

From Responsibility to Opportunity through Creating Shared Value (CSV)

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Changing Views on Firm's Corporate Social Activities

Before the 2000s, corporate social activities were concerned about responsibility such as compliance to law and keeping ethics. However, since the 2000s, firms have become more interested in finding opportunities such as competitiveness-building activities.

Theme	Concepts	Studies
Philanthropy	<ul style="list-style-type: none"> • Corporate resources for social goals • Voluntary perspective 	Frederick (1960) Carroll (1991)
Image	<ul style="list-style-type: none"> • Cause marketing • Attraction to stakeholder interests • Reputation building • Trust-building 	Smith and Alcron (1991) Kurucz, Colbert, and Wheeler (2008) Suchman (1995), Smith (2003) Pivato <i>et al.</i> (2008)
Strategy	<ul style="list-style-type: none"> • Synergy • Business opportunity • Core competence, differentiation • Responsive vs. Strategic CSR 	Berger <i>et al.</i> (2007), Drucker (1984, 1998) Prahalad (2002) Porter and Kramer (2002)
Value	<ul style="list-style-type: none"> • Value chain and shared value • Creative capitalism • Business opportunity and productivity 	Porter and Kramer (2006, 2011) Kinsley and Clarke (2008) Moon (2012) , Moon and Lee (2014)

Michael Porter's Contribution to "Strategy and Society"

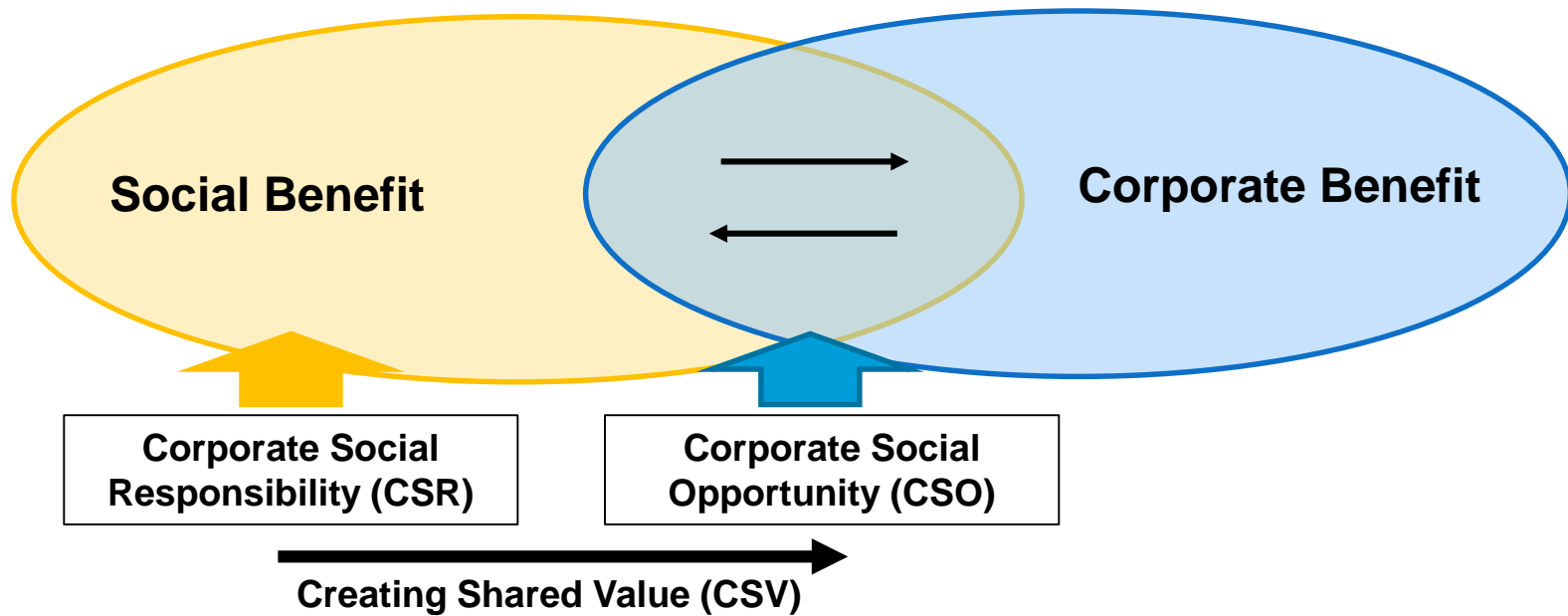
Porter and Kramer published four articles on social corporate activities, which are very useful in understanding the conceptual development from corporate social responsibility (CSR) to creating shared value (CSV), and the value of CSV and its strategic implications.

The Conceptual Development

- **(1999) Limitations and Solutions for Philanthropy**
 - Importance of "value creation" for sustainability
 - Value = being good + strategy
- **(2002) Integrative Approach to CSR**
 - Rethinking corporate philanthropy
 - CSR = social benefit + economic benefit
- **(2006) Competitive Advantage and CSR**
 - Evaluating firm's value chain activities
 - Responsive CSR vs. Strategic CSR
- **(2011) Creating Shared Value (CSV)**
 - Cooperation and mutual benefits between firms and society
 - Three strategies for CSV

From Responsibility to Opportunity through CSV

Corporate Social Responsibility (CSR) is about creating only social value, while Corporate Social Opportunity (CSO) is about creating both social and business values. Creating Shared Value (CSV) is the means to CSO.



Source: Reorganized and extended from Porter and Kramer (2011)

Corporate Social Responsibility

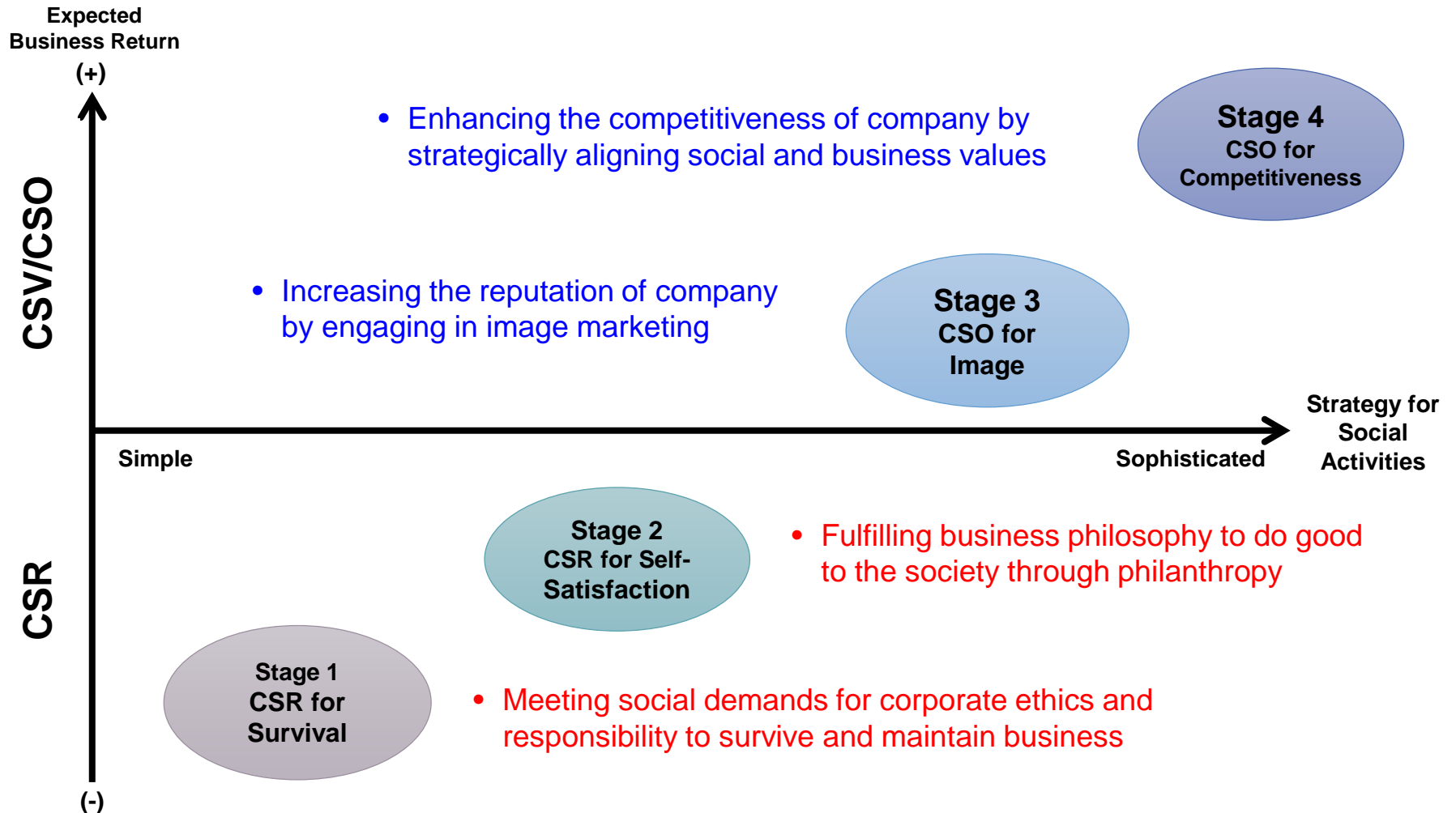
- Providing hope and dream for underserved community
- Sincere social contribution
- Voluntary contribution

Corporate Social Opportunity

- Helping self-reliance of underserved community
- Productive social contribution
- Effective contribution

The 4 Stages of Corporate Social Activity

Corporate social activities can be categorized into four stages. CSR activities do not generate economic benefits, while CSV/CSO activities increase economic benefits through proper strategies for enhancing competitiveness.



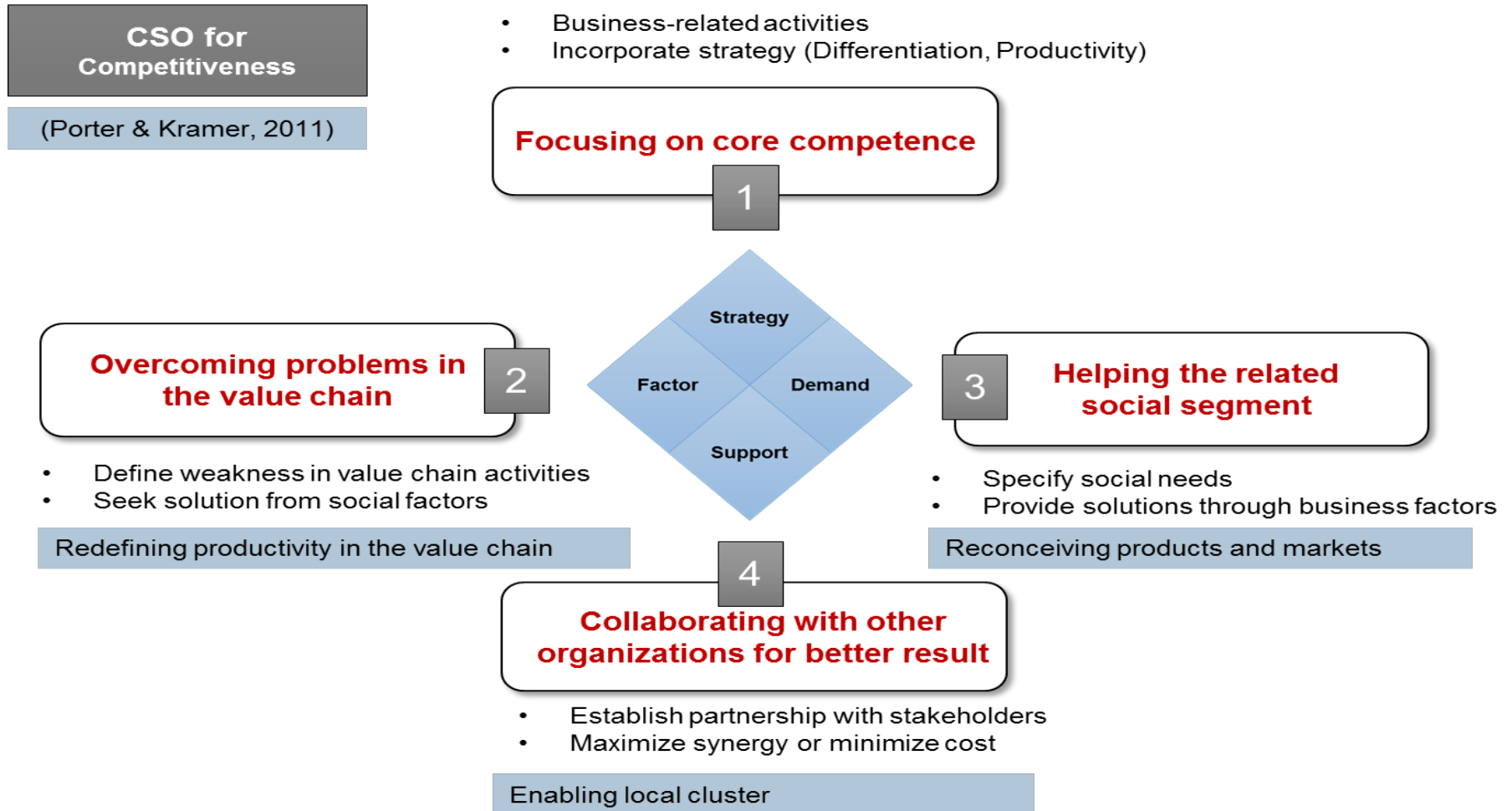
Overview of 4 Stages for Corporate Social Activity

Each stage has specific motivations that have differing effects on business and social values.

4 Stages	Motivations	Cases/ Examples	Characteristics
CSR for Survival	• Risk-management	• Oil spill, Child labor <i>ex) Royal Dutch, Nike</i>	<ul style="list-style-type: none"> - Temporary - Unsystematic - Unsophisticated strategy
	• Risk-prevention	• Compliance to Standards <i>ex) ISO 26000</i>	
CSR for Self-Satisfaction	• Moral satisfaction	• CEO philosophy <i>ex) TOMS shoes</i>	<ul style="list-style-type: none"> - Less effective - Less efforts for after care - Less related to business
	• Enlightened self-interest	• Social cause: School building, human rights <i>ex) GE, The Body Shop</i>	
CSO for Image	• Branding (Corporate image)	• Brand/Corporate marketing <i>ex) Subway, Timberland</i>	<ul style="list-style-type: none"> - Opportunity cost - Window-dressing - Short-term
	• Cause marketing (Product image)	• Product marketing <i>ex) Apple, Nike</i>	
CSO for Competitiveness	• Cost reduction	• Process <i>ex) Walmart, Microsoft</i>	<ul style="list-style-type: none"> - Enhanced productivity - Mutual value creation - Sustainability
	• Differentiation	• Products and services <i>ex) Toyota</i>	

CSO for Competitiveness (in detail)

Stage 4: CSO for competitiveness is composed of four strategic elements which can be compared to Porter and Kramer's (2011) three strategic guidelines that overlooked the importance of focusing on core competence.



CSR vs. CSV/CSO: Comparison of GE and Microsoft

CSR and CSV/CSO are different. Both General Electric (GE) and Microsoft contributed to the society. However, GE's activities (CSR) did not benefit the company, while Microsoft's social activities (CSV) benefitted the company as well as the society.

	CSR	CSV/CSO
Theory	Zero-sum game	Positive-sum game (Win-win)
Focus	General social problem	Core competence
Objective	Good citizenship	Value maximization
Direction	Unilateral value-transfer	Mutual value-creation
	General Electric (GE)	Microsoft (MS)
Program	School support program	MS technical specialist (certificate program)
Target	High schools	Community colleges
Contribution	Money	Money, equipment and program
Service	Mentoring by executives	Direct training by executives
Results	All satisfied	All satisfied: Employment of IT technicians, Self-reliance of grantees

Strategic Implication for CSV

Focusing on the firm's core competence is critical in increasing synergy and shared value. With the firm's expertise and existing resources/capabilities, both tangible and intangible costs can be saved while the activities reap better results for society and business.

Common misunderstanding on CSV

- **Utilizing only the final product**
 - Foodnation: Set menu "Hope"
 - TOMS shoes: Buy One Give One (BOGO)
- **Less related to brand/company image**
 - The Body Shop: Main products (skin, body, hair beauty products) are different from its main CSR activities (human rights, AIDS)

So, start from core competence

- **First, consider the industry:**
CSO is different in each industry
 - Healthcare: Public health – target specific disease that can be supported by the company's capability
 - IT/Computer: Related activities
- **Second, consider company's core competence**
 - Volvo: Strong and safe vehicle
 - Honda: Fuel-efficient, eco-friendly vehicle

Case Study: Nestlé India

Background

- Nestlé had a problem in obtaining quality milk because Moga had insufficient refrigeration and transportation.
- Farmers owned less than 5 acres of poorly irrigated and infertile soil, and 60% of calves died newborn.

CSO Activity

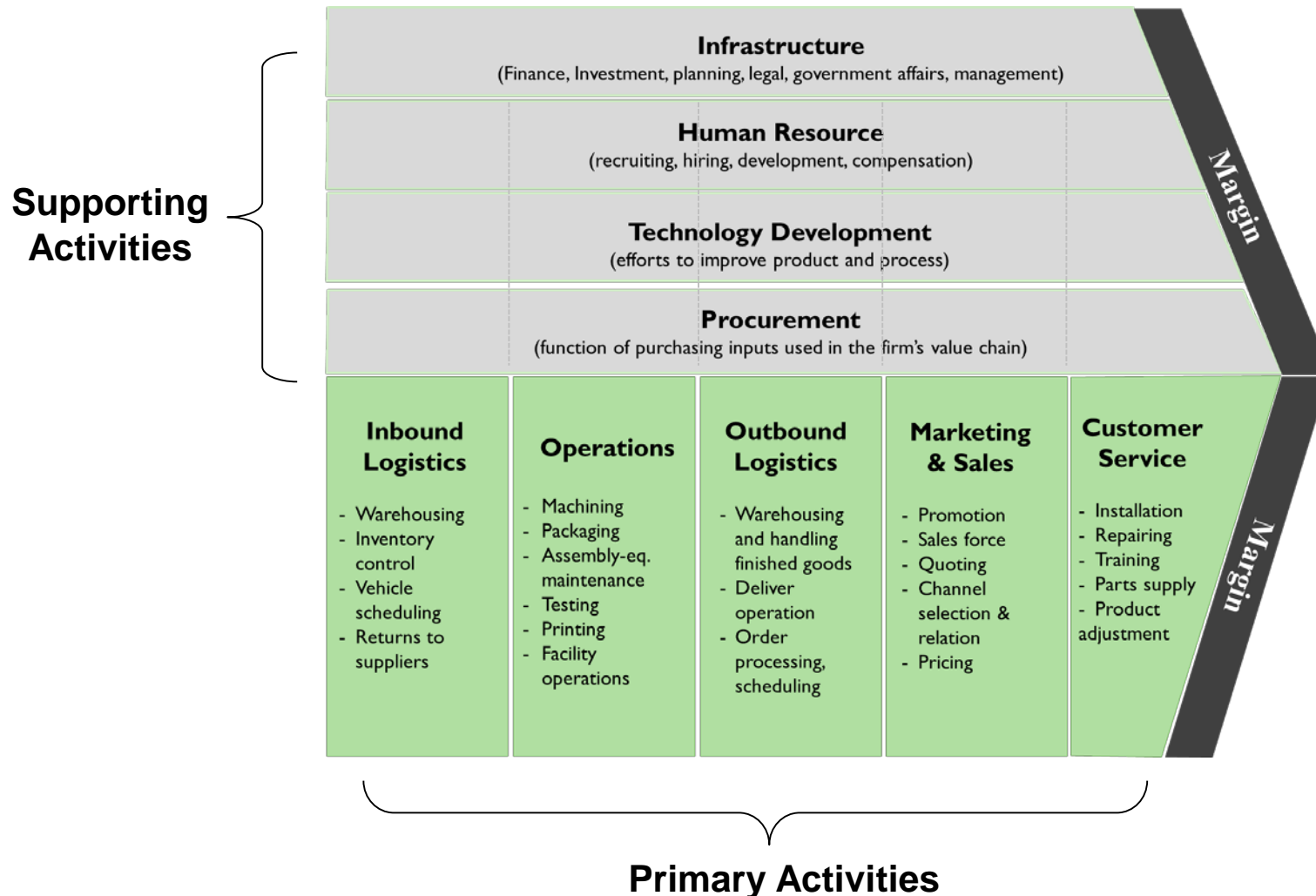
- Nestlé built refrigerated dairies as collection points and sent out trucks to the dairies to collect the milk.
- Nestlé sent veterinarians, medicines and nutritional supplements for sick animals, and provided training sessions for local farmers.

Outcomes

- Moga became a center place for dairy farming, with increased productivity.
- Nestlé got access to quality and stable milk supplies.

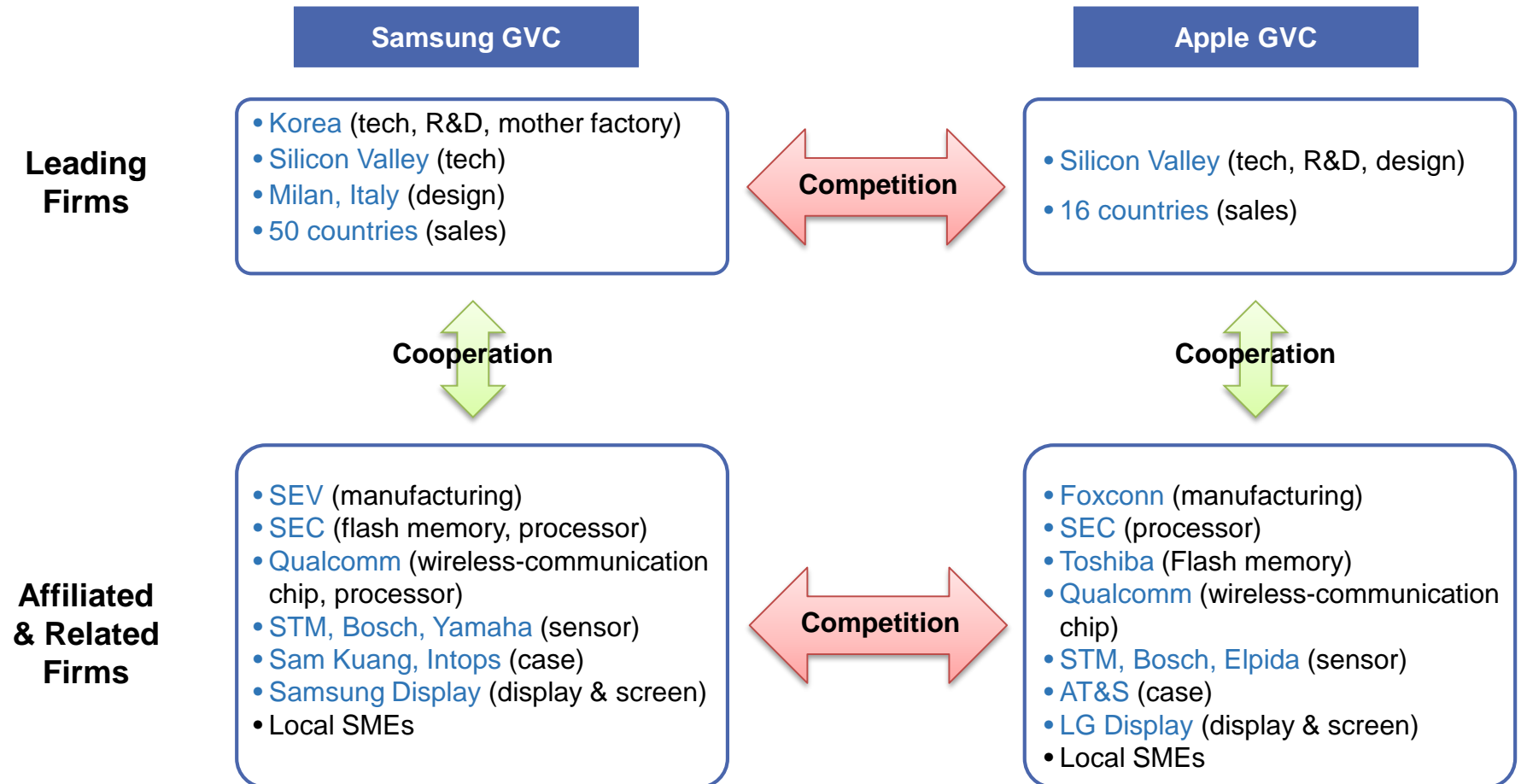
The Ecosystem of the Firm: Global Value Chain (GVC)

A firm's competitiveness can be enhanced by optimizing and coordinating linked activities within the value chain (Porter, 1985). These benefits can then be further increased, by expanding the business location in the global value chain (Moon, 2016; Yin, 2017).



Global Value Chain (GVC) and Partnership

With the GVC perspective, the relationship between large enterprises and small-and-medium enterprises can be better understood. Firms are more cooperative within a GVC, while more competitive between GVCs.



Importance of Shared Value: PlayPump in Mozambique, Africa

Sustainability?

- A merry-go-round device installed and connected to the water pump
- Short-lived and abandoned within years due to lack of maintenance and coordinating office



An Example of Shared Value: Samsung's Case

Samsung Electronics Engineering Academy in Africa

(Overcoming problems in the value chain while helping related social segment)

- Samsung: Access to improved workforce
- Society: Participation in MNC's value chain activities while improving knowledge and expertise



Samsung Electronics Engineering Academy Graduates equipped for tertiary education and employment

Posted by [Marc McIlhorne](#)

Skilled school-leavers will contribute to Samsung's goal of developing 10,000 electronics engineers in Africa by 2015.

Today, the second class of the Samsung Electronics Engineering Academy's Grade 12 students graduated at a ceremony held at the Kempton Park Civic Hall. The academy was launched two years ago in South Africa to fast-track African youths into the electronics job market – part of Samsung's goal to develop 10,000 electronics engineers on the African continent by 2015.



The graduates and guests were addressed by Professor Tshilidzi Marwala, the Dean of the Faculty of Engineering at the University of Johannesburg. 'Technical education is a cornerstone of any aspiring developing country. Through its Electronics Engineering Academy program, Samsung is capacitating our country's technical backbone. I hope that other companies will learn from this initiative so together we can increase the number of graduates who are technically skilled when they leave school'.

Samsung Electronics Engineering Academy:

- Established in 2011 to **address the shortage of the technical and engineering skills** in Africa.
- The program had a goal to develop 10,000 engineers across the continent in 5 years.

	Samsung Africa
Program	Samsung Electronics Engineering Academy
Target	Selected Students in Grade 10-12
Centers	South Africa, Kenya, Nigeria
Contribution	Hands-on vocational skills training and education (Facility, Equipment, Trainers)
Value	Society [<ul style="list-style-type: none"> • Increased employment • Increased IT-technicians Samsung [<ul style="list-style-type: none"> • Improved workforce access • Samsung-trained employees

Implications: Areas for Shared Value and Partnership

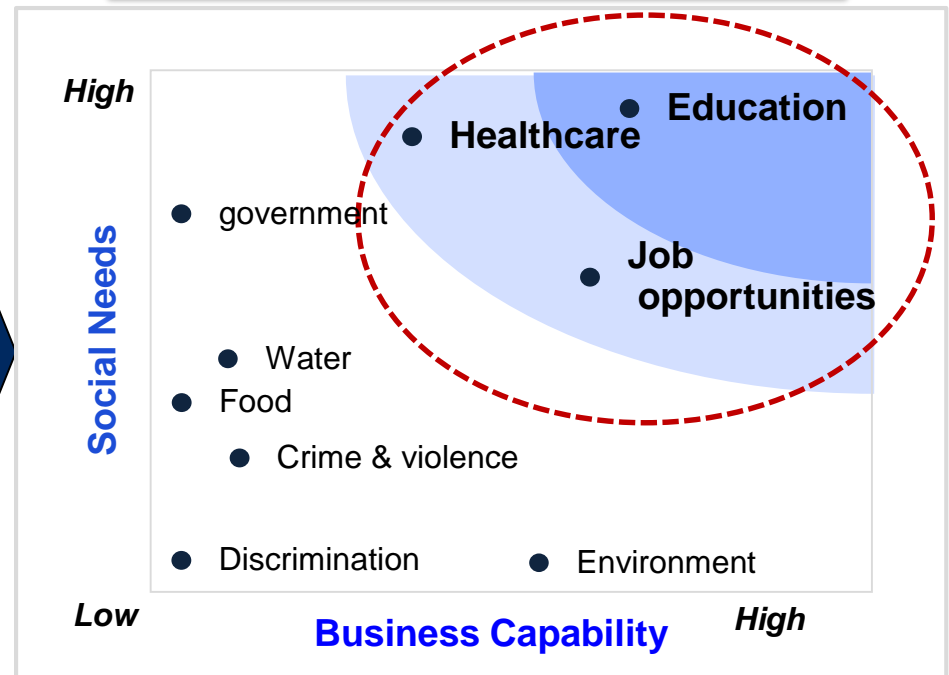
- Education and job creation are the biggest areas for social benefits which can be directly tackled with private firms' partnership.
- By offering hands-on training and education within the value chain activities, developing countries and their firms/people can participate in the GVC.
- Gradually, with improved technology and expertise, developing countries can participate in more sophisticated GVC activities.

Global issues by UNDP

Social Issues	Importance
A good education	11.1%
Better healthcare	10.0%
An honest government	9.0%
Better job opportunities	8.4%
Access to clean water	7.4%
Affordable & nutritious food	7.2%
crime & violence	6.9%
Discrimination	5.1%

Source : UN Development Program (2013)

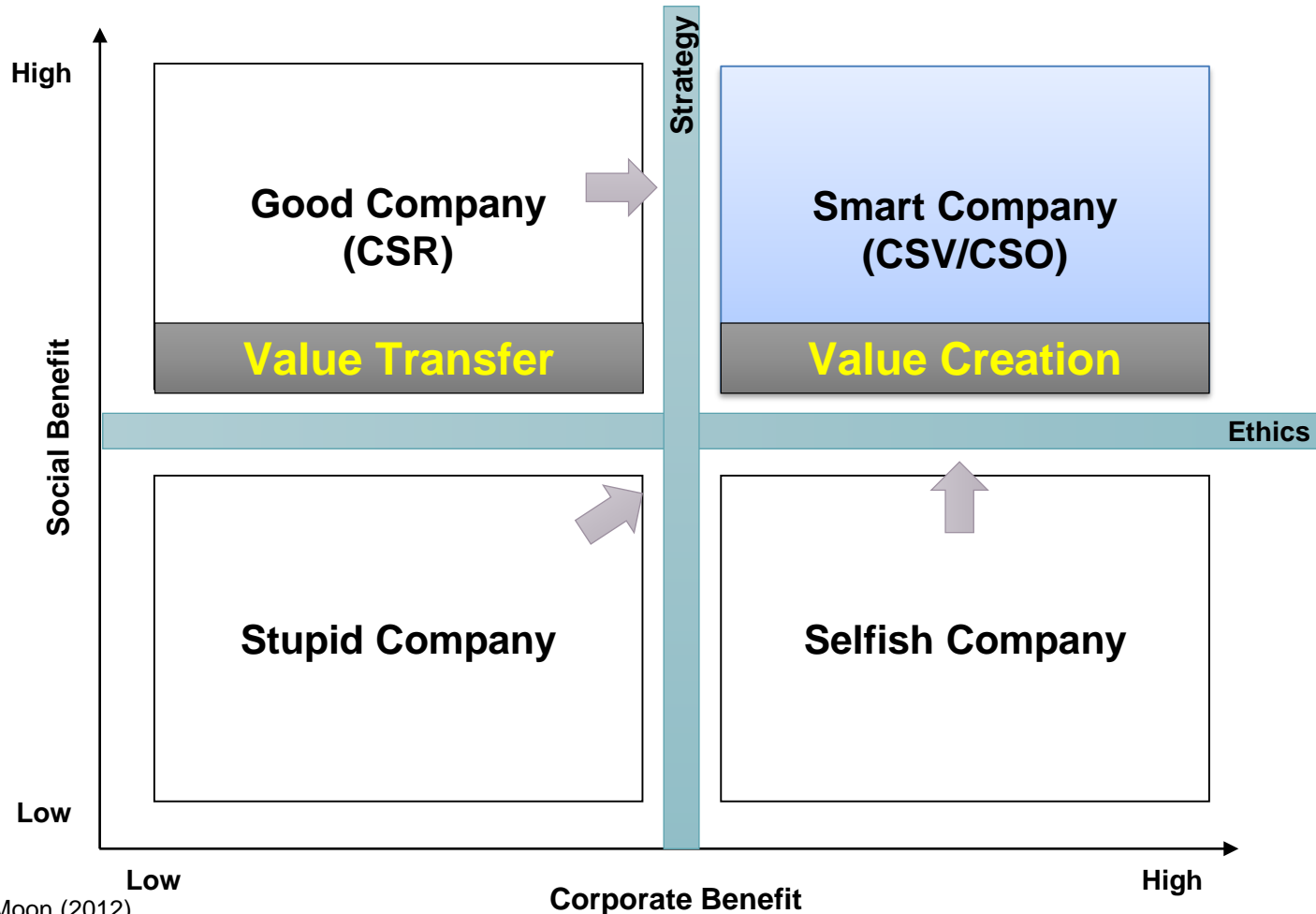
Immediate Social Issues for Firms



Source: Samsung Sustainability Report (2014)

Conclusion: CSR vs. CSV

CSR is about transferring values, but CSV/CSO is about creating values. A smart business model must embrace both strategy and ethics in order to maximize value creation for all stakeholders. Ignoring any one of the two factors will reduce the benefits of either the firm or the society.



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