

Soapbox on CSV: Living the Ambiguity of Creating Shared Value

Ever since Porter and Kramer (PK) published their article on “Creating Shared Value” (CSV), I felt this was a major step may be even a break-through in redirecting the debate on the purpose of business that had been stuck between the two incompatible positions of shareholder value and stakeholder value. The CSV concept did create some fruitful common ground. After having read the recent piece by Crane, Palazzo, Spence and Matten (CPSM) on “Contesting the Value of CSV” the same thing happened to me again. Their brilliant dissection of the limitations and shallowness of CSV made it very clear to me, that CSV could not be the answer to this fundamental debate. But what now? Both opposing perspectives could not be right, or could they?

CSV had presented an exciting answer to the widely shared diagnosis that companies were perceived as prospering at the expense of the broader community. If they wanted to regain their legitimacy they had to take the lead in bringing business and society back together. The capitalist system has been under siege, because a very narrow conception of capitalism has prevented business from harnessing its full potential by going beyond simply profits and meeting society’s broader challenges. The purpose of the corporation, PM argued, had to be redefined as creating shared value, which involves creating economic values in a way that also creates value for society by addressing its challenges and needs. CSV would help companies to focus on the right kind of profits, profits that create social benefits rather than diminish them, which would then start a positive cycle of company and community prosperity. This would reconnect business with society. But it would also drive the next wave of innovation and productivity growth in the global economy, as markets are being defined increasingly not just by conventional economic needs but by societal needs. Finally, CSV was not presented as a redistribution approach, sharing value that has been already created by firms, but as an approach to expand the total pool of economic and social value.

This bold new approach promised to connect business and society in a more integrated and holistic way. This was and it still is an exciting and timely message. CSV now is being accused by CPSM as ignoring the real tensions between economic and social goals and as being based on a shallow conception of the corporation’s role in society. Instead of focusing on the inherent dilemmas and the inevitable trade-offs between economic and social value creation, they see CSV as an attempt to whitewash the problem of trade-offs and to disregard negative impacts of corporate activities. By focusing on win-win solutions and individual projects, they lead companies to concentrate on the easy-wins, while leaving unresolved the deeper social issues to which they are connected. Corporate cherry-picking and whitewashing, as suggested by CSV, is destined to lead to “islands of win-win projects in an ocean of unresolved environmental and social conflicts”. As CPSM argue, the objective cannot be to create more profit opportunities for corporations, but to contribute to solving pressing societal issues, which must include industry-wide solutions and multi-stakeholder initiatives. On a more fundamental level, PK are seeking to solve a system-level problem, the crisis of capitalism, with merely organizational-level changes. Ultimately they are seen as

presenting yet another approach where society and its needs are seen as something the firm can cater to successfully in traditional economic terms.

Where does this leave us with regard to the debate on the crisis of capitalism and the purpose of business? CPSM have made it very clear, that corporate interests cannot and will not provide a sufficient basis for solving the pressing social issues we are facing, despite the promises made by PM. For this, it will need changes in the markets and their framework conditions. But CSV should help us to make some improvements in this direction.

I am afraid we may have to continue living with the ambiguity created by this debate on the value of CSV. The relevant question relates to the consequences of the CSV concept in business practice. Does CSV lead to real improvements in business practice or does it simply help to refine the rhetoric? Does it lead more corporations to engage in social problems and do they come up with better solutions for society, not just for business itself? My answer is, probably yes. The CSV concept creates space for managers to define strategies and actions addressed at solving social issues. For example, it helps to recognize, define and assess the value in addressing resource shortages, alternative sources of energy, urban mobility, or issues of health or poverty. The CSV concept also helps to legitimize socially relevant strategies and actions in the face of narrow financial interests. It creates argumentative space to present and defend the value of such strategies, outside and inside the corporation, as developing solutions for social issues often need a wider perspective and a longer time horizon. And corporations pursuing CSV strategies probably will be more open and supportive also for regulatory changes aimed at internalizing external costs and making capitalism more responsive to the social challenges, as they are facing directly the trade-offs between private costs and social benefits.

If we are honest to ourselves, we personally have been living with the ambiguity created by the debate on the value of CSV for a long time. In lecturing to business people, we tend to stress the business case of sustainability and the corporate benefits of their social engagements, be it in the form of efficiency gains, reputational benefits or stronger market positions, because we know this relates to the world that they live in. In discussions with our academic peers, however, we freely discuss the limitations and shortcomings of such win-win approaches. We are fully aware of this inherent ambiguity and yet we realize they both have their own truths.

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