresas de São Paulo of Fundação Getúlio Vargas, as a requirement to obtain the title of Master in International Management (MPGI).

Knowledge Area: Corporate Social Responsibility

Adviser: Prof. Dr. Mario Aquino Alves

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To my amazing family, my parents Walter and Liliane de Luca, for their support, guidance and inspiration in giving me the best opportunities and helping me to reach for my dreams. To my siblings Priscilla, Isabella and Victor de Luca, for always being by my side and cheering for my success.

ABSTRACT

This research provides a comprehensive analysis of purchasing approaches associated to CSR strategies presenting drivers and benefits for MNCs to use local suppliers. Globalization and the pressure for better products and lower costs leveraged international companies in terms of sourcing decisions. Choosing key capabilities and sourcing locations suddenly became a fundamental strategic decision. Many MNCs have chosen to use Local Sourcing as a differential and a platform to create value to both the company and the society - while enabling companies to strengthen their market position, source quality raw materials at fair prices, the relationship with those suppliers brought economic and social progress to underdeveloped communities.

Studies on local sourcing widely focus on the competitive advantages that companies may attain, and value chain models that can be tailored to fit their global business strategy, however there is limited knowledge on the creation of shared value. Therefore the purpose of this research was to identify aspects of corporate strategy, supplier management and collaboration that influenced the creation of shared value.

A qualitative exploratory case study was conducted, evaluating two specific business cases, to examine the strategies and initiatives that had as basis the relationships with local suppliers. The research was separated in three steps to identify (1) influences of sourcing decisions, (2) aspects that make supplier management successful and (3) value created by the outcome of this decisions.

Theoretical concepts of CSR, SCM, Collaboration and Shared Value were used to support the results and main findings. The outcome of this investigations revealed that the idea of co-creation of value is inserted in corporate culture and it is a driver for MNCs to use local suppliers, though having it embedded in its strategy does not guarantee that shared value will be create. More than that, many components of a CSR purchasing strategies and relationships characteristics must be adjusted to generate transformational changes and that elements of collaboration such as transparency and independence are vital to enhance commitment between the MNC and the local business and create value.

Key words: Multinational Companies, Local Suppliers, Corporate Social Responsibility, Supply Chain Management, Relationship, Collaboration, Shared Value.

RESUMO

A pesquisa aqui apresentada é uma análise detalhada de estratégias de compra associados à Responsabilidade Social Corporativa das empresas multinacionais e visa identificar os elementos que influenciam na escolha de fornecedores locais e os benefícios que tais estratégias podem trazer a estas empresas.

A globalização e a pressão por melhores produtos e menores custos levam empresas a repensarem suas decisões de sourcing. Selecionar competências, recursos e ainda escolher onde comprar ou terceirizar, tornou-se uma decisão estratégica fundamental, e muitas multinacionais optam por usar fornecedores locais como um diferencial e uma plataforma de criação de valor para a empresa e para a sociedade. Enquanto esta abordagem reforça a posição de mercado e garante matérias-primas de qualidade a preços justos, o relacionamento com estes fornecedores traz desenvolvimento econômico e social para as comunidades subdesenvolvidas.

Estudos sobre fornecedores locais geralmente focam em vantagens competitivas para as empresas, e na adaptação de cadeias de valor para atender estratégias globais de negócios, no entanto, a difusão do conhecimento sobre a criação de valor compartilhado é ainda limitada. Assim, o objetivo desta pesquisa foi identificar os aspectos de estratégia corporativa, gestão de fornecedores e colaboração que influenciam na criação de valor compartilhado.

Dois estudos de casos foram expostos em uma pesquisa qualitativa exploratória com o propósito de avaliar iniciativas que tiveram como base o relacionamento com os fornecedores locais. A análise foi separada em três etapas com o objetivo de identificar (1) influências nas decisões de seleção de fornecedores, (2) aspectos que levam ao sucesso da gestão de fornecedores, e (3) o valor gerado como resultado destas decisões.

Conceitos teóricos da CSR, SCM, colaboração e criação de valor compartilhado foram utilizados para apoiar os resultados e as principais conclusões. O resultado da pesquisa revelou que a idéia de co-criação de valor faz parte da cultura da empresa e pode ser considerado um dos motivos pelos quais multinacionais decidem usar fornecedores locais. Contudo, mesmo integrados na estratégia, não garantem criação efetiva de valor compartilhado e diversos componentes em uma estratégia de compras que representam responsabilidade social corporativa devem ser ajustados para motivar mudanças significativas. Ainda, vale lembrar que os elementos de colaboração, tais como a transparência e independência são vitais para melhorar o compromisso entre a multinacional e

os negócios locais e criar valor compartilhado.

Palavras-chave: empresas multinacionais, fornecedores locais, Responsabilidade Social Corporativa, gestão da cadeia de suprimentos, relacionamento, colaboração, criação de valor compartilhado.

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LIST OF ACRONYMS

CAGR: Compound Annual Growth Rate

CSCMP: Council of Supply Chain Management Professionals

CSR: Corporate Social Responsibility

CVC: Creating Shared Value

EU: European Union

IBR: International Business Report

ILO: International Labor Organization / Office

MNC: Multinational companies

NGO: Non-governmental organization

NOP: Non- profit organization

SCM: Supply Chain Management

SME: Small and medium enterprises

WTO: World Trade Organization

INTRODUCTION

"Governments, activists, and the media have become adept at holding companies to account for the social consequences of their activities", pressuring companies in reducing as many negatives impacts of their value chain as possible (PORTER, KRAMER, 2006, p.1).

Corporate Social Responsibility (CSR) is not a new concept but its significance has increased rapidly and day by day "companies around the world are integrating CSR as a business strategy into their policies and practices" (IDOWU, 2014, p.1).

There are many discussions about the real impacts of corporations on society and acting in a socially responsible manner has become a market opportunity, yet it depends on the strategic positioning of the company (Vogel, 2005). In general, "for any company, strategy must go beyond best practices. It is about choosing a unique position - doing things differently from competitors in a way that lowers costs or better serves a particular set of customer needs" (PORTER, KRAMER, 2006, p.10).

A more profound understanding of CSR can be reached by analyzing the relation between company and society. "It is the truth that successful corporations need a healthy society. Education, health care, and equal opportunities are essential to a productive workforce" and vice versa (PORTER, KRAMER, 2006, p.5). Hence, initiatives of companies towards society can contribute significantly to a prosperous economy as "today, business success depends upon the ability of companies to develop local talent, build a competitive local supplier base, and deliver lasting socio-economic benefits to the areas where they operate" (WARNER, 2011).

The integration of company and society can be optimized identifying social consequences of all activities the company engages while doing business, producing a set of problems but also opportunities. Analyzing the value chain helps to identify, prioritize and address critical issues. In many cases, CSR initiatives are completely isolated from operating units, though the fragmentation can result in lost opportunities and potential of companies to take actions to support both communities and business goals (PORTER, KRAMER, 2006).

This means that CSR is continuously evolving beyond corporate strategy and it has reached other players, including suppliers, costumers and logistics provider (ANDERSEN, SKOETT-LARSEN, 2009), thus the triumph of a business will depend on management's ability to integrate relationships across the supply chain (LAMBERT, COOPER, 2000).

Moreover, the relationship with suppliers is one of the key components for introducing CSR in the supply chain (IISD, 2013).

Multinational companies (MNCs) encounter many challenges when making sourcing decisions and integrating their operations with their suppliers (KOTABE, MURRAY, 2004) and many of these organizations incorporate global-local strategies in order to leverage the benefits to the business itself, by using organizational and financial strength to push further development of the commercial infrastructure and to the local firms that then encounter many opportunities to expand activities as suppliers and subcontractors, as well as take advantage of the knowledge exchange (RUGRAFF, HANSEN, 2011).

Considering the use of local supplier as a trend, this thesis focus rather in the social approach of CSR than in its environmental approach. The research here presented aims to investigate and analyze what drives MNCs to choose using local suppliers and what are the benefits they seek. In general, the goal is to present purchasing approaches associated to CSR strategies, focusing in displaying the factors that influence MNCs in the choice of their suppliers, and introducing the aspects that would make local supplier management successful.

The paper is structured to present all theoretical basis of the research, followed by the description and explanation of the methodology choice and its relevance. In sequence, the research design and the framework for analysis are displayed and the results and further considerations are presented to shape the final conclusion of the research process.

The first chapter clarifies basic concepts of Corporate Social Responsibility, Supply Chain Management and Sourcing and explains CSR and local sourcing trends. Moreover, the Literature Review displays information about important subjects to the research such as the integration of CSR in Supply Chain Management (SCM), Governance, Collaboration, Competitive Advantage Strategies and Shared Value Creation, gathering basic knowledge to develop the hypothesis and the framework for analysis. The following session defines the methodology of the study and how the research was conducted. The chosen method of investigation was a qualitative exploratory research that describes and examines two different business cases of MNC's and the use of local suppliers. The subsequent chapter is the Analysis of Results, which exhibits findings based in four different unit of analysis, which are competitive advantage, collaboration, governance and shared value. Finally, the conclusions of the study and further considerations are presented.

1. CONTEXTUAL DEFINITION

The first section explains the basic concepts of Corporate Social Responsibility, Supply Chain Management, Sourcing and Local Sourcing. The Purpose is to present the main factors of each subject that is connected with the theme of the research.

1.1. Corporate Social Responsibility

Corporate Social Responsibility (CSR) is defined as the commitment of a company towards its stakeholders in a social and environmental context. Companies that practice CSR assume an ethical and transparent posture towards objectives and introduce initiatives that bring benefits to society, employees, partners, and the environment and, at the same time, bring return to investors (TENÓRIO, 2004). More precisely, "CSR is a concept whereby companies integrate social and environmental concerns in their business operations and in their interactions with their stakeholders on a voluntary basis" (BLOWFIELD, MURRAY, 2008, p. 13).

According to Carroll (1991), the challenge of CSR lies in reconciling the firm's economic with its social orientation, which means that a firm has not only economic and legal obligations, but ethical and philanthropic responsibilities as well[1]. The author proposes a model, which separates CSR into four areas of responsibility: economic, legal, ethical and philanthropic. Figure 1 bellow illustrates the Pyramid model:

[1] Carroll (1979)

Figure 1: Carroll's CSR Pyramid

Source: Adapted from Carroll, 1991.

Diverging Carroll's pyramid principles, Visser (2014) argues that this approach to CSR as a business, governance, and ethics was unsuccessful, and it is not fully appropriate to any company, thus he proposes a new theory, naming it CSR 2.0. It would be represented by two complementary elements of CSR: Sustainability referring to environmental concerns and Responsibility to the social activist. CSR 2.0 also defends the adoption of new principles such as creativity, scalability, glocality, responsiveness and circularity.

According to him, the creativity is related to proposing ideas that embed social and environmental innovation and scalability is the opportunity companies see due to the market and consumer mind set evolution, in terms of offering or buying more sustainable options. The glocality for instance, as result of the globalized world, is the principle of thinking global but acting locally. Firms face the challenge of understanding better local contexts and finding appropriate solutions instead of simply adopting global models. Responsiveness is about the actual results an action can bring, measured in terms of impact. To explain it better, the author exemplifies cases in which a simple CSR action can change the picture of a country. Finally, circularity is the concept of minimizing waste to 0%, which means that products would only be accepted if it generates waste entirely re-used by the system (VISSER, 2014).

Moreover, Visser (2014) articulates that these principles should be integrated in the organizational management culture of the company to guarantee the success of CSR, contradicting the belief that the purpose of business is only to be profitable, or to serve shareholders, but it is also to create shared value, have a positive contribution to society through economic development, good governance, without any harm to the environment or the community. For that he suggests the DNA model presented in the table 1.

Table 1:DNA of CSR 2.0

DNA bases	Strategic goals	Example indicators	Description
Value creation	Economic development	Capital investment	Economic, social, human and natural capital
		Beneficial products	Sustainable and responsible goods and services
		Inclusive business	Wealth distribution, bottom of the pyramid markets
Good governance	Institutional effectiveness	Leadership	Strategic commitment to sustainability and responsibility
		Transparency	Sustainability and responsibility reporting, government payments
		Ethical practices	Bribery and corruption prevention, values in business
Societal contribution	Stakeholder orientation	Philanthropy	Charitable donations, provision of public goods andservices
		Fair labour practices	Working conditions, employee rights, health and safety
		Supply chain integrity	SME empowerment, labour and environmental standards
Environmental integrity	Sustainable ecosystems	Ecosystem protection	Biodiversity conservation & ecosystem restoration
		Renewable resources	Tackling climate change, renewable energy and materials
		Zero waste production	Cradle-to-cradle processes, waste elimination

Source: Visser, 2014.

The model translates the basic characteristics of CSR 2.0 and explains that value creation goes beyond financial profitability and focus in the economical and social development of stakeholders. More than providing products and services that improve the quality of life, businesses can invest in infrastructure, creation of jobs and support in educational development. Additionally, in order to generate institutional effectiveness, it is extremely important to stimulate good governance, transparency and fairness, especially because it influences the ethical conduct of companies (VISSER, 2014).

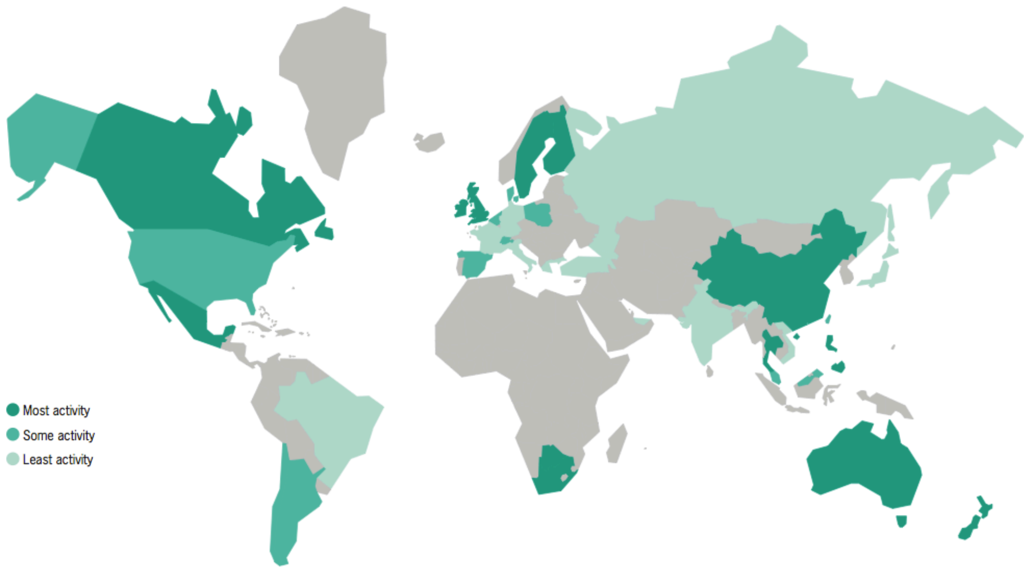
"The mutual dependence of corporations and society implies that both business decisions and social policies must follow the principle of shared value. That is, choices must benefit both sides" (PORTER, KRAMER, 2006, p.7).

Another critical factor of CSR is societal contribution, which reflects in how companies engage their stakeholders and integrate their supply chain (VISSER, 2014). This factor has a direct impact in creating shared value, because enhances the performance of social aspects and thus the company competitive image (PORTER, KRAMER, 2006). The final element is the environmental integrity, a strategy that aims to reduce negative consequences of the business' operations, hence the damages to the environment (VISSER, 2014).

This CSR approach is not a determinant for business success, though it can be considered a dimension of corporate strategy and it is up to the company to choose how they introduce social responsibility in their processes, considering the risks and opportunities they face. Furthermore, integrating CSR initiatives can improve MNC's performance, not only saving money, but also minimizing the impacts of their actions in the environment and improving overall sustainability (VOGEL, 2005).

CSR has reached companies around the world and accounting all the initiatives lead in each country, it is possible to observe stronger commitment in some of the places. Figure 2 shows the balance of CSR activities across nations according to the International Business Report (2011).

Figure 2: Levels of CSR activities



Source: IBR, 2011

In the past year, there was a high level of CSR initiatives especially in North America and Asia-Pacific. “Interestingly mainland China was the only BRIC economy in which businesses initiated high levels of socially responsible practices.” In Europe, it is possible to observe a split between northern and southern countries, showing that CSR was more prosperous in the north (IBR, 2011, p.14). Nonetheless, CSR actions in Europe are considered very beneficial, as it enhances competitiveness. Especially due to the peer pressure by CSR pioneer firms that encourage competitors into adopting a more responsible approach and several codes of conduct enforcing a more ethical behavior, many companies tend to adopt CSR practices and often improve their performance, even though many virtuous firms are not “able to capture the financial benefits of their more responsible behavior” (VOGEL, 2005, p.34).

Moreover, Vogel (2005) affirms that the relation between CSR and profitability can be advantageous, even if it is hard to measure the impacts. “It is important to understand this does not mean that firms which engage in socially responsible activities will always be more successful” (COCHRAN, 2007, p.453) because a single factor normally cannot determinate the success of a business. Cochran (2007) emphasizes that the triumph of corporations are the result of adapting and combining process, procedures, policies and strategies according to the economic conditions and a bit of luck.

As for initiatives, “businesses across the globe undertake a vast array of CSR activities that benefit the environment” (IBR, 2011, p.11) and the IBR (2011) presents the main current activities related to CSR around the world. They are mostly concentrated in workforce satisfaction and environmental practices such as waste management and energy efficiency.

Table 2: Main initiatives undertaken the past years

Actively promoted workforce health and well-being	Donated to community causes/charities	Provided internships/ apprenticeships/ work experience	Allowed flexible working	Actively promoted diversity/equality at work	Improved waste management	Improved energy efficiency
Argentina	Armenia	Finland	Australia	Chile*	Ireland*	Ireland*
Belgium	Botswana	France	Georgia	Malaysia	United Kingdom	
Brazil	Canada	Germany	India	Mexico		
Chile*	Greece	Italy	Switzerland	Singapore		
China (mainland)	Hong Kong	Netherlands	Vietnam	Thailand		
Denmark	New Zealand	Russia				
Japan	Poland	United Arab Emirates				
Philippines	South Africa					
Spain	United States of America					
Sweden						
Taiwan						
Turkey						

*denotes initiatives level

Source: IBR, 2011

Under the environmental perspective there are already many actions to minimize impacts in the ecosystem and due to the pressure for firms to "go green", the importance of improving corporate responsibility will continue to grow. Also when a company is committed to environmental and social efforts, its employees feel more trustful and engaged (FORBES, 2012b). More than that, when companies invest in social benefits to improve well being of a community including their workforce, they boost productivity and attract and retain employees (VISSER, 2013).

Constant evolution towards globalization will continue to expand the scope of corporate responsibility and responsible behavior all along supply chains (FORBES, 2012b). At the same time Companies are expected to comply with global best practice principles, and they must simultaneously demonstrate sensitivity to local issues and priorities (VISSER, 2013).

Also, the pressure for better transparency and disclosure in any angle (FORBES, 2012a) are depicted as accelerators for CSR practices to be mandatory requirements. Visser (2013) states that even though companies will be pressured by government policies and incentives, CSR will remain a voluntary practice, hence innovation and differentiation to tackle social and environmental problem will place firms ahead the legislation and improve quality of life.

1.2. Drivers for embracing CSR practices

In 2011, the European Union renewed their CSR strategy reevaluating the events that influence firms to adopt a social responsible behavior. CSR can bring many benefits when engaging both internal and external stakeholders, and create trustful relationships. Hence "CSR offers a set of values on which to build a more cohesive society and on which to base the transition to a sustainable economic system" (EU, 2011).

There are many aspects that influence companies in pursuing CSR initiatives. Since there are many ways of implementing CSR, it is important to understand the different possible approaches (CLAPPISON, 2012).

Clappisson (2012) based in many different authors work highlights the many reasons for companies to implement CSR, under five perspectives: economic profit, marketing, legal requirement (compliance and regulation), ethics (societal norms or internal ethical code) and philanthropic responsibilities (support for society).

In details, in terms of economical reasons, organizations adopt such actions to enhance corporate financial performance, to attract investments and to minimize the effect of shareholder risk. Under the marketing perspective, they intend to improve company's image, and preserve firm's reputation, and market the company and its products and bring competitive and/or strategic advantage. Sometimes, CSR initiatives are introduced due to pressure from customers/consumers. Also, companies try to comply with regulations and may use it as form of political lobbying. Moreover, they suffer peer pressure from companies in the same industry and introduce it to avoid guilt or to comply with society's ethical standards. Finally, philanthropic motives recognize social responsibility and value creation towards stakeholders and society (CLAPPISON, 2012).

Further, companies can expect benefits such as the improvement profitability, reduction of operating costs and higher productivity and quality. It also enhances brand image and reputation, increasing sales and customer loyalty as well as attracting and retaining high quality employees and workforce diversity. For communities, CSR can bring many compensations and they benefit from actions as charitable contributions, employment programs, corporate involvement in community education and indeed product safety and quality (IISD, 2013).

1.3. Supply Chain Management

Some decades ago, the concept of logistic came from the military and enclosed everything connected to procurement, maintenance, and transportation of facilities, material, and personnel. The term was then adapted to business logistics to refer to such activities within a company. At that moment, neither purchasing nor production was included in the scope, however, there was a side movement to extend the term to many of the activities associated with the inbound side of the firm, which was called the physical distribution. Later, business logistics was associated to all activities throughout the supply chain, from producer to end consumer, though, among the areas of purchasing, production, and physical distribution, there was a lack of coordination, which become a major topic in later years, opening space for a new concept to emerge: Supply Chain Management (BALLOU, 2006).

Supply Chain Management (SCM) is the management of upstream and downstream, to delivery superior value at less cost to the entire supply chain (CHRISTOPHER, 2005, p.5).

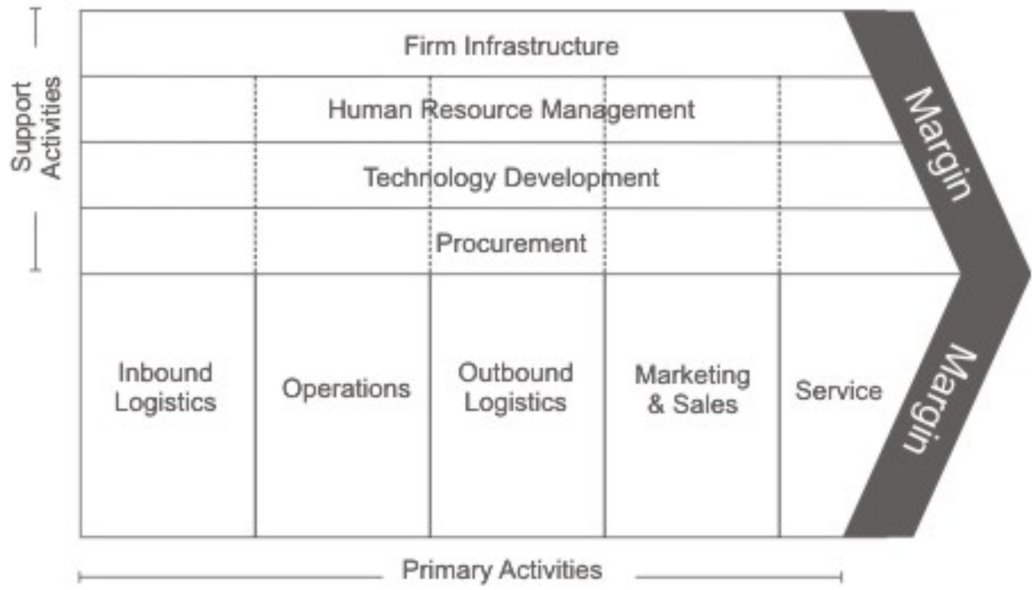
Ballou (2006) presents the most recent definition of SCM by the Council of Supply Chain Management Professionals (CSCMP) which explains that SCM involves the planning and management of all activities from sourcing, conversion and logistics, but also incorporates "coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers, and customers. In essence, Supply Chain Management integrates supply and demand management within and across companies"

Recently, the emphasis of SCM has been placed on coordination, collaboration and relationship among stakeholders. These characteristics are classified in three dimensions: activity and process administration, which is the management of activities such as transportation, inventories, warehousing, and order processing; interfunctional coordination, that refers to collaborating and building relationships with other functional areas in the same firm; and finally, interorganizational coordination, which stands for the collaboration and coordination of product flows among partners (BALLOU, 2006).

Moreover, SCM can provide a major source of competitive advantage, managing relationships to achieve a more profitable outcome to all parts. Christopher (2005) explains that searching for strategies that would provide superior value, Michael Porter[2] complemented the idea of supply chain management, introducing the concept of value chain, which is the classification of a set of activities within a firm. Figure 3 illustrates the value chain.

[2] Porter (1985)

Figure 3: Michael Porter Value Chain



Source: Porter, 1985

Initially, the value chain purpose is to separate each activity in the company and classify them in two types: primary and supporting activities. Next, each and all activities should be analyzed in terms of having its own competitive advantage, and if not, it means the company should outsource this activity. Such decisions may add some complextity into the supply chain, as other parts will be involved, thus relationship management will play an important role in coordinating the connecting among entities. The colaboration contributes to the creation of value meaning that outsorucing reaches beyond boundaries of the business, transforming supply chain into value chain (CHRISTOPHER, 2005).

1.4. Sourcing

Kotabe and Murray (2004) presented the term ‘‘sourcing’’ as “management by multinational companies of the flow of components and finished products in serving foreign and domestic markets”, which in general means the procurement of resources (CAVUSGIL ET ALL, 2012).

For years, “sourcing” has been used as one of the definitions of procurement. It was merely a corporate function, though with globalization and the disposition of companies to source even its core functions like engineering, R&D, manufacturing, and marketing, the concept of sourcing has changed direction into redesigning the value chain, hence competitive positions, which means that sourcing has become one strategic tool that can make companies gain competitive advantage (GROTTFREDSON, PURYEAR & PHILLIPS, 2005).

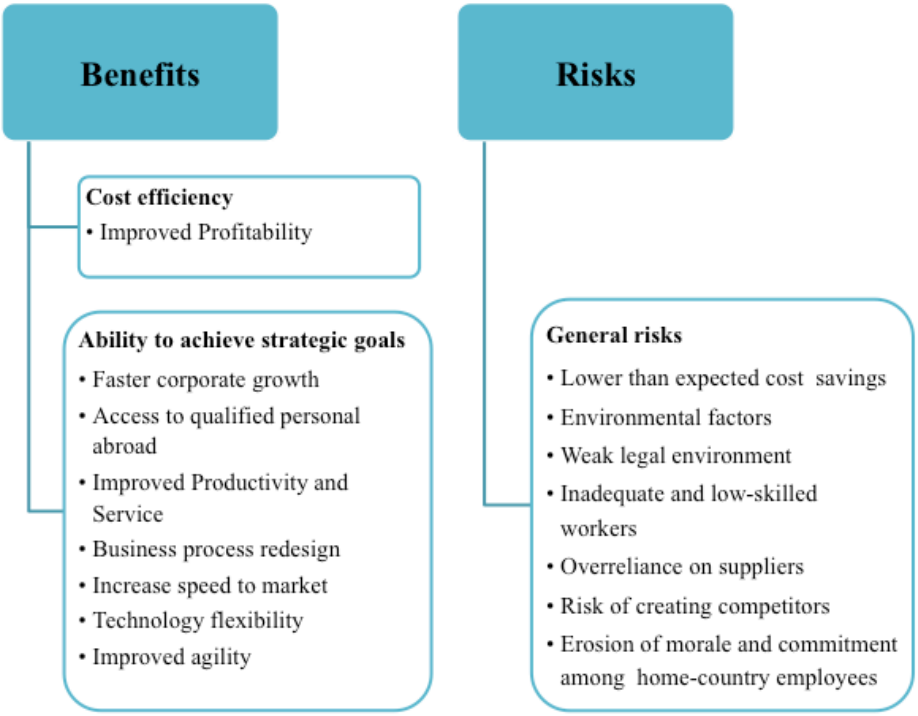
The purpose of using sourcing is to change focus from tactic functions, reevaluating the capabilities in a more strategic direction. Grottfredson, Puryear & Phillips (2005) present a three-step framework for capability sourcing in which a company can identify its core functions and determinate the ones that would be a good choice for sourcing, after evaluating the potential of each activity and what type of control is necessary. It is very important to guarantee that the chosen capability can be coordinated from distant without any negative effects in quality. If a capability does not require physical proximity, it is a good candidate for outsourcing. Outsourcing is one of the sourcing strategies, which denotes the "procurement of the value-added activities, including production of intermediate goods or finished products, from external independent suppliers" (CAVUSGIL ET ALL, 2012, p.490).

Companies choose to adopt outsourcing also to benefit from the suppliers own capabilities and together produce differentiated components in a product providing the company sustainable competitive advantage (GROTTFREDSON, PURYEAR & PHILLIPS, 2005). Moreover, these advantages can as well come from the choice of shifting operations to different locations and countries, so called Global Sourcing (CAVUSGIL ET ALL, 2012). "Major international contractors frequently have long-term global sourcing arrangements with key equipment and material suppliers, enabling them to drive down costs and achieve a competitive edge" (Warner, 2011).

For a better understanding, "Global Sourcing is the procurement of products or services from independent suppliers or company-owned subsidiaries, located abroad for consumption in the home country or third country" (CAVUSGIL ET ALL, 2012, p. 492). Generic terms as global procurement and global purchasing are also used to define the inbound flow of goods and services.

Cavusgil et all (2012) affirm that global sourcing agreements are based in contractual arrangements and normally represent the international direction of a company, increasing management awareness about business opportunities. There are many benefits in opting for a Global Sourcing Strategy but also many risks. Figure 4 illustrates both sides of this approach.

Figure 4: Benefits and Risks of Global Sourcing



Source: Adapted from Cavusgil et all, 2012

Briefly explaining Cavusgil et all (2012), companies use global sourcing aiming to achieve their strategic targets reducing the cost of business. It has been a big help for managers that tried to save or push their businesses as it allowed companies to have a fast corporate growth and increase in productivity and quality of products and services. More than that, global sourcing provides flexibility and innovation in several aspects, making it possible to access new markets and very qualified people. Nevertheless, the process of global sourcing has many risks due to the partial loss of control and exceeded reliability in suppliers. It can generate new unforeseen competitors, erode employees' morale and have negative consequences on the social and environmental aspects (CAVUSGIL ET ALL, 2012).

Many negative long-term consequences can arise from the failure of coordinating and integrating suppliers and production. Further, to guarantee continuity of materials, even when market conditions change, MNCs tend to endorse competition among suppliers, however, "by attempting to maintain various sources of supply and a high degree of relative bargaining power, companies may have also restricted the size and scale of their suppliers" (KOTABE, MURRAY, 2004, p.12).

Most of all, there are negatives impacts global sourcing can bring to society. The authors explain that it can generate three potential problems to harm local and national economy. The major concern is the job losses in home countries and small communities. Unemployment can have a devastating effect in the local economy, as it reduces income level. Additionally, when more activities are performed with the same quality at a lower cost, high wage nations will reduce their rational competitiveness and decline standards of living (CAVUSGIL ET ALL, 2012).

Since many years, MNC are adopting global sourcing strategies as a result of two different forces: shareholders pressure to focus on core competencies and the belief that globalization will lead to higher profits. The benefits expected in pursuing this strategy are inputs provided at lower cost, and in many cases with better quality. However, while it is easier to identify the benefits, costs and risks are often tougher to evaluate (KAPSTEIN, KIM, 2011).

Along the last two decades, many significant changes in global sourcing strategy happened, especially regarding the scope of those strategies and how it is explored as a competitive advantage. Sourcing strategy is related to how companies decide to serve foreign markets. Nonetheless, the complexity of a global scale strategy can generate many issues in terms of logistics, inventory management, distance, nationalism, and lack of working knowledge about foreign business practices, hence obstacles to its successful execution (KOTABE, MURRAY, 2004). This happens because when manufacturing activities are dispersed, there are inherent risks for them to become neglected, resulting in unforeseen extra costs. Thus, it is extremely important to canalize efforts in a streamline manufacturing, without sacrificing marketing flexibility. Coordinating dispersed assets and operations, and interdependent relationships is a challenge, as well as facing wild and unpredictable currency fluctuations and other events that influence in a sourcing strategy.

a) Currency Fluctuations

After many economical and financial crises, the global market environment has drastically changed. Considering that national boundaries are disappearing for international businesses, global sourcing strategies face many uncertainties under economical perspective. Kotabe and Murray (2004) explains that usually, global sourcing models have specialized capabilities but also dispersed, and the more spread they are, the hardest it is to overcome currency fluctuations. One of the basic aspects of global procurement is the price of the product or component, which strongly depends on fluctuating exchange rate, especially due to competitor pressure for cost efficiency. Thus, many organizations are switching their operations to a more localized strategy, hence not as vulnerable to currency fluctuation.

As for other protectionists external factors that influence sourcing strategies, there are many different local regulations that “include local content targets that breach the capacities and price competitiveness of domestic industry; requirements for minimum levels of participation by domestic suppliers in international contracts or participation of domestic firms owned by nationals” (WARNER, 2011,p.21).

According to Warner (2011) these regulations may influence the economical and social picture. Three most common arguments are presented in his book: infant industry argument, the market power and social impact.

b) Infant Industry

This argument depicts the government intervention to support local business in divergence to free trade. It defends that protectionism is acceptable when newborn companies or local industries haven’t reached the same economy of scale than foreign competitors, and therefore it is important that they receive support to achieve some competitiveness. It is a limited resource that lasts until the domestic companies are able to compete. Whilst this type of argument is considered obsolete most of the times, it is used today in many emerging and developing economies.

Nonetheless, all policies that restrain international firms participation to a certain level, encouraging “foreign companies to form joint ventures with local firms, might stand a greater chance of fulfilling the infant industry argument” (WARNER, 2011, p. 23), which means that “the combination of public policy and strategic procurement may be a successful market intervention” (WARNER, 2011, p.24).

c) Market Power

The second argument defended by Warner (2011) is the protectionism in markets where global suppliers have clear lead due to their bargain power compared to local firms. The purpose of this type of policy is more guaranteeing that domestic companies are not in disadvantage in terms of negotiation than providing them extreme advantage over global competition. If a local business achieves the same purchasing power as an international firm, the company would be able to negotiate similar sourcing agreements to compete on the same basis, fulfilling the goal of the policy.

d) Social Impact

The third argument for imposing protectionist aims to guarantee some form of compensation to socioeconomic impacts. The policies are designed to give preferential employment and procurement opportunities to local communities and other adverse groups, to overcome temporary or permanent loss of economic livelihoods. Such incentives "can be part of environmental and social planning imposed by authorities, or it may be voluntarily undertaking by the company. " (WARNER, 2011).

The World Trade Organization (WTO) ensures that all protectionism policies are in the right place and that they are reasonable. The WTO rules also imply that these methods are time-limited to promote enough encouragement for domestic companies in international competitiveness. Furthermore, content regulations can slightly result in more skilled, capable and competitive local industrial base, hence the importance of considering all the factor that influence the same value drivers when drawing a procurement strategy (WARNER, 2011).

1.5. Local Sourcing

MNCs encounter many challenges in integrating their operations with their suppliers. Frequently these MNCs try to adjust their own strategy to different legal, political, and cultural environments of many distinct countries. Consequently when companies are about to make their sourcing decisions, they must consider many possible outcomes and not only the competitive advantages, but also comparative advantages of various sourcing locations for long-term gains (KOTABE, MURRAY, 2004).

"Today increasingly competent local firms and fierce global competitors are challenging global companies to be globally competitive while maintaining an optimal level of responsiveness through the adaptation of the strategy to local market conditions" (YENIYURT, HENKE, CAVUSGIL, 2012, p.1). Many MNCs invest in global-local integration in order to leverage the benefits of their sourcing strategy and acquire extra capabilities that will influence their competitive advantage.

"Local procurement refers to the purchase of goods and services from local businesses. Typically, this occurs in emerging markets and in developed markets where local communities have expectations about participating in new opportunities" (IFC, 2011, p.3).

The term "local" corresponds normally to geographical distance (CIPS,2013, p.1), though several criteria can be used to define it accordingly: regulatory issues, geographic position, size of the organization, ownership and under-represented groups and the characterization of "local" supports a better comprehension of stakeholders relationships (IFC, 2011).

"By mapping a company's relationship to the economy in which it operates - and by leveraging the relationships it discovers in that process - businesses can do much to advance their strategic objectives and advance local economic growth" (KAPSTEIN, KIM, 2011, p.1).

"Local procurement requires a real commitment from the company to work with and build capacity of local suppliers in a way that enables them to become more competitive and profitable" (IFC, 2011, p.3).

The IFC (2011) created a guide for companies that want to get started in local procurement. It explains how international corporations strategically choose business linkages, local procurement and local content or local sourcing. The report mentions three main reasons for firms to adopt such tactic: Mitigation of risks, government regulations for local content and sustainable business opportunities. The guide also lists a set of other aspects that may influence the adoption of such strategy:

- Competitive advantage
- Social license to operate
- Energy and environmental concern
- Cost reduction and increased quality
- Business continuity (logistics and efficiencies)
- Long-term economic diversification

The guide also explains that very often the suppliers targeted are small and medium enterprises (SME) trying to win contracting opportunities. Using local sourcing will provide these SMEs with support to improve their capacity performance, providing them with orientation of operational, safety, environmental and technical standards. Thus, it is extremely important that the local procurement strategy is aligned with the core business of the company. Furthermore, involving local firms in an international supply chain reveals the importance of the MNCs role in creating jobs and distributing the benefits of economic development.

Usually, many procurement strategies are not based in sufficient knowledge regarding domestic suppliers capabilities. Quality information as range of products or services, labor productivity, production capacity is very important to evaluate suppliers and their role in domestic and international competition. The ability to deliver on schedule, at competitive prices, with high quality, acceptable levels of health, safety and environmental performance is critical when choosing a local provider (WARNER, 2011).

2. LITERATURE REVIEW

Literature Review presents the main issues related to the theme of the research. Firstly, the chapter presents the objective of companies to reach competitive advantage. Next it introduces the concept of CSR in Supply Chain Management, explaining how to achieve share value with CSR initiatives, Good Governance and Societal Contribution and what would be the possible motives to introduce such initiatives in a firm's strategy.

2.1. Competitive advantage strategies

"A firm's strategy can be defined as the actions that managers take to attain the goals of the firms" (HILL, 2009, p.420). Considering that the purpose of companies is to maximize the value of the firm to its stakeholders and yet be legally, ethically and socially responsible, every company has the choice to decide where to focus it efforts to reach sustainable competitive advantage (COLLIER, EVANS, 2009).

"Competitive advantage denotes a firm's ability to achieve market and financial superiority over its competitors" (COLLIER, EVANS, 2009, p.60) and normally it is driven by costumer needs, and for that it is essential that organizations align resources with business opportunities to provide above average performance and achieve competitive advantage (COLLIER, EVANS, 2009).

Hill (2009) explains that managers must pursue strategies that increase the company profitability and the profit rate over time to create value to its stakeholders. Adopting strategies that increase profitability means lowering costs and adding value to its products, making it more attractive and it can be measured by the difference between production costs and the value costumers perceive on these products. Profit growth, for instance, suggests strategies to sell more products in existing market or entering new markets. This means that international expansion influences the increase of profitability and rate of profit growth in the dimensions such as market expansion, location economies, experience effects and leveraging skills.

Expanding the market by selling in international grounds not only leverage the products by selling them in foreign markets but also support the transfer of core competences this specific market lacks, and core competencies are considered the foundation of a firm's competitive advantage and therefore its success. Another strategy that can lead to competitive advantage is the realization of location economies, which is the distribution of value creation activities to those locations around the world where they can be performed most efficiently. Indeed trade barriers and transportation costs must be considered. Additionally, as countries differ in many perspectives, including economic, political, legal and cultural, if a firm evaluates the possible benefits of each country and seek to find the optimal location to its production, they may achieve lower costs and product differentiation, hence, create value (HILL, 2009).

Furthermore, experience effects are the cost benefits of playing in a global market derived from experiences of learning by doing and from economies of scale, which is the reduction of unit costs achieved by producing a large volume of the product, increasing its profitability. And finally, leveraging skills refers to higher returns due to the development of valuable skills at home and then transferred abroad or developed already in foreign markets (HILL, 2009).

Complementing and summarizing the set of strategies, Christopher (2005), based on Michael Porter[3] theories, explains that there are two basic strategies for creating value and reach competitive advantage in an industry: differentiation and low costs. MNCs seek to drive down the cost structure of the business, and differentiate their product somehow that consumers are willing to pay higher prices. However, creating value does not necessarily means to have the lowest cost structure or the most valuable product in the industry though means that the difference between value and cost production is higher than those of the competitors.

The author affirms that the success in a competitive market derives from cost advantage, value advantage or both. Cost advantage means that there is always one competitor that is a low cost producer in an industry and normally it is due to economy of scales. Value advantage refers to the trend of costumers not buying products, but the benefits it brings, in response to markets becoming more service sensitive. Therefore, companies must seek for differentiation in technology, services among other features that enforce the relationship with the costumer. In any event, most of the companies will attempt to achieve a position based in both cost and value advantage (CHRISTOPHER, 2005).

Moreover, Christopher (2011) proposes a model of principles, called the '4Rs',

[3] Porter (1985)

responsiveness, reliability, resilience and relationships, which can be used to guide SCM. Responsiveness is the ability to respond rapidly to customers' requirements. Customers are now looking also for flexibility and increasingly customized solution, thus the agility to move quickly and to meet customer demand sooner will provide the firm competitive advantage. Reliability is one of the keys to reduce process variability and uncertainty about future demand or supplier's ability to meet customer needs. Resilience "refers to the ability of the supply chain to cope with unexpected disturbances" (CHRISTOPHER, 2011, p.24), which means that resilient supply chains are not necessarily low-cost but they are more capable of coping with the uncertain business environment. The market volatility increases the risk of business continuity, and resilience capability recognizes where the supply chain is at its most vulnerable. Relationships are the most important element in SCM, and underlie the idea that buyer/supplier relationships should be based upon partnership. There are many advantages of pursuing mutually beneficial, long-term relationships with suppliers, including improved quality, innovation sharing, reduced costs and integrated scheduling of production and deliveries. SCM by definition is the management of relationships across complex networks that based upon mutuality and trust seek constantly for win-win solutions.

Whilst these four themes provide the basis for successful supply chain management, Lambert and Cooper (2000) explain that it is even possible to intensify competitiveness and profitability with the integration of key activities and business processes across companies.

Hill (2009) confirms that even though many companies still see value creation as financial compensations, the operations of a company are already perceived as value chain, hence the strategy, the operations and the organization of the firm must be aligned with each other in order to achieve competitive advantage.

Additionally, companies might set priorities among cost, quality, time, flexibility and innovation. "Competitive priorities represent the strategic emphasis that a firm places on certain performance measures and operational capabilities within a value chain" (COLLIER, EVANS, 2009, p.65), and they are essential to success.

Success in times of economic crisis lies in innovation (NIDUMOLU, PRAHALAD, RAGASWAMI, 2009) and many firms focus on R&D for innovation as a core competence (COLLIER, EVANS, 2009). Though innovation is not only about delivering new products and features, but also new ideas that will promote value creation. Further, for some years, CSR has been a source of opportunity, innovation and competitive advantage (PORTER, KRAMER, 2006).

Moreover, “the number of industry and companies whose competitive advantage can involve social value proposition is constantly growing” (PORTER, KRAMER, 2006, p.12). Several companies may address hundreds of social issues, but only a few represent the opportunity to make a real difference to society or to confer a competitive advantage.

2.2. Integrating CSR in the supply chain

Globalization, regulation, and sustainable development have powered the expansion of CSR, and thus socially responsible concepts in the supply chain are becoming every day more significant. Many researches have studied the importance of CSR in Supply Chain decision-making, and they believe the concept goes beyond ethics and also establishes connections to philanthropy, community, workplace diversity, safety human rights and environment (MALONI, BROWNS, 2006).

Tate, Ellram & Kirchoff, (2010) explain the framework that defines sustainable supply chain management as a related topic to issues under environmental, social and economic perspective. The model describes the integration of long-term sustainability strategies and vision throughout the supply chain to create a competitive advantage for the firm.

Even though SCM has focused on issues such as integration of processes across supply chain partners, cost-efficiency and customer service, the increasing outsourcing of activities to developing countries and low-cost countries has raised concerns about social and environmental impacts of production and consumption and it has shifted attention from an operational perspective to a strategic perspective, focusing in long-term relationships with strategic suppliers (ANDERSEN, SKOETT-LARSEN, 2009), and more, SCM influences social sustainability through selecting suppliers who meet the firm’s guidelines. (TATE, ELLRAM & KIRCHOFF, 2010).

That is because corporations are also held responsible for environmental and labor practices of their global partners and therefore many MNCs have reacted to stakeholder’s pressure by developing governance systems and procedures to ensure that their suppliers comply with social and environmental standards (TATE, ELLRAM & KIRCHOFF, 2010). However, Andersen and Skoett-Larsen (2009) insist that most of the times organizations apply this requirements to their first-tier suppliers even though they should be transferred also to second, third-tier suppliers and so on.

Some researches believe that there is an implicit contract between companies and their suppliers posing indirect obligations toward society (ANDERSEN, SKOETT-LARSEN, 2009) and although society might not appear to be a major element of CSR in supply chain, there are many opportunities to support the community development, focusing especially in business impacts through purchasing roles (MALONI, BROWNS, 2006).

Finally, CRS should be more than only a corporate function, being rooted within the entire organization through knowledge enhancing mechanisms that can take place internally or externally. Employee training and sharing of experience among employee groups are actions designed for internal dissemination. "The external dimension includes training of key personnel at the supplier level, positive incentives for suppliers in terms of long-term contracts and enlarged volume if they implement codes of conduct, and regular auditing of suppliers' performance" (ANDERSEN, SKOETT-LARSEN, 2009, p. 82)

2.2.1. Implementing good governance

CSR in global supply chain is a reflection of global trade conducted through systems of governance. "Governance" implies that a key actor in the supply chain take responsibility in upgrading certain standards within the network of various sourcing and contracting arrangements (ANDERSEN, SKOETT-LARSEN, 2009)

The process of transferring responsible behavior to supply chain partners identifies CSR principles that suppliers are requested to respect and adopt, and communicates it in an efficient way aiming to obtain their commitment. Also, it allows the company to train their suppliers and support in the implementation of CSR actions, and further, monitor these activities, defining corrective actions when non-compliances happens. This preparation can be done establishing written supplier requirements such as guidelines for social and environmental practices (CILIBERTI, PONTRANDOLFO, SCOZZI, 2007).

The European Commission (2004) has established a manual of instruments to support companies in the process of integrating CRS values in their strategies and corporate culture. The instruments are (1) Code of Conduct, (2) Management Standards, and (3) Reporting.

"Code of conduct is a formal statement of principles defining standards for specific company behavior". Normally they address issues concerning human and labor rights, bribery and corruption, health and safety topics (EU, 2004, p.7). According to the EU commission, the goal in adopting Codes of Conducts is to influence the practices of global partners promoting good governance and compliance by declaring their values and ethical standards.

Nevertheless many MNCs have struggled to implement codes of conduct in their supply chains. There are many factors that influence in the acceptance of such codes, and they usually depend on the size of the company, design of its global supply chain, financial resources, and reputation. Large organizations tend to be more attractive to suppliers, facilitating the implementation as well as a firm with large resources. A solid set of environmental and social requirements is also considered important. Moreover, corporate history and tradition of being engaged in environmental and/or social issues facilitate the introduction of a code of conduct, especially if the company has a reputation for choosing suppliers ethically and having long-term relationships. Consequently, the success of implementing codes of conduct depends on the acceptance of suppliers in adopting the CSR requirements (ANDERSEN, SKOETT-LARSEN, 2009).

The second tool is management standards, which is the development of a basic system to implement, assess and evaluate CSR policies and practices and guarantee the participation and engagement of stakeholders in the initiatives and decision-making process. These systems apply to several areas, such as quality, environmental, health and safety, workplace standards, and they enhance the company performance and credibility through strategic management of CSR (EU, 2004).

Lastly, more and more companies are writing CSR reports that describe relationships with stakeholders and provide information on environmental, social and economic actions of the company (CILIBERTI, PONTRANDOLFO, SCOZZI, 2007). CSR reporting is directly connected to accountability and transparency of companies under the economic, environmental and social perspective and it is used as a communication and management tool to all stakeholders. They allow corporations to better track their involvement, progress and performance, aiming to improve corporate governance, reputation, and stakeholder relations (EU, 2004).

CSR reports are used to gather information about business investments under social and environmental perspectives and possible risks, and also to analyze how proactive companies are with their CSR actions. Many stakeholders use the reports to compare firms and industries, though there is still concern about the statements of the reports due to discrepancies between the actual actions and the reported ones. It may also be difficult to compare due to the lack of guidelines and variety of formats. Moreover, CSR reports can be a good indicator of the relationship between reporting and firm performance (TATE, ELLRAM & KIRCHOFF, 2010), as they enhance company credibility in supplier related issues showing stakeholders how CSR is embedded into the company and hence has become a routine in SCM.

These tools can be used as a guideline to the whole supply chain, including parts that are not directly integrated within the company. Sourcing guidelines play an important role in buyer-supplier relationship and in the implementation of codes and management standards in the supply chain. They guarantee long-term and trustful relationships based in responsibilities principles (EU, 2004).

2.2.2. Promoting collaboration between companies and suppliers

Barringer and Harrison (2000) present strategic alliances as a trend among the fastest growing companies. In today's challenging global markets, the sustainable advantage comes especially from managing the network of alliances in a cost-effective, value-adding chain, and the secret lies in how suppliers and firms relate in order to achieve mutually benefits (CHRISTOPHER, 2011, p.214).

Lambert, Knemeyer and Gardner (2004) describe partnership as a customized business relationship based on "mutual trust, openness, shared risk and shared rewards that results in a business performance greater than the one achieved by the two firms if working separately" [4].

Establishing supplier relationship management is a very important aspect of SCM and its success can be measured in the firm's financial performance. Lambert (2008) affirms that "the ultimate success of a business will depend on management ability to integrate the company's intricate network of business relationships", meaning that SCM has switched its focus and it is now concentrated in supplier relationship management and collaboration strategies.

There is a wide selection of reasons to pursue a partnership besides business performance and competitive advantage and it includes risk management, cost efficiency and

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[4] Lambert, Emmelhainz, and Gardner (1996, 1999)

learning from partners (IRELAND, HITT & VAIDYANATH, 2002), higher productivity, enhanced logistical performance and efficiency, the creation of mutually beneficial strategic outcomes (LAMBERT, KNEMEYER, GARDNER, 2004).

Lambert, Knemeyer and Gardner, 2004 explain the partnership model[5] to evaluate the degree of specificity in terms of managerial process and integration. There are four steps constituting the model illustrated in figure 5 are (1) identifying the drivers of partnership, (2) examining the facilitators, (3) adjustment of the components of partnership, and (4) the measurement of outcomes.

Firstly, the model recognize the drivers, which are the reasons to partner. It must be assessed when approaching a partner. The second step is to identify the facilitators, which are the individualities of each company that will support or hinder the partnership. This combination of drivers and facilitators stipulates the appropriate type of partnership. Next, there should be an adjustment of components, which are the manageable elements such as activities and processes to be introduced at any time of the relationship. Finally, outcomes are the magnitude of the partnership results to each company based on expected benefits.

This model identifies the type and extent of the partnership in order to understand the expected outcomes (Lambert, Knemeyer and Gardner, 2004), and as most of the companies have a range of suppliers, this classification is important as it differs the many sorts of relationship depending on volume and involvement, strategic importance of purchase, resources, and information exchange (CHRISTIANSEN, MALTZ, 2002).

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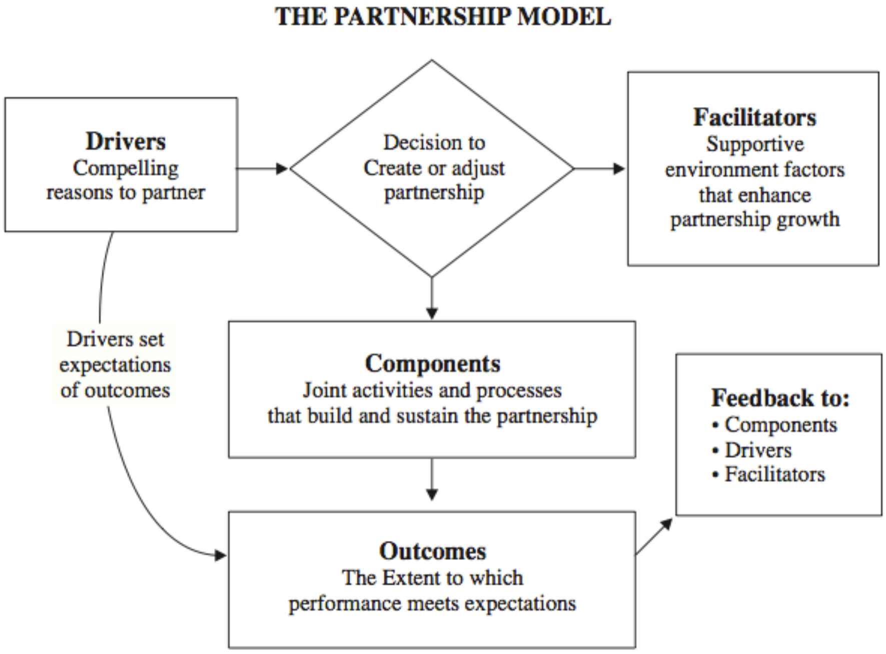
[5] Lambert, Emmelhainz, and Gardner (1996, 1999)

Figure 5: The partnership model



Source: Lambert, Knemeyer and Gardner, 2004

Moreover, Austin and Seitanidi (2012) defend the idea of cross-sector partnering as an influential approach for implementing corporate social responsibility (CSR) and for achieving social and economic goals. Starting with the principle of *creating value* as justification for cross-sector partnering, closer examination and greater knowledge of the processes have inclined the author to propose a framework that analyzes value and its co-creation, and consists in five complementary components to understand and manage value creation through collaboration.

The first element is the Collaborative Value Creation Spectrum and it proposes that both independent actions of one of the partners (sole creation) or conjoined actions (co-creation) can create value, and the degree, form, and consequent value creation can vary expressively. Together, it comes the Collaborative Mindset, which is the evaluation of compatibility of partners' mindset about attitudes and perceptions they hold towards creating value and the understanding of how those can be adjusted to achieve a stronger co-creation.

The third component and very important is the Collaboration Stage which analysis how nature of relationships changes. Depending on the intensity and form of interaction it evolves through four stages: philanthropic, transactional integrative and transformational stages, reflecting the fact that collaborations are very dynamic.

Philanthropic collaboration is about sole creation rather than co-creation of value, as functions are independent and interaction is normally limited.

In Transactional collaboration, partners normally may use their core competencies to perform an activity that produces value for the partnership, which means they have *reciprocal exchange* of valuable resources through specific activities, sponsorships, etc.

Integrative collaboration means that the relationship has changed into an integrative stage and organizational fit becomes deeper as missions, values, and strategies are more aligned as a result of working together successfully and developing greater trust, providing a incentive for collaborating even more closely to co-create value.

Transformational is more theoretical than practical though consist in the stage in which partners not only agree on the social issue relevant to both but also aim to deliver transformation through social innovation. There is an explicit exchange of resources and reciprocal value creation. The classification of partnership according to its stage is presented bellow in table 3.

Table 3: Collaboration Stages

NATURE OF RELATIONSHIP	Stage I / Stage II / Stage III / Stage IV *Philanthropic>Transactional>Integrative>Transformational*
Level of Engagement	*Low←--------------------→High*
Importance to Mission	*Peripheral ←--------------------→Central*
Magnitude of Resources	*Small←--------------------→Big*
Type of resources	*Money←--------------------→Core Competencies*
Scope of Activities	*Narrow←--------------------→Broad*
Interaction Level	*Infrequent←--------------------→Intensive*
Trust	*Modest←--------------------→Deep*
Internal change	*Minimal←--------------------→Great*
Managerial Complexity	*Simple←--------------------→Complex*
Strategic Value	*Minor←--------------------→Major*
Co-creation of value	*Sole--------------------→Conjoined*
Synergistic value	*Occasional←--------------------→Predominant*
Innovation	*Seldom←--------------------→Frequent*
External system change	*Rare←--------------------→Common*

Source: Austin and Seitanidi, 2012

These three phases can be better analyzed in terms of value sources, which provide a new set of reference that enables partners to detect where their efforts should be placed. Firstly, *resource complementarity* refers to the idea of acquiring distinct resources than those the company already has through organizational fit, and the greater the organizational compatibility between partners, more potential for co-creation of value. Secondly, *resource nature* means that partners can contribute with generic resources (money) or organization-specific resources (positive reputation, knowledge, capabilities, infrastructure) in order to mobilize and leverage competencies, generating more potential for value creation. Next, *resource directionality and use* suggests that the integration of partners individual and complementary resources can produce new services or activities that could not have been created alone, and thus co-creates new value. Lastly, *linked interests* reconcile any divergent value creation ideas and connects the firm's self-interests to the value they create for each other and for the larger social good, perceiving fairness and thus, potentially co-creating value.

After establishing the type of the relationship and its dimensions, the fourth element that determines value creation is the Collaborative Processes that identifies how key processes in establishing a partnership can generate value in its formations, selection and implementation. Lastly, Collaboration Outcome delineates beneficiary level for outcomes analysis in terms of individual, organizations and society as well as different kinds of value. In its essence, the model represents the fact that the full potential of collaboration can be an outcome of value creation (AUSTIN, SEITANIDI, 2012).

2.3. Creating Shared Value

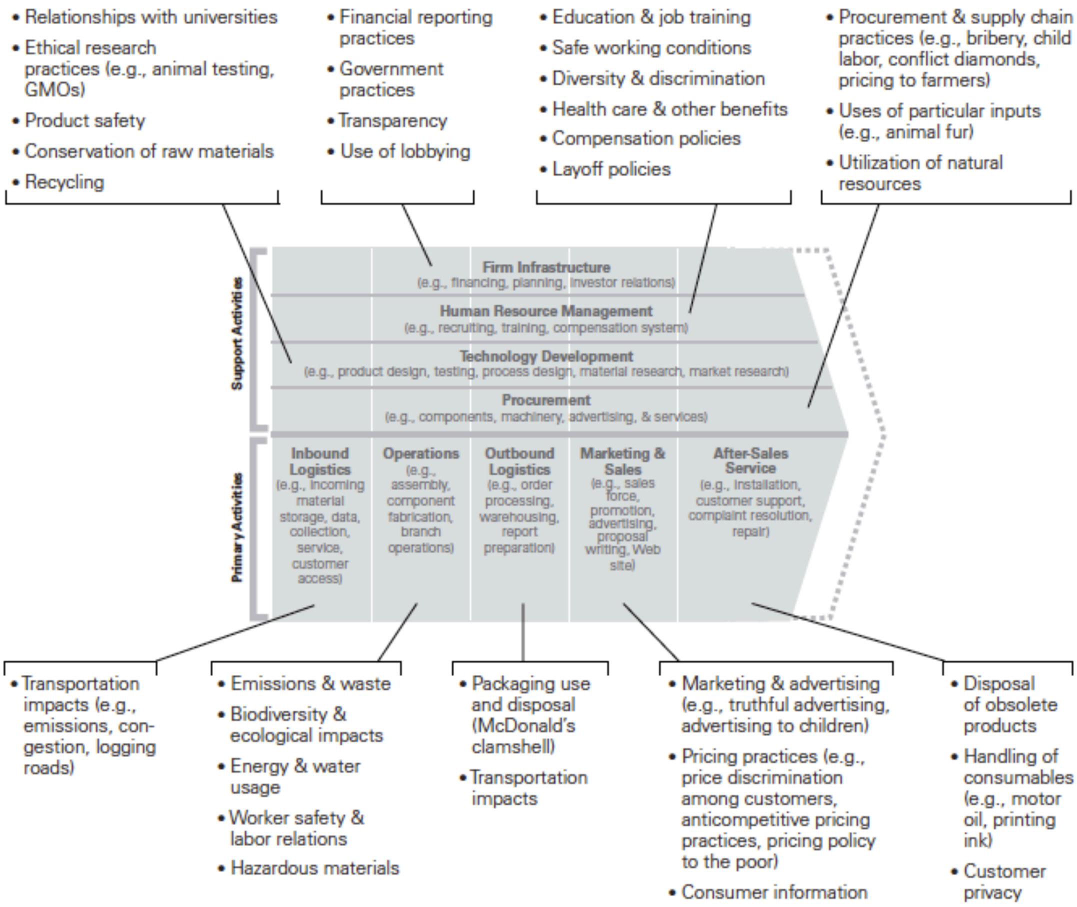
Share value can be considered as an evolution and improvement of CSR in terms of societal contribution. While CSR is still seen as limited connection to the business, the purpose of creating shared value is to take CSR to a next level and integrate it in corporate strategy to bring value to the company, but also to its stakeholders, including society. (PORTER, KRAMER, 2006).

The idea initially proposed by Porter and Kramer (2006) was that the value creation should be linked to its value chain and that synergy between company and society can produce optimized outcomes. Using the Porter Value Chain model[6], it is possible to map both positive and negative social impacts of the value chain, identifying problems in every dimension in order to prioritize and address these critical issues as opportunities. Sometimes, CSR initiatives happen to be completely isolated from operating units, though the

[6] Porter (1985)

fragmentation results in lost opportunities and the value chain framework guarantees that all issues tackled are integrated to the core business of the company. The model recognizes the social issues that may be related to each activity: education and job training, for example, are classified under Human Resources Management. The mapping represents the potential of companies to take actions under each feature to support both communities and business goals (PORTER, KRAMER, 2006).

Figure 6: Mapping social impact of the value chain



Source: Porter, 1985

Shared Value is a set of policies and operating practices that all companies must embrace to enhance competitiveness and, simultaneously, expand the economic and social conditions of the community in which the firm is located. Moreover it eventually becomes an integral part of its strategy, creating new needs to meet, new products to offer, new customers to serve and new ways to configure a distinctive value chain (PORTER, KRAMER, 2011).

Further, Porter and Kramer (2011) explain that a business needs a successful community as demand to its products and as a supportive environment, and at the same time, the community needs businesses to provide jobs and wealth creation opportunities. Hence, organizations are focusing in bringing business and society together in order to create shared value.

There are 3 key ways that companies can create shared value opportunities (PORTER, KRAMER, 2011):

1. Reconceiving products and markets: products and services of the company contribute to environmental, social, or economic development and thus improve revenue, market share, and profitability
2. Redefining productivity in the value chain: refers to the optimization of cost, input access, quality, and productivity due to improvements in internal operations.
3. Enabling local cluster development: enhance business productivity through the improvement of the external environment in which the company is located, making community investments and strengthening relationships with local suppliers and institutions.

If a company misunderstands the connection between social and business results, they will oversight opportunities for innovation, growth, and sustainable social impact (FSG, 2011) and therefore, organizations should monitor and measure the whole process of creating shared value. For that, it is necessary an iterative process integrated with business strategy, as it informs priorities and supports the creation of economic value by generating societal improvement (PORTER, KRAMER, 2006).

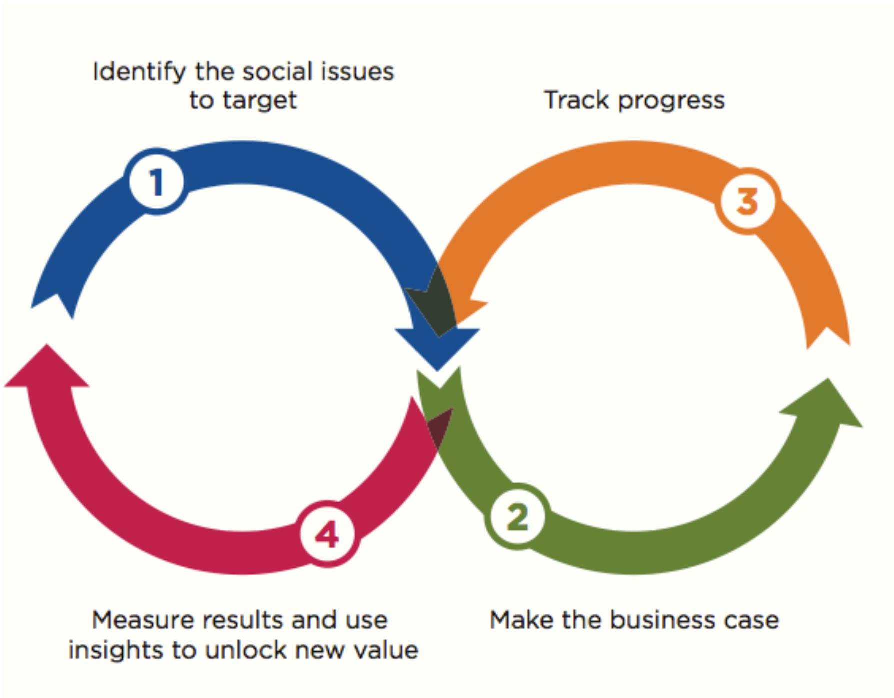
The first step of the process to create shared value is to identify all societal needs, benefits and harms and target those that represent opportunities for differentiation, revenue improvement and reduction of costs. This set of needs will become the priority target of a shared vale strategy (FSG, 2011).

The following step is to build a business case based in social improvements that can possibly influence business performance, pointing the targets, activities and costs involved for each shared value opportunity, and thus deciding whether to follow with the plan or not.

Third step consist in tracking the progress of actions and any performance improvement in terms of inputs and business activities, outputs, and financial performance.

Finally, the last step is measuring results focusing on validating the connections between social and business results and defining whether corporate resources and efforts produced a shared return. Figure 7 represents the process of managing the shared value creation.

Figure 7: Integrating shared value strategy and measurement



Source: FSC, 2011

Revealing shared value through measurement requires understanding the social results from business investments (FSG, 2011). That is because strategic CSR unlocks shared value through the interaction between social issues and the company's business. This integration generates opportunities to leverage resources and capabilities that will benefit society and "addressing social issues by creating shared value will lead to self-sustaining solutions" (PORTER, KRAMER 2006, p.14).

2.4. Literature Conclusion

Recent literature in CSR shows the development of the concept and the new issues and challenges, especially for MNCs. One of the most important considerations for MNCs is to integrate CSR initiatives in the corporate culture and strategy. There is a set of tools available to better coordinate the implementation and track the performance of their CSR policies throughout their supply chain and stakeholders. Many initiatives have already been taken around the world, and in the past years, northern Europe and in-development regions stood out with their CSR positioning.

Those companies are driven by many factors under economical, social, philanthropic, ethical and marketing perspectives and they intend not only to benefit from it but also to create shared added value to all stakeholders, especially the community in which the company is located.

One of the many ways of getting in touch with these communities and bring value is through sourcing strategies. Lately, sustainable sourcing has been used as definition to the purchase of goods and services taking into account the long-term impact on people, profits and the planet. Many companies recognize that business functions, including sourcing, contribute to shareholder value, thus their focus with sourcing and procurement strategies is not only cost-cutting. “Companies can’t be leading edge in sustainability if they are not leading edge in sourcing and procurement” (HOEVEN, 2009, p.8).

While the international companies are under pressure for global strategies and competitiveness, global sourcing can bring many risks. Together with regulations for local content and sustainable business opportunities, the scene becomes favorable towards local sourcing. There are several motives to pursue local sourcing strategies and one of the promising aspects is the contribution to society that can be achieved with such strategies.

And one of the most important aspects to a successful SCM and shared value creation is how the relationship with those suppliers is managed. While it seems to be a positive trend, it is essential to understand why it is happening and whether these collaboration offers a real opportunity for sustainable local economic development and if this is a factor which influences MNCs to use local suppliers.

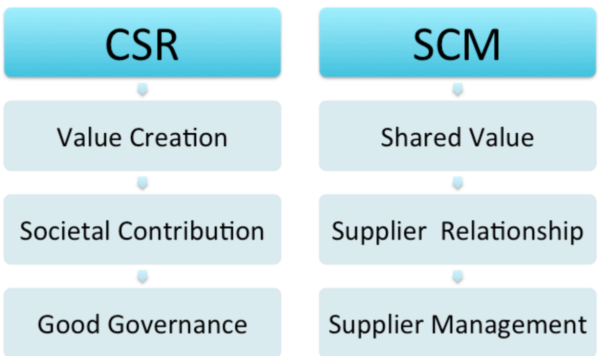
3. HYPOTHESIS AND FRAMEWORK FOR ANALYSIS

This chapter explains how the literature review helped the author to identify the hypothesis and the framework for the analysis of results. The hypothesis is an assumption about a phenomenon that brings clarity, specificity and focus to the problem investigation. Even though in qualitative research it is not recommendable to use this method of analysis, it is used in this paper to narrow the research and focus in specific influences of MNC's behavior (KUMAR, 2014).

According to many references mentioned previously, its clear that companies seek for achieving competitive advantage through value creation. The hypothesis to be tested in this research assumes that large international companies choose to use local suppliers to achieve not only competitive advantage but to create shared value with society. As Porter and Kramer (2011) explain, shared value can be created aligning social with economical progress, and "businesses and non-profit organizations can and do create economic and social value on their own; however, cross-sector collaboration is the organizational vehicle of choice for both businesses and non-profits to create more value together than they could have done separately" (AUSTIN, SEITANIDI, 2012, p.734).

The framework to investigate this hypothesis comes from the idea that Visser's DNA from CSR can be inserted in supply chain management with equivalent concepts. Figure 8 illustrates this translation of variables to be examined.

Figure 8: The DNA of CSR in supply chain management



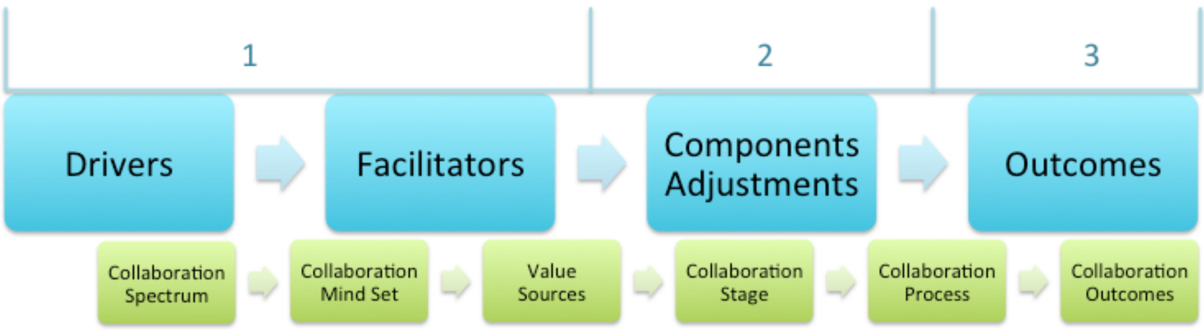
Source: Elaborated by the author

Value Creation is more than financial compensation, its about creating value both to the company and to its stakeholders, therefore it has been inserted in the SCM as Shared Value. Societal contribution reflects in how companies engage and integrate stakeholders in their supply chain, and for this research the focus stakeholders are the local suppliers, and thus, the relationship and collaboration dimensions are the keys for the analysis here presented. Additionally, instituting governance towards suppliers is a very important aspect of Supplier Management and for the collaboration itself, therefore it is also an essential aspect for this investigation.

The goal of the analysis is to understand the context behind the use of local suppliers and the strategies used to create shared value. The analysis consist in three stages that are (1) analyzing the influences for sourcing locally, (2) examining the collaboration between company and local supplier and (3) Clarifying the benefits generated to the company and to society

The first step explains by value chain concepts of SCM, how sourcing decisions were made in the focal company and then analyze what factors influenced this decision and the choice of the suppliers, following the partnership model presented in chapter 2 as a basic structure for the whole analysis (see figure 9). Other theories presented in the literature review are integrated in steps or between them. The entire framework is illustrated in appendix 1.

Figure 9: Structure of collaboration analysis



Source: Elaborated by the author based on Lambert, Knemeyer and Gardner, 2004 and Austin, 2000

Also, at the initial phase, the drivers of the local partnerships are presented, classified by external (sector/country) and internal (company). Next, the facilitators are explained considering the individualities of each company or aspects of the collaboration that will support or hinder the partnership. Further, CSR initiatives are described together with the way these actions may create value setting the collaboration value spectrum.

Considering that supplier relationship management and collaboration strategies have become the focus of many studies, having a trustful and long-lasting relationship management strategy is essential to the success of SCM and to profitable business development (LAMBERT, 2008), especially when talking about local supplier partnerships. Thus, second stage starts with the analysis of what makes supplier management successful for each of the focal companies. The idea is to examine the use of governance tools by the MNCs in focus, such as Codes of Conduct, Management Standards and CSR Reports and identify the advantages of implementing them. Moreover, with the intent to investigate the relationship itself, in terms of collaboration stage, value sources that characterize the partnership are exposed. Additionally, the process and components that support value creation are identified and evaluated.

The third and last step will verify the actual results in terms of competitive advantage generated to the company in terms of cost and differentiation and evaluating its position according to the “4R” model. Moreover, it will assess the benefits brought to society and compare those two outcomes using the table Illustrative Business and Social Result by level of shared value. The final detail consists in using the shared value management framework to identify if the outcomes of the collaboration of company and local supplier meet the societal needs eminent before the partnership and the companies expectation.

It has been explained that the relationship with local suppliers and the good management of this partnership can bring many benefits for both the company and the society. Local collaboration can be a huge incentive to get better quality of goods and service, influence in price negotiation, benefit companies expansion and corporate image under the community point of view (DICKENS, 2007) and by communicating CSR initiatives, the companies build stronger connections and encourage the participation and engagement of all stakeholders, increasing also customer and employee loyalty (FORBES, 2009).

Furthermore, when working inside the community, people meet other people and feel more integrated, familiar and therefore more positive and trustful, which leads to higher community cohesion. Additionally, it promotes community development, giving the opportunity for people to learn and grow together with the company. Investing locally increases the local wealth, and therefore the spending, resulting in a richer community overall (DICKENS, 2007). Therefore, the intension of this research is to prove that companies use local supplier to create shared value to society and thus competitive advantage. The idea is to evaluate the dimensions of how the choice of suppliers, the relationship management collaboration, and good governance are determinants of shared value.

4. METHODOLOGY

The research here presented aims to expand the literature of Applied Social Science for themes under CSR and SCM. The study examines in depth the behavior and determinants of MNCs when using local suppliers and analyzes what are the drivers and the expected benefits. The research was based on an exploratory qualitative approach and the methodology chosen is based on the book of Sreejesh, Mohapatra &Anusree (2014), Business Research Methods and Research Methodology from Kumar (2014), fomented by the Research Conduction and Analysis guide from Creswell (2003) that describes the best way of conducting a qualitative research.

"The Research process is very similar to undertaking a journey," said Kumar (2014, p.34). This journey is the planning of the structure and the decision of what will be investigated and how. In figure 9 bellow, the author illustrates the steps for designing a research process.

Figure 10: The research journey

THE RESEARCH PROCESS			
Phase	PHASE A	PHASE B	PHASE C
Main Task	Deciding ↓ WHAT (research question to answer)	Planning ↓ HOW (to get evidence to answer the research question)	Conducting ↓ COLLECTING (the required information)

Source: Adapted from Kumar, 2014

The first stage is deciding what will be researched, elaborating a Research Question, followed by the planning of how it will be done, explaining the choice of methodology. Finally, setting up the scope of the research that describes the practical conduction of data collection and data analysis. The topics are further discussed in the subsequent sections.

4.1. Developing a research question

Initially, there is a previous selection of what the research aims to find out in order to define the research question. According to Kumar (2014), formulating a problem is the most important step in the whole process because it identifies the expected outcome and objective of the research. Moreover, the problem statement will guide the other steps that follow and support the planning on how to conduct the studies.

There are many considerations to keep in mind when selecting the research question. Firstly, the theme chosen reflects the interest of the author in both subjects CSR and SCM. The Literature Review revealed that both CSR and SCM are essential for the long-term sustainability of an organization.

Global competition increases the strategic importance of both SCM (ANDERSEN, SKJOETT-LARSEN, 2009) and CSR (EU, 2011), and they become significant to the competitiveness of enterprises. CSR may bring benefits in terms of risk management, cost savings, access to capital, etc. Also, because CSR requires engagement with internal and external stakeholders, it gives companies the opportunity of anticipating societal changes, influencing the development of new markets and creating opportunities of growth (EU, 2011). This connection means corporations are no longer economic entities operating isolated from broader society (IISD, 2013).

Moreover, the influence of non-core activities outsourcing to developing countries, short product life cycles, and time compression switched competition between companies to competition between supply chains (CHRISTOPHER, 2005), and the complexity of those activities requires a strong relationship management. "The capability to establish close and long-term relationships with suppliers and other strategic partners has become a crucial factor in creating competitive advantage" (ANDERSEN, SKJOETT-LARSEN, 2009).

Accordingly, the research question refers to the aspects that drive MNCs to use local supplier and what are the benefits they are seeking for implementing such strategy.

4.2. Choosing the methodology

Business research can be classified into basic or applied research. The first type "refers to a focused, systematic study or investigation undertaken to discover new knowledge or interpretations and establish facts or principles in a particular field" (SREEJESH, MOHAPATRA & ANUSREE, 2014, p.4), which means acquiring extra knowledge in a specific subject and not necessarily solving a problem, also it does not require any practical application. Applied research for instance is the investigation of a specific problem used to determine why something failed or succeeded, for example, evaluating the impact of a training program on employee performance. Therefore this paper reveals a basic research as it focus is to understand the behavior of MNCs and what are their motivations for certain strategies.

Furthermore, the conducted research has an exploratory character because it helps to understand and assess critical issues of a problem and normally this type of investigation is used in a more precise analysis or to prove a hypothesis. In general, exploratory researches are conducted for three main reasons: analyzing a situation, evaluating alternatives and discover new ideas (SREEJESH, MOHAPATRA & ANUSREE, 2014).

The goal of this exploratory research is to gain insights about the impacts of already implemented CSR strategies and foment the hypothesis that is further verified, mainly by understanding how the companies behave and what are their drivers when deciding to use local sourcing and designing a local procurement strategy. Additionally, the data collection can be classified under qualitative approach, which is useful when the researcher does not have a precise idea about which are the important variables to examine (CREWELL, 2003). The qualitative research was based in case studies, which are further explained in the next session.

In order to understand how is the construction of the relationships between company and local suppliers and to achieve the general objective, the research was designed as a descriptive research approach. Descriptive research analyzes the situation in the current moment and explores the correlation between two or more phenomena (WILLIAMS, 2007).

4.3. Data Collection

The approached used to collect data was rather qualitative than quantitative. The importance of the methodology choice lies on the value of qualitative research and its flexibility to adapt to many situations. “Not only can it help in probing the sub-conscious mind of the respondent, but it also finds extensive use in brainstorming sessions (…) have a deep impact on the objectivity of the research (SREEJESH, MOHAPATRA & ANUSREE, 2014, p.46).

Qualitative research “aims to explore diversity rather than quantify (…) and communicates findings in a descriptive and narrative manner placing no or less emphasis on generalizations” (KUMAR, 2014, p.14) and it uses an unstructured method conveying enough flexibility.

The process of data collection was gathered as secondary data, one of the most popular tools in exploratory research (SREEJESH, MOHAPATRA & ANUSREE, 2014). The first step was the collection of insights to understand better the pressures for CSR and Sourcing and what might be the important aspects for a company to adopt such strategies. This process of analyzing secondary data provides the researcher with knowledge to define the problem (SREEJESH, MOHAPATRA & ANUSREE, 2014). For this phase of the research the data was obtained from journals, online articles and books.

The second step was to analyze in depth two business cases of companies that had their local supplier strategies placed and succeeded. Also, what were the main reasons behind the decision of applying such methods and the most relevant benefits for those companies.

Case Study Method is also classified as a qualitative approach and it is very often used for data collection and analysis in the field of organizational studies. They are normally used to understand complex real-life phenomena. The method includes both single and multiple case studies (YIN, 2009) and for this paper the multiples case studies option will be used.

Before starting with this method it is very important to verify if case studies are adequate to the kind of investigation conducted, analyzing the type of research question posed, extent of control required and focus on contemporary events. Normally a case study answers question of “how” and “why” (YIN, 2009) and for this research the goal is to identify motives and strategies. The question also begins to point where to look for relevant evidence. Moreover, the studies do not require control of behavior and focus in contemporary events, being suitable for case studies.

Yin (2009) justifies that first and most important is to create a research design - a logical plan from the question posed to its conclusions - because it avoids the probability of evidence not addressing the initial research questions and guarantees more accurate conclusions.

There are five relevant components of a research design (YIN, 2009):

1. study's questions
2. propositions (boundaries of the studies)
3. unit(s) of analysis
4. logic linking the data to the propositions
5. criteria for interpreting the findings

This research will use the case study method to evaluate the supporting evidence for the hypothesis and thus reach valuable conclusions. The steps of this paper are presented in the table 4 bellow.

Table 4: Research design for MNCs and their Local Suppliers

Question	What are the drivers and benefits of using local suppliers?
Hypothesis (Proposition)	Are MNCs driven by shared value towards society?
Unit of analysis	Collaboration, governance, share value and competitive advantage
Linking data to propositions	Explanation building
Interpretation criteria	Expected benefits x Real outcome

Source: Elaborated by the author

For the case studies, two multinational companies from distinct industries were chosen, Natura and Nestlé, because they have experience of working systematically with CSR in global supply chains. They hold a dominant position in their supply chains, influencing its suppliers. Also they already have local suppliers strategies in place and they are well recognized by the media and their stakeholders as successful players in these strategies. Finally, the size of the company and the presence in more than one country were considered. The data was collected from previously elaborated and published cases for the companies chosen, journals and articles, Internet publications, companies website and CSR reports.

4.4. Data Analysis

The analysis of case study's evidence is one of the least developed and most difficult aspects of doing case studies and unlike statistical analysis, it depends on an investigator empirical thinking, along with sufficient evidence. The analysis can be made relying on *theoretical propositions*, which are a set of questions to be answered, by *developing a case description*, which is equivalent to making history line with the most important facts, though it is less preferable than relying on theoretical propositions, and finally *examining rival explanations*, which describes contrasting perspectives (YIN, 2009). For this paper, the first and preferred strategy was chosen. Aiming to have precise conclusions, and narrow the analysis to its original purpose, there are four specific objectives of the case study:

- Investigate and analyze what drive these companies to choose using local suppliers
- Present the factors that influence companies in the choice of their suppliers
- Introduce the aspects that would make Supplier Management successful
- Evaluate the expected benefits for these two companies in using local suppliers and the real visible benefits

Furthermore, the units of analysis to be used are: competitive advantage, shared value, collaboration and good governance.

a) Collaboration

Collaboration as unit of analysis means identifying the type and the stage of collaboration. Based on the two models previously exposed, partnership model and Austin (2000) value co-creation framework, the goal of this unit is to identify how are the connections between buyer and supplier, the reasons of the partnership and in which extend this partnership brings benefits to both parts.

b) Good Governance

Transferring responsible behavior to supply chain partners is identifying CSR principles and standards suppliers are requested to respect and adopt. (CILIBERTI, PONTRANDOLFO, SCOZZI, 2007). This means that a company communicates forward their values and principles to create synergy among their supply chain. This unit of analysis aims to identify two dimensions of the focal companies. First what are the values and principles in the company strategy and what is the message they are willing to pass forward, and secondly, how are they implementing this values through governance tools, code of conducts, managerial and reports and the advantages of it.

c) Competitive Advantage

Christopher (2011) believes competitive advantage can be found “firstly in the company’s ability to differentiate itself, in the eyes of the customer, from its competition, and secondly by operating at a lower cost and hence at greater profit.” Good products are no longer a sufficient source of sustainable competitiveness, as success now originates from either cost, value advantage or, ideally, both.

Based on that, the unit of analysis intends to investigate costs and differentiation strategies of the focal company towards its costumers and competition. An also, as mentioned before to ensure competitive advantage, organizations should base their SCM in four principles: responsiveness, reliability, resilience and relationships, and therefore, when evaluating the company according to its intention of achieving competitive advantage, the idea is to break the analysis into these six values.

d) Shared Value

Measuring means tracking the progress and results of personalized shared value strategies. For each shared value opportunity of the company, the analysis identifies and explains both social and business results. Also it is very important to have personalized measurement for each issue of the connection between business and social value guided by the example in table 5, in order to evaluate progress of each action.

Table 5: Illustrative Business and Social Result by level of shared value

LEVELS OF SHARED VALUE	BUSINESS RESULTS	SOCIAL RESULTS
Reconceiving product and markets: How targeting unmet needs drives incremental revenue and profits	• Increased revenue • Increased market share • Increased market growth • Improved profitability	• Improved patient care • Reduced carbon footprint • Improved nutrition • Improved education
Redefining productivity in the value chain: How better management of internal operations increases productivity and reduces risks	• Improved productivity • Reduced logistical and operating costs • Secured supply • Improved quality • Improved profitability	• Reduced energy use • Reduced water use • Reduced raw materials • Improved job skills • Improved employee incomes
Enabling cluster development: How changing societal conditions outside the company unleashes new growth and productivity gains	• Reduced costs • Secured supply • Improved distribution infrastructure • Improved workforce access • Improved profitability	• Improved education • Increased job creation • Improved health • Improved incomes

Source: FSG, 2011

Furthermore, Yin (2009) explains there are five analytic techniques to *linking data to propositions*: pattern matching, explanation building, time-series analysis, logic models, and cross-case synthesis. Pattern Matching compares an empirically based pattern with an expected one, confirming the hypotheses or not. For that it is extremely important that the expected pattern is precisely specified before the analysis. The second possibility is the Explanation Building in which the goal is to analyze the data by building an explanation about the case. Next, time-series analysis follows many complex patterns over time, in order to have a foundation for the conclusions of the case study. The fourth technique is the logic model, which demands a complex chain of events over an extended period of time considering cause-effect patterns; also matching observed events to the predicted ones. And the last is the cross-case synthesis specifically to the analysis of multiple cases technique and combines findings of each individual case and later on compare them. For the analysis of the research presented in this paper the method of Explanation Building was chosen, as it explains "how" or "why" something happened, and further the cross-case synthesis is used to validate the findings and reach a deeper conclusion.

The analysis should address, if possible, all major rival interpretations, which are alternative explanation for the findings, and anticipating the rivals ensures a better analysis as it may find possible significant criteria for interpreting a study's findings (YIN, 2009). Table 6 illustrates the guiding propositions to be studied according to its respective unit of analysis.

Table 6: Unit of Analysis for each proposition

Unit of Analysis	Proposition
Competitive advantage	Why companies use local suppliers? What are the benefits local suppliers bring to companies?
Shared value	Benefits companies bring to local suppliers
Governance	How is the management of local suppliers?
Collaboration	How they acted towards local suppliers

Source: Elaborated by the author

5. ANALYSIS OF RESULTS

This session starts presenting the companies that are used in the research, its operations and strategies in place. There is also a brief explanation of the industry and special requirements or characteristics of each sector, to better understand policies and practices that are being followed. Moreover, the propositions are analyzed with its respective unit of analysis mentioned in the previous chapter, and for each analysis, there is a description of each company strategy and practices according to the proposition to be investigated and, further, a cross-analysis to reach relevant conclusion. The research evaluates the following topics: sourcing decisions, local supplier management and mutual benefits achieved when using these suppliers.

5.1. Presenting the companies

5.1.1. Beauty Care industry

Global Beauty Market has grown on average 4.5% a year (CAGR), and it has achieved stable and continuous growth for the past 20 years. Today it is considered a resilient market and also known as *Cosmetics and Toiletries* or *Personal Care Products*, it is usually separated into five main complementary business segments: skincare, hair care, color (make-up), fragrances and toiletries (LOPACIUK, LOBODA, 2013).

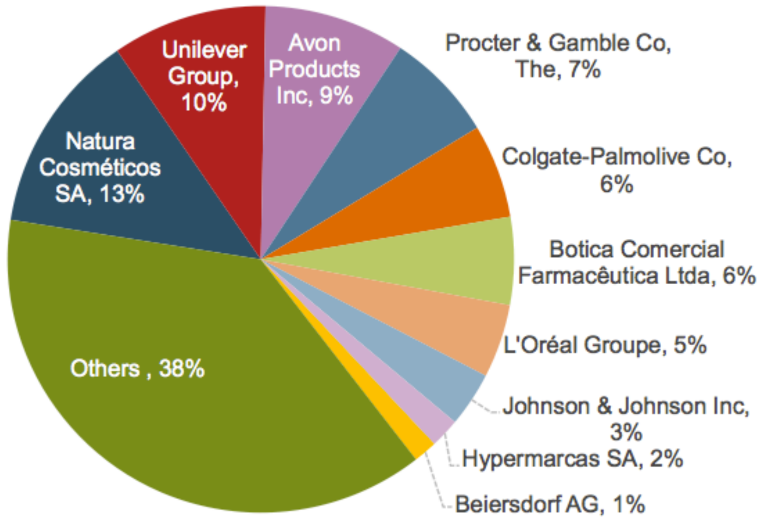
In 2012, the cosmetics, fragrances and toiletries industry grew 17.9%, with revenues of approximately BLR 30 million[7] proving that the market is not sensitive to economic fluctuations. The growth is influenced by stronger purchasing power of middle class and the increased interest of new consumer groups, such as men (NATURA, 2014d).

Natura Cosméticos was the leader in cosmetics and toiletries in 2008 and it is considered one of the most aggressive players in the Brazilian market. Avon and O Boticário are the main competitors in Brazil, though the emergence of beauty specialist retailers has

[7] Data provided by the Brazilian Association of the Cosmetics, Fragrances and Toiletries Industry (Abihpec).

grown significantly, specially in urban areas. They are pharmacies/drugstores that offer a wide range from low-to high-end products and convenience (EUROMONITOR, 2010). Figure 11 presents the share of the biggest companies in the global market.

Figure 11: Cosmetics and toiletries category % share



Source: Euromonitor, 2010

Moreover, influenced by growing consumer interest in well-being, healthier and more sustainable products; the use of natural ingredients in cosmetics products has grown significantly over the past years (WYNBERG, LAIRD, 2013). Organic beauty products once produced by a few companies were adopted and integrated into the mainstream market. Also, sustainability became one of the main features for introducing new products (LOPACIUK, LOBODA, 2013) and although many cosmetic and personal care products contain natural ingredients, it still corresponds to only 6% of overall market (WYNBERG, LAIRD, 2013).

Global sales in 2011 for natural cosmetics reached US$26.3 billion, a significant growth since 1996 of US$1.4 billion (Figure 12). The reason was part due to rising of incomes, especially in Asia and Brazil.

Figure 12: Annual revenues in the global natural personal care market 1996 - 2011

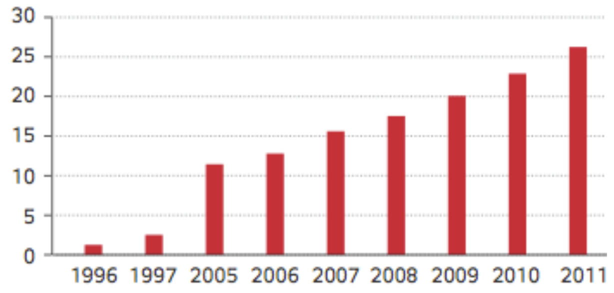
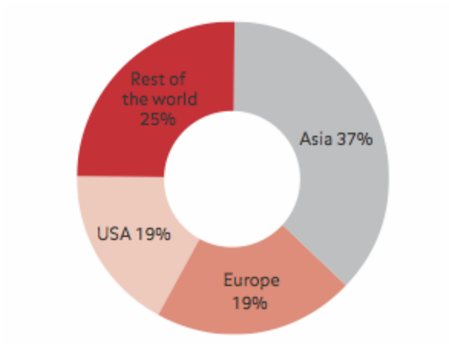


Figure 13: Sales of natural personal care products by region 2011



Source: Wynberg and Laird, 2013

Source: Wynberg and Laird, 2013

Asia leads the global market with 37% of the natural ingredients market share (Figure 12) and United States and Europe have very similar position with 19% each region. Nonetheless Asia, Brazil and Eastern/Central Europe are faced as the promise of growth for the next few years (WYNBERG, LAIRD, 2013). Brazil, though, continues to be the region that attracts more investments, as it is the third largest consumer market of cosmetics in the world, only behind the U.S. and Japan. In categories such as hair care and perfumes, Brazil is a global leader (NATURA, 2014d).

Furthermore, 50% of total sales of personal care products using natural ingredients in 2010 are concentrated within 10 companies (Table 7).

Table 7: Top 10 marketers of cosmetics products using natural ingredients

Top 10 Companies		'Natural' Brands Offered	Headquarters	Total Sales 2012 – US$ billion
1	Johnson & Johnson	Aveeno	USA	67.2*
2	L'Oréal	The Body Shop, Kiehls	France	29.3
3	Colgate-Palmolive	Tom's of Maine	USA	17.1
4	Estée Lauder	Aveda, Origins	USA	9.7
5	Shiseido	Bare Escentuals	Japan	8.3
6	The Clorox Company	Burt's Bees	USA	5.5
7	Yves Rocher	Yves Rocher	France	±3
8	The Hain Celestial Group	Jason Natural Products, Avalon, Alba, Zia Naturals	USA	1.4
9	L'Occitane	L'Occitane	Luxembourg	1.2
10	Harvest Partners	Arbonne, Nature's Gate	USA	1.1

* Note that this figure for Johnson & Johnson includes non-cosmetic products

Source: Wynberg and Laird, 2013

Wynberg and Laird (2013) mention another interesting fact: many corporations are including biodiversity in their reporting, and today, it accounts for 80% of the twenty largest beauty companies. Also, 75% of them evaluate how their supply chains impact biodiversity.

Furthermore, international companies use different approaches to deal with the purchasing of natural raw material. Normally, they source them from local business, buying the ingredients from local growers and eventually the material goes through some traders or cooperatives before it is exported. Though another possible operation is the outsourcing of the extraction and processing to low-cost labor centers. Its important to highlight that in either methods, MNCs play a fundamental role in monitoring the quality and price of these key ingredients, and thus they must maintain good relationships with suppliers. Normally, the organization of the supply chain depends on the market, the feasibility and the economic advantage, though some "ethically orientated cosmetics companies seek to enable better social and environmental outcomes by shortening the supply chain, investing in closer relationships with suppliers, and helping add more value" (WYNBERG, LAIRD, 2013, p.7).

5.1.2. Natura

Natura Cosméticos is a Brazil-based company (FORBES, 2014), founded in 1969 (NATURA, 2014a). Together with its subsidiaries, the company manufactures, distributes and commercializes cosmetics, fragrances and personal hygiene products. The company's product line includes deodorants, makeup, sunscreens, lotions, creams, lipsticks and perfumes, among others. (FORBES, 2014)

In 1974, Natura decided to adopt the direct sales model and today the company counts with more than 1.2 million resellers spread throughout the countries in which it operates (BOECHAT, PARO, 2007). The 2013 results show the effectiveness of the strategy designed to increase the productivity of the consultants network in Brazil and it indicates that consultants' income was 2.9% higher compared to the same period in 2012. As a consequence, the company's incomes also increased 8.4% in 2013, reaching BRL 4.845 billion, while net profits were BRL 548.5 million (NATURA, 2014e). In 2004, Natura was listed in the São Paulo Stock Exchange (BOECHAT, PARO, 2007), and since then until 2010 Natura shares have risen 754.7% and even though in 2013 Natura's shares had depreciated by 26.6% compared to the previous years (NATURA, 2013) the company continues to be part of the most important indexes of the Brazilian stock market – Ibovespa and IBrX50, which lists the 50 most liquid shares on the stock exchange (NATURA, 2010).

Its international expansion started in Chile and today Natura is present in Peru, Argentina, Mexico, Colombia, Spain and Netherlands, among others (FORBES, 2014). In 2005, it opened the first international boutique in Paris. Recent results in international operations show a consistent growth throughout the years, and considering 2013 results, incomes increased 33.8% in the local currency of consolidated countries, Argentina, Chile and Peru, and 20.8% in operations under implementation, Colombia and Mexico (NATURA, 2014e).

The company has a strong set of corporate values and behavior, and their strategy is based on the belief that a business can be the driver of social transformation, thus Natura follows the principles of (1) commitment to sustainability, (2) quality of stakeholder relations, (3) concept and product development and (4) Natura's brand strength. (BOECHAT, PARO, 2007), and its responsibility towards society and the environment is inserted in their vision:

> Natura, for its corporate behavior, for the quality of the relationships and for their products and services, will be an international brand, identified with a community of people committed to building a better world through better relationship with same with the other, the nature of which they are part to the whole (NATURA, 2014a).

This commitment is translated by many policies of Quality, Environment, Product Safety, Safety and Health at work, which are used to establish strategies and guidelines for all stakeholders (NATURA, 2014a). Moreover, Natura's challenge is to have sustainability as a key pillar for innovation and new business generation. All plans and targets are based in sustainability and the relationships with customers, suppliers and partners (NATURA, 2014b).

a) Suppliers

Natura sees suppliers as fundamental part of the business network and they seek for people and institutions that share their beliefs, and specially are prompt to invest in sustainable development. They believe the collaboration is the key for success and Natura intends to build ethical, truthful and transparent relationships based on mutual respect and transparency to meet the interests of both parts. In order to improve the quality of these relations, the organization instituted the Natura Relationship Principles, a document to guide action, containing themes that underlie the relationship with all stakeholders and commitments and expectations from these relationships (NATURA, 2014c).

Aiming to contribute to social development, Natura has chosen to use local communities as suppliers to acquire natural raw material for the products and it now relates to 36 communities supporting economic and social development of these populations. In 2012, these trade agreements moved BLR 12 million. Further, to involve and guarantee the good management and integration of suppliers, Natura promotes engagement initiatives such as structured dialogues to identify problems and develop collaborative actions.

b) Ekos line

In 2000, Natura launched a new line of products, called Ekos. The line concept was based in the nature and biodiversity of Brazil. Ekos integrates products of various categories (hair, bath, body and fragrance), through a unique concept and aesthetic unity. The guiding principles for product line are: environmental responsibility, with less packaging materials, recycled and recyclable packaging refills for all items and biodegradable formulas (NATURA, 2014a), and although Natura was committed to sustainable development, the Ekos line was the first to focus on natural ingredients produced by local communities. Therefore, as part of Natura social responsibility, the Ekos strategy was about establishing relationships with these poor communities to extract raw material from Brazilian biodiversity (BOECHAT, PARO, 2007). Taking these communities as suppliers was a challenge to the company and the building and management of these relationships are the main elements for analysis. Natura chose three communities (Campo Limpo, Boa Vista and Cotijuba) in the northern region of Brazil, Pará, to focus its efforts. Their goal was to produce priprioca, a kind of grass whose roots yield a rare, delicate fragrance used in Ekos products. The goal for the development of the line was "to preserve and disseminate cultural heritage and to raise the awareness of each customer to the Brazilian wealth of biodiversity", ensuring that the extraction followed rigorous social and environmental standards (BOECHAT, PARO, 2007).

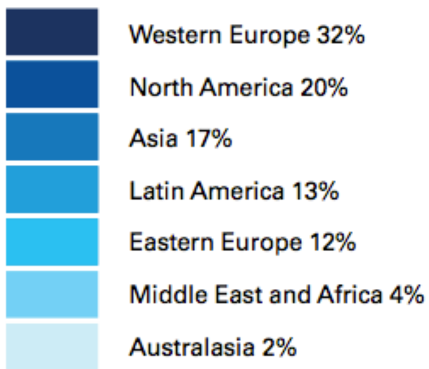
Currently, the Ekos strategy maintain partnerships with 23 rural communities, involving a total of 2,731 households and the production, supply and distribution of 14 different elements have already generated funds of over £ 20 million for the communities over time (EKOS, 2011).

5.1.3. Chocolate industry

The global chocolate industry is remarkably interesting. Chocolate seems to become a luxury product in times of crises, though revenues have remained resilient despite a recessive global picture (KPMG, 2012). The global chocolate industry has been in a moderate growth trajectory in the last five years, though despite the decrease in incomes, volatility in commodity prices and increasing competition, the global chocolate market is expected to grow from US$83.2 billion in 2010 to around US$98.3 billion in 2016 at an estimated CAGR of 2.7% from 2011 to 2016 (M&M, 2011).

The global market is still dominated by Western Europe and North America; but emerging markets are clearly the promise for the future, fact observed by the retail growth of BRIC countries (Brazil, Russia, India and China), that accounted for 55%, in 2011. Western Europe is still the largest chocolate market in the world, but slow growth suggests saturation and emerging economies with youth populations and a growing middle class represent important target markets. Figure 14 presents the share per region.

Figure 14: Global market share by region, 2011



Source: KPMG, 2012

Independent on the region, the top ten global confectionery companies are ranked in table 8, representing also competition and placing Nestlé in third of the world.

Table 8: Top ten global confectionery companies

Company	Net Sales 2013 (US$ millions)
Mars Inc (USA)	17,640
Mondelēz International Inc (USA)	14,862
Nestlé SA (Switzerland)	11,760
Meiji Holdings Co Ltd (Japan)	11,742*
Ferrero Group (Italy)	10,900
Hershey Foods Corp (USA)	7,043
Arcor (Argentina)	3,700
Chocoladenfabriken Lindt & Sprüngli AG (Switzerland)	3,149
Ezaki Glico Co Ltd (Japan)	3,018*
Yildiz Holding (Turkey)	2,500

Source: ICCO, 2014

Furthermore, origin of food is an important driver for consumer purchasing decisions in more developed markets. Consumers become more conscious on their choices, on buying from sustainable and organic sources, and indeed the chocolate is part of this scope. Additionally, Fair trade cocoa demand has increased considerably in the past years so did the offer. Nowadays, the major manufacturers have embraced Fair trade, even Nestlé already have best-selling Fair trade lines (KPMG, 2012).

Fair trade products require specific certification in several dimensions and producers of Fair trade cocoa receive higher values for their cocoa beans. Also, certified producer organizations have better "capacity building" and "market access", even though cocoa sold with Fair Trade label has still a very low share of the market (0.5%). There is also the possibility to buy organic cocoa, but the market has is also very small, even if demand is growing fast. That happens because consumers are everyday more concerned about the safety of their food supply along with other environmental issues. Beside these trends, the cocoa can be used in the production of alternative products, for example, animal feed, soft drinks and alcohol, soap, jam and marmalade, among others, which increases the many possibilities of using the product, specially because it has very beneficial properties to health (ICCO, 2014).

5.1.4. Nestlé

Nestle S.A. is a Switzerland-based holding company of the Nestle Group engaged in the development and production of food and beverage (REUTERS, 2014). In 1867, Henri Nestlé launched his *Farine lactée*, a combination of cow's milk, wheat flour and sugar, establishing the company, that later merged with The Anglo-Swiss Condensed Milk Company, instituting Nestlé (NESTLE, 2014a). The company grew through merger and acquisitions becoming the world's leader in nutrition, health and wellness (COCOA, 2014).

Today, Nestlé employs around 330,000 people and has 461 factories in 83 countries around the world; almost half of these are in developing countries. In 2013, Nestlé Sales reached CHF 92.2 billion accounting for an organic growth of 4.6%, incorporating real internal growth of 3.1%.

Nestlé has business in different segments and it is considered world's #1 food and drinks company (HOOVERS, 2014). The portfolio covers almost every food and beverage category and table 8 illustrates an overview of the product segmentation. They are divided in seven groups that are (1) powdered and liquid Beverages, (2) water, (3) milk products and ice cream, (4) nutrition and health care, (5) prepared dishes and cooking aids, (6) confectionery and (7) pet care (NESTLE, 2014f).

Table 9: Nestlé Product categories and brands

Baby foods	Cerelac, Gerber, Gerber Graduates, NaturNes, Nestum
Bottled water	Nestlé Pure Life, Perrier, Poland Spring, S.Pellegrino
Cereals	Chocapic, Cini Minis, Cookie Crisp, Estrelitas, Fitness, Nesquik Cereal
Chocolate & confectionery	Aero,Butterfinger, Cailler, Crunch, KitKat, Orion, Smarties, Wonka
Coffee	Nescafé, Nescafé 3 in 1, Nescafé Cappuccino, Nescafé Classic, Nescafé Decaff, Nescafé Dolce Gusto, Nescafé Gold, Nespresso
Culinary, chilled and frozen food	Buitoni, Herta, Hot Pockets, Lean Cuisine, Maggi, Stouffer's, Thomy
Dairy	Carnation, Coffee-Mate, La Laitière, Nido
Drinks	Juicy Juice, Milo, Nesquik, Nestea
Food service	Chef, Chef-Mate, Maggi, Milo, Minor's, Nescafé, Nestea, Sjora, Lean Cuisine, Stouffer's
Healthcare nutrition	Boost, Nutren Junior, Peptamen, Resource
Ice cream	Dreyer's, Extrême, Häagen-Dazs, Mövenpick, Nestlé Ice Cream
Petcare	Alpo, Bakers Complete, Beneful, Cat Chow, Chef Michael's Canine Creations, Dog Chow, Fancy Feast, Felix, Friskies, Gourmet, Purina, Purina ONE, Pro Plan

Source: Nestlé, 2014f

Additionally, Nestlé has a series of corporate business principles designed to guide the organization and its stakeholders. They are the basis of Nestlé's culture. Also, the companies apply the idea of creating shared value (CVC) as an integral part of the way they do business. They have developed their own pyramid model[8] to guide their CSR activities in order to create value (COCOA, 2014).

[8] Referring to Carroll, 1991

Figure 15: Nestlé CSR Pyramid

Source: Nestlé, 2014.

The pyramid explains that Nestlé operations are based on compliance with international laws and codes of conducts to reach the company goal in reaching environmental sustainability. Nonetheless, Nestlé aims to go beyond compliance and sustainability and create shared value in areas that the firm can have greater impact, as it is aligned with its core business: water, rural development and nutrition (COCOA, 2014). These are critical subjects that ensure the success of Nestlé supply chain and Nestlé CSR strategy.

Water is vital because quality and availability threatens food security (NESTLE, 2014c), hence it is essential to the production of food and to Nestlé's operations (COCOA, 2014). Rural development is very important to the well being of rural communities, workers and small businesses and suppliers. As Nestlé sources materials from thousands of farms (COCOA, 2014), their goal is to ensure that raw materials are produced responsibly and sustainably (NESTLE, 2014c). And Lastly, nutrition is essential for the health and Nestlé's business (COCOA, 2014), thus the company intends to address nutrition issues that affect billions of people around the world (NESTLE, 2014c).

a) Suppliers

Nestlé Corporate Principles commit to responsible practices in the supply chain to ensure both responsible sourcing and supplier relationships that deliver a competitive advantage. Their goal is to implement responsible sourcing through shared knowledge with suppliers, improving their practices. Also, all improvement initiatives are adjusted to meet the needs of local markets, in order to drive change efficiently (NESTLE, 2014b).

Nestlé works directly with around 686,000 farmers (NESTLE, 2014d) and many of them come from poorer rural regions of the world, where there is no investment in infrastructure. The situation can cause a serious impact on the quality and quantity of raw materials, and two-thirds of Nestlé's world expenditure is on raw materials, normally of three main ingredients: milk, coffee and cocoa (COCOA, 2014).

Nestlé and other companies rely on the supply of these ingredients and therefore Nestlé encourage sustainable production and protect the supply and quality of the ingredients through training process. Communities can benefit from the program that impacts the local economy and standards of living. In order to guarantee the commitment of all suppliers, Nestlé has in place a Supplier Code and further, a Responsible Sourcing Audit Program (NESTLE, 2014d).

b) Cocoa Plan

Cocoa is the main ingredient in chocolate and essential to Nestlé. The company has a complex cocoa supply chain that goes from bean to chocolate bar. It starts with farmers, who grow the crops, then it goes to the cooperatives, responsible for the sales of these ingredients. The processors buy the product and send to Nestlé that manufactures the chocolate, and send it to distributors or customers (COCOA, 2014).

The first concern for Nestlé is to ensure a sustainable and high quality supply of cocoa in the long-term, thus the idea is to invest in the infrastructure of providers. The Cocoa plan consisted in professionalizing the farmers that provide cocoa, allowing them to have a more profitable business, but also respecting the environment and creating social value for these communities. Nestlé intended with plan to promote quality of life and education especially for children and it was "Nestlé's way of helping to tackle key issues facing cocoa farmers, their families and communities to create a better future for cocoa farming" (NESTLE, 2014e).

The Plan was launched in October 2009 in the Côte d'Ivoire, Africa, world's largest cocoa origin, and further extended to Ecuador and Venezuela, resulting in investments of around £67 million (COCOA, 2014).

Most of Nestlé production comes from Ivory Coast, where both quality and quantity of supplies were decreasing due scarcity of labor and skills. Explaining it better, the average age of a cocoa farmer is over 55 years old and the young people are migrating to the cities, leaving uncertainties regarding the next generation of cocoa production. Thus Nestlé aimed to improve the standard of lives to attract the next generation (COCOA, 2014).

5.2. Sourcing decisions

The first step of the whole analysis consists in discovering what influenced the companies in their sourcing decision and how they chose their suppliers. In this analysis the motives are separated in external and internal. The external influences are the ones related to the market, such as trends, legislations or specific characteristics of the country where the company has the operation. The internal factors evaluate the company essence and strategy, as well as its goals. As explained before there are some dimensions that influence sourcing decisions in general, specially when the question is whether to source globally or locally. They are currency fluctuations, infant industry, market power and social impact.

5.2.1. Natura chooses its suppliers

a) Brazil

After the global financial crisis in 2007 and 2008, Brazil was hit in September 2008, affecting both its currency and stock exchange. The country saw foreign investors retrieve their money and repatriate it. Nevertheless, Brazil was one of the first emerging markets to recover, and since then it has experienced a fast rate of growth. Brazil is considered the second fastest growing economy among the BRIC countries (FESA, 2010).

According to WTO[9], Brazil is considered number one in protectionism against imported goods and the barriers adopted since the crisis, in 2008, have not been removed with the same pace as new protectionist measures. WTO stated that 80% of the policies declared as "temporary" initiatives in reality were never dismantled (ESTADAO, 2014). Even though

[9] Word Trade Organization (WTO), in portuguese, Organização Mundial do Comércio (OMC)

WTO rules imply that protectionism measures are time-limited only to promote enough encouragement for domestic companies in international competitiveness (WARNER, 2011).

The Brazilian government aiming to defend its market and its domestic industries introduced some protectionist measures to avoid dissimilar competition, the loss of jobs and reverse industrialization. They have instituted the plan “Brasil Maior” (Greater Brazil) to sustain inclusive economic growth in a difficult economic context, creating mechanisms to foster innovation and investment in local production, defending the local manufacturers and internal market (MDIC, 2014).

As the World Trade Organization (WTO) ensures that all protectionism policies are in the right place and reasonable (WARNER, 2011), there are no policies that prohibit imported products, and the Brazilian government instituted some indirect mechanisms, applying the concept of Infant Industry, that provides resource that lasts until the domestic companies are able to compete.

The most relevant mechanism is the credit financing by BNDES[10] for industries development. Also, the BNDES supports tax breaks for companies reaching a certain level of local content and preferential purchases of locally-manufactured goods in government tenders (HOTHMANN, 2013). These policies were designed to foster employment and procurement opportunities to local firms (WARNER, 2011) based on the social impact driver. The goal of such policies is to reach monetary stability and the recovery in employment, real gains in wages, increasing income and drastically reducing poverty, which creates favorable conditions for the country to make bolder steps in the journey toward continues development (MDIC, 2014).

b) Natura External Factors

The Brazilian domestic market is considered one of the most coveted in the world as the middle class gains purchasing power, attracting huge amounts of foreign investment. It is also in the “spotlight because of the growing interest in sourcing raw materials (commodities)” (FESA, 2010, p.8).

Natura has firstly explored the fact of being a Brazilian born company and took

[10] Bank of National Economic and Social Development, in portuguese, Banco Nacional de Desenvolvimento Econômico e Social (BNDES)

advantage of the resources the country can provide. The fact of knowing the culture of the country, the language may have opened opportunities for the company to explore the possibility of using natural products found mainly in Brazil.

The use of Brazilian raw material in the cosmetic production is also beneficial as the ingredients have special properties. The products used for the Natura Ekos line are leaves, fruits, almonds, seeds and roots of the planet's most diverse flora, using its natural colors, flavors and aroma. Each of the elements has its unique qualities. The active line contain the following products: Açai, Andiroba, Breu-branco, Buriti, Cocoa, Chestnuts, Cupuaçu, Estoraque, Maracujá (Passion Fruit), Mate-verde (Green Mate), Pitanga and Priprioca, among others. Açai for example is rich in vitamins and the oil contains an aromatic extract with emollient and moisturizing properties for the skin, so does the Cocoa recognized by the power of hydration. All elements have a very refreshing fragrance and some of them have medicinal purposes, astringency power or its oils contain beta-carotene, which means that the use of these ingredients in the products can be very valuable (EKOS, 2014).

Moreover, besides the excellent properties found in the Brazilian natural ingredients, Natura was also driven by the market development for natural ingredients. Consumers want to buy not only ecological products but they prefer those that also have positive environmental and social impact. That put sustainability as a key factor in the cosmetics sector. Additionally, the marketing value of sustainable and ethically sourced raw materials drive companies in finding local groups in the sourcing country and use the fact into the product’s marketing story, in order to capitalize on consumer interest in ethical raw materials (WYNBERG, LAIRD, 2013) and some countries even changed the legislation of beauty care to make consumers more aware of organic and non-organic cosmetics (LOPACIUK, LOBODA, 2013).

c) Natura Internal Factors

Internal motives in making sourcing decisions and choosing the right suppliers are factors related to the essence and values of the company.

Natura is driven by sustainability and social development and they place a major importance in the relationship with stakeholders. These values are inserted in the corporate culture and translated by its value proposition for corporate behavior: “performance based in sustainable development with consistent economic results, greater generation and distribution of wealth and care for the environment. The quality of relationship is another important driver" (NATURA, 2014). Ever since the beginning, Natura has followed the idea that cosmetics are self-knowledge and human relations (BOECHAT, PARO, 2007). For that they follow certain beliefs that reflect the essence of the company and they are the guide for its strategy. More than that, these principles are inserted in the whole supply chain.

Natura is also known as a very innovative company, and in 2013 it was considered the 10th most innovative company in the world, according to a survey published by Forbes magazine (FORBES, 2013) and elected the second most sustainable company in the world (CORPORATE KNIGHTS, 2012). Natura believes in innovation as one of the pillars for sustainable development (NATURA, 2014a). Therefore, considering market trends and its vision, Natura launched the Ekos line in 2000, a pioneering brand of doing business in a sustainable model. Natura in this first step was specially driven by sustainable business opportunities (IFC, 2011).

Natura Ekos was born with the wish to discover Brazil and its diversity in life. The purpose was to exalt the rich nature and their valuable active, and more than that, strengthen the relationships and create a large network of sustainable consciousness (EKOS, 2014). The coordinator of sustainable development of supply communities once affirmed that the concept was there even before the line was created. The initial stage was to define the goals and what was the story behind the products. After elaborating this, they started looking for raw materials, communities and companies to set up their supply chain (BOECHAT, PARO, 2007).

This analysis will be based in the case of Priprioca production for the Ekos line. Priprioca is a "Brazilian plant with a long thin stem and bulbous roots (…) releases the perfume that attracted the researchers when the bulbs are cut or pressed. Priprioca would be an essential ingredient for the Ekos line" (BOECHAT, PARO, 2007, p.7).

Natura first chose the region that was appropriate to produce the necessary raw material. Such products are mostly region specific and therefore, Natura selected small agricultural communities where the product was already available. Finding a product already produced in the region was important as it provided them with basic information on its production and producers, market prices, and supported in the attraction of future suppliers. Natura observed and researched some basic features of Priprioca to understand the capacity of the local production. The company knew that the quantity available was not sufficient to cover Ekos line, and realized that they would have to attract more families and convince them in accepting the challenge of producing Priprioca. They chose the families that were enthusiastic about the task, as they were looking for real commitment.

This means that the selection of suppliers was based in the willing to commit and build a relationship. None of the producers had the knowledge or resources, the planning or the ability to develop such operation but they were willing to accept and follow Natura's advice to improve their capacity performance, providing them with orientation of operational, safety, environmental and technical standards (IFC, 2011). However, it was not only Natura that would be involved in the process, because the Priprioca oil had to be extracted on the same day to preserve the unique fragrance. Natura had to choose a primary processor that was close to the plantations, using as second driver, the strategic geographic position. The idea was to have a network in which everyone wins, supporting social development, strengthening the economy and environmental sustainability of all these communities (EKOS, 2014).

In conclusion, decisive factors when choosing the suppliers appointed by the previous analysis outlined that the choices were based in the following aspects: sustainable opportunity, geographic position, availability of natural resources, and willingness to commit (communities that want to benefit from it and accept guidance).

d) Natura Drivers

Drivers are the compelling reasons to partner and they are strategic factors which result in a competitive advantage. For each driver a probability of success (achieving the benefit) is assigned from 0%, 25%, 50%, 75% to 100%. There are main four drivers to be evaluated: cost efficiency, marketing advantage, customer service and profit stability (LAMBERT, KNEMEYER, GARDNER, 2004). This part of the analysis concentrates in Natura perspective, as it is the focus of this research, though it considers some aspects of drivers under communities' perspectives that will be assessed later in the discussion of Mutual Benefits.

Instituting the partnership required initial investments from Natura, driving cost up, however the initial idea was to reach economy of scale in the production in order to understand the production cycle and the productivity. The intention was to further reach average price that would allow all parts of the supply chain to have fair margins, meaning fair costs. Therefore the goal was not to reduce costs but to reach an optimal price for each part of the chain. The score for this drive is 50% as on one hand, costs might be reduced along the years due to the access of better and more information and managerial efficiencies and on the other hand, costs could go down as well, due to the high investments and because the behavior of a large scale production was unknown. This means that environmental risks or controlling and monitoring problems could hinder the effectiveness of the production of Priprioca. For the communities, cost efficiency is considered a driver when analyzing the effects of the learning curves. With access to information, training and technology, the community will be able to achieve productivity gains and perhaps expand its portfolio and thus reach cost efficiency.

The second driver is the Marketing Advantage. For a company like Natura, that has sustainable development and social and environmental concern inserted in its values, such partnerships can improve tremendously the image and reputation of the company. Not only that, if the partnership is well managed it will bring improvements to the products as well as differentiation, making it easier to market it. Nonetheless, the possible benefits under marketing do not depend entirely on the success of the partnership, and more in the implementation of the initiative; therefore, the probability of reaching its goal is 100%. Moreover, the communities can benefit from the partnership in terms of marketing advantage because they will have a historical reputation of doing business with a large company, and they will gain knowledge have access to a lot more information as well as business experience.

Costumer Service is not considered a very important driver because it does not lead to any service improvements to the consumer, even though it brings differentiation to Natura's products, therefore the probability of success is 25%. Under the community point of view, costumer service can be a driver, considering that the partnership will bring knowledge and access to better technology and having capacity, the community can attract new consumers with a certified product with better prices.

Profit stability is one of the strongest reasons to partner, that means potential profit growth. This partnership intends to reduce variability and guarantees a continuing improved partnership. Indeed when the production is stable and the forecast is precise, prices can be set accordingly in order to maximize gains, therefore as there are a few risks that the production will not work, the probability of achieving this driver is 75%. For the communities, this is translated as increased income, which will happen either if the production is very successful or even if it has only reasonable outputs as for them it is an aggregation of value in terms of business possibilities and the development of skills they could use later on.

It is very important to highlight that strong drivers are required for a prosperous collaboration, though they do not guarantee long-term success and thus benefits must be sustainable.

e) Natura Facilitators

After the partnerships were established and the associations created, some characteristics of each company were seen as beneficial to the collaboration, though the facilitators should not be examined at the outset of a relationship because after a period of working together, it is much easier assessing the facilitators for each side. The focus should be on the potential for the two firms together, rather than each firm's individual characteristics and the main facilitators include corporate compatibility, managerial philosophy and techniques, mutuality and symmetry (LAMBERT, KNEMEYER, GARDNER, 2004).

Corporate compatibility refers to the culture and business objectives, which in this case is hard to evaluate, as communities are not formal institutions. The compatibility of this collaboration between Natura and the communities lies on the purpose of both parts to produce the right amount of Priprioca with quality and acceptable costs. As they have a common objective, its success will depend on what each of them can offer to this association, which means the ability to incorporate each other's capabilities. Managerial philosophy and techniques are not similar in this partnership, though the fact that there is one department in Natura responsible for coordinating this communities and that the communities organized themselves as associations, it facilitates the direct communication.

The mutuality of the partnership is based in transparency and the purpose is to find a solution that all parts win. Natura, having worked with small suppliers understood the complexity of the relationships and the importance of being organized and transparent. The fact that Natura is an ethical company and promotes transparency especially in terms of sharing sensitive information, such as financial is a key to build the collaboration as it builds trust and incentives the communities to act accordingly.

Symmetry ensures that the partnership is equal avoiding insecurities. As a peculiar partnership, to assess Symmetry in terms of market share, financial strength is not accountable, therefore, the symmetry of this collaboration is placed in the empowerment. Natura can come with ideas and the communities can also contribute to improvements. Also

Independence, meaning that this is not the only business both parts are running, and they can access other markets, diversify reducing dependence and therefore risks.

These facilitators also represent the Collaboration Mindset and reflect the ability of finding the necessary synergy. That means a common goal, complementary capabilities, transparency, empowerment and independence were key factors to establish this partnership and merge objectives in one mindset.

Some of the factors that could harm the collaborations were related to managerial technics. The differences in the formal structure as well as technical knowledge for both parts. And as an external obstructer, the public policy for accessing biodiversity that are still under development – In this sense, the strategy was to review and participate in the respective discussion forums such as CGEN, IBAMA, SEMA, and Reserves Councils (UNIETHOS, 2014).

f) Natura Collaborative Spectrum

Furthermore, in this stage, CSR initiatives are described as well as how these actions may create value, setting the collaboration value spectrum. Apart from the values that could be created according to the drivers, some initiatives generated specifics outcomes that were also very significantly.

Firstly, Natura supported the organization of the communities, "in order to establish a legal and stable supply chain, the supplying communities had to be organized into formal associations" (BOECHAT, PARO, 2007, p.6). It was necessary to have an entity that could formally represent the communities in terms of price and contract negotiation and financial coordination. The fact that the communities were once structured, brought clarity in terms of information and the possibility to seek for other business opportunities, that was later pursued, for example, at Campo Limpo community, when representants searched for diversification opportunities. It also increases financial control, providing margin to further investments and social and economical development. For Natura, the organization facilitates the contact and the business coordination, and also provides structure for business and cost improvements, besides transparency.

"Natura helped some communities to form such associations with training and orientation, to first support the formalization and later in their operations" (BOECHAT, PARO, 2007, p.6). This transfer of knowledge allowed communities to enhance their productivity and improve its quality and to be prepared for further challenges. If at the beginning they were not highly educated and had business knowledge the coaching process was a way for some educational support.

"It also had to reasonably represent the community with established governance such as legal registration, accountability, member registration, transparent decision-making, and organizational structure" (BOECHAT, PARO, 2007, p.6). Promoting transparency generated institutional effectiveness and encouraged the good governance, transparency and fairness especially because it influenced ethical conduct for both parts (VISSER, 2014).

5.2.2. Nestlé chooses its suppliers

a) Ivory Coast

Ivory Coast is recovering from a long period of economic stagnation and political conflict. After the crisis there were some efforts to start a process of sociopolitical normalization, and quickly put in place an economic recovery program. As the second largest economy in West Africa and a top world exporter of cocoa and cashews, Ivory Coast possesses enormous economic potential (WORLD BANK, 2014).

After a long French colonization and dependence on French investments after its independence, the economic liberalization of the cocoa market in 1999 allowed the entrance of several multinational companies and foreign investors in the cocoa sector. On the contrary of some countries, for example Brazil, Ivory Coast does not have protectionism in the cocoa production. One of the reasons is because the country barely consumes cocoa and most of the production is exported especially to Europe. The production of Cocoa is of extreme importance for the country social and economical progress and it needs foreign investments for further improvement and continuation (FELL, 2007).

b) Nestlé External Factors

The first aspect that may have led Nestlé to choose the supplier is the long history of Cocoa production that the country has. As mentioned previously, Ivory Coast is one of the larger producers of Cocoa and the conditions of the country are very appropriate for the product. Also, Nestlé considered the fact that the country was underdeveloped and was a potential place to invest. It is important to mention that, in this case the characterization of the suppliers as local were according to the size of the business and for being an under-represented group, as a local community, considering that Nestlé buy most of the Cacao from these farmers. "There are around 800,000 Ivorian farmers that produce 1.3 million tones of cocoa every year, but after decades of increasing production, the quantity and quality of the country's yields are falling" (NESTLE, 2014e).

Diversification is one of the main concerns for the Ivory Coast government (FELL, 2007) particularly as Cocoa trees become old and sick, and the country's harvest stagnates, causing deficits and high volatility for cocoa prices. Thus, Nestlé agreed with the Ivorian Government to contribute to the renewal of these plantations (NESTLE, 2014e). This fact may have influenced Nestlé in two ways, (1) the government or the intermediary agency saw a opportunity and persuaded the company in following with plan and (2) Nestlé needed to purchase cacao from the region and realized that "lack of investments in infrastructure has serious impact in the quality and quantity of raw material" (COCOA, 2014, p.3) and decided to create the plan to avoid future risks in the supply.

Also because Cocoa trees only grow close to the equator as they need temperatures between 20°C to 32°C and plenty of rainfall. That means there are not as many places in the world where the conditions are favorable and half the world's production is grown in two countries, Ivory Coast (39%) and Ghana (19%) and around 95% of cocoa is grown in smallholdings (COCOAPLAN, 2014). Considering that, Nestlé knew that if they needed scale they would need to choose a place where the capacity was sufficient and thus Ivory Cost would be a good choice.

c) Nestlé Internal Factors

Nestlé has as pillars of its strategy the creation of shared value and sustainability, that means that when they look for business opportunities they already seek for a chance of making the difference, both under social and environmental perspectives. The choice of selecting those suppliers took in consideration these drivers. Also, Cocoa is one of the main raw materials for Nestlé products and therefore the company seeks for great quality and sustainable supply and they understood that with investments and orientation they could guarantee a sustainable production and high quality cacao.

In conclusion, decisive aspects of the sourcing choices appointed by the analysis outlined mitigation of risks, sustainable business opportunity, limited availability of natural resources, institutions facilitation, business continuity and increased quality.

d) Nestlé Drivers

This session analyzes Nestlé main four drivers: cost efficiency, marketing advantage, customer service and profit stability and as for the Natura analysis, this part concentrates in the drivers from Nestlé, though it considers some of its influences for the communities.

Implementing the Cocoa project required high initial investments from Nestlé, driving cost up. Also, as the cocoa is certified by Fair Trade, it means that Nestlé will always pay a premium price for it, as one of the goals of the project is to pay higher prices to increase the level of community income (COCOA, 2014). However, considering that the investments along time turn into positive results, increasing productivity, better knowledge and managerial efficiencies the cost of the project and further investments may drop, adjusting the prices. The costs reduction in this case belongs to the farmer because prices for Nestlé will be adjusted, however, they will always be higher than from a regular supplier. That means that the score for this driver is 25%.

Marketing Advantage is a very important drive in this case, accounting for 75% probability of occurring. The ultimate goal for using those suppliers from Ivory Coast was not to reduce costs but to reach an optimal quality and sustainable supply (COCOA, 2014), which has great impact when marketing the products and the image of the company. As the quality of the product depends on the success of the collaboration, it creates an obstacle in the probability of occurrence, pushing the probability of success down. Though, the reputation of the company can be improved only for taking such initiative. Communities can benefit from the partnership in terms of marketing advantage because they will have a historical reputation of doing business with a large company and enhanced job skills.

Costumer Service represent the benefits that this partnership can deliver to the customer, in this case, the superior quality and the guarantee that the raw material come from reliable and environmental sustainable source. As it depends on the collaboration success, there is a 50% chance of that to occur. Under the community point of view, having a better quality product and knowing the techniques of plantation offer new clients a differentiation perspective and therefore can be very beneficial to the farmers.

Profit stability is very likely to happen when the production of cocoa reaches regularity, reducing variability and guaranteeing a continuing improved supply. Stability and quality can be transferred to costumers in terms of price and therefore the probability of achieving this driver is 75%. For the communities, this is translated as increased income, which will happen either if the production is very successful or even if it has only reasonable outputs as for them there is also value creation with the parallel initiatives for better education, less child labor and farmers training.

e) Nestlé Facilitators

Taking in consideration Nestlé and Ivory Coast partnership, corporate compatibility rests on the common goal of producing a better quality cacao, breeding value. Though, the community can only take advantage of the value created if it is entirely committed. Managerial philosophy and technique at the beginning is a very challenging aspect of the partnership with local farmers and it can hinder the collaboration. In order to avoid problems of communication and facilitate the implementation of policies, Nestlé brought to the collaboration the support of a third part specialized in certain aspects of social development, for example the Red Cross/Red Crescent or the Fair Labor association.

Mutuality is translated in the commitment from both sides. The fact that Nestlé is dedicated in investing in plant research and it has created a Research and Development Centre to support the development of higher-yielding, disease-tolerant cocoa plantlets, already demonstrates Nestlé commitment to the collaboration. Also, as the supplier plan includes issues that tackles people's life (COCOA, 2014), communities tend to engage more and trust the company better, setting a mutuality context. Moreover, symmetry in this case is achieved by complementary capabilities and also by the participation of third part institutions that secure transparency, the communication flow and mutual respect.

f) Nestlé Collaborative Spectrum

Nestlé also implemented some extra CSR initiatives apart from the ones directly linked with the production of cocoa, in order to support the plan. These actions can generate extra value setting the collaboration value spectrum.

The first initiative Nestlé took was to bring to the partnership Ivorian Government via the National Agronomical Research Institute (CNRA), and then they committed by investing in plant research in the region. The idea was to support the development of higher-yielding, disease-tolerant cocoa plantlets, plant propagation, and to breed new plants to distribute to farmer cooperatives, in order to renew the plantation (COCOA, 2014), bringing input of resources and hence value for the sustainability of the farms. After that, they organized training, for farmers to understand better crop management techniques and how to deal with pest, and also to create awareness of child labor issues (COCOA, 2014). Trainings brought knowledge, information and job skills that could improve plantation organization as well as its outcomes. Also, Nestlé wanted to improve social conditions through education and set up a partnership with the World Cocoa Foundation to build and repair schools within the region. Having better schools became attractive to children and reduced child labor (COCOA, 2014), but also was a form of communicating with the children the possibilities for their future in cocoa farms. This message was important as Natura was concerned about the continuity of cocoa with the future generation.

g) *Understanding MNCs sourcing decisions*

After the analysis of both companies, the fact that they have sustainability and social concern inserted their corporate culture is one of the main points that drove them in looking for sustainable business opportunities. The most important factor was that the initiatives were aligned with the business goals and inserted in the supply chain, creating somehow a deeper connection and commitment to the projects. This means that business goals were extremely important in the sourcing decisions, for example the mitigations of risks, or the achievement of a stable supply of important raw materials. Nonetheless, it was observed that the idea of introducing value creation in the Supply Chain for them meant more than achieving cost reduction, quality or market benefits, but it meant to transfer value to those communities somehow. Indeed such types of partnerships are complex due to the different nature and disparity in knowledge and culture and therefore transparency play a vital role in winning trust and thus commitment. This also means that not necessarily the factors that drive the companies will guaranteed the success of such relationships and therefore it important to evaluate how this companies manage their suppliers and what aspects influenced the accomplishment of a effective collaboration.

5.3. Managing Local Suppliers

This session intends to evaluate the supplier management of each case, introducing aspects that would lead it to success and then identify which of those features influenced in the creation of value. In order to examine the use of governance tools by the MNCs in focus, this first step is exposes the use of Codes of Conduct, Management Standards and CSR Reports and identify the advantages of implementing them.

Before mentioning the specific case, it is important to mention that Natura applies general policies for selecting and evaluating suppliers, according to objective and impersonal criteria. These policies imply good business practices that are consistent with the principles of sustainable development, corporate governance and social responsibility and they aim to guarantee the flow of communication and the commitment. Also promotes common sense in offering and receiving gifts or benefits, to preserve integrity and avoid situations that can compromise the ethics of the business relationship. Moreover it makes sure that the partnership is equal and that Natura do not use economic power, political or any other type of coercion to impose commercial conditions to suppliers (NATURA, 2014).

Compliance is the basis of Nestlé pyramid, and Corporate Business Principles are the foundation of the company's culture. Integrity, honesty, fair dealing and full compliance govern Nestlé's business practices. It is essential to have clear principles and values fully embedded in the business strategy as it builds trust among stakeholders. These principles are implemented day by day through relevant business codes, policies, processes and tools (NESTLE, 2014h). Moreover, they designed a general corporate governance structure responsible for the supervision and management of Nestlé's role in society and creation of value. The Nestlé in Society Board monitors the implementation of Shared Value strategies throughout the business guaranteeing that it is aligned with the company's focus on nutrition, water, rural development and environmental sustainability (NESTLE, 2014j).

a) Governance Tools

In order to influence and be as precise as possible, Natura has as a main driver code of conduct translated in a formal statement (EU, 2004) that explains the principles of relationships. The Relationship Principles inspire the attitudes and guide the actions on a day-to-day basis in order to improve the relationships. The document explains the commitment from buyer to supplier and vice-versa (NATURA, 2014).

In the choice of relationships with the communities in Pará, suppliers had to go through a certification process to demonstrate compatible beliefs and values, social responsibility and sustainability policies. "It had difficulties finding suppliers that met the sustainability criteria" (BOECHAT, PARO, 2007, p.4), though Natura was willing to provide the support to institute such criteria. For that, the company established a set of policies defining the criteria for the selection of suppliers, as well as Natura's responsibilities regarding its suppliers. As the success of implementing codes of conduct depends on the acceptance of suppliers in adopting the CSR requirements (ANDERSEN, SKOETT-LARSEN, 2009), Natura had no problems with the implementation, as communities were willing to commit and comply. Also, due to the transparency, communities could see the benefits and understand the reasons.

Nestlé for instance, uses the code of business principles to provide guidance when there is doubt about the proper course of action in a given situation (NESTLE, 2014k). As an extension of business codes, the Nestlé Supplier Code defines minimum requirements for suppliers in general and helps the continued implementation of international standards such as the OECD Guidelines for Multinational Enterprises, the UN Guiding Principles on Business, among others. The acknowledgement of the Code is a pre-requisite in every Nestlé contract for supply. The code is based in four pillars: human rights, safety and health, environmental sustainability and business integrity (NESTLE, 2014l). As it is stated in Nestlé Supplier Code (2014) the codes are very important to the farmers, if any improvement is required, or Nestlé can support in the establishment of milestones and systems to ensure that practices are continuously upgraded (NESTLE, 2014l).

For both companies, codes of conducts are a platform for transparency, mutual respect and also for monitoring and proposing correction actions and improvements.

The second tool is management standards. Natura has a Corporate Responsibility Management System that evaluates risks, ethical behavior, transparency, open dialogue with the public, and adoption of corporate sustainability goals (NATURA, 2013). This management tool helps to identify areas for improvement. It bring values when it shares the knowledge and structures that stakeholders in general can use to eventually organize their CSR actions or to follow the guidelines to comply with Natura standards.

Additionally, they have designed a Corporate Responsibility Investment Matrix and an Environmental Management System (based on the ISO 14001 norms) to monitors the most crucial activities under environmental and social aspects, its goals and indicators. These two systems are part of a strategic map in which socio-environmental goals had the same importance as financial goals (NATURA, 2013). These plans ensure that the company and the communities follow common goals and standards of CSR and it can be used not only to guide but also to motivate stakeholders. Accelerating operations and facilitating actions, clarifying step by step can actually help the supplier stay on track and see the possible results clearly, inspiring them to work on the plan.

In terms of internal structure, Natura created the Communities Relations Management Group, in charge for identifying and working with the supplier communities (NATURA, 2013). This initiative helps with the communication flow, as well as in the decision-making processes and financial operations within the communities. Having a team dedicated to such purpose ensures especial attention and priority, speeding any planning or implementations that should be done. Also supports the evaluation of each project, comparing goals to actual progress, identifying thus key aspects influencing the outcomes.

For the Priprioca production, Natura established, together with the communities and the primary processors, a program to coordinate the relationship through regular visits from Natura staff, and a management system to monitor the plantation areas where the raw materials were cultivated, adopting socio-environmental principles (BOECHAT, PARO, 2007). The first measure guaranteed that Natura was constantly informed being able to offer support in correction actions in case something went wrong. That also allowed the company to discuss and propose constant improvements. The fact that Natura was supporting brought to the communities security and trust as they could count on the company if any issues would rise. The second policy ensured that the production process was always following sustainability standards and ensured the quality of the raw material as well as the main feature of the project. The constant monitoring also provided the communities with constant information and capacitation on the subject, open space for promoting further opportunities for projects of social and sustainable development. Hence, management standards can bring value in creating sustainable plans for continue coordination, monitoring, correction or improvement of actions.

The management Standards in Nestlé are sustainability guides and the projects itself. The Cocoa plan has its goals, job descriptions and responsibilities well defined, as well as KPIs to measure progress (COCOAPLAN, 2014). Moreover, to ensure efficient communication, Nestlé global engagement program is coordinated centrally, through the Creating Shared Value Forum series and regular stakeholder convening. “The Creating Shared Value Forum focuses on the role of business in development, particularly as it relates to nutrition, rural development and water. The stakeholder convening include additional issues specific to the company, including environmental sustainability, human rights and compliance" (NESTLE, 2014d). This engagement provides constant feedback to managers, and helps to identify issues that normally the company is unable to see. Also brings partners close and build the trust in each other. As the cocoa supply chain is quite complex, the constant dialogue makes sure that the flow of cocoa beans are lean and that all parts of the supply chain are in agreements and pursuing their role correctly and efficiently.

Lastly, in terms of reporting, Natural presents an integrated report including financial and non-financial aspects. The Annual report contains economic, financial, social and environmental outcomes of Natura, and the company has also joined the GRI initiative (NATURA, 2013). "The Global Reporting Initiative (GRI, 2014a) is a leading organization in the sustainability field. GRI promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to sustainable development" (GRI, 2014a). These integrated reports should reflect in what extent companies integrate CSR practices as day-to-day business or in the corporate culture and not only as an additional activity. The report also influences in the image of the company and Natura has demonstrated with them how to keep on track with their goals and moreover, every new action show their commitment to their sustainable pillar. According to an interview made by GRI with the supplier development manager of Natura, they believe that sustainability reporting enables companies, institutions and governments to view social and environmental challenges as development opportunities. It helps to concentrate efforts on accountability and transparency, therefore identifying solutions for current and future social problems (GRI, 2014b).

Natura Cosmetics has even invited some suppliers to report voluntarily both large and small firms (GRI, 2014) incentivizing more and more companies to adopt a sustainable position.

Nestlé is also part of the Global Reporting Initiative (GRI) and it promotes practices of global reporting covering their actions of Creating Shared Value, environmental sustainability and compliance performance every two years since 2007. Recently, they introduced an online reporting system about *Nestlé in Society* on an annual basis. Different from Natura, Nestlé has separate reports for financial and non-financial issues even though their annual reports presents some overview on social strategies. The separation is due to the magnitude of its operations and the different business segments in which the company plays.

As for an overview of the use of governance tools, both companies use this practice to communicate better and guarantee that actions are conducted according to principles and correct conducts as well as laws. They are the reflection of transparency and they support in tracking results and hence progress. They support value creation because relationship management must be based in common understandings even before trust and without basic and common understanding; the probability of succeeding is much lower.

b) Collaboration Stage Natura

Some aspects of the collaboration between Natura and the local communities of Pará can classify the partnership in its transactional stage, though most of them put the collaboration already in an integrative spectrum. As in transactional collaboration, partners normally use their core competencies to perform an activity that produces value for the partnership though in the integrative stage, there is higher organizational fit as values and strategies are more aligned as a result of working together (AUSTIN, SEITANIDI, 2012). The Pripiroca partnerships had a high level in engagement as it chose only families that were willing to take the challenge. The mission was central for both parts and the further the collaboration goes, higher the precision of value propositions of the project and its importance. There were some initial investments on new technologies and training though resources were already found in the region, as well as some previous plantations of Priprioca. The product could even be found in a city market called Ver-o-peso (BOECHAT, PARO, 2007), however the production was not enough, therefore the reason for attracting a large number of suppliers. The biggest investment was though, time, dedication and offering knowledge transfer and complementary capabilities.

Moreover the project involved a set of many activities to be completed since the formalization of the communities with an association to represent them, however the longer the time passes by, more independent the communities become. Natura had a planning for constant visits and even though the company was not the direct buyer, the interaction was quite regular. This fact also won the trust of the communities facilitating the relationship. Natura had minimum changes in its operation and only created a new department responsible for these suppliers. For the communities, the change was more representative, as they have changed how they were organized and operated. The relationship and the coordination of all process and standards required certain complex management though it aimed to provide higher value for both sides. The benefits that each side generated were very different, so were the benefits for the parts and only financial compensations were common for both. Innovations were not very frequent, though there were some adjustments. It is important to highlight though that Campo Limpo community assumed a position of constant seek for innovation for their own benefit but that was a plan apart from the partnership. The partnership generated an occasional external change as it provided higher income to the communities, giving them opportunities to change their surroundings. Table 10 shows the classification of each factor.

Table 10: Collaboration Stage Natura

	Characteristic	**Philanthropic**	**Transactional**	**Integrative**	**Transformational**	Characteristic
Level of Engagement	Low					High
Importance to Mission	Peripheral					Central
Magnitude of Resources	Small					Big
Type of Resources	Money					Core Competencies
Scope of Activities	Narrow					Broad
Interactions Level	Infrequent					Intensive
Trust	Modes					Deep
Internal change	Minimal					Great
Managerial complexity	Simple					Complex
Strategic Value	Minor					Major
Co-creation of value	Sole					Conjoined
Synergistic value	Occasional					Predominant
Innovation	Seldom					Frequent
External system change	Rare					Common

Source: Elaborated by the author based on Austin, Seitanidi, 2012

c) Value Sources Natura

Considering that the partnership is in its integrative stages, the value sources have specific characteristics. Natura and the communities have their common goal and strategies very clear *and* synchronous, and each part would bring its core competences to form the best relationship. For example, the communities would bring the land and the people to work in the plantation and Natura would complement supporting the technology and generating organizational fit and hence resource complementarity.

Resources nature in integrative relationships means that core competences and assets are used conjointly to create value rather than separated (AUSTIN, SEITANIDI, 2012) and since the beginning, Natura and the communities worked together towards a unique goal. Natura invested in technology, training, legal support and constant guidance and the community offered the land, the service and the commitment. This integration of competences produced new outcomes that could not have been created alone, and thus co-creates new value, characterizing the resource directionality and use in integrative collaboration. Finally, linked interests connects the firm's self-interests to the value they create for each other and according to Austin and Seitanidi (2012) a company cannot undertake an integrative collaboration until its CSR has reached an integrative state. That means that CSR and the societal value must have been inserted in the company supply chain or corporate culture. Natura is driven by CSR and Sustainability, and their first step in a collaboration is to communicate these values and principles in order to establish the ideal partnership and transfer some of the commitment towards social and environmental issues to the partner.

Moreover, it is in the integrative stage that *interaction values* emerge as a more significant benefit originated by the collaboration. "Trust, learning, knowledge, communication, transparency, conflict management, social capital, social issues sensitivity, have intrinsic value (…) in addition, are enablers of integrative collaboration and seen by many as essential to co-creation of value" (AUSTIN, SEITANIDI, 2012, p.743), therefore the collaboration between Natura and the communities had higher potential to create shared value as all these characteristics were present, with special emphasis in transparency that generated trust and promising open dialogues concerning societal issues.

d) Collaboration Stage Nestlé

Most of the aspects of the collaboration between Nestlé and the local communities of Ivory Coast can classify the partnership in its integrative stage. The Cocoa farmers' partnerships had a high level of engagement through the constant forums and the participation of third part associations that were brought into the collaboration to support some major issues. The mission was central for both parts as the raw material was essential to Nestlé and its production was essential to the survival of the communities.

Very high initial investments were required as well as continue funds for research, new technologies, and infrastructures but also training was very important to develop core competences and knowledge and improve production. Moreover the project involved a set of many activities to be completed, even beyond the production scope and encompassed the development of schools, for example. Interaction levels can be considered quite intense especially due to the construction of a Research plant, that provided the farmers constantly with new information on pest management or improvements on techniques, etc.

This fact demonstrated to all parts involved in the collaboration process, Nestlé long-term commitment to the project, and it might have been one of factors that mostly influenced to win the trust of the communities, and agencies, facilitating the relationships.

Nestlé did not present any changes in its operation, only on engagement initiatives structure and SCM, that had to be adjusted due to its managerial complexity as the relationship and the coordination of all tiers required certain attention. The partnership brought to Nestlé value in terms of secure supply, quality raw material, and commitment to sustainable practices.

For the communities, the change was more representative in a transformational stage, even though it is considered a theoretical stage (AUSTIN, 2000). It has changed how they were organized, the way they operated and most important of all their living and working standards, which also has great impact in the outcomes of their productivity. That means that even though benefits created and received were very different, it created value according to the intrinsic needs of each part. Innovations can be characterized as incremental considering that all of them were directed to improve cocoa cultivation and they had low impact in external changes that were quite remarkable. The plan not only changed living standards and pushed progress and development but also had a great impact in the environmental conditions. Table 11 shows the classification of each factor.

Table 11: Collaboration Stage Nestlé

	Characteristic	**Philantropic**	**Transactional**	**Integrative**	**Transformational**	Characteristic
Level of Engagement	Low					High
Importance to Mission	Peripheral					Central
Magnitude of Resources	Small					Big
Type of Resources	Money					Core Competencies
Scope of Activities	Narrow					Broad
Interactions Level	Infrequent					Intensive
Trust	Modes					Deep
Internal change	Minimal					Great
Managerial complexity	Simple					Complex
Strategic Value	Minor					Major
Co-creation of value	Sole					Conjoined
Synergistic value	Occasional					Predominant
Innovation	Seldom					Frequent
External system change	Rare					Common

Source: Elaborated by the author

e) Value Sources Nestlé

Considering that the partnership is also in its integrative stages, the value sources have similar characteristics from Natura. Nestlé and the communities have their common goal and strategies very clear *and* synchronous, each part would bring its core competence to form the best relationship. For example, the farms bring the land and the people to work in the cocoa plantation and Nestlé supports with training, technology and resources, generating organizational fit and hence resource complementarity.

In this case though, there were more parts involved in the collaboration, supporting additional competences, that Nestlé or communities did not have in order to create even more value, characterizing resource directionality and use in integrative collaboration. Finally, linked interests is already craved on Nestlé's strategy of Creating Shared Value and those values are communicated through initiatives and forum engagements, attracting also other institutions that are willing to participate and support in the value creation process.

Still, this analysis showed that Nestlé has fulfilled initial baby steps towards transformational collaboration, where partners agree on their intention to deliver transformation through social innovation enhancing lives of those involved (AUSTIN, 2000).

f) Compared Collaboration Stages and Value Sources

At a first glance, the collaboration type from both companies seem very similar but after the deep analysis on its stages and the characterization of each aspects, some disparities were found that might be quite relevant in determining the creation of shared value.

One aspect to consider is trust, while in Natura the trust was built with transparency and intense engagement, the trust with Nestlé partnership seems to have been imposed at first instance, due to the agreement with the government of Ivory Coast. Nevertheless, this trust was reinforced after some initiatives were implemented. Trust was the basis of the success. Though co-creation of value and external changes differed in each case. Whilst Natura actions generated income that could be reinvested in social development, Nestlé participated on actions that had direct impact on society. That means that, the further organizations are in the progress of their collaboration stage, higher the eminence of creating value and thus, higher levels of shared value. Therefore, it is important to realize what are the components to be adjusted in order to power those partnerships to the transformational stage.

g) Collaboration Process and components

According to Lambert, Knemeyer and Gardner (2004) each partnership contains a set of eight components and process that should be adjusted to create more value. They are planning, communication, trust and commitment, scope, joint control, risk and reward sharing, contract style and financial investments and based on the authors explanation, the components of the Natura-communities and Nestlé-communities partnerships are described.

Planning in Natura and Nestlé guaranteed flexibility and ensured better results as both partners fulfilled their roles. Communication was essential in order to adjust the other components, the strategies and to set the goals and also to identify different needs and opportunities. That was done with regular visits from Natura and Nestlé and stakeholders engagement initiatives. Trust and Commitment were also won through communication and transparency. The scope of the projects encompassed several economic activities, however it also allowed both parts to have outside-of-partnership activities. For Nestlé Cocoa plan, the scope was beyond their supply chain structure, but complementary.

Moreover, considering that each activity in the scope had one part responsible, independent decisions could be made. However, if the decision affected the expected outcome or both sides, an agreement should be reached. In both cases, the partnership was dependent and both benefits and rewards were shared, but also the risks. Contracts were very specific due to the characterization of the communities in both cases. The contract though made clear the obligations and responsibilities of each part. More than that, it was a formal and legal way of introducing the local suppliers in the company's supply chain. Lastly, there was no financial interdependence such as joint investments or assets. The Natura partnership allowed sole actions from both parts and for communities; it was an important factor to promote further opportunities not connected to Natura.

These components must be adjusted depending on the status of the partnership and if the purpose is to have a more independent or a closer and long lasting relationship. Although strengthening the level of components is not always the best way as it might waste time and resources, maintaining components that the partnership does not need. However, underpinning some of them can stimulate companies towards a transformational stage, especially in terms of scope.

5.4. Creating mutual benefits

The final step of the analysis is the Collaboration Outcome that delineates beneficiary level for outcomes analysis (AUSTIN, 2000). In this session, based on the shared value management model, the societal needs and companies expectation identified in the first step of analysis are briefly exposed. Next, the benefits generated to the companies with the projects are analyzed in terms of competitive advantage based in cost and differentiation and the competitive position is evaluated according to the "4R" model. After the benefits brought to society are described and compared to the previous outcomes using the table Illustrative Business and Social Result by level of shared value. The final detail consists in using the shared value management framework to identify if the outcomes of the collaboration of company and local supplier meet the societal needs and the companies expectation eminent before the partnership.

Natura expectation, discovered in the fist stage together with the drivers, was to achieve a level of stability in raw material supply, being able to reduce costs, optimizing production according to actual demand. Moreover, they expected to have marketing benefits with their stakeholders in general. Both aspects should lead to profit stability. One other aspect that was inserted in Natura's intentions since the beginning was to contribute to social and economical development, following its sustainability principles, going beyond business interests (BOECHAT, PARO, 2007).

The communities expected an increase of income and business opportunities, even though they were reluctant due to the failure of previous experiences with other companies. Natura hired local NGOs to better understand the people, their needs and demands (BOECHAT, PARO, 2007). People in the communities had limited education, access to business information and knowledge. In Campo Limpo for example they had poor living conditions with houses made of taipa, a type of construction made of stakes, lathes and sticks and filled with clay; the community had no access to no energy and they had the imminent risk that Natura partnership could be over at any time.

a) Collaboration Outcome: benefits to Natura

The partnership generated financial gains to Natura. After the production was stabilized they could reach an optimal price for the raw material that had fair margins to all parts. Moreover after some time running the production of Priprioca, the communities dominated the technology and due to learning curve effects costs also went down. Moreover, Natura could count on the necessary quantity, reducing instability of Ekos line Supply Chain.

Not only costs benefit, with the collaboration, the company was also able to reach a differentiation position. Telling a history behind the product line related to sustainability and social development not only increased the company reputation but also brought a differentiated concept to its products with unique properties.

b) Natura Competitive Position

Responsiveness is the ability to respond rapidly to customers' requirements. Natura not only respond to market and costumer requirements, but it is one of the pioneers in bringing innovation to its stakeholders. Reliability reduces process variability and uncertainty and all the strategies from Natura are based in sustainability over time. Also, Natura planning has guaranteed the success in most of its initiatives as planning is the basis for monitoring, controlling and improving. Resilience "refers to the ability of the supply chain to cope with unexpected disturbances" and Natura proved with the Priprioca project that they could cope with unknown and unexpected situations. The flexibility and commitment of the company guaranteed a resilient position towards the supply chain.

Relationships for Natura are also the most important element of SCM, and its value inserted in their corporate principles. The whole project for growing Priprioca involved some risks. They faced the fact that the production could not be enough, or prices would be much higher. Also, due to different levels of education compared to suppliers, there could have been miscommunication or misunderstandings besides lack of commitment due to mistrust. Natura once more was successful not only because of their dedication but also due to the skills in relationship management that they have developed along the years.

c) Collaboration Outcome: benefits to Pará Society

The community first of all benefited by the opportunity of doing business with a highly appreciated reputation such as Natura. Second, Natura provided support for organization and training for sustainable practices. Third, the communities also benefited in terms of monitoring and continuous support. The partnership may have been a platform for these companies to understand how to cope with large multinational and how to build long-term relationships. Also, because Natura was involved it may have attracted, researchers and governmental institutions, NGOs that were great support in the development steps. And Finally, the communities increased their income and profit.

All those factors made possible the search for new opportunities of business and provided the necessary income and support to social development.

d) Creation of Shared Value to Natura and Communities

The outcomes mentioned above are illustrated in table 12. Compared to the previous benefits expected, its possible to notice that both sides of the collaboration had their needs fulfilled and received even extra compensations. The longer the partnership runs, more opportunities, especially for the communities, will appear. For Natura, this long-term commitment guarantees not only the supply for the necessary raw material but also know-how in establishing this type of partnership. Later on, Natura can use these communities to find new raw material or the more time passes, more independent and auto-sufficient communities become and less investment is necessary from Natura side, meaning also that financial gains will be higher. Moreover, the analysis proved that the collaboration produced balanced benefits for both parts, though it is important to highlight that especially under the community perspective, the outcomes are correlated and one can only happen if the other is also happening, for example, access to financing happens because of the support from a rural development expert, who was attracted also due to the magnitude of the project and Natura participation.

Table 12: Shared value Natura-Priprioca communities

Level of Shared Value	Business Results	Social Results
Reconceiving Product markets	Increased revenue Increased market share Increased market growth Improved profitability	Increased Revenue Increased investments Access to financing Margin Management
Redefining productivity in the value chain	Access to differentiated raw material Reduction of costs Secured Supply Improved quality Improved profitability	Economy of Scales - capacity improvement Improved landscape use Access to technology Improved job skill Provided space for diversification
Enabling Cluster development	Reduced costs Secured supply Trainning Story behind the line attracted other companies Better infrastructure	Improved incomes Better living conditions More information and Knowledge Improved job creation Access to new partners Attracted development experts Involved governmental institutions

Source: Elaborated by the author based on FSG, 2011

e) Collaboration Outcome: benefits to Nestlé

Nestlé expected from this partnership especially to purchase a better quality and differentiated cocoa and to guarantee a long-term sustainable supply of the raw material. They did it through high investments in the cocoa crops, and development of new plants, as result of partnership with the government. They also invested in training to farmers and with a well planned project, the company achieved its objectives. A better quality raw material ensures the manufacturing of better products and for Nestlé that was essential. Nestlé enhanced productivity in the farms, securing supply and ensuring that when sales increase they will have necessary quantity to cover demand.

They could not only market a better product quality but also the path to reach such outcome, and the project contributed to the company image and reputation in terms of sustainability and value creation strategies. Moreover, better products allow higher margins and therefore better profitability.

Additionally, investing in complementary initiatives provided better infrastructure to the farms, which produces a proper and more stable environment, ensuring the continuity of the plantation.

f) Nestlé Competitive Position

Nestlé is already a responsive company that responds to market changes very rapidly. After the cocoa plan, there was enough evidence to prove that the company managed to develop a new project with a lot of investments and receive a quick outcome in short period of time. Also, the company demonstrated its reliability with all the investments in the country and in the communities of Ivory Coast, reducing the variability and uncertainty of cocoa supply for a long time in the future. The complementary investments to support infrastructure, education, proved that Nestlé has a resilient supply chain and can create the most innovative solutions to cope with unexpected situations, especially considering that the company was even willing to pay higher prices in order to stabilize the conditions of the communities and the plantations. Lastly, Nestlé demonstrated flexibility and commitment in the relationships and not only with the farmers but also with NGOs, institutions and government, which represented the potential of the project. Those relations were the basis to understand societal needs and design a plan that would meet the necessities and generate value.

g) Collaboration Outcome: benefits to farmers in Ivory Coast

The farmers from Ivory Coast benefited from the Cocoa Plan in several ways. Firstly, from the opportunity of increasing their income through the production of cocoa, they received incentives such as extra investments to improve their techniques and use of technology and further training to cope with the new resources. The results of these strategies revealed that farmers understood much better techniques of plantation management and pest prevention and gained knowledge from a range scope of subjects linked to the cocoa production. With all these information they were able to increased their capacity and productivity, reducing costs but also achieving better quality of crops. The project also attracted the involvement of third part institutions that intended to support their social development. They benefited with educational programs for their children and reduced child labor, creating a more promising future to their children in cocoa plantations. These initiatives contributed to the improvement of their living conditions, creating job opportunities and ensuring a long-term stability of income.

h) Creation of shared value to Nestlé and farmers in Ivory Coast

The outcomes from the collaboration between Nestlé and suppliers in Ivory Coast are illustrated in the table 13. Compared to the previous benefits expected, its possible to notice that both sides of the collaboration had their needs fulfilled and received even extra compensations. That mainly happened because one of the main goals of the project for Nestlé was to generate social value in order to support the business development. That means that the company did not look only to the benefits they could receive from the partnership such as costs, but were even willing to pay higher prices to create value. There are no doubts that the company also took advantage of the partnership, however, the positive result is the concept that the rewards could be shared.

Table 13: Shared value Nestlé-Ivory Coast farmers

Level of Shared Value	Business Results	Social Results
Reconceiving Product markets	Increased revenue Increased market share Increased market growth Improved profitability	Increased Revenue Increased investments Increased Quality of Raw Material Improved Plantation
Redefining productivity in the value chain	Access to differentiated raw material Differentiated Supply Secured Supply Improved quality Improved profitability Improve productivity	Capacity improvement Improved landscape use Access to technology Improved job skill Access to new plants
Enabling Cluster development	Reduced costs Secured supply Training Story behind the line attracted other companies Better infrastructure	Improved incomes Better living conditions More information and Knowledge Improved job creation Access to new partners Attracted development experts Involved governmental institutions Reduced Child Labor Improved Education

Source: Elaborated by the author based on FSG, 2011

i) General Overview on shared value creation

In general, business results were quite similar for the two initiatives. Mainly because both Natura and Nestlé were dealing with the same type of raw material, which are natural ingredients and they were committed to creating societal value. The most important fact to highlight is that while Natura generated better income and attracted other institutions that would support the social development of the communities in Pará, Nestlé already had a scope of activities, simultaneously to its cocoa operations, that could create additional value to the Ivory Coast farmers. Nestlé attracted institutions not for creating a parallel plan but to support in the plan they had already created.

Normally CSR purchasing strategies are supposed to be inserted in Corporate Culture and aligned with the supply chain goals, but it was proved by this research that if the companies follow this principle, the value will not be directly created as there are not sufficient activities to drive value creation alone. It can generate financial benefits but not social and economic development and progress. Hence, there is a need of attracting third parts to the collaboration or go beyond the supply chain scope in order to create transformational value.

The comparison of the companies from phase 1 and 2 is presented in Appendix 2. In Appendix 3, a table outlining and comparing both company's expectations and results.

CONCLUSION

The definition of the European Commission of CSR states that companies "should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy" (EU, 2011, p. 6), aiming to maximize the creation of shared value for stakeholders and reduce possible adverse impacts.

The pressure for MNCs to act in a socially and environmentally responsible way comes from every direction and these companies are increasingly using CSR approaches in their supply chain and corporate culture in order to not only achieve competitive advantage but also to create shared value. Purchasing approaches connected to CSR are emerging every day, though not all of them are successful. Choosing to use local communities as suppliers may be a choice for companies but it also might be essential for some business models, therefore it is the company's choice to decide how to deal with those communities and use this opportunity to somehow bring value to the society.

It is important to remember that most of the initiatives happen normally in emerging or underdeveloped countries, as their communities are the ones that most need investment and incentives for progress and development. Nonetheless, the regions chosen by the companies here researched were strategically selected due to the elements to be extracted, thus it was up to the companies to adapt to the local situation and create a specific project for the issues of the respective community. More than detecting problems from the specific regions, the goal of this research was to identify the drivers for the companies in the choice of their sourcing decisions and how these drivers lead to the creations of shared value.

Before exposing the main findings, it is important to mention that every research project is bound to encounter certain obstacles in the form of certain limitations and/or risks. For this particular project, some limitations regarding the number of cases analyzed may impose some biases, so does the companies chosen. They may not represent the majority of MNC's and they are considered pioneers in establishing relationships with stakeholders and therefore they are references under CSR perspective. Though, as the research intended to evaluate also the results and the actual creation of shared value to deeply understand the connections between the drivers and the results, the fact the companies had such strategies was fundamental for the final conclusions. Additionally, data collection was mostly provided by the companies' CSR reports and webpages, and it might present some distorted information – they are considered cases of success, and ineffective parts of the actions may have been left outside. A possibility to eliminate this problem is to interview both sides of the partnerships as well as experts in further investigations to understand individual perspectives and impressions.

This thesis presented two companies that have as part of their supply chain their relationship with local communities. In the first step of the analysis, it was discovered that there are some external aspects that influence companies in adopting local procurement strategies, mainly market trends, though the internal factors are predominant, particularly the company culture, strategy and its values. It was clear that even though both companies were aiming to generate shared value, the mains drivers were business aspects that could improve also their competitive positioning.

The second step identified that governance tools are basic mechanisms for instituting a partnership and they play fundamental role in the management of suppliers as they provide guidance, monitoring progress. It has also been highlighted that the further a company is in its collaboration stage, the more integrative are the value sources and more adjusted the interaction values, and hence higher the probability of creating shared transformational value. The last stage of the examination confirmed that shared value creation is possible and that it does not depend only on the buyer-supplier relationship but also on the interactions of several partners that can contribute to the collaboration.

The main findings proved the hypothesis that creation of shared value is a driver for MNCs to select local sourcing, however, it also elucidates that the willing to generate shared value is not sufficient to the actual creation, and even though the companies are willing to make a difference in society and their drivers include dimensions on creating shared value, there are many aspects that must complement those drivers in order to achieve a transformational stage for social change.

Taking into consideration the Natura-communities collaboration, there is no doubt that the partnership generated social value. However it is important to consider that Natura did not have a social development plan in place or they have not created that as part of the collaboration project. The purpose was to generate value to society in economical terms, which means that their income would increase. Indeed, the communities were more organized and prepared for further business opportunities, but the decision regarding the investments would depend only on the community or external advise. As an example, Campo Limpo community was independent, organized and pro-active and they were willing to find other business opportunities, though they needed an expert advise on investments to diversify their production and generate extra income. It is important to consider that these communities were poor and had limited access to higher education and the knowledge on how to promote development on their own is minimum. At the same time, Nestlé partnership had already a complementary plan beyond their supply chain scope (e.g. educational plan). Thus the question that remains for further consideration is about the role MNC's have in creating shared value and if they could create non-financial shared value when there is no participation of NGO, governmental institutions or experts, anthropologists, etc. to support community development.

Moreover, as practical implications, considering that Nestlé is a world market leader in most of the segments in which the firm has its products, using the collaboration to innovate in terms of CSR and shared value guarantees the maintenance of its competitive position. Not only that, those strategies keep the company motivated in finding creative solutions for improving its products or parts of its value chains when markets reach their saturation. Another factor to consider is that, being the largest food company with focus on nutrition and health associates them constantly with farmers and small growers of food raw material and therefore encountering challenging scenarios for capacity, quality and differentiation is very common, which influences once more in alternative strategies to ensure not only the best ingredients but favorable long-term sustainable conditions for its supply. Possibly, it also generates additional demand for its products, as the collaboration was developed in a region where nutrition is a major social issue and the good management of the relations with communitites enforces consumer trust on the company. The Cocoa plan had a huge role in the relationship with other institutions and organizations, such as NGOs or even the government, promoting the benefits that such collaborations can bring and opening space for the improvement and expansion of those alliances in further business.

In contrast, Natura has not reached a high position in the world market and it is not yet playing among the biggest cosmetic companies though has huge potential to grow reaching new markets. The collaboration with Brazilian growers is more than a differential feature for its products but supports the company steps in becoming one of the most innovative companies in the world, improving its competitive positioning. Additionally, as the Brazilian biodiversity attracts many players from different sectors, the example of having sustainable practices and creating local value may influence in the development of rules, laws and policies for exploration of nature, providing Natura an entry barrier for those competitior buyers that would like to use the same techniques or similar strategies. Moreover, as Natura also attracted social development experts to some of the communities the company was working with, it may be an open door for further collaboration with institutions and other companies, bringing Natura knowledge and support in its further strategies.

Finally, considering that both markets are very different, though both have trends for natural and sustainable ingredients, and the emergence of business opportunities in underdeveloped countries, the possibility of working with small farmers, growers, and underdeveloped communities is imminent and adapting the value chain and integrating CSR initiatives in purchasing is one of the most promising strategies to companies reach competitive advantage and create shared value.

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APPENDIX 1: Complete framework for analysis

Table 14: Complete framework for analysis

Scope	Phase 1	Framework	Phase 2	Framework	Phase 3	Framework
Goal	Why local suppliers? How were they chosen?		What makes local supplier management successful?		Verify the Collaboration Outcomes.	
Analysis 1	Sourcing Decision	Value Chain	How governance to improve the partnership - advantages	Governance tools	Identify Societal needs and Company expectations	Shared Value Managemen
Analysis 2	Internal x External Influences	Partnership model (drivers)	Identify characteristics of relationship	Value Sources	Benefits to the company Competitive Advantage	4R's Cost x Differentiation
Analysis 3	CSR initiatives and how they may create value	Collaboration Spectrum	How solid is the relationship	Collaboration Stage	Benefits to Society	Business and Social Result by level of shared value
Analysis 4	Aspects that support or hinder the collaboration	Partnership model (facilitators)	Process that support value creation	Collaboration Process	Evaluate if Benefits meet expectations	Shared Value Managemen
Analysis 5	Organizational Fit	Collaboration Mind set				

Source: Elaborated by the author

APPENDIX 2: Comparative board results phase 1 and 2

Table 15: Comparative board phase 1 and 2

Phase 1	Natura	Nestlé	Phase 2	Natura	Nestlé
Sourcing Decisions: Why local suppliers? How were they chosen?			**Supplier Management: What makes local supplier management successful?**		
SOURCING INFLUENCES			**GOVERNANCE TOOLS**		
External Influences	Market growth, demand for natural ingredients/ecological products, availability of natural resources, geographic position	Demand for natural ingredients/ecological products, availability of natural resources, history, appropriate conditions	Codes of Conducts	Principle of Relationships, Supplier certification	Code of business principle
Internal Influences	Sustainability as company value	Sustainability and shared Value as a pilar of their strategy	Management standards	CSR Management system, Corporate Responsibility Investment Matrix and an Environmental Management System, Communities Relations Management Group.	Sustainability guides, specific projec, The Creating Shared Value Forum
	Innovation	Essential as a raw material	CSR Reporting	Integrative Report	Shared Value Reporting
DRIVERS			**COLLABORATION STAGE: INTEGRATIVE**		
Cost efficiency	50%	25%	Magnitude of Resources	transactional	transformational
Marketing advantage	100%	75%	Trust	transformational	Integrative
Customer Service	25%	50%	Strategic Value	transformational	Integrative
Profit stability	75%	75%	External system change	transactional	integrative
FACILITATORS			**VALUE SOURCES**		
Corporate compatibility	Common objective - capacity, high quality, fair prices	Common objective - high quality, fair prices, long-term relationship	Resource complementarity	Common goals and strategies	Common goals and strategies
Managerial philosophy and techniques	Department cordinating community relations - Alert: formal structure as well as technical knowledge!	Third part support. Alert: Communication	Resource nature	Core competences and assets used conjointly	Core competences and assets used conjointly
Mutuality	Transparency - all parts win	Commitment	Resource directionality	New outcomes with collaboration	New outcomes with collaboration
Symmetry	Empowerment	Complementary capabilities, third part participation	Linked interests - integrative values	Trust, learning, knowledge, communication, transparency, organization.	Trust, learning, knowledge, communication, transparency, social capital, social issues sensitivity
Collaborative Mindset - key factors	Common goal, complementary capabilities, commitment, transparency, empowerment and independence	Common goal, complementary capabilities,commitment, transparency, life issues and trust.			
COLLABORATIVE SPECTRUM					
Initiatives	Organization	Fair Trade prices			
	Trainning	Training			
	Continuous Support	External help/ Children education			

Source: Elaborated by the author

APPENDIX 3: Comparative board results phase 3

Table 16: Comparative board results phase 3

Level of Shared Value	Business Results	NATURA	NESTLE	Social Results	NATURA	NESTLE
Reconceiving Product markets	Incresead revenue	YES	YES	Increased Revenue	YES	YES
	Increased market share	YES	YES	Increased investments	YES	YES
	Incresed market growth	YES	YES	**Access to financing**	**YES**	**NO**
	Improved profitability	YES	YES	**Margin Management**	**YES**	**NO**
				Increased Quality of Raw Material	YES	YES
				Improved Plantation	YES	YES
Redefinying productivity in the value chain	Access to differentiated raw material	YES	YES	Economy of Scales - capacity improvement	YES	YES
	Diferentiated raw material Supply	**NO**	**YES**			
	Reduction of costs	**YES**	**NO**	Improved landscape use	YES	YES
	Secured Supply	YES	YES	Access to technology	YES	YES
	Improved quality	YES	YES	Improved job skill	YES	YES
	Improved profitability	YES	YES	**Provided space for diversification**	**YES**	**NO**
Enabling Cluster development	Improve productivity	YES	YES	**Access to new plants**	**NO**	**YES**
	Reduced costs	YES	YES	Improved incomes	YES	YES
	Secured supply	YES	YES	Better living conditions	YES	YES
	Trainning	YES	YES	More information and Knowledge	YES	YES
	Story behind the line attracted other companies	YES	YES	Improved job creation	YES	YES
	Better infrastructure	YES	YES	Access to new partners	YES	YES
				Attracted development experts	YES	YES
				Involved governmental institutions	YES	YES
				Reduced Child Labour	**NO**	**YES**
				Improved Education	**NO**	**YES**

Source: Elaborated by the author