Creating Shared Value: A Paradigm Shift from Corporate Social Responsibility to Creating Shared Value

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Abstract—Businesses operating in the modern business world are faced with varying challenges; amongst which is the need to ensure that they are performing their societal function of being responsible in the society in which they operate. This responsibility to society is generally termed as corporate social responsibility. For many years, the practice of corporate social responsibility (CSR) was solely philanthropic, where organizations gave ‘charity’ or ‘alms’ to society, without any link to the organization’s mission and objectives. However, there has arisen a shift in the application of CSR from an act of philanthropy to a strategy with a business model engaged in by organizations to create a win-win situation of performing their societal obligation, whilst simultaneously performing their economic obligation. In more recent times, the term has moved from CSR to creating shared value, which is simply corporate policies and practices that enhance the competitiveness of a business organization while simultaneously advancing social and economic conditions in the communities in which the company operates. Creating shared value has in more recent light found more meaning in underdeveloped countries, faced with deep societal challenges that businesses can solve whilst creating economic value. This study thus reviews literature on CSR, conceptualizing the shift to creating shared value and finally viewing its potential significance in Africa’s development.

Keywords—Corporate social responsibility, shared value, Africapitalism.

I. INTRODUCTION

BUSINESSES operating in any region, industry and market, regardless of their products are tasked with one major objective, which is to make efficient use of their resources deliberately with the aim of increasing their profit [1], [2]. However, the business world today is not the same as in the 1970s when [3] assumed a free society that was not influenced by corporations. Today’s business world, as a result of globalization: the interconnectedness and interdependence of economies [4], [5], has seen a rise of global corporate power where corporations have gained more power than the government in various societies [6]. According to [7], a quarter of the world economy is controlled by top giant multinational corporations, such as Philip Morris having a net profit which is larger than New Zealand and operating in 170 countries, Royal Dutch/Shell more wealthy than Venezuela, Daimler AG wealthier than the Philippines, General Motors than Portugal, British Petroleum than South Africa, Wal-Mart than Norway, Exxon Mobil than Austria, Chevron wealthier than Malaysia, amongst others. Similarly, 2009’s statistics, of the top 150 wealthiest groups, includes 59 countries and 91 companies [8]. More recently, there has been an emerging unanimity that businesses are the engine of economic growth and international development [9]-[11], as businesses have become a major driver of society, providing jobs, tax base, banking and financial services, insurance, transportation, communication, utilities, entertainment and health care amongst other basic societal amenities. The relationship however is not one sided, as society plays an influential role in an organization’s ability to maximize profit [12]. Thus, this suggests a close relationship between businesses and society, with the link having the capacity to encourage economic growth, expand international trade, and create new technology and so on [12]. However, as corporate concentration increases, employees, the community, customers, creditors, government and other stakeholders of these organizations are getting a shrinking piece of the growing pie and experiencing a negative effect [6]. This negative effect on the stakeholders of organizations has led to the growing interest and scrutiny of business actions by the media, government officials and communities, thus organizations are now faced with new roles and responsibilities in the modern economy, as business managers are now required to contemplate more cautiously about the outcomes of their actions on society. It has thus become increasingly imperative to examine the relationship between business corporations and the societies in which they operate, this analysis is able to find direct bearing in the term CSR, where the concept of CSR refers to the general belief held by many that modern businesses have a responsibility to the society that extends beyond the stockholders, shareholders or investors in the firm. These other societal stakeholders typically include informed and emboldened consumers, customers, employees, suppliers, policy-makers, civil society organizations, international NGOs, the community at large, government, the natural environment and media, with increasing demand for transparency and accountability from corporations [1], [13]. The CSR concept has for many years seen increasing interest by the general public resulting from

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A. CSR

Barnard [22] defined CSR as a business organization’s economic, legal, moral, social and environmental responsibility. Similarly, [19] defined CSR as the obligation of business corporations towards emboldening societal growth and development and willingly abolishing practices that are not in harmony with public interest. A business organization that practices CSROk embraces responsibility for its actions and, through its activities, positively affects the environment, society, consumers, employees, communities, and other stakeholders. Likewise, [23] elucidates that CSR is primarily concerned with a business organization’s ethical and social behavior to its stakeholders. Commonly agreed, CSR is thus viewed as the relationship between a business organization and the society it operates in (consisting of the organization’s stakeholders). Some other scholars however view CSR from the accountability perspective, where it is defined as the means through which a corporation is held answerable for any of its activities that affect its stakeholders [12]. Moore [1] elucidates that CSR is not limited to what a business organization does with its profits, but goes as far as how the profits are made, going beyond philanthropy and compliance, to as far as how the organization manages its economic, social, and environmental influences, as well as their interactions in all major scopes of influence: the workplace, marketplace, supply chain, community and public policy realm. Following this perspective of viewing CSR as a business organization’s impact on its society, [24]-[27] conceptualize CSR as a business organization’s obligation to the society it operates in that go beyond profit-making to creating solutions to difficult social and ecological problems.

Despite varying definitions, [28], [29] perceived that, to a comprehensive definition of CSR, must embrace a full range of responsibilities of the business corporation to society. It was thus propositioned that CSR of business corporations must incorporate the economic, legal, ethical and discretionary expectancies of society [13]. Reference [28] explored that business organizations have an obligation that is economic in nature, i.e. primarily business institutions have a fundamental responsibility as an economic unit in society to produce goods and services that are beneficial to society at a profit. Similarly, as required by law. And finally, the discretionary responsibility entails voluntary roles and practices that business assumes but for which society does not provide a clear-cut expectation. The discretionary responsibility as the name implies is left to individual managers’ and corporations’ judgment and choice. It is this discretionary responsibility that makes the difference in corporate responsibility, as this is where managers either engage in mere philanthropy or strategic CSR that benefits their organization [24]-[27].

1. Debate on CSR

The debate on CSR views the relationship between business and society from two ends of a spectrum; the supporters and
those against CSR. It is the merging of both arguments on CSR that creating shared value finds its bearing.

a) Arguments for CSR
The profit maximization objective of a business organization has served as an underlying feature of the debate on CSR. On the far right of the spectrum, that is the supporters of CSR, there is an underlying assumption that the business organization’s objective should not be exclusively economic but the social effect of their operations should be taken into perception, such that the greater good of the society is placed above that of the business organization [28]-[33] attests that CSR activities can in actual sense foster the business organization’s profit maximization objective, through its ability to serve as a strategic tool for gaining competitive advantage, as measured through the stakeholders perception of the organization, which is reflected through loyalty from their various stakeholders [19]-[21].

b) Arguments against CSR
On the other end of the spectrum, the debate against CSR views the influence the business has on society as one that is in actual sense negative on society and the business. It is argued that businesses should maintain profit maximization as their numero uno objective, and should participate in only activities that bring profit, thus CSR activities, which is financed from the business organization’s profit violates this objective [3], [34]-[36]. It is also argued that a business’ involvement with the social status of society will give businesses more power than they should normally have. As [37] stated, “government’s job is not business, thus business’ job should not be government”.

| TABLE I |
|-------------------|-------------------|
| **Arguments For (Socio-economists)** | **Arguments Against (Classical Theorists)** |
| **Argument** | **Companies should be interested in protecting and improving society’s welfare and values, which are in line with the organization’s business ethics [31].** Public expectation and public image. Attracting investors. |
| **Basis** | **Strictly the maximization of financial returns for stockholders, regardless of the cost.** Government’s job is not business thus business’ job is not government [37]. |
| **Companionship** | **Violation of profit maximization.** Businesses gain too much political power. |
| **Superiority of prevention over cures.** | **Lack of managerial skills in managing social responsibility.** |

Source: [19], [29], [31], [37]

B. Creating Shared Value
Following the argument that organizations should stick to profit maximization rather than solving societal issues that involve taking from the organization’s profit, creating shared value provides a platform where this argument is addressed. Creating shared value is seen as the developed form of CSR, highlighting the shift from investing profits to solely solving societal challenges to a more strategic approach of solving societal challenges, whilst simultaneously creating economic value. With increasingly rising competition, businesses are effectively seeking ways to create sustainable, meaningful enterprises, creating shared value offers a platform for business expansion. Creating shared value as defined by [14] are corporate policies and practices that enhance the competitiveness of a business organization while simultaneously advancing social and economic conditions in the communities in which the company operates. Porter and Kramer argue that creating shared value allows for joint growth and development for both the companies and society [38]. Creating shared value is the practice of creating economic value in a way that also creates value for society by addressing its needs and challenges. It is not CSR or philanthropy or even sustainability; it is instead at the core of the business strategy, it is a new way to achieve economic success. Shared Value focuses companies on the right kind of profits—profits that create societal benefits rather than diminish them. 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. Creating Shared Value can be conceived in three ways:

1. By reconceiving products and markets in ways customer needs while also contributing to the society. For example, General Electric, in a bid to create share value produced new healthy imagination products to help mothers in developing countries.
2. By redefining productivity in the value chain, through social or environmental innovation.
3. By enabling local cluster development. i.e. by supporting the well being of industries related to the business organization, in ways that improve societal conditions. For example, Nestle provided resource-trapped farmers in developing economies, financial and technical assistance to create a better supply network [14], [15].

C. Conceptualizing the Shift from CSR to CSV
From the onset of business corporations, the main objective of starting up an operation was to create profit. Businesses operating in earlier decades solely explored the profit creation strategies. However, as businesses began to grow, dominating various societies, economists analyzed the importance of businesses in the development of underdeveloped economies, and the role of businesses became more diverse. The sole responsibility of business corporations moved from responsibility to solely the shareholders, to responsibility to every stakeholder: employees, government, creditors, and environment, etc., thus emphasizing the idea of CSR. However, increased competition, the fight for survival, the argument that businesses corporations should be maximizing
profit rather than spending profit arose the need for organizations to search for ways to merge two major objectives: profit maximization and social responsibility, which has led to the shift from a concentrated CSR to creating shared value.

In a study of several SMEs operating in Nigeria and Tanzania by [18], business corporations operating in underdeveloped countries saliently witnessed the shift from CSR to CSV due to institutional weakness in these underdeveloped countries. In underdeveloped countries with weak institutional structures, business corporations realized the need to be involved in CSR practices that go beyond philanthropy to practices that clearly involved creating shared value for the society (strengthening the institutions in place) and simultaneously providing benefit to the organization. When CSR is helping to confront institutional dilemmas in subtle ways, which improve business-society interactions and promote public responsibility, it can be termed creating shared value [18]. Generally, there is an argument that CSR in Africa is predominantly philanthropic; however, with CSV, there is a new conception of CSR as it fills institutional gaps, which has not been duly captured. It is important to highlight how CSR practices help address gaps in public policy, thus highlighting the limitations of applying Western assumptions that often equate philanthropy to mere charity in African contexts, where a similar CSR practice (i.e. philanthropy) serves different functions. This supports the view that CSR meaning and functions are often context specific. It also draws attention to the need to re-examine and re-articulate on the role of business in Africa and the contribution of the private sector to Africa’s development – a goal that is central to the Africapitalism movement [16]-[18]. Although Africapitalism shares a lot (e.g. sense of progress and prosperity) with the CSV movement [16]-[18]. Although Africapitalism shares a lot (e.g. sense of progress and prosperity) with the CSV movement [16]-[18], it differs remarkably from CSV following its emphasis on “sense of place and belongingness”

1. Porter’s Phases of CSR Development

Porter and Kramer [14] argued that as a result of the modern business world, which is characterized by increased competition, where organizations are seeking ways to remain competitive while being socially responsible, as required by the more enlightened society in which they operate, it thus becomes necessary for managers to seek ways of committing to their social responsibility obligation, while ensuring they are performing their economic obligations, thereby creating a shift in CSR from philanthropic giveaway to strategy. This shift was duly captured in [14] phases of CSR as shown below:

1. **Philanthropy**: A business’ first response to societal issues. Some critique organizational philanthropy for not being incorporated directly into an organization’s core business plan.

2. **CSR**: It pertains to the positive effects a company’s operations have on the environment, consumers, and society at large.

3. **Creating Shared Value**: Popularly referred to as Strategic CSR, creating shared value is based on creating economic value by creating a societal value. Unlike philanthropy and CSR, where resources are taken from the business and deployed into other worthy social jobs, shared value is about capitalism [14], [39].

![Fig. 1 Evolution of CSR; Source: Culled from [14]](image)

**D. Differentiating between CSR and CSV**

References [1], [14] further went ahead to differentiate between generic CSRs as business organizations are used to and Creating Shared Value. The fundamental distinction as outlined by [1], [39] is that CSR is usually separate from the business; while creating shared value is fundamentally about integrating social and environmental impact into the business and using that integration to drive economic value.

**III. DISCUSSIONS**

Through a review of relevant literature, this study conceptualized the shift from CSR as it impacts on the relationship between business and society, especially in underdeveloped economies as various economies in Africa where there is a growing societal need, with increasing issues of hunger, poverty, inequality, unemployment and climate change to creating shared value, a relatively new concept that analyzes how business corporations can impact on their society whilst at the same time gaining economic value [18]. With emerging economic issues, loss of economic strength resulting from low oil prices, weak financial market strength, the business-society relationship has become more vital, while CSR, although sometimes strategic, is seen as an offshoot of this relationship, with businesses taking out of their profit to help the societies in which they operate in with little or no application of a business model, the shared value hypothesizes a win-win situation for the (business and society) relationship through the adoption of a smart, sustainable and profitable business model in tackling the challenges faced in economies; detailing a business organization’s thorough investment in expanding its operations in such a way that benefits both society and the business [14], [15], [39].
In the African concept, a term “Africapitalism”, coined by African businessman Tony O. Elumelu, clearly depicts the shared value relationship between business and society. Africapitalism is defined as an economic philosophy that the African private sector has the power to transform the continent through long-term investments, creating both economic prosperity and social wealth [17]. Africa, although a large continent of 54 countries of complex and varying dynamics, is generally faced with several challenges. For decades African governments, the United Nations and other international organizations have strived to achieve developmental aspirations, yet the success has been very minimal. With the increasing role businesses play in the society, it thus becomes only rational to seek ways through which businesses can play a huge role in development [40]. Africapitalism creates a platform through which the private sector plays a huge role in solving society issues while at the same time creating economic benefits, which is the idea behind creating shared value. It is under this premise that there seems to be a relationship between creating shared value and Africapitalism.

A major insight in this study following the works of [18] highlights the institutional challenge faced by various economies, especially in Africa, and how businesses can effectively capitalize on theses issues by creating solutions to societal challenges whilst simultaneously creating economic value.

### IV. CONCLUSION AND RECOMMENDATION

This paper shows a rare relationship between a business organization’s involvements in the society through provision of solutions to societal challenges, while at the same time creating economic value through adopting strategic business models that involves expanding their business activities, especially in the African context where there are huge institutional and economical challenges.

An insight captured in this paper is the shift from traditional CSR to creating shared value, resulting from an increased need to remain competitive in the fast pace and highly challenging business world.

Another contribution to literature is the link between Africapitalism; a philosophy that connotes that business organizations operating in Africa can tackle Africa’s societal issues through a form of social responsibility, regarded as creating shared value as introduced by [14], [15], where they actively participate in creating solutions to societal challenges through a thorough business model.

Following the shift from CSR to creating shared values, there has become an increasing need to study the shared value concept in the context of Africa and other developing continents, where there is a high record of societal issues that can be solved through business organization’s involvement, one of such areas is in the lack of access to energy in many underdeveloped countries thus further studies will be specifically viewed from development perspective, highlighting how business organizations and societies can maximally benefit from an organization’s commitment to creating shared value rather than bulling into CSR.

Insights from this study can help managers view their commitment to CSR from a broader, more profitable approach of creating shared value. It also has policy implications, as it provides a framework of understanding for NGOs, international organizations and governments in developing countries, providing a more nuance collaboration in their relationship with business organizations operating in underdeveloped countries.

### REFERENCES


Environmental issues and corporate social responsibility (CSR) in the source of competitive advantage: The mediating role of social capital


