CREATING SHARED VALUE… FOR INDIVIDUALS

CSV is the first model that does not try to mitigate the damage done by business, but actually eliminate it by creating positive externalities and establishing a healthy relationship between the company and society. At least, that is CSV taken to its logical conclusion. In reality, this has not quite been the case.

By Misha Pinkhasov

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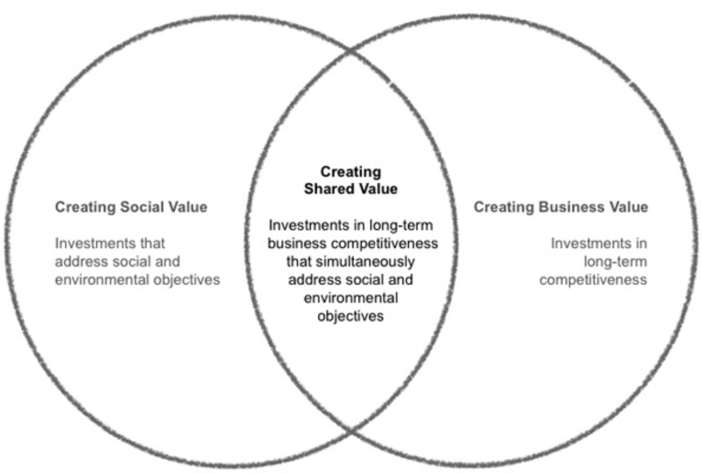
Creating Shared Value (CSV), the model for corporate social responsibility developed by Michael Porter and Mark Kramer of Harvard Business School, has been surprisingly controversial. On the surface of it, the proposition is fairly straightforward: that businesses can create the most value by working where investments in long-term competitiveness simultaneously address social and environmental objectives (Figure 1). In a sense it is a return to the simple Smithian logic at the origin of economics: that the greatest value is derived from the greatest need. That logic was overturned by post-industrial economics, especially the supply-side and trickle-down thinking of the 1980's, which holds that a healthy business is defined by its ability to make money.

The CSV model offers an outstretched hand to the followers of Milton Friedman – who dominate the world's banks, economics faculties and governments – who taught that the social responsibility of business is to maximize profits with which to create reinvestment and jobs and growth. By shifting the focus from profit to value, Porter and Kramer have opened the discussion to new topics without alienating the more conservative thinkers. Rather than placing business in opposition to social benefit, they suggest that the interests overlap.

Figure 1. FSG Model of Shared Value[1]



Advocates for sustainability and social responsibility typically have a mistrust of business in the social sphere. It is perhaps because of CSV's lack of social activism that its critics charge that, at best, it has little more to offer than a repackaging of the familiar environmental, social and economic pillars of sustainability or, at worst, a cover-up for business as usual. They are right, but they are also wrong.

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[1] Porter, M. and Kramer, M. (2011) "Creating Shared Value: How to reinvent capitalism – and unleash a wave of innovation and growth". *Harvard Business Review*, 89(1/2): 62-77.

They are wrong because prior to CSV, sustainability and social responsibility had failed to connect with business' economic imperative. They sought to address business' negative externalities by reducing its impacts or compensating for them with good in other areas. CSV is the first model that doesn't try to mitigate the damage, but actually eliminate it by creating positive externalities and establishing a healthy relationship between the company and society. At least, that is CSV taken to its logical conclusion. In reality, this has not quite been the case.

Where CSV falls short of expectations is that it is a bold change in perspective that remains timid in practice. It does not go far enough. This is because CSV is process based. It clings to the physical aspects of business activity, where the business case can be established. But it ignores the metaphysical aspects of the business as a culture, as a set of values, as a brand and as an influential force on its shareholders, its managers, its employees, its customers and the vast community to which it advertises itself. It is mechanical, while its agents are human.

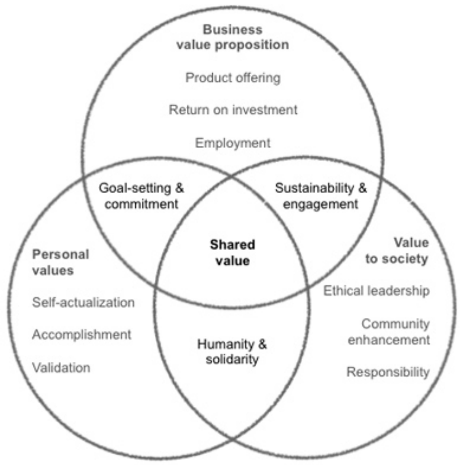
While CSV succeeds in reconciling the institutions of business and society, it remains institutional in a world that is becoming increasingly individual. It leaves organizations at the policy implementation level without creating the personal engagement that is necessary for grassroots motivation. While CSV improves the quality of the work one does, it fails to convert that work into conviction or the sense of purpose that makes people passionate and drives them forward. We can see its potential, but we can't feel it.

Authentic social responsibility means business seeing itself as a sociopolitical actor – as a citizen. Corporations resist the idea of citizenship because of the risks associated with becoming political actors. Though of course corporate political action has always been the case, if only to protect business interests and competitiveness. CSV is the next step in the evolution of good corporate governance from compliance to citizenship, and many companies already have this goal on their horizon.

It is moving corporate performance into new territories where the reassurance of business cases does not exist. This need for business cases is what keeps CSV uptake, for now, limited to the physical activities of a company. But the speed with which companies like Apple and Google have risen up the ranking of the world's most valuable brands to displace those like Coca-Cola, McDonald's, Disney and Marlboro is a testament to how the economy is shifting towards transforming our lives rather than just satisfying our cravings. The common link between the new most valuable brands is that they are led by innovators who do not wait for business cases, but rely on keen powers of social observation and intuition to create products that empower individuals and change social dynamics.

While the CSV model we know today creates a single molecule from the business and social atoms, we know from experience that the commercial-collective tension between these atoms tends to push them apart. In order to bind these atoms, we need a third atom that shares complementary properties with both. That atom is the individual (Figure 2). Why? Because companies and communities are nothing more than collections of individuals who go back and forth between them as they form the component parts of each. Tension arises when the same individuals are asked to behave according to different values and work towards different goals in their roles as employees, as consumers and as citizens. The individual is thus the key to reconciling the competing business and social pressures.

Figure 2. Three-dimensional model of shared value[2]



The fragmentation from institutions to individuals is one outcome of the technological revolution. Another, more potent, is transparency, which has revealed the extent to which public policy is influenced by and for corporate interests. This has led to the decline of trust in multinational firms, CEO's, governments and politicians. Business is now being forced to recognize that the marketplace is the whole of the community, not just the exchange, and that well-being is replacing wealth as the ultimate value.

Companies no longer have the luxury to remain civically neutral in the hopes of attracting supporters from all across the political spectrum. They will have to take an ideological position about the value of their work. Whether they are ready to do this or not, the transparency that information technology is forcing upon them, means that companies have to reconcile their messages to different stakeholders into one authentic and coherent narrative that aligns the interests of their shareholders, employees, customers and neighbors. And they will have to use the communications powers that once drove consumer behaviors to drive civic behaviors among their stakeholders.

CSV raises the specter of corporate citizenship, but we're not there yet, which is why CSV leaves us dissatisfied. As citizens, companies will have to be open about their ideological stance, and the response of public opinion – expressed by buying habits – and its effect on business performance will eventually bring business back to serving the needs of people and not the other way around.

[2] Pinkhasov, M. and Joshi Nair, R. (2014) *Real Luxury: How Luxury Brands Can Create Value for the Long Term*. Palgrave Macmillan. Page 151.