

# Chapter 1

## The Advent of the Value Sharing Model

**Silvia Testarmata**

*Niccolò Cusano University, Italy*

**Mario Risso**

*Niccolò Cusano University, Italy*

**Fabio Fortuna**

*Niccolò Cusano University, Italy*

### ABSTRACT

*This chapter reviews the field of Shared Value (<SV>) to develop insights into how <SV> research is developing, offer a critique of the research to date, and outline future research opportunities. The authors find that most published <SV> research presents normative arguments for <SV> and there is little research examining <SV> in practice. Thus, the authors call for more research that critiques <SV>'s rhetoric and practice. Thus, this chapter offers an insightful critique into an emerging management issue and widespread business practice. The research findings provide insights into future research needs on Shared Value.*

### INTRODUCTION

Value creation and value appropriation are core concepts in management because the two processes critically shape the financial performance of firms and the economic returns to key stakeholders, including employees, suppliers, customers, financiers (including shareholders, bondholders, debtholders), and communities. Yet, the recent evolution of the concept of corporate social responsibility, which is increasingly entering into corporate strategies and activities, fosters a sustainable and shared value creation by firms in collaboration with all the actors involved in the economic, social and environmental processes (Golinelli 2005; Cafferata, 2009; Pepe, 2013). Practitioners and scholars struggle to understand the motives and strategic orientations of governments, non-profits, and private firms that seek to interact to create and allocate value among partners and stakeholders.

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The advent of value sharing model refers to the business innovation that comes from the collaboration among firms, public and private institutions and third sector organizations to identify areas of activity in which the value creation is sustainable and inclusive, meaning that it goes strategically with the pursuit of social and environmental objectives.

The process of value sharing, is based on the simultaneous realization of mutual benefits and new value for all stakeholders that requires an overall vision, able to include different perspectives to find a balance among:

- Economic growth, social development and environmental protection;
- Technological progress and involvement of human resources;
- Short term objectives and medium and long-term objectives;
- Development of creativity and recovery of social and cultural identities.

Ever since Michael Porter and Mark Kramer proposed Creating Shared Value (CSV) as a cure for the ailing legitimacy of business - originally in 2006 and more prominently in 2011- the idea of shared value replaced the concept of value sharing and has earned a central place in the conversation about the impacts - positive and negative - of business in society. McKinsey & Co. gave its award for the best article in Harvard Business Review in 2011 to Porter and Kramer's contribution, which to date has already been cited nearly 5,000 times according to Google Scholar. The core idea in Creating Shared Value is that companies should not ignore society, as under the narrow conception of capitalism that has done so much harm to the legitimacy of business, but rather should search for business opportunity in society's needs. Strategies that respond to the challenges presented by society and the environment and also reinforce the competitive advantage of a company create shared value.

Academics who study business ethics and corporate responsibility remain skeptical about Creating Shared Value, but even they confirm the significance of the idea by publishing critical articles in leading journals (e.g., Beschorner, 2013; Crane, Palazzo, Spence, & Matten, 2014; Dembek, Singh, & Bhakoo, 2016). Outside the academy, in the realm of corporate practice, Creating Shared Value has become a buzzword and a call to business action to address matters of sustainability. Creating Shared Value as a strategy tool has taken off, already adopted by leading international companies ranging from Allianz to Mattel and Nestlé to Unilever, to name only a few noteworthy examples. Despite the far-reaching influence of Porter and Kramer's work on Creating Shared Value, the idea remains largely underdeveloped in its applications and in response to its criticisms, with few exceptions (e.g., Pfitzer, Bockstette, & Stamp, 2013).

In the meanwhile, since the book published by Botsman and Rogers (2010) on the rise of collaborative consumption, Sharing Economy (SE) has become a popular buzz word in public media (Hern, 2015). SE indicates the peer to peer sharing of access to underutilized goods and services, which prioritizes utilization and accessibility over ownership (Schor & Fitzmaurice, 2015). The sharing economy may take a variety of forms, including using information technology to provide individuals with information that enables the optimization of resources through the mutualization of excess capacity in goods and services. A common premise is that when information about goods is shared (typically via an online marketplace), the value of those goods may increase for the business, for individuals, for the community and for society in general. Other most popular terms to describe this emerging business practice are 'collaborative consumption' and 'peer to peer economy' (Belk, 2014).

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