



Corporate Social Responsibility and Creating Shared Value:

What's the Difference?

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■ Business and Society

What is the proper role of business in society? The question isn't new. Debates about the private sector's responsibility for its economic, social and environmental impacts have been raging since the dawn of capitalism. What is new is the emerging global consensus that business is the engine of economic growth and international development, and that business can and must play an indispensable role alongside government, civil society and communities to solve complex, global challenges like hunger, poverty, inequality, unemployment and climate change.

At Heifer International, we know the role of business in society is highly contested ground. Our view is that private sector firms—from leading multinational corporations to small and growing businesses to start-up social enterprises—have unique and essential assets and capabilities to contribute to our mission of ending hunger and poverty while caring for the Earth. But we also have questions and concerns about how, when, where and why the private sector engages in development, and we believe that power structures, motives, performance measures and clarity of definitions matter.

We view Corporate Social Responsibility and Creating Shared Value practices from a particular perspective: do these efforts actually contribute to the sustainable welfare of rural communities and community members in Central and Latin America, sub-Saharan Africa, Central and Eastern Europe and Asia? How do smallholder farmers benefit from CSR and CSV activities? And can we persuade the private sector

to relinquish resources, rewards and decision-making to local communities for long-term benefit instead of short-term profits?

■ A Brief History of Corporate Social Responsibility

The modern Corporate Social Responsibility (CSR) movement can be traced to Article 23 in the 1948 United Nations Universal Declaration on Human Rights, which called for the right to employment, favorable work conditions, equal pay for equal work, and the right to join trade unions.

During the social upheavals and activist movements of the 1960s and 1970s, the concept of socially responsible corporate behavior gained traction. Economist Milton Friedman ignited a debate about the obligation of business to address societal problems in a 1970 New York Times Magazine article, when he wrote, "There is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engage in open and free competition without deception or fraud."¹

Privatization, deregulation, corporate takeovers and leveraged buyouts in the 1980s led to an explosion of CSR awareness and activism in the 1990s, as globalization and communications technology accelerated flows of capital, information and people across borders. Informed and emboldened stakeholders—customers, employees, shareholders, suppliers, policy-makers, civil society organizations,

international NGOs and media—demanded transparency and accountability from corporations, rewarding companies that contributed positively to social and environmental well-being and punishing firms that ignored or neglected the negative externalities of their business practices.

Fast forward through the past two decades, and you can see the influence of the CSR movement by looking at today's business language: corporate citizenship; sustainability; triple bottom line; ESG (environmental, social and governance); inclusive business; cause related marketing (CRM); pro-poor value chains; bottom of the pyramid business models (BOP); socially responsible investing and impact investing; social enterprise; social purpose; public-private partnerships; green economy; collective impact; license to operate/ license to lead; corporate ethics; and corporate volunteerism and employee engagement. The lexicon is constantly changing, refining, expanding and provoking.

So what exactly is Corporate Social Responsibility? I like the definition used by the CSR Initiative at Harvard Kennedy School, so superbly led by one of my favorite thought leaders on the role of business and society, Jane Nelson²: "Corporate social responsibility encompasses not only what companies do with their profits, but also how they make them. It goes beyond philanthropy and compliance, and addresses how companies manage their economic, social, and environmental impacts, as well as their relationships in all key spheres of influence: the workplace, the marketplace, the supply chain, the community and the public policy realm."³

■ The Rise of Creating Shared Value

In their seminal 2011 Harvard Business Review article, "Creating Shared Value,"⁴ Michael Porter and Mark Kramer introduced the concept of shared value: corporate policies and practices that enhance the competitiveness of a company while simultaneously advancing social and economic conditions in the communities in which the company sells and operates.

Porter and Kramer argue that all profit is not equal. Profit involving shared value enables society to advance and companies to grow faster. They predict that incorporating societal issues into strategy and operations is the next major transformation in management thinking. And they assert that shared value models represent nothing less than the next evolution of capitalism.

In the three years since the article was published, Creating Shared Value (CSV) has gained credibility, legitimacy and momentum as a new way of doing business. The concept is now embraced by many of the world's leading corporations like Nestle, Intel, Unilever, The Coca-Cola Company and Western Union, and the framework and language of shared value has spread quickly beyond the private sector to governments, NGOs, civil society and academia.

■ CSR and CSV: What's the Difference?

The distinction between CSR and CSV can be puzzling and there's a considerable amount of confusion and debate about the difference. Organizations like the Shared Value Initiative at FSG Social Impact Advisors (<http://www.sharedvalue.org/>), Business for Social Responsibility (www.bsr.org), the World Business Council on Sustainable Development (<http://www.wbcsd.org/home.aspx>), the Clinton Global Initiative (<http://www.clintonglobalinitiative.org/>), Business in the Community (<http://www.bitc.org.uk/>) and the Aspen Network of Development Entrepreneurs (<http://www.aspeninstitute.org/policy-work/aspen-network-development-entrepreneurs>) are at the forefront of this conversation, and Heifer International is an active participant in the global discourse with these leading organizations.

Here's my take on the distinctions between CSR and CSV, based on a Michael Porter interview in 2012:

- CSR is fundamentally about taking resources from the business, and investing those resources in being a good corporate citizen: recycling, giving money to social causes, reporting on social and environmental impacts, and engaging employees in community works.
- Shared Value is aimed at changing how the core business operates—strategy, structure, people, processes and rewards—in order to deliver triple bottom line returns.
- The fundamental distinction is that CSR is about

doing something separate from the business and CSV is about integrating social and environmental impact into the business, using that integration to drive economic value.

- Forward thinking businesses want to be part of the solution to tackling the complex problems facing our communities, our countries and our world. Companies and employees know that charitable donations are important. However, they want to expand their engagement so that their core business models improve the well-being of people and the planet, reduce or eliminate negative externalities, and earn a profit.
- Multinational corporations in Europe and the U.S. are slowly but steadily ramping up their CSR and CSV efforts on complex global problems, but companies in the BRICS and frontier markets are rapidly taking the lead on national and regional issues of hunger, poverty, inequality, unemployment and climate change. These emerging market businesses are embracing Shared Value as a smart, sustainable and profitable business model.

Click here to watch the 3-minute video:
<http://www.wobi.com/wbftv/michael-porter-corporate-social-responsibility-vs-shared-value>

What is the difference between CSR and CSV? Here’s my top line view of the key characteristics:

Corporate Social Responsibility (CSR)	Creating Shared Value (CSV)
<ul style="list-style-type: none"> • Corporate values and corporate citizenship • Corporate philanthropy: sharing money the company has already made • Contributions-in-kind, pro-bono service and volunteerism: sharing the company’s products, expertise, talent and time • Corporate sustainability • Cause related marketing • Compliance with community, national and international standards • Reputation management • Employee recruitment & retention • Risk management; changing business practices in response to external pressure • Typically led by CSR, Marketing, Corporate Communications, External/Public/Government Affairs, Community Relations, Sustainability and Foundation departments 	<ul style="list-style-type: none"> • Design new products and services that meet social and environmental needs while simultaneously delivering a financial return • Access new markets • Reconfigure and secure the value chain by tapping new or better resources and partners to improve productivity • Improve the capabilities (skills, knowledge, productivity) of suppliers • Create local clusters to strengthen and capture economic and social benefits at the community level • Deploy corporate assets to achieve scale and spur investment • Typically led by CEO, senior executive team and individual champions across the company in close collaboration with corporate affairs and sustainability departments

Beyond the Bottom Line

So, what is the proper role of business in society? It depends. It depends on who is asking the question and who is answering. It depends on one’s values, belief system, worldview and life experience. And it depends on our own individual economic, social and political choices, as global citizens, community members, employees, consumers and voters.

Here are some of the hot questions we are debating at Heifer International:

- Can CSR/CSV actually move the needle on ending hunger and poverty?
- How can we evaluate and measure the value and benefit of CSR/CSV efforts for smallholder farmers, and how have these efforts contributed to or detracted from sustainable, agroecological practices?

- How can we strengthen local cooperatives, producer organizations and farmer business associations to shift ownership, production, decision-making and rewards from powerful corporate interests to smallholder farmers?
- Is “Shared Value” really about sharing? When it comes to research, technology, innovation, resources, control, access to finance, ownership and decision-making, how can Heifer International ensure that the private sector does not capture or recapture the value created by the local entrepreneurs and local communities we support?
- How does a Shared Value model incent corporations to internalize their fair share of costs for global public goods like healthy, peaceful communities, biodiversity and clean water?
- How can Heifer International work with private sector firms to unlock government (local, regional, national, bi-lateral, multi-lateral) investments in climate change resilience, infrastructure, trade and commodity pricing policies, land ownership and access to capital for smallholder farmers?
- What is Heifer International’s role in promoting a more equitable, sustainable economic system for the 21st century?

■ About Heifer International

Heifer International co-creates partnerships and strategic alliances with companies to deliver social

and environmental benefits to our smallholder farmer project participants. Our engagement channels with corporations include value chain design, philanthropy, cause related marketing, employee engagement, corporate social responsibility initiatives, event sponsorship, matching gifts campaigns, employee giving and employee education.

Heifer International is an active participant in the Shared Value movement. By harnessing the expertise, assets and scale of business, we are accelerating our work to end hunger and poverty while caring for the Earth. To learn more about Heifer International’s work with corporations like Keurig Green Mountain, Elanco and Danone, visit <http://www.heifer.org/partners/corporate-partners/index.html>.



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[END NOTES]

¹ Milton Friedman, “The Social Responsibility of Business is to Increase Its Profits,” New York Times Magazine, 13 September, 1970.

² http://www.hks.harvard.edu/m-rcbg/CSRI/init_director.html

³ http://www.hks.harvard.edu/m-rcbg/CSRI/init_define.html

⁴ Michael Porter and Mark Kramer, “Creating Shared Value,” Harvard Business Review, January-February 2011.