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Shifting corporate social responsibility to corporate social opportunity through creating shared value†

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Abstract

Contributing to society is not simply a charitable gesture but can be a value creating activity when utilized with an appropriate strategy. Companies should attempt to move from "good corporation" to "smart corporation." Society should also recognize that corporations are the organizations that create values in collaboration rather than just offering away some of their profits to society. When both corporations and society realize this mutually beneficial role, we can develop a virtuous cycle of increasing the benefits for both corporations and society.

1 | INTRODUCTION

In recent years, there has been much discussion on the ways in which innovation can be utilized in business to tackle the serious social issues facing capitalism. This has manifested itself as an increasing demand for philanthropic activities under the term of corporate social responsibility (CSR). Although many companies have undertaken great efforts to improve the social and environmental consequences of their business as part of CSR, Porter and Kramer (2006) concluded that these efforts have not been as productive as they should have been. In this respect, Porter and Kramer (2006, 2011) dedicated their research toward producing a series of articles on *creating shared value* (CSV), currently one of the hottest issues in the field of contemporary business strategy.

Despite the fact that Porter and Kramer (2011) argued that the concept of CSV is innovative and considerably different from CSR and that Porter, Hills, Pfitzer, Patscheke, and Hawkins (2016) further sought to bolster this concept, many scholars and practitioners continue to express uneasiness in distinguishing CSV from CSR. In fact, they have declared that CSV is not a new concept at all, but rather a different terminology (Crane, Palazzo, Spence, & Matten, 2014; Elkington, 2011; Epstein-Reeves, 2012; *The Economist*, 2011). Furthermore, the boundary between CSR and CSV is not as clear as Porter and Kramer intended. This confusion hinders the ability of innovative management to achieve an improved level of CSR. As yet few studies have sought to analyze the origins of this uneasiness and confusion.

This article addresses this issue and examines the most relevant studies in order to analyze and compare the various concepts of CSR. Based on this analysis, this article points out the essential problematic issues of the various concepts and sharpens the definitions of CSR and CSV. Furthermore, this article proposes a new typology for corporate social activities. This typology possesses a clear distinction between various social activities. In this way, it can function as useful guidelines for a firm to enhance its competitiveness while supporting social benefits simultaneously.

2 | ISSUES AND LIMITATIONS OF EXISTING STUDIES

Since there are a number of existing studies on CSR, this article briefly highlights the critical points and unsolved issues of the most relevant existing studies for their similarities and differences, particularly in relation to CSV. This comparative analysis is useful in enhancing the level of understanding on CSR and CSV. Following this analysis, this article proposes new perspectives on different types of corporate social activities.

2.1 | Porter and Kramer's CSR and CSV

Porter and Kramer (2006) classified CSR into two types: responsive and strategic. According to their study, the motivation of responsive

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CSR is purely in the interests of improving reputation through such actions as being a good corporate citizen, attuning to the evolving social concerns of stakeholders, and mitigating existing or anticipated adverse effects from business activities. From a corporate perspective, responsive CSR is a cost, a constraint, or a charitable deed. Therefore, its impact is quite limited and offers little basis for achieving long-term objectives. For this reason, firms view CSR as providing little strategic benefit for their business.

On the other hand, strategic CSR focuses on both social and business benefits, therefore it moves beyond good corporate citizenship. It involves both firm and society working in tandem (Porter & Kramer, 2006). Thus, strategic CSR can be a source of opportunity, innovation, and competitive advantage. It can also generate far more benefits to both business and society since the social dimension is embedded in a corporation's core business. Table 1 provides a comparison of Porter and Kramer's (2006) responsive and strategic CSRs, by utilizing three criteria—*motivation*, *relationship with business*, and *beneficiary*.

Porter and Kramer (2011) further explored strategic CSR and developed the concept of CSV by distinguishing the following three points. First, CSR activities are to improve reputation or are feel-good responses to external pressure, but CSV is to enhance the core competitiveness of a company while simultaneously advancing the economic and social conditions. Second, CSR activities tend to be more disconnected from the business objective, whereas CSV activities are more connected by reconceiving the intersection between society and corporate performance. Lastly, CSR activities are not about sharing, but more focused on redistributing profits that were already generated by firms, while CSV activities make communities healthy and successful, and the communities provide corporations with important public assets and a supportive environment. Consequentially, both society and corporations are beneficiaries. Therefore, CSR is a zero-sum game, whereas CSV is more of a positive-sum approach (see Table 2).

It is interesting to compare Tables 1 and 2. Despite various terminologies presented regarding corporate social activities, responsive CSR and traditional CSR are identical while strategic CSR and CSV are similar when compared using Porter and Kramer's criteria.

TABLE 1 Comparison between responsive and strategic CSRs

		Responsive CSR	Strategic CSR
Motivation	Reputation, external pressure, etc.	•	
	Competitiveness		•
Relation to business	Disconnected	•	
	Connected		•
Beneficiary	Society	•	•
	Corporation		•
Overall	Zero-sum	•	
	Positive-sum		•

TABLE 2 Comparison between CSR and CSV

		CSR	CSV
Motivation	Reputation, external pressure, etc.	•	
	Competitiveness		•
Relation to business	Disconnected	•	
	Connected		•
Beneficiary	Society	•	•
	Corporation		•
Overall	Zero-sum	•	
	Positive-sum		•

2.2 | Literature of traditional CSR

Crane et al. (2014) argued that the core premise of CSV bears a striking similarity to that of CSR, such as stakeholder management and social innovation. Furthermore, they added that this argument only holds up because Porter and Kramer interpreted the CSR literature to suit their own ends and simply repeated these works without due acknowledgement.

In this regard, by tracing the historical evolution, it becomes academically clearer to evaluate Porter and Kramer's contribution to CSR. The historical approach is important to avoid any distortion that may be caused by a trendy concept during a certain period in literature as demonstrated by Amin-Chaudhry (2016). Due to limited space, this study highlights selected major contributions to the evolution of the CSR definition identified by Carroll (1999), Carroll and Shabana (2010), and several other newer sources. This article then compares them with the three important criteria that Porter and Kramer employed to distinguish responsive CSR, strategic CSR, and CSV.

The concept of CSR has continued to develop further in significance and it is largely a product of the past half century (Carroll, 1999; Carroll & Shabana, 2010), although significant references to a concern for social responsibilities appeared during the 1930s and 1940s. Thus, it is reasonable to center the attention on more recent concepts of CSR beginning from the 1950s in order to conduct a definitional review (Carroll, 1999).

Bowen (1953) was the most notable study in the 1950s (Carroll, 1999). He defined CSR as the obligations of businesspersons to make decisions, which are desirable for the objectives and values of our society (p. 6). In this case, Bowen's initial motivation for CSR can be interpreted as a way to survive or maintain the entity as the *status quo* within the framework of social norms. This is in line with what Porter and Kramer (2006, 2011) referred to as the external pressure for CSR motivation; thus, CSR activities of this kind are disconnected from the ultimate goal of business.

Davis (1960) asserted that some socially responsible business decisions can be justified through a long and complicated process of reasoning by providing a good chance to bring long-run economic gain to the firm, thus paying it back for its socially responsible outlook (p. 70). He further added that the social responsibilities of businesspersons need to be commensurate with their social power (p. 71). This motivation of CSR defined by Davis is to enhance the corporation's reputation, rather than to mitigate harm through CSR activities.

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Moon H-C, Parc J. 2019. Shifting corporate social responsibility to corporate social opportunity through creating shared value. *Strategic Change* 28(2):115–122. https://doi.org/10.1002/jsc.2252 *reasons* and *competitiveness*) to four (*external pressure*, *philanthropic reasons*, *reputation*, and *competitiveness*) is more reasonable. A comparison of the existing studies by using the three criteria of Porter and Kramer (2006, 2011) with these four new subcategories in motivation is shown in Table 3.

Overall, three important points can be revealed. First, when the motivations of corporate social activities are classified based on the historical approach, it can be seen that a number of studies have already referred to not only external pressure, but also to reputation and discretionary reasons such as philanthropy. However, there has been less attention on enhancing economic value and competitiveness through CSR, which can be measured by the economic and social value created, not by profits or social benefits alone. This is the contribution provided by Porter and Kramer. Second, as opposed to the prior studies of Porter and Kramer (2006, 2011), most of the existing literature on CSR activities are not completely disassociated with business. Finally, regarding the beneficiary, a few studies such as Davis (1960), Frederick (1960), and Johnson (1971) referred to both society and the corporation as important in this case. Therefore, contrary to what Porter and Kramer (2006, 2011) have stated, the existing studies have already shown that CSR can be positive-sum.

4 | EXTENDING PORTER AND KRAMER: CSR, CSO, AND CSV

Porter and Kramer (2006) defined shared value as providing benefits for both society and the firm. In addition, they stated that CSV is a new way to achieve economic success; it is about expanding the total pool of economic and social values; and it consists of policies and operating practices that enhance the competitiveness of a firm. At the same time, it simultaneously advances the economic and social conditions in the communities in which it operates (Porter & Kramer, 2011).

However, Porter and Kramer (2011) described CSV across three distinctive ways toward creating economic values: (a) reconceiving products and markets, (b) redefining productivity in the value chain, and (c) enabling local cluster development. It is then clear that "shared value" is what leads to new types of "shared economic value" of business and society simultaneously. CSV, thus, should be treated as a process that results in achieving both corporate and social benefits and is not the antithesis to responsive CSR. In order to clarify definitional confusion, this article proposes *corporate social opportunity* (CSO).[1] This new concept seeks to generate opportunities for corporations to enhance their core competitiveness through social activities and lead to an increase in both social and corporate benefits. This term embraces the concept of strategic CSR and also extends it by putting emphasis on creating opportunities for enhancing future businesses (see Figure 1).

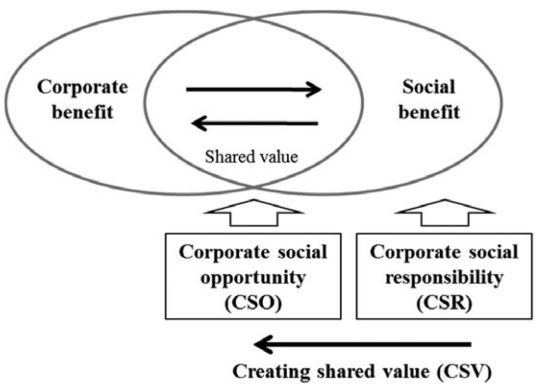

FIGURE 1 Comparison of CSR, CSO, and CSV

The difference between CSR and CSO can be found in many examples of corporate social activities. For example, in the 1980s and 1990s, General Electric (GE) helped several underperforming public high schools in the United States with donations to each school. GE managers and employees also actively worked with school administrators to mentor students. As a result, the graduation rate doubled and GE's employees felt great pride in their participation, yet the impact of this program itself was limited (Moon, 2012; Porter & Kramer, 2006). Overall, the direct effect of this activity on the company was modest because society derived benefits from GE's social activities, but the company itself derived little. This is a typical example of CSR.

On the other hand, the same company launched "Ecomagination" in 2005 when environmental issues became an internationally critical subject. GE had competent sectors and various advanced technologies, but lacked environmentally friendly ones. GE found that consumers were looking for cleaner more energy-efficient products that could produce lower emissions. Since 2005, GE has been using its unique capabilities to develop solutions and establish partnerships with customers and its global subsidiaries to tackle more pressing environmental challenges (Moon, 2012; Moon, Parc, Yim, & Park, 2011). Through these activities, GE has improved its energy efficiency, environmental performance, and sales of GE's Ecomagination products, as well as boosted its own environmentally friendly image. GE's Ecomagination is a good example of CSO that benefits both the firm and society.

5 | A NEW FRAMEWORK: FROM CSR TO CSO[2]

There still remains an issue concerning the confusing identification of Porter and Kramer's CSR motivations. In order to solve this problem, this article revises the concept of CSV and suggests a new framework. For a better understanding, real-world examples of corporate social activities are presented; in particular, this point of view focuses on the three criteria of Porter and Kramer (2006, 2011). Since CSR and CSO are fundamentally different, they have varying attributes in terms of motivation, relationship of corporate social activities to business, beneficiary, and overall effects. The analysis in this section is on these attributes.

From the historical analysis, we can see that CSR activities, with external pressure and philanthropic motivations, are more disconnected from their core business. The result is that society tends to be the only beneficiary, thus the overall effect is zero-sum. From the corporate perspective, external pressure is more related toward mitigating harm or maintaining the reputation in order to survive. Under

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developed and allow us to examine their true impact on the firm and society.

7 | CONCLUSION

Porter and Kramer's (2011) CSV provided a strategic view on how to think about the role of the corporation in society and its core purpose in order to achieve corporate and social benefits together. This new concept is appealing, however, there are some unsolved issues such as terminologies, definitions, and their impacts. In practice, this obscurity hinders the ability of corporations to formulate effective management strategies. As such, this article provides a clear distinction among important concepts of corporate social activities: from responsibility (CSR) to opportunity (CSO) through a proper process (CSV), and suggests important strategic implications. Specifically, the contributions of this article can be summarized as follows.

First, this article examined and redefined the concepts of CSR. Second, by examining the evolution of CSR and the literature of CSV, this article provided a new concept of CSO, to create opportunities through creating and developing shared values between the firm and society. Third, this article introduced a new typology of four social activities based on an in-depth analysis using a historical approach: CSR for survival, CSR for self-satisfaction, CSO for reputation, and CSO for competitiveness.

This classification is useful in ways that we can easily understand and explain how the studies on CSR have evolved and how firms have in fact been pursuing their social activities in the real business world. The categorization of corporate social activities, by motivations, relationship with the firm's business, and the impact on beneficiaries, can also provide corporations with guidelines to evaluate their current social activities for more effective solutions.

Contributing to society is not simply a charitable gesture but can be a profit-generating activity when utilized with an appropriate strategy. This means that companies should attempt to move from "good corporation" to "smart corporation." Society should also recognize that corporations are the organizations that create values in collaboration rather than just offering away some of their profits to society. When both corporations and society realize this mutually beneficial role, we can develop a virtuous cycle of increasing the benefits for both corporations and society.

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ENDNOTES

[1] An early discussion of the idea of CSR as an opportunity rather than as a cost can be found in *Corporate Social Opportunity* by Grayson and Hodges (2004). However, their perception of CSO focuses more on generating corporate benefit, rather than shared value or social benefit. Furthermore, it provides neither concrete circumstance nor specific strategies. In this regard, it is less comprehensive than this article's concept of CSO.

[2] An early concept of this framework was initially explored by Moon (2012).

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