

Creating Shared Value (CSV): The Sustainable Business Model

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Objective: CSV (Creating Shared Value) is a sustainable business model. CSV is an expansion of CSR (Corporate Social Responsibility). CSR is a kind of corporate responsibility as to social value, however CSV involves not only social but also economic value. Therefore, by implementing CSV a company increases both social and economic value. **Design/methods/approach:** A literature review. **Results:** A company which implemented CSV also revealed a sustainable business model. It was expected to benefit both society and the company through increased economic and social value. Economic value encompassed increased profit, productivity, and expanded market share. Social value included area and infrastructure development, social innovation improvement, and society durability. **Practical implication:** This study is expected to be advantageous for entrepreneurs developing CSV as a sustainable business model. **Originality/value:** The present study focuses on CSV as a sustainable business model. Exploration results are elaborated into a summary and solution proposed by previous researchers.

Key words: *Creating Shared value (CSV), Corporate Social Responsibility (CSR), economic value, social value, sustainable business model.*

Introduction

Various ideas related to community-based business have developed from CSR into CSV. It is consistent with Porter and Kramer's study of sustainability business that interested researchers to conduct a further study. Current trends on macroeconomics encourage companies to shift into CSV implementation, to achieve economical and social value (Maltz & Schein, 2014; Porter & Kramer, 2011). There is little empirical data, information, or accuracy in defining shared value; therefore there is a lack of measurement theory, concept, operationalization of CSV, or concepts overlapping CSV and CSR (Crane, Palazzo, Spence, & Matten, 2014).

In terms of conceptual and practical development, CSR keeps evolving (Formisano et. al., 2018). Companies, which expect to sustain their operations, need to look out for three aspects known as triple bottom line; economical, social, and environmental aspects, by which they could simultaneously diminish losses and boost benefits (Fontaine, 2013). Hence, it is necessary to integrate them with sustainable business practices (Høgevold et al., 2015). Over time advanced concepts emerge to deal with economical, social, and environmental issues, employing CSR and changing into the CSV approach (Porter & Kramer, 2011). By implementing CSV, the resolution of social issues could simultaneously generate economic benefits. Moreover, it also gives economic value and value for society. The concept of CSV according to Porter & Kramer (2011) leads business practitioner and academicians (Jones & Wright, 2016).

CSR and CSV commonly differ as to value, concept, result, and agenda, as well as impact (Porter & Kramer, 2011). Essentially, CSR's concern for responsibility differs from CSV's concern for "creating shared value". In "The Big Idea: Creating Shared value" it is suggested (Porter, 2011) that CSV is implementing more typically than CSR, which focused on a company's popularity. The two approaches are similar as to social responsibility. However, whereas CSR is only for formal purposes to convince people about company image, CSV emphasizes long term and sustainable activities. Moreover, in terms of value, CSR is just to represent the company.

Implementing CSV, a company necessarily reflects "sharing advantages" between company and stakeholders (Alpana, 2014; Rhodes et. al., 2014). Accordingly, the most important CSV concept by Porter & Kramer (2011) is that a company should create economic value and simultaneously create value for society. Consequently, sustainable business integration with social, economic, environmental approach, known as Triple Bottom Line, needs to be performed (Høgevolddkk, 2015; Isaksson et.al., 2015).

The present study aims to determine CSV as a sustainable business model. Companies with good understanding as well as performance in implementing this model would be more prepared when dealing with an economic crisis (Aras & Crowther, 2009). Likewise, CSV implementation becomes important (Dembek & Singh, 2016) since CSR evolves into CSV (Ghasemi & Nazemi, 2014).

Creating Shared Value (CSV)

The most essential measurement for associating business with social results is by creating shared value (CSV), addressing companies with precise solutions for social issues. To measure effectively, it begins with a well-developed strategy (Mcintosh et.al., 2017; Long & Lin, 2018). Nevertheless, in developing strategy, a company needs to identify social issues related to CSV (Martinez et.al., 2017), as well as a business model with social benefits included in its cost projections. Principally, CSV measurement evaluates results and progress, as well as knowledge, to improve CSV. A company should regularly monitor the result of its CSV activities, to overcome social issues and increase business performance.

The CSV concept has been debatable. It is a concept of business involving policy and operational practice that enhances company competitiveness, while at the same time improving economic and social value where the company is located (Porter & Kramer, 2011). This concept is consistent with several concepts (Moon et. al., 2011), such as the concept of social business innovation (Martinez et al., 2017), stakeholders' engagement (Alpana, 2014), proactive analysis element from big data (Ongsakul, 2018), CSV and sustainability (Mcintosh et al., 2017).

A company is able to record the probability of shared value in three levels: reconceiving products and markets, redefining productivity in the value chain, and enabling cluster development. Opportunities to create shared value differs in each of these. It could be in industry, company, and geography, as well as in social-related business and strategy.

Reconceiving products and the CSV market underlines revenue growth, targets markets, as well as improving profitability obtained from the environment, and social and economic development as manifested by company products and services.

Redefining productivity in the value chain is part of pursuing internal improvement. Consequently, company costs, input access, quality and productivity increase. These can be achieved by restoring environment, utilizing better resources, investing in employees, and increasing supply ability.

Enabling cluster development of CSV reaps external improvements for the company, by investing in society and increasing local supply ability, and strengthening local institutions and infrastructure. A company unlocks these potentials by increasing the productivity of its business.

CSV is exploring development and the results of a shared value strategy. At every opportunity, CSV identifies and explores social and business results. A company must regularly identify CSV activities, to overcome social issues and at the same time improve business performance.

Table 1: Results for the Company and Society by Level of Shared Value

| LEVELS OF SHARED VALUE | BUSINESS RESULT | SOCIAL RESULT |
|---|---|--|
| Reconceiving product and markets: How targeting unmet needs drives incremental revenue and profits | <ul style="list-style-type: none"> • Increased revenue • Increased market share • Increased market growth • Improved profitability | <ul style="list-style-type: none"> • Improved patient care • Reduced carbon footprint • Improved nutrition • Improved education |
| Redefining productivity in the value chain: How better management of internal operations increases productivity and reduces risk | <ul style="list-style-type: none"> • Improved productivity • Reduced logistical and operating costs • Secured supply • Improved quality • Improved profitability | <ul style="list-style-type: none"> • Reduced energy use • Reduced water use • Reduced raw materials • Improved job skills • Improved employee incomes |
| Enabling cluster development: How changing societal conditions outside the company unleashes new growth and productivity gains | <ul style="list-style-type: none"> • Reduced costs • Secured supply • Improved distribution infrastructure • Improved workforce access • Improved profitability | <ul style="list-style-type: none"> • Improved education • Increased job creation • Improved health • Improved incomes |

Adapted from: Porter, Hills, Pfitzer, Patscheke, Hawkins (2012)

Table 1 shows that the company's indicator of business and social needs for reconceiving products and market is about how its target meet the needs of gaining additional revenue and profit. In terms of economic value, it determines growth in revenue, target market and market share, and profitability. However, social perspective represents improvement of society prosperity, nutrition, qualified education, and carbon emission reduction.

Indicating success in redefining productivity in the value chain, is how management increases internal operations so productivity increases and risks reduce. From an economic value perspective: company productivity increases, logistics and operational costs decrease, supplies are available, quality increases and profitability increases. Meanwhile, from a social value perspective: energy use is reduced, water use is reduced, raw material use is reduced, work skills are improved and employee income is also increased.

Figuring out goals to enable a company's cluster development level is by determining social conditions in the company environment that lead to growth, productivity, and profit. Economically speaking, it reflects cost decline, available supply, an increase of distribution infrastructure, labour, and profitability. However, social perspective highlights improvements in education, health facilities, and social income.

Research Methods

Qualitative approach was employed by a literature review collected from empirical study of CSV and its sustainability. A change of CSR to CSV indicates company commitment for sustainable business by implementing CSV. Empirical data was obtained from the library database of Universitas Airlangga, Surabaya, Indonesia, and accessed on www.lib.unair.ac.id.

CSV and Sustainable Business Models

CSV not only generates profits and meets company goals, but also creates shared value. Current global economics is encouraged by innovation waves and productivity growth. In addition, capitalism and its relationship with society are eventually discovered (Porter & Kramer, 2011).

Policy and practice in pursuing company goals, such as increasing competitiveness, improving economic and social conditions to society near the company, are understood in CSV. Its focus on creating shared value recognizes and broadens relationship between economy and society, through the principle of value. Either economic or social value represents relative advantages to cost (Porter & Kramer, 2011). Strategies emerge which focus on obtaining profits for the company and solving issues for society. The essential, targeted social issues for CSV strategy are environmental impact, work force skills, safety, as well as health, water consuming, supplier access, and viability.

The three types of company sustainability relate to the economy, natural resources, and society (Lee et al, 2016). A company which only sees an economic dimension leads to success but only in the short-term. On the other hand, targeting company sustainability towards those three dimensions would create long-term conditions for success. Sustainable



companies should accomplish simultaneous issues for managers, both considering “business value” and creating “social value” for company sustainability.

Conclusion

Aforementioned studies discuss CSR shifting to CSV. A company which implemented CSR at the past only received social value, while CSV brings the company both sustainable social and economic value. Thus, CSV encourages companies to carry out a truly sustainable business model. Companies implementing CSV indicate that they possess a sustainable business model, which is expected to benefit both societies nearby and the company, as well as improving economic and social value overall. Economic values including increased profit, productivity, and wider market share. Moreover, social value encompasses area and infrastructure development, social innovation improvement, and durability in society generally (Porter et al, 2012).



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