

Shared Value Projects Attractiveness for Corporations in Industrial Comparison

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Summary:

Companies are held accountable for their relations and impact on the environment where they operate, both environmental and social. Previously mostly accepted CSR and corporate philanthropy projects were recently criticized for their fragmented and often low focus. Their criticism intensified even more during the recent economic crisis. The newly introduced approach, Corporate Shared Value (CSV), promises to satisfy both the shareholder and stakeholder interests. This article analyses the attractiveness of CSV approach for adoption by corporations, specifically CSV implemented projects are analyzed along their focus on social issues solved and their comparison across industries. Shared Value projects preferences by industry shows that many projects are capitalizing on the companies' strengths, by analyzing, designing and implementing projects in the social issue areas where the company core expertise can be deployed. However, other projects are implemented in areas unrelated to the core business of companies.

Key words: corporate social responsibility, shared value, stakeholders, shareholders, social issues; industry.

JEL Classification: M14; L21; Q56

1. Introduction

The corporations have been defining their position within the communities of their operations since ever. There were times when companies were supposed to focus only on the profit creation no matter how and what externalities they generated. And those periods were alternating with those when companies were held responsible for the well-being and development of their surrounding environments and communities. The recent financial and economic crises demonstrated that hard times in terms of business cause companies focus on their own survival at any costs. The crisis period forced companies to cut most of their budgets for environmental and social activities for their communities.

At the same time, corporations are recently more often called to participate actively at solving pressing environmental and social problems. These calls are becoming louder and louder as several of the multinational corporations are financially stronger than many sovereign states, especially the developing ones that are struggling to solve the pressing social issues on their own.

The recently introduced concept of Corporate Shared Value (CSV) seems to incorporate both profit creation for companies and solving pressing social issues for communities (or even countries) where

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a company operates. As the concept was introduced relatively recently, its viability is relatively unexplored. This article presents an approach to social issues projects approach by businesses that lead to the creation of the Shared Value concept. Further, the article analyses the attractiveness of CSV projects for corporations across industries and across social issues addressed.

2. Literature review

The concept of Corporate Social Responsibility (CSR) has been developing since 1960's with waves of interest of its admirers alternating with voices of loud opponents. While proponents emphasized responsibility of companies toward their environment, employees, and communities, opponents criticized CSR as "window dressing" (Friedman, 1970), increasing costs, violation of profit maximization, lack of skills, lack of accountability and too much power in the hands of entrepreneurs (Robbins & Coulter, 2012, p.126).

The CSR concept is still very wide resulting in no uniformed definition of CSR. One of the most often cited definitions comes from the World Business Council for Sustainable Development that sees CSR as „the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large" (WBCSD, p. 3). European Commission recently updated its view on CSR as "the responsibility of enterprises for their impacts on society" (EC, 2011, p. 6). The concept is part of a much wider approach reflected by scholars in the importance of sustainable economy (Melnyk, 2014) and sustainable regional development (Dehtyarova, Melnyk, Romanchenko, 2014; Burych, 2015).

As CSR philosophy is built on a voluntary basis, involving activities going beyond the legal requirements, it is mostly perceived

by shareholders as a cost. Logically, they pressure to minimize CSR activities at times of economic downturn and low profits, as we witnessed during the recent economic crisis. Consequences are painful for those who depend on or rely on the CSR support, such as charities, NGOs, disadvantaged communities and individuals.

Scholars searched for more refined, better focused CSR approaches that will be more stable and resistant to economic volatility. Integrating CSR into a corporate strategy seems to be the answer (Slavova, 2013).

One of the most recent concepts – Corporate Shared Value (CSV) – introduces ability to combine profit generation and solve social and environmental issues at the same time. As Shared Value is a corporate strategy focusing on new business opportunities, it addresses social problems, such as weaknesses in health and education systems, inequalities, lack of economic opportunities or threatened natural resources. The initiators of the idea, Porter and Kramer, already at the beginning of the millennium (2002) explained that corporate philanthropy projects should be context-focused, as well as, bring financial profits for the company. Grayson and Hodgets (2004) introduced their Corporate Social Opportunity approach that intended to maximize both social and business benefit from CSR programs. Their seven-step model guided managers through intended changes in business strategies. Both works stress that the 'corporate philanthropy' or Corporate Social Opportunity have to be part of corporate strategy.

Porter and Kramer (2006) presented more sophisticated guidance in assessing the social opportunities to be addresses. They introduced three types of social issues – Generic Social Issues, Value Chain Social Issues and Social Dimensions of Competitive Context reflecting CSR from Responsive

Articles

CSR to Strategic CSR. Having experienced a financial and economic crisis, managers were hungry for innovative approaches of addressing CSR issues at low (or better no) costs. The Shared Value idea seemed to be the exact answer as it allows for companies to create economic value by creating societal value. "There are three distinct ways to do this: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations. Each of these is part of the virtuous circle of shared value; improving value in one area gives rise to opportunities in the others." (Porter & Kramer, 2011, p.7):

- *Reconceiving Products and Markets:* It means creating new products or services that will meet current social or environmental needs, making them accessible by new distribution channels and at the same time bringing profit to the company.
- *Redefining Productivity in the Value Chain:* It means recreating the internal value chain in terms of minimizing the social and environmental impact on the stakeholders and at the same time either keeping or improving the company operations efficiency.
- *Enabling Local Cluster Development:* It stands for the operations of optimization while better cooperation and support of the local "cluster", where cluster

means not only supporting industries but also educational institutions, trade associations, and standards organizations (Porter & Kramer, 2011, p.7-12).

Given all the abovementioned, the Corporate Shared Value is clearly positioned in relation to the Corporate Social Responsibility.

There are also numerous critiques of the Shared Value concept criticizing its unoriginality, ignoring lack of tensions between social and economic goals, naivety about business compliance, and shallow conception of the corporate's role in society (Crane et al., 2014). Schumpeter (2011) claims there is great similarity with Jed Emerson's concept of blended value where firms seek simultaneously to reach profit and social and environmental targets. Elkington (2011) says that Shared Value does not solve the most pressing CSR issues such as human rights or corruption. However, the concept is still young and a number of interesting Case Studies based on the principles of CSV are still being born. So, the judgement of CSV could wait until the reasonable base of Case Studies could be assessed. This article tries to help complete the picture.

The main social issues with expected business potential for CSV projects were defined as: Energy Use, Water Use, Employee

Table 1. Differences between the concepts of Corporate Social Responsibility and Corporate Shared Value

Corporate Social Responsibility (CSR)	Corporate Shared Value (CSV)
Value: doing good	Value: economic and societal benefits relative to cost
Citizenship, philanthropy, sustainability	Joint company and community value creation
Discretionary or in response to external pressure	Integral to competing
Separate from profit maximization	Integral to profit maximization
Agenda is determined by external reporting and personal preferences	Agenda is company specific and internally generated
Impact limited by corporate footprint and CSR budget	Realigns the entire company budget

Source: Porter and Kramer (2011, p.16)

Health, Workforce Safety , Employee Skills, Supplier Access and Viability, Environmental Impact (Porter & Kramer, 2011). None of industries was specifically named as the potential main player in the CSV projects. Hence, exploration of the industrial specifics of Shared Value projects could move further the discussion of their added value to society, environment and business.

The research questions are as follows:

Is the Porter & Kramer's Shared Value approach (CSV) attractive for companies?

Which social issues are mostly addressed to bring simultaneously business value?

What is the adoption of CSV projects across industries?

Which social issues are mainly addressed across different industries?

The article will first explain the methodology, data source and analyze the Shared Value projects along the social issues solved, specified by the industries involved and finally the cross analysis of both criteria will be performed.

3. Methodology explanation

The Shared Value Initiative (SVI) database of implemented Corporate Shared Value (CSV) projects was used as data source. The Initiative, being established in 2012, is a voluntary association of corporate practitioners and consultants believing and practicing Shared Value in their business strategies and day-to-day business operations. The SVI was established, among others, by Mark Kramer and Michael Porter, the authors of idea of Shared Value. The database comprises relevant examples of CSV projects implemented by companies worldwide. The database entry is voluntary. The author of this paper presupposes that companies implementing Corporate Shared Value into their strategies are also the active members of SVI and sharing their successful projects in the Shared Value Case Examples database.

The status and development of CSV implemented projects was assessed based on the Shared Value Case Examples database of the Shared Value Initiative in April 2, 2016.

Table 2. Social Issues mapped by Shared Value Initiative database

Social Issue	No. of projects implemented
Climate Change and Environment	20
Disaster Preparedness, Response and Relief	8
Education, including Workforce Development	42
Financial Inclusion	23
Gender Equality	14
Global (Community) Development	46
Health and Nutrition	38
Human Rights	10
Poverty	23
Water	12
Others	14

Source: the author's own analysis from SVI Case Examples database (April 2016)

Table 3. Industries mapped by the Shared Value Initiative database

Industry	No. of projects implemented
Academia	0
Agriculture	13
Education	16
Energy and Extractives	23
Financial services, including banking and insurance	24
Healthcare, Pharmaceutical and Biotechnology	20
Industrial and Manufacturing	10
Marketing and Advertising	4
Media and Publishing	3
Nonprofits and NGOs	26
Philanthropy	7
Professional Services, incl. consulting, legal, tax, and real estate	17
Retail, incl. restaurants and food service	6
Technology, incl. communications	11
Transportation, incl. logistics and distribution	1
Travel, Entertainment, Sports, and Hospitality	5
Others	13

Source: the author's own analysis from SVI Case Examples database (April 2016)

Comparative research, specifically cross-industrial comparisons and time-frame snapshot comparisons were used as a data analysis method. The SVI Case Examples database describes 164 implemented CSV projects as of 2nd April 2016 compared to 117 implemented projects by 31st July 2015. Each implemented project was assessed by qualitative data - by the social issue addressed and the industrial affiliation of the respective company. Many CSV projects deal with more than one social issue.

4. Analysis of Shared Value Initiative Case Examples database

The key 11 areas of Social issues, listed by Shared Value Initiative, where the CSV concept is used currently, are as follows:

Between April 2016 and July 2015,

two categories changed their name to slightly broaden their focus: Community Development was renamed as Global Development, and Women's Empowerment was renamed as Gender Equality.

The database identifies 17 industries where the CSV concept was implemented:

Between April 2016 and July 2015, two categories were added: *Academia* and *Others*. While the category *Academia* has not shown any project yet, the category *Others* displayed 13 implemented projects.

5. Results description

Based on all the analyzed CSV projects, the social issues of Global (Community) Development (18%), Education (17%) and Health and Nutrition (15%), followed by Financial Inclusion and Poverty (each 9%)

are of the highest interest by April 2016. Relatively lower interest was in social issues of Climate Change and Environment (8%), Gender Equality and Others (each 6%), Water (5%), Human Rights (4%), Disaster Preparedness (3%) (Figure 1).

The breakdown by industries shows that the highest numbers of projects were realized in *Nonprofits and NGOs* (13%), *Financial services* (12%), *Energy and Extractives* (12%), and *Healthcare and Nutrition* (10%) industries by April 2016. The second group of industries with average number of CSV projects included *Professional services* (9%), *Education* (8%), *Agriculture and Others* (both 7%), *Technology, incl. communications* (6%) and *Industrial and Manufacturing* (5%) by April 2016. The lowest amount of projects emerged in *Philanthropy* (4%),

Travel, Entertainment (3%), *Marketing and Advertising* (2%), *Media and Publishing* (2%), and *Transportation* (1%) by April 2016 (Figure 2).

When analyzing two criteria, the social issue solved and industry of the company solving the issue, then the CSV projects in *Nonprofits and NGOs* (52 projects) dealt mainly with Global Development and Education (each 15%, 8 projects), Gender equality and Poverty (each 13%, 7 projects), Health and Nutrition (12%, 6 projects), and Disaster relief, Financial inclusion, Human rights and Water (each issue 6%, 3 projects). Less attention was paid to projects of social issues like Climate Change, and Others (each 4%, each 2 projects).

Companies in the *Energy and Extractives* (44 projects) industry targeted mainly their projects in Global Development (25%, 11

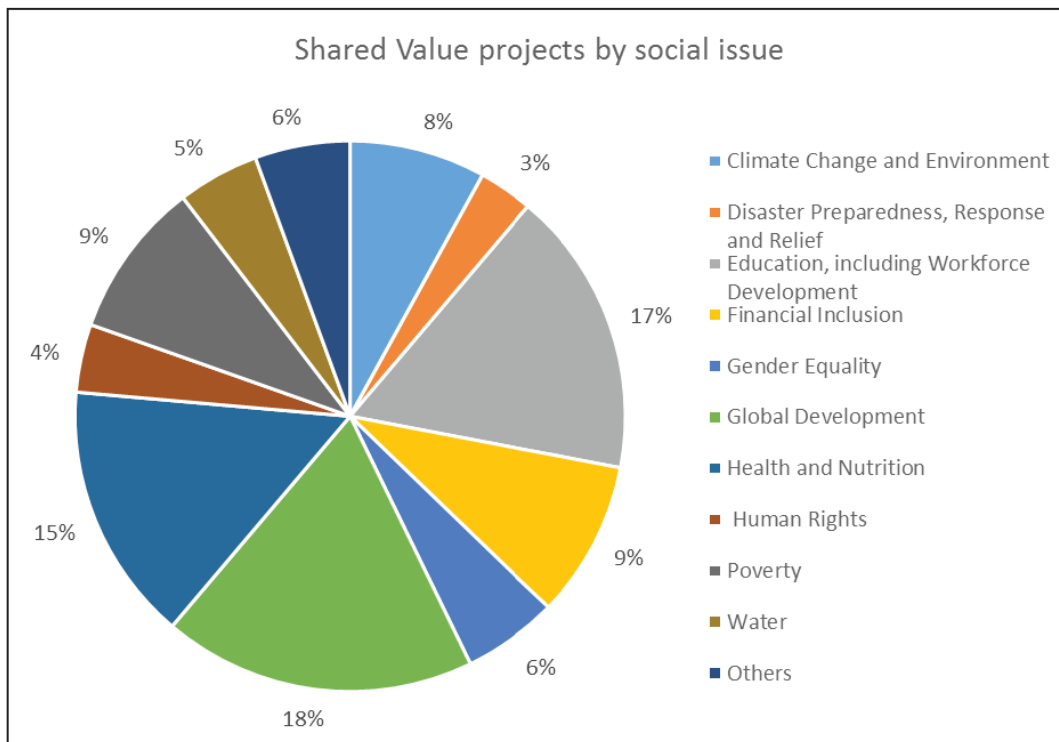


Fig.1. Shared Value projects divided by the social issue addressed Source: ECB Source: the author's own analysis from SVI Case Examples database (April 2016)

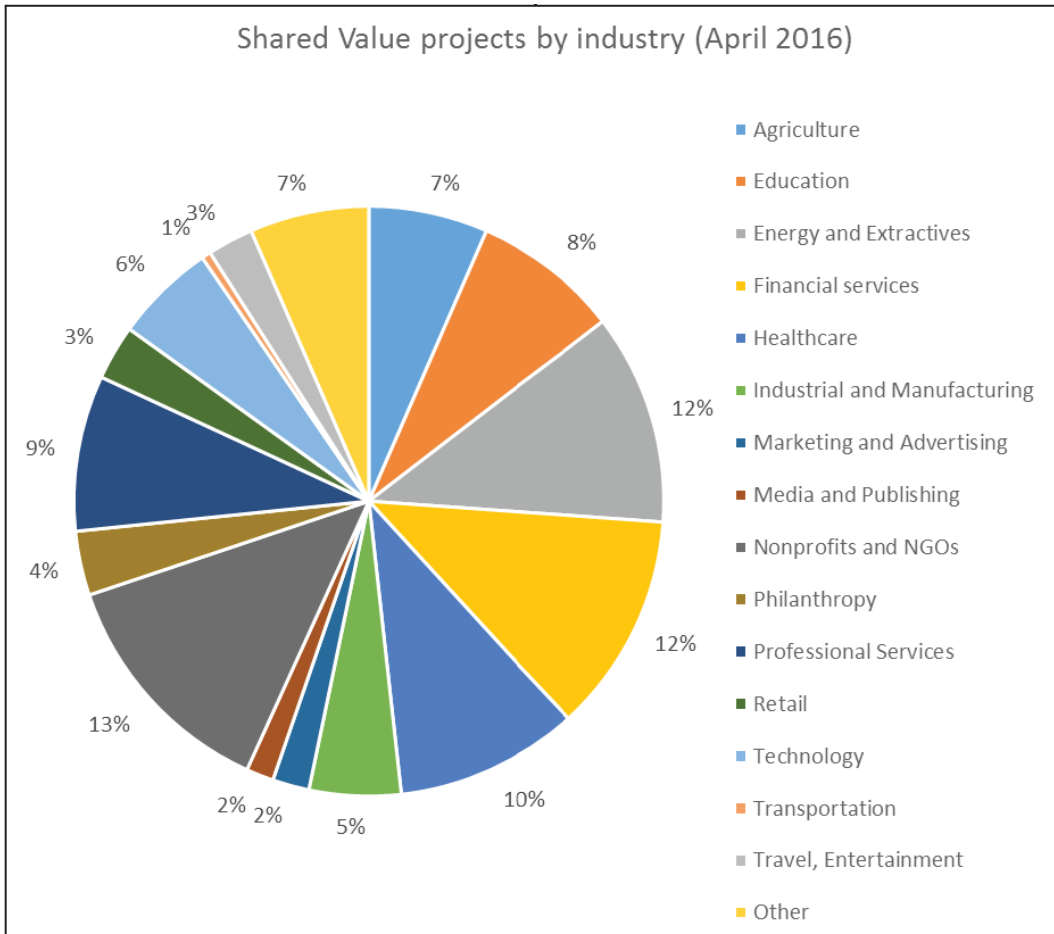


Fig.2: Shared Value projects divided by industry of the company

Source: the author's own analysis from SV Case Examples database (April 2016)

Note: industries' names were shortened in the following way: Travel, Entertainment = Travel, Entertainment, Sport and Hospitality; Transportation, incl. logistics and distribution; Technology, incl. communication; Retail, incl. restaurants and food service; Professional Services, incl. consulting, legal, tax, and real estate; Healthcare = Healthcare, Pharmaceutical and Biotechnology; Financial services, incl. including banking and insurance.

projects), Education (18%, 8 projects), Climate Change and Environment (16%, 7 projects). Projects in social issues Poverty and Water (each 9%, each 4 projects), Financial Inclusion, Health and Nutrition, and Human Rights (each 7%, each 3 projects), and Disaster Preparedness (2%, 1 project) were of smaller interest in that industry.

Projects in *Financial services* (37 projects) focused mostly on the social

issue of Financial Inclusion (38%, 14 projects), Global Development (16%, 6 projects), Education (11%, 4 projects) and Health and Nutrition (8%, 3 projects) as the most important. Social issues of Climate Change, Disaster Preparedness, Poverty, and Others (5%, 2 projects) were of smaller interest. The lowest focus was on issues of Human Rights and Water (each 3%, each 1 project).

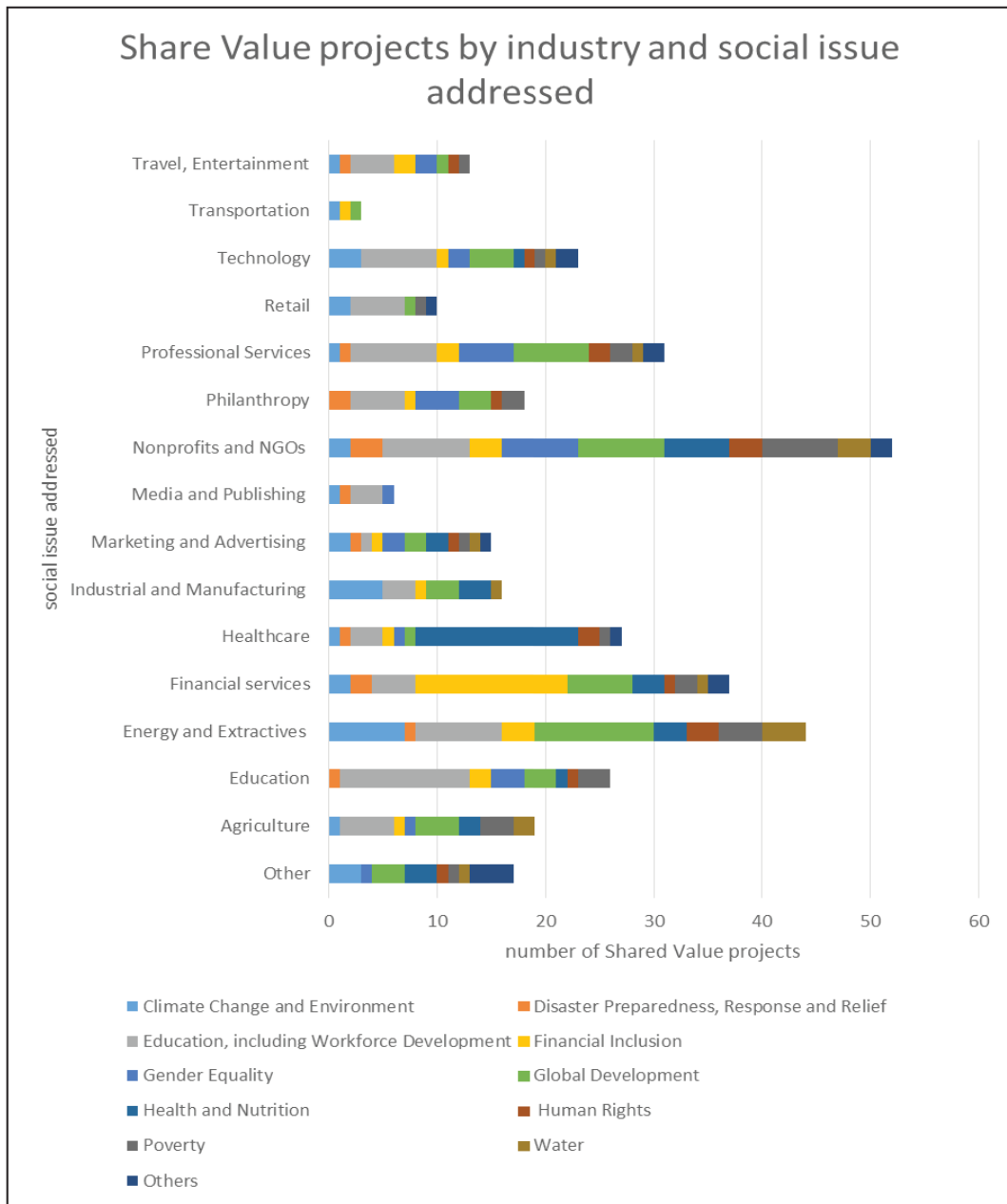


Fig. 3: Shared Value projects divided by industry and the social issue addressed

Source: The author's own analysis from SV Case Examples database (April 2016)

Note: Many projects solve more than one social issue.

Note II.: industries' names were shortened in the following way: Travel, Entertainment = Travel, Entertainment, Sport and Hospitality; Transportation, incl. logistics and distribution; Technology, incl. communication; Retail, incl. restaurants and food service; Professional Services, incl. consulting, legal, tax, and real estate; Healthcare = Healthcare, Pharmaceutical and Biotechnology; Financial services, incl. including banking and insurance.

Articles

The *Professional Services* industry (31 projects) dealt mainly with Education (26%, 8 projects), Global Development (23%, 7 projects), and Gender Equality (16%, 5 projects). The *Professional Services* industry paid less attention to Financial Inclusion, Human Rights, Poverty, and Others (each 6%, each 2 projects), and the lowest to Climate Change, Disaster Preparedness, Water (each 3%, each 1 project).

And companies in the *Healthcare and Nutrition* industry (27 projects) solved dominantly social issues in Health and Nutrition (56%, 15 projects), then only a few projects in other social issues such as Education (11%, 3 projects), Human Rights (7%, 2 projects), and Climate Change and Environment, Disaster Preparedness, Financial Inclusion, Gender equality, Poverty and Others (each 4%, each 1 project).

Projects in *Education* (26 projects) focused mostly on the social issue Education (46%, 12 projects), with a large distance followed by the social issue Gender Equality, Global Development and Poverty (each 12%, each 3 projects), then Financial Inclusion (8%, 2 projects), and lastly by Disaster Preparedness, Health and Nutrition, and Human Rights (each 4%, each 1 project) (Figure 3).

Conclusion

The Corporate Shared Value projects try to address both shareholder and stakeholder interests. The CSV concept seems to be viable, as even though the idea is relatively new, being introduced in 2011, there were 164 projects implemented and documented at Shared Value Initiative Case Examples database by April 2016. The Shared Value approach tries to tackle many different social issues ranging from Climate Change and Environment, Disaster Preparedness, Response and Relief, Global (Community) Development, Education, Financial Inclusion,

Gender Equality, Health and Nutrition, Human Rights, up to Poverty and Water. The mostly addressed issues were Global (Community) Development, Education, incl. workforce development and Health and Nutrition.

The most active industries in the CSV projects implementation were Nonprofits and NGOs, Financial services, including banking and insurance, Energy and Extractives, and Healthcare and Nutrition by April 2016. Shared Value projects preferences by industry shows that companies are capitalizing on their strengths, by designing and implementing projects in the social issue areas where their core expertise can be deployed; the industry Education targeted 46% of projects on the social issue Education, Financial Services 38% on the issue Financial inclusion, Healthcare 56% on Health and Nutrition. However, other projects are implemented in areas unrelated to the core business of companies.

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