

Chapter 6

Created Shared Value and Sustainable, Inclusive Development of Developing Countries

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ABSTRACT

The created shared value represents a paradigm shift in business corporate social responsibility (CSR) and sustainability strategy. Apart from addressing the limitations inherent in the traditional CSR which is mainly philanthropic, short-lived and separated from the core business strategy and activities, it enhances the company's competitiveness while simultaneously advancing the economic and social conditions in the community of operation. Companies can create shared values through re-conceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company's locations and solving society problems. Despite the criticisms and challenges of the shared value concept, there are convincing evidences that the created shared value is a veritable instrument for addressing the bottom of the pyramid resulting in inclusive, sustainable development of developing countries and it has the potentials to unleash the next wave of global economic growth, prosperity and sustainable development when governments, companies and non-government organizations in developing countries demonstrate commitment to their roles in shared value creation and companies start to think and take long-term views of social investments and economic prosperity, and look at corporate decisions and opportunities through the lens of shared value by incorporating social and societal values into their economic agenda.

INTRODUCTION

The concept of Created Shared Value (CSV) has been pioneered by Professor Michael Porter and Mark Kramer of the Harvard University since 2011. Although the idea of shared value was first expressed in their publication in the Harvard Business Review on “Strategy and society: The link between competitive advantage and corporate social responsibility” in 2006 where they advocated a mutual dependence between corporations and society or a win-win business-society relationship. There would be a symbiotic relationship and reciprocity between business and society as firms redefine and readjust their concept of value in a broader, more “shared” perspective (Davenport, 2011). It is business paving ground for its own success by curing the defects of a dysfunctional society through provision of infrastructure (such as roads, water supplies, schools) required for its production and produce shared value for the whole area (Kleemann & Krieger-Boden, 2011).

The CSV is a new revolutionary way of business thinking in the business-society relationship, which integrates social goals within business practice without distracting a firm from its primary purpose of achieving profit (Porter & Kramer, 2011; Rocchi & Ferrero, 2014). This could trigger once again the greatest economic wealth, growth and innovation for humanity and business (Porter & Kramer, 2011). According to Porter and Kramer (2011), shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the community in which it operates and companies can create shared values through re-conceiving products and markets, redefining productivity in the value chain and building supportive industry clusters at the company’s locations.

Porter and Kramer’s propositions for the CSV have been laudable and applauded by many supporters (Bockstette & Stamp, 2011; Hills, Russell, Borgonovi, Doty, & Lyer, 2012; Pfitzer, Bockstette & Stamp, 2013; Visser, 2013) in re-connecting the disconnected corporations’ successes to society’s development, particularly in the advancement of social causes to strategic level, specifying the roles of government in enhancing shared value and introducing a broader conception of capitalism- the “caring or conscious capitalism”. Without doubts, the world has experienced unparalleled prosperity following the industrial revolution and the free-market economy. Nevertheless Ringmar (2005) argued that although capitalism has produced comparable levels of economic prosperity, it has brought to human beings and societies the consequences of income inequality, erosion of non-market values, commodification and alienation of people and hence it should be controlled.

The arguments on CSR have revolved around the CSR continuum of Professor Friedman’s neo-classical economic theory and Professor Freeman’s stakeholder theory. Although Porter and Kramer (2011) argued that CSV is not social responsibility, philanthropy or even sustainability, it does appear that CSV is beyond CSR of business! In fact, In every country, particularly the developing ones, CSR has become inescapable priority for businesses (Porter & Kramer, 2006; Jean & Yazdanifard, 2015) and they are being blamed for every society’s failures (Porter & Kramer, 2011), as corporate prosperity at the expense of the society’s deep poverty and problems. Moreover, most of companies’ efforts have not pay off greatly in their productivity due to the disconnect from or the ditch against society and the failure to link CSR to their strategy (Porter & Kramer, 2006). Porter and Kramer (2011) argued that there is a growing perception of companies’ successes at the expense of society’s social, environmental and economic problems. The companies’ CSR have not been strategic to be a source of business opportunity, innovation, revenue growth, competitive advantage and benefits to society (Moore, 2014).

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