Creating shared value

THE NEW SUSTAINABILITY?

It’s the hot new fuzzword in progressive business thinking – creating shared value, or CSV. Esteemed business thinkers Michael Porter and Mark Kramer introduced it in the January/February 2011 edition of Harvard Business Review, and it has stimulated lively debate since.

“We need to understand that what’s good for the community is actually good for business,” said Porter, explaining CSV at the World Economic Forum at Davos earlier this year. “If we can organise ourselves to do this stuff inside our operating units, rather than on the side, we can have a profound effect on many of the most important social issues of our time.”

In Harvard Business Review, Kramer and Porter define creating shared value as “creating economic value in a way that also creates value for society by addressing its needs and challenges. Businesses must reconnect company success with social progress.” Their paper goes on to elaborate that companies can create shared value in three distinct ways: by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company’s locations.

The creating shared value concept has sparked several formal and informal corporate talk shops, including the Nestlé Creating Shared Value Forum (there have already been three) and a Stanford Social Innovation Review roundtable in New York, which included executives from Cisco Systems, Hewlett-Packard, IBM, Goldman Sachs and Dow Chemical.

The idea is gaining traction in South Africa. “The hackneyed notion of corporate social responsibility is evolving into the ‘win-win’ concept of shared value … Opportunities abound to improve processes, develop new strategies, deliver shareholder value and at the same time, solve pressing social and environmental problems,” wrote Donald Gibson, Director of the Transnet Programme in Sustainable Development at GIBS, in Business Day on 14 July 2011. However, GSV is not without its detractors.

Critiques of CSV

The CSV concept has been widely lambasted for muddying the waters on sustainability with what is, in essence, not an original concept. Kramer and Porter claim that corporate social responsibility (CSR) – the framing of sustainable business in the US – is about little more than philanthropy, with “a limited connection to the business”. CSV, they say, takes care of these shortcomings.

Toby Web, founder of Ethical Corporation, responded: “Responsible business, corporate responsibility and sustainable business thinking has acknowledged [that societal needs define markets] for decades. Perhaps not in Harvard Business Review, but in many other respected academic journals.” CSV is “a very clever pitch for consulting work,” says Webb, disparagingly.

CSV is not a novel idea, wrote John Elkington who coined the term triple bottom line, in the Guardian. “CSV is an attempt to professionalise efforts that have been evolving for decades, in many different sectors and geographies, not something God-given that has suddenly come down from the heavens to lesser mortals.” He gives an example: “Think of Novo Nordisk co-evolving a global healthcare campaign [in 2006] with the World Health Organisation and Oxford and Yale universities to persuade consumers to improve their diets and exercise regimes – to avoid chronic diseases, including the diabetes wave from which the Danish company stood to profit from massively as the world’s leading insulin producer. Why? Because Novo also saw the risk of the accumulating costs collapsing public health care systems.”

Can CSV do all it says it will?

John Elkington doesn’t think so. “One area where the sustainability agenda trumps both CSR and CSV is its focus on intergenerational timescales and equity,” he writes. “CSV is unlikely to pick up some of the really thorny issues, including human rights or bribery and corruption.”

Michael Sadowsky, Vice President of SustainAbility, is concerned that stakeholder engagement has fallen by the wayside. “CSV cedes too much discretion to corporations in determining society’s end of the value equation … [it] does not pose the critical question: is the company’s fundamental business model or activity in the best interest of the planet and society?”

Rebuttals

“The concept and ideology of ‘sustainability’ has become diluted to the point where anyone can endorse it but no one feels accountable for achieving it,” says @HutchT on the comments thread of John Elkington’s Guardian article. “The shift [in CSV] is from ‘do no harm’ to ‘create benefit’; from managing compliance to adding value. Part of the challenge is to develop the language to describe this concept of acting now to create value in the long term.”

Mark Kramer himself responded in the same comments thread: “Shared value is not merely a change in semantics, but offers a different rationale and model for corporate social impact. It encompasses many activities that fall under the sustainability or CSR rubrics, but also points to new and different practices, often with a deeper commitment of resources, greater innovation, and more reliance on external partnerships.”

As Michael Sadowsky concedes: “We welcome [Kramer and Porter’s] call for focus – the most fertile opportunities for creating shared value will be closely related to a company’s particular business’. Many companies today try to address a multitude of sustainability issues, which can distract them from investing in the areas in which they can most add business and societal value.” Does that sound like defining and managing one’s material issues; already a central tenet of corporate sustainability reporting? You decide.

For The Economist’s predictably scathing view on CSV, go to: http://www.economist.com/node/18330445