

Creating Shared Value

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Definition

Creating Shared Value (CSV) is a concept that brings business and society together so that entrepreneurial activity is profitable and increases the well-being of citizens in the local community.

Business Ethics Is about Responsibility

Responsible business activities follow lines that are desirable in terms of the objectives and values of society (Bowen [1953](#)). This raises the question of how companies engage in business for societal good. The aim of Corporate Social Responsibility (CSR) is “maximizing the creation of shared value for their owners/shareholders and for their other stakeholders and society at large as well as identifying, preventing and mitigating their possible adverse impacts” (European Union Commission [2019](#), 3).

According to the classical understanding of CSR, a social engagement is a cost to the entrepreneur. Creating Shared Value (CSV) constitutes a profitable version of the traditional CSR. According to CSV, entrepreneurs create economic value by fostering societal value. This is with regard to an aim of redefining the neoliberal purpose of the corporation. The idea is that the competitiveness of the company correlates with the well-being of citizens in a society (Porter and Kramer [2011](#)).

Concept of Creating Shared Value (CSV)

CSV is an extension of Stakeholder Theory (Freeman [1984](#)). CSV applies an integrative approach to business ethics by doing business and finding solutions to societal challenges together (von Liel [2016](#)). Also, Social Entrepreneurship (SE) integrates conscious moral behaviors into business activities (Bowen [1953](#)). SE is a concept aiming at social benefits without targeting financial profitability. Benefits for society may be direct or indirect. Direct benefits can be services, gifts and care or buildings, scholarships and aid. Indirect benefits include employment. The entrepreneurial process may involve hiring a select group of people. (Tan et al. [2005](#).) There are similarities between

SE and CSV. CSV is grounded in the circumstances where “companies have overlooked opportunities to meet fundamental societal needs” (Porter and Kramer [2011](#)). However, in contrast to SE, CSV is aimed at fulfilling basic human needs in society alongside financial profitability (Beschoner [2013](#)).

CSV is about enhancing the competitiveness of a company while simultaneously enhancing the social circumstances of the communities in which it operates (Porter and Kramer [2011](#)). Enabling strong local ecosystems for business is a concrete way to create shared value. Strong ecosystems have a positive impact on productivity and innovation. They foster efficiency and ease of collaboration. Value can be created, for example, by relocating production back to its home markets. This is a special feature of CSV that cannot be found explicitly in related responsibility concepts (von Liel [2016](#)).

Implementation of CSV is based on five principles. First, ethics are integrated into the business strategy. Then shared values are identified by combining societal problems and the purpose of the business activities. After that the business activities are ready to be started. Progress is tracked during the process and insights will be utilized to upgrade business activities.

Future of CSV and Business Ethics

Integrative business ethics is a dynamic and critical reflection process of entrepreneurial activity in its context. In its widest sense, it is about integral profit maximization, social engagement, and environmental sustainability. In the midst of globalization, responsibility has focused more on decent work, multiculturalism, and transparency in recent years. This combination resonates with CSV because improving the living conditions of poor people is at the center of the concept (von Liel [2016](#)). A major criticism of CSV is that it focuses mainly on economic and social challenges in society. In other words, it does not offer a holistic point of view over business activities including adverse impacts such as waste, pollution, and CO₂ emissions. It could also be anchored deeper in organizational culture and the motivation of employees so that corporations seek socially acceptable goals in a socially acceptable manner (Crane et al. [2014](#)).

Summary

Due to climate change, as well as a more and more evident ecological crisis, environmental issues will be in high demand in the near future. This raises a need for normative approaches such as Responsible Business Conduct (RBC), defined by the OECD as “making a positive contribution to economic, environmental and social progress with a view to achieving sustainable development, and avoiding and addressing adverse impacts related to an enterprise’s direct and indirect operations, products or services” (OECD [2011](#)). In the future, business ethics concepts that integrate not only economic and social interests but also environmental targets in one objective function are needed. Therefore, the future of business ethics may lie in co-benefits. This means that business activities will co-benefit customers, employees, stakeholders/owners, society, and global development with regards to the intergenerational link.

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