Learning Objectives

- To be able to assess the strengths, weaknesses and practical implications of strategic CSR within the wider CSR field
- To understand the different types of arguments – theoretical, empirical and normative – that can be used in support of a strategic understanding of CSR
- To distinguish between different ways of arguing for the strategic value of CSR, including corporate social responsiveness and the business case, and to be able to reflect on their respective strengths and weaknesses and how they can be combined
- To understand and be able to discuss the arguments for and against Porter & Kramer’s shared value mindset

3.1 The Strategic Turn in CSR

Since the early 2000s, the discourse on corporate social responsibility has taken what might be called a strategic turn. Not only ‘the usual CSR supporters’ but also some former believers in the neoclassical dictum that ‘the business of business is business’ have started to embrace the positive, productive, innovative, value creating aspects of social responsibility. In the wake of insidious corporate scandals – ranging from Enron in 2001 to Volkswagen in 2015 – and, in particular, the events surrounding the global financial crisis of 2008 and beyond, the proposition that we can rely on the ‘invisble hand’ of the market to secure beneficial outcomes for society does not seem very comforting to many. In 2005 it was famously declared in a critical survey in *The Economist* that the advocates of CSR seemed to have won ‘the battle of ideas’
(Crook, 2005), and it has been suggested that we have reached a point where it is no longer a matter of whether but only of how companies are to engage in social responsibility (Smith, 2003). These conditions would seem to call for new, more accommodating economic approaches to CSR. It is in this context that strategic CSR has emerged.

Although Baron (2001) is reputedly the first to have made use of the term “strategic” to capture CSR as value creation for the firm within the resource based view of the firm (McWilliams & Siegel, 2011), and although we can point to a number of important contributions to the strategic turn, our treatment of strategic CSR in this chapter will in particular draw out the work of esteemed Harvard Business School professor Michael Porter and his co-author and business partner Mark Kramer. Porter & Kramer’s strategic approach to CSR and CSV (creating shared value) has had considerable traction among business leaders as well as public policy makers, and shared value is arguably emerging as a dominant mindset within instrumental views of corporate responsibility. Therefore it is imperative to understand the strengths as well as the weaknesses of their proposed contribution – and how it can be combined with other perspectives. To put their contribution in perspective, however, we start with a discussion of the antecedents of strategic CSR, with a particular focus on the notion of corporate social responsiveness and the business case for CSR. This is followed by a brief exposé of how Porter & Kramer’s understanding of CSR has evolved over the course of their three essential papers on the topic (Porter & Kramer, 2002, 2006, 2011) leading to their novel concept of CSV. Next, we discuss arguments for and against strategic CSR as presented by Porter & Kramer. These discussions are wrapped up in a section focusing on the need to combine perspectives. No single perspective has all the answers – a point that is clearly reflected in the remainder of this book and in the case we present on how the multinational conglomerate Maersk Group is working with shared value.

3.2 Antecedents of Strategic CSR
Etymologically, “strategy” comes from the Greek strategia, meaning ‘office or command of a general’. If you look to the dictionary, the adjective “strategic” means something that is designed or planned to seek a particular purpose, or, in parallel, something that is related to the identification of long-term or overall goals and interests and the means of achieving them. The purposes, goals and interest of private businesses are usually centred on economic gain in one
form or another. Speaking of “strategic CSR”, then, is a matter of attributing an economic purpose or quality to responsibility, that is, a purpose or quality above and beyond doing good for the sake of doing good. This implies a foregrounding of extrinsic (as opposed to intrinsic) motivations for acting responsibly.

The purposeful, strategic mindset has played an important part in the CSR literature for decades and is by no means monopolised by Porter & Kramer. William C. Frederick has contended that “CSR, whatever form it takes, serves corporate interest and goals – and has been intended to do so since its inception around the turn of the 20th century” (2006: 7). The starting point of the classical literature on CSR was thus liberal capitalism and the free enterprise system. The fundamental idea was that businesses within such a system, apart from their economic, technical and legal responsibilities, have an obligation to work for social betterment, and that it is in their own best interest to do so – on a voluntary basis. Apart from variations on the general theme of enlightened self-interest of business, the strategic mindset had its major breakthrough with the coming of the notion of corporate social responsiveness in the 1970s (Frederick, 1978/1994).

3.2.1 Corporate social responsiveness

According to Frederick’s seminal 1978 working paper, corporate social responsiveness refers to the capacities of companies to respond to social pressures. In contrast to the elusive principles and philosophical overtones often characterising the normative debate over corporate social responsibility, the focus on responsiveness indicates a more pragmatic and/or managerial take on how companies can respond “to tangible forces in the surrounding environment” (Frederick, 1978/1994: 155). Responsiveness does not depend on the social conscience of the CEO or C-level management, but looks instead to institutionalised company policies for successful implementation. It gives weight to corporate strategy and strategising as it replaces questions of why with questions of how to be responsible in the smartest possible way. It is assumed that the central question of whether companies should respond to social pressures “has already been answered affirmatively by general public opinion and a host of government social regulations and that the important task for business now is to learn how to respond in fruitful, humane, and practical ways” (ibid.: 156). Corporate social responsiveness has, however, been considered an unsatisfactory replacement for responsibility because it fails to give proper guidance in terms of
positive values. Self-interested responsiveness is not necessarily synonymous with (other-regarding) responsible behaviour as seen from a stakeholder or societal perspective.

The answer to this challenge in the CSR literature was to argue that responsiveness only forms part of a larger whole and needs to be embedded in the broader, more holistic conception of corporate social performance: processes of responsiveness can then be accounted for alongside principles of responsibility and results relating to social responsibility (Wood, 1991). A strategic view of responsibility also figures prominently in the stakeholder management literature as it promotes value creation with and for stakeholders, and acknowledges that instrumentalism can provide the motivational basis for stakeholder engagement (Freeman, Harrison, Wicks, Palmar & de Colle, 2010). Another important antecedent to strategic CSR is the extensive literature on the business case for CSR.

3.2.2. The business case for CSR
As mentioned, corporate social performance (CSP) originated as a holistic concept that was meant to capture normative and instrumental aspects of corporate responsibility alongside concrete outcomes. However, the concept (with its ‘performance’ component) has in recent years been captured by a research agenda that is preoccupied with the measurement of particular CSR metrics and tends to provide anything but a holistic view of corporate responsibilities. In the words of Vogel, “Oceans of ink have flowed to support the claim that corporate virtue delivers financial rewards” (2005: 11). In a review paper, Peloza (2009) counts no less than 159 studies examining the business case for CSP, the first of which was published in 1972. The majority of these studies (63%) show a positive relationship between CSP and financial performance, some studies (15%) report a negative relationship, while others (22%) indicate a neutral or mixed relationship. This is similar to the findings of other meta-reviews. Apart from the mixed findings, there are a number of well-documented problems with such studies. One problem has to do with the lack of proper theoretical underpinning. 96% of the studies mentioned by Peloza examine the value of CSP empirically, with only a few including financial metrics in efforts to theorise corporate responsibility. As noted by Perrini, Russo, Tencati & Vurro, “most of the existing studies share the often-unstated assumption that the stronger a firm’s involvement in CSR activities and programs is, the higher the economic and financial value firms will be able to obtain” (2011: 60). In attempts to defend the alignment of CSR with profit maximization
objectives, studies have been “trying to demonstrate the theoretical superiority of CSR in terms of its positive correlations with economic and financial performance measures” (ibid.). The lack of more rigorous theorising does, however, turn out to be a problem as correlations drawn from cross-sectional data cannot establish the direction of causality (Vogel, 2005). This leaves us with the problem of figuring out whether it is CSP that leads to better financial performance or vice versa. What causes what? CSP research has failed to provide a satisfactory answer to this question.

Another vital concern is that the studies measure different things. A total of 39 unique measures of CSP were used to examine relationships between CSP and financial performance, with the most popular metric (pollution control or output) being used in only 18% of the studies. Besides, 82% of the studies made use of a single measure only. This highlights a tremendous inconsistency and, if you will, arbitrariness in extant research. Similarly, 36 unique measures were used to capture financial performance. These include market based metrics (such as share price), accounting metrics (such as Return on Assets or Return on Equity) and perceptual metrics (such as rankings and surveys). Peloza refers to these as ‘end state metrics’ and argues that they are appealing because they reflect the overall financial health of the firm. They are, however, inappropriate measures for managers whose CSR initiatives only make a small contribution to, for instance, share price movements. While end state metrics can “provide a certain elegance and finality to the business case” (Peloza, 2009: 1524), they often provide little meaningful guidance for managers trying to measure the returns from CSR. This problem is exacerbated by the fact that CSP is most often examined at a cross-industry level, with the sample data not being specific to any particular sector(s) of the economy. Hence, this research tends to operate at the macro level rather than at the level of particular CSR initiatives. As a result, it fails to address firm-specific issues and provides little concrete guidance for managers wanting to assess the impact of CSR within their own firms. Against this, Peloza argues for the need to also make use of mediating metrics (related to, for instance, stakeholder relations) and intermediate metrics (related to particular revenue- or cost-based outcomes) – and thus for the value of measuring performance as close to concrete CSR initiatives as possible.

This is also the message of Perrini and colleagues, who see a need to venture beyond simplistic linear assumptions and aggregate measures when speaking of the business case (Perrini et al., 2011). They argue for the value of a multi-level framework that distinguishes
between CSR efforts related to particular stakeholders or stakeholder groups (internal organisation; customers; supply chain; society; natural environment; corporate governance), drivers of performance in regard to these particular efforts, and performance related to revenue- or cost-related outcomes. This effort to make the business case a more tangible and less generic concern is also reflected at the level of corporate practice where many companies are using impact assessment tools, including key performance indicators, to assess the value of particular CSR initiatives.

Perrini et al. suggest that the quantitative studies of the CSP-CFP relationship “substantially share the same view of CSR as a strategic and profit-driven corporate response to social and environmental pressures placed on firms by many different actors” (2011: 60-61). On the one hand, the normative implication of such studies is that they, for better or worse, subject CSR to economic measures of worth. On the other, the instrumentalism brought forward by this research is often not an end in itself, but a means to an end. This is well expressed by Vogel in his critical exposé of the business case and its promoters: “The reason they have placed so much importance on ‘proving’ that CSR pays is because they want to demonstrate, first, that behaving more responsibly is in the interest of all firms, and second, that CSR always makes business sense” (2005: 34). The business case is used pragmatically, as a tool to convince naysayers about the salience of CSR and bring disbelievers onboard. Ultimately, however, this research makes an ambiguous and vague contribution to our understanding of strategic CSR. The underlying assumption is that strategic benefits accrue to CSR in general, i.e., that CSR as practiced by companies and reflected in various metrics is somehow inherently strategic.

3.3 From Strategic Philanthropy to Creating Shared Value

Porter & Kramer provide an important corrective to such an understanding. They argue that conventional notions of CSR fail to qualify as being properly strategic, and that a new way of thinking about responsibility is required for a proper integration of CSR and corporate strategy to take place. Instead of being preoccupied with past performance we should focus on creating value going forward. Their basic message is that strategic CSR needs to venture beyond responsiveness and should be guided by instrumental rather than normative concerns. As they write in a repartee with some of their critics in California Management Review: “using the profit
motive and the tools of corporate strategy to address social problems (…) can contribute greatly both to the redemption of business and to a better world” (Porter & Kramer, 2014: 150). They make it clear that strategic CSR is not about personal values (Porter & Kramer, 2011), nor about doing good. It is fundamentally about business and economic value creation (Porter interviewed in Driver, 2012). The underlying idea is that capitalism can encompass all the necessary tools that businesses need to address social problems in the smartest and most efficient way. In an interview, Porter talks about “the ability to use the core of the power of the capitalist system” in order to create shared value (Driver, 2012: 423), and Porter & Kramer adamantly do not identify with the social values espoused by the CSR movement.

Their three essential Harvard Business Review papers on CSR (2002, 2006, 2011) can be read as a three-step neoclassical reconfiguration of this concept. In the first paper from 2002 they provide a critique of the narrow definition of CSR as corporate philanthropy and argue for the superiority of strategic philanthropy, i.e., corporate giving that creates value for business as well as for society/beneficiaries. In 2006 this idea is extended to the field of CSR more broadly. Here, they aim to show that strategic CSR is superior to conventional approaches and make their case in opposition to what they refer to as the prevailing justifications for CSR: moral obligation, sustainability, license to operate (in relation to stakeholders), and reputation. As they see it, all these approaches suffer from the same weakness in that they focus on (negative) tensions between business and society as opposed to (positive) interdependencies. Another shortcoming is that they create a generic rationale as opposed to one that is operational from the point of view of business and strategy. Consequently, they are insufficient when it comes to helping companies identify, prioritise and address the most important social issues, i.e., the ones in regard to which they can make the largest impact. And this is supposedly why we are seeing so many corporate efforts being fragmented and more concerned with style (i.e. glossy reporting) over substance.

Strategic CSR, in contrast, is a means of prioritising social issues. The purpose of prioritising issues is “to create an explicit and affirmative corporate social agenda” (ibid: 85), and the message is that such an agenda must be responsive to stakeholder expectations, but that truly strategic CSR goes beyond responsiveness. Although companies must work to mitigate harm from their activities, this is considered more as a routine, operational challenge. Strategy is about finding ways to transform value chain activities and use strategic
philanthropy as a lever to improve salient areas of the competitive context – and this is where the greatest potential for social impact and business benefits is to be found. While responsive CSR is about “being a good corporate citizen and addressing every social harm the business creates, strategic CSR is far more selective”. It is about mounting “a small number of initiatives whose social and business benefits are large and distinctive” (ibid: 88). The shared value mindset they promote is about finding the points of intersection, the sweet spots where companies can create value for themselves as well as for society. Instead of seeing CSR as a cost or focusing on trade-offs between doing good and doing well, responsibility is considered an opportunity and an investment that can benefit business and society at the same time.

In 2011, they take a step further and propose to use CSV as a conceptual alternative that is free of the wishful thinking and ineffective legacy of CSR. Here, they address the failure of neoclassical economics to incorporate a broader view of the business environment, and how companies remain stuck in a narrow and outdated approach to value creation that tends to focus too much on industry-specific concerns and the short term while overlooking opportunities to meet fundamental societal needs in the long term. Yet, they maintain that this problem can best be taken care of within the system – through the use of the powers of capitalism, not by resorting to extra-economic means. They write: “Our field of vision has simply been too narrow (…) Companies have failed to grasp the importance of the broader business environment surrounding their major operations” (2011: 67). Thus: “The purpose of the corporation must be redefined as creating shared value, not just profit per se” (ibid: 64). They define shared value as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (2011: 66). Value is identified as benefit relative to cost, and three basic ways of creating shared value are outlined: re-conceiving products and markets, redefining productivity in the value chain, and enabling local cluster development. These are summarised below and in table 3.1 with illustrative examples.

The starting point for the first kind of shared value is “to identify all the societal needs, benefits and harms that are or could be embodied in the firm’s products” (ibid: 68). Productivity in the value chain is related to social issues such as natural resource and water usage, health and safety and working conditions in general. It is emphasised that opportunities to create shared value arise because social and environmental problems can create economic costs
for companies (ibid: 69). Local cluster development is about engaging in collective/collaborative action with other societal actors in order to provide better framework conditions (institutions, infrastructure etc.) and thus support the competitive context. It is emphasised that CSV “presumes compliance with the law and ethical standards, as well as mitigating any harm caused by the business, but goes far beyond that” (ibid: 75).

Table 3.1 The Practicalities of Creating Shared Value

<table>
<thead>
<tr>
<th>How to create shared value:</th>
<th>Key question</th>
<th>Example</th>
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<tbody>
<tr>
<td>Re-conceive products and markets</td>
<td>Is our product good for our customers?</td>
<td>Vodafone’s M-PESA mobile banking service in Kenya with 10 million customers in 3 years representing 11% of GDP.</td>
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<tr>
<td>Redefine productivity in the value chain, for example in terms of energy use and logistics; resource use; procurement; distribution; employee productivity; location.</td>
<td>How can externalities be addressed to create social value and avoid economic cost?</td>
<td>Hindustan Unilever’s direct to home distribution system, run by underprivileged female entrepreneurs, supported by microcredit and training provided by Unilever. Accounts for 5% of the company’s revenue in India.</td>
</tr>
<tr>
<td>Enable local cluster Development</td>
<td>How can addressing gaps in a cluster’s framework conditions improve productivity?</td>
<td>Yara, the fertilizer company, invested $60 million into transport infrastructure improvements in Mozambique and Tanzania. Yara and the agricultural sector benefit from business growth via easier access to supply (e.g. of fertilizer) and distribution.</td>
</tr>
</tbody>
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Source: Developed from Porter & Kramer (2011).
While they do now (as of 2011) acknowledge that there is something wrong with capitalism as we have known it, they consider this to be an economic problem rather than a moral one – making it amenable to economic solutions. “Not all profit is equal”, they write, “an idea that has been lost in the narrow, short-term focus of financial markets and in much management thinking. Profits involving a social purpose represents a higher form of capitalism” (2011: 75). What defines this elevated form is not, however, personal values or altruism, but a utilitarian principle related to social impact as the ultimate measure of worth. According to Porter & Kramer, a higher and more sophisticated form of capitalism is “one that will enable society to advance more rapidly while allowing companies to grow even more” (ibid.). Indeed, they propose that CSV should be considered as “a broader conception of Adam Smith’s invisible hand. (…) It is not philanthropy but self-interested behaviour to create economic value by creating social value” (2011: 77).

We would argue that to date, CSV may not be universally admired but has certainly gained a dominant position within the strategic CSR subfield. We will now go on to unfold a more detailed analysis of its strengths and weaknesses as the front runner in the strategic CSR debate.

3.4 For Strategic CSR

The arguments for strategic CSR are to a large extent built into the models and the mindset presented by Porter & Kramer. It is, however, worth summarising, in brief, the strong points and the general arguments that can be made in favour of their approach.

In an interview, Porter expresses his view of the predicament of the modern corporate executive: “… I think that business as usual has become less satisfying for many CEOs, frankly, and for many employees and many of the graduates of this school [Harvard Business School] and other business schools”. He continues: “… many of the leaders I interact with feel trapped in the system as it is defined today and they feel like they are having ridiculously short time horizons and I think they feel uncomfortable about CSR because of the impact they did not see” (Driver, 2012: 426). In light of the practical failure of CSR, what is called for is a hard-nosed, no-nonsense approach that is able to bridge competitiveness and value creation with the social needs of the communities that companies operate in. Whereas CSR often turns into a sideshow, the strategic CSR/CSV mindset is much better aligned with the core competencies and
the concrete strategic outlook and challenges of individual businesses, in their particular settings. It ensures that it is economic rationality and economic measures of worth, and not fleeting ethical, social or environmental sentiments (as promoted by more or less knowledgeable and qualified stakeholders), that hold sway over proceedings. According to Porter & Kramer, it is lofty, wishful thinking “that has led to so many corporate responsibility and sustainability arguments falling on deaf corporate ears, by insisting that profit-seeing enterprises need to abandon their core purpose for the sake of the greater good. Such a perspective merely drives further the wedge between society and business, to the detriment of both” (2014: 150). Shared value represents an internally driven, positive and innovative mindset in regard to addressing social problems and needs in ways that are also beneficial for the company. Therefore it has much better prospects of motivating corporate action and creating a lasting, and thus sustainable, drive for development.

Although this mindset purports to be well aligned with the fiduciary duty of managers, the creation of shared value will often be a matter of making medium- or long-term strategic investments. Porter & Kramer acknowledge that this can be in conflict with the short-termism perpetuated by financial markets: “Capital markets will undoubtedly continue to pressure companies to generate short-term profits, and some companies will surely continue to reap profits at the expense of societal needs. But such profits will often prove to be short-lived, and far greater opportunities will be missed” (Porter & Kramer, 2011: 77). Thus, CSV is an important step beyond business as usual and a corrective to the short term orientation of many corporate executives. This step does not come with promises (or threats) of more radical reform of businesses, but that is exactly its strength. There is no need for radical transformation, but for bold yet realistic visions of how we can move beyond the status quo within capitalism.

3.5 Against Strategic CSR

After this summary of the espoused strong points of Porter & Kramer’s conception, we will proceed with a critical discussion of some of its shortcomings and the questions it leaves unanswered. Thus, we need to examine not only what it highlights or foregrounds, but also what it hides or can be used to hide (Aakhus & Bzdak, 2012). Apart from exclusions and blind spots, we also want to point to some of the internal tensions and contradictions in their reasoning and the implications such tensions and contradictions can have for the clarity and
usefulness of the CSV framework. We turn first to the matter of CSV as a provider of corporate legitimacy.

3.5.1 Legitimacy issues

Porter & Kramer have argued that their approach is about substance (social impact) over style. Therefore it is perhaps surprising how strongly they emphasise that CSV can help businesses earn the respect of society and serve to reshape capitalism’s relationship to society. They write: “Perhaps most important of all, learning how to create shared value is our best chance to legitimize business again” (2011: 64). In their recent rebuttal to Crane et al. (2014, also quoted above), they argue that, even if it must be acknowledged that not all businesses are good for society and that shared value cannot eliminate all injustice, “using the profit motive and the tools of corporate strategy to address social problems, a practice that is growing rapidly in part motivated by the shared value concept, can contribute greatly both to the redemption of business and to a better world” (Porter & Kramer, 2014: 150). In an interview in 2003, Porter’s major criticism toward the field of CSR was that it had “become a religion filled with priests, in which there is no need for evidence or theory” (Morsing, 2003), and it is perhaps surprising that he would use theological terms to encapsulate his own work. Interestingly, Porter & Kramer associate redemption not with doing good (altruism, philanthropy), nor with the atonement of past sins (acceptance of guilt for wrong-doing), but with economic success (doing well in terms of value creation) – and they do not question the sanctity of corporate self-interest (Crane et al., 2014).

This focus on legitimacy and impression management as foremost concerns can arouse suspicion. Is public image more important than performance after all? Do appearances matter more than actual results? Instead of being redeemers and social innovators, are Porter & Kramer rather to be seen as veiled reactionaries standing in the way of more fundamental reform of the capitalist system? They insists that not only can corporate capitalism be a force for social good, it can have a greater impact on social good than other institutions, but this is only provided that businesses apply the right strategic mindset. Is shared value, then, merely a reflection of business as usual flying under a new flag, adapting to new societal conditions and market opportunities while undermining more far-reaching notions of social responsibility? For critical
commentators, of course, this type of critique applies to all forms of instrumental thinking in regard to CSR (Vallentin, 2015).

Although Porter & Kramer contend that the shared value mindset can and should be applied to all corporate decisions, the empirical support they provide (see below) focuses mostly on singular projects and product innovations while saying nothing about how the activities in question relate to overall corporate social performance. This suggests that capitalism can be reformed one activity, project or product at a time, without, again, any need for a more fundamental overhaul of the system. The limitations of this brand of reform, not to mention its redeeming qualities, are made abundantly clear by Porter himself in a recent interview. Here, he clarifies that the discussion of CSV “presumes meeting the letter and the spirit of the law and that companies and managers operate ethically. Obviously we are not there. I mean there are a lot of corporations that do not operate ethically and there are some that fudge the law, cut corners, and break the law. That is a different problem. That is a problem we have to continue to address. That is kind of a foundational problem” (Driver, 2012: 426). Here is an admission that the legitimacy problem may be important, but that their proposed solution is dealing with symptoms rather than root causes. CSV does not deal with fundamental, systemic problems of corporate irresponsibility (we return to the matter of compliance below). Such matters are beyond its scope of action. Should we expect creation of shared value to be a redeeming force for capitalism if we are continually exposed to corporate scandals like the one that Volkswagen is currently involved in (regarding fraud in testing of automobile emissions)? Do cases such as this not reflect an ongoing need to address the systemic imbalances that lead to unethical and harmful behaviour in business? This leads us to our second point of contention.

3.5.2 Value blindness and conceptual confusion

Porter & Kramer make it clear that CSV is not about personal values (2011). It is about “creating economic value in a way that also creates value for society by addressing its needs and challenges” (2006: 64). The shared value mindset is not, according to a New York Times article, a moral stance. Kramer is here quoted as saying “this is not about companies being good or bad. (…) It’s about galvanizing companies to exploit the market in addressing social problems” (Lohr, 2011). As we saw, they consider CSV as a broader conception of Adam Smith’s notion of ‘the invisible hand’ (of the market) instead of calling more explicitly for the visible hands of
management to make a difference. They are indeed promoting creation of shared value, not shared values (which, economic theory will tell us, are not required in market exchange). However, as Ghoshal informs us, all theories of social phenomena are, and have to be, if not ideologically motivated then certainly reflective of underlying values. This goes for economic theories as well as other theories. Ghoshal writes: “Despite the pretense to be values-free, no social theory can be values-free. And, while no social science discipline makes a stronger claim to objectivity than economics, no domain of the social sciences is more values-laden in both its assumptions and its language than economics and all its derivatives, including much of modern finance and management theories” (2005: 83). To argue that we should leave personal values aside in dealing with matters of social responsibility is in itself a strong value proposition reflecting an ideological standpoint. This is important because it can help to explain Porter & Kramer’s urge to distance themselves from conventional notions of CSR.

In 2011 they write: “Shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success” (ibid: 64). This statement suggests either that CSV is different from those other concepts or that it can serve as an actual replacement. Either way, this and other statements show an unwillingness to yield any ground to or accommodate any insights provided by conventional CSR pundits that would seem to be rooted in the ideological predispositions of the neoclassical paradigm. While Porter has acknowledged that the solutions offered by the model of shared value are highly insufficient when it comes to alleviating capitalism’s own, internal problems of irresponsibility, the work of Porter & Kramer does not in any way recognise that conventional CSR can have a positive role to play in addressing and correcting these maladies. Instead they proceed to give economic value creation, growth and corporate self-determination precedence over social and democratic values in a broader sense. Their vision of a ‘better’ world is first and foremost one wherein there are better opportunities for economic growth and prosperity.

Apart from the knee-jerk critique that they hereby downplay or ignore tensions between business and society and ultimately provide a shallow understanding of the corporation’s role in society (Crane et al., 2014), their dismissal of conventional CSR leads to unnecessary conceptual confusion. Hence, Porter & Kramer confuse matters by arguing that CSV is superior to CSR and different from CSR while at the same time defining it so that it includes responsive behaviours (compliance with the law and ethical standards) that we normally
associate with CSR – thus acknowledging that companies do need to engage in such behaviours. CSV is different, but also, partly, the same. Theoretically, their argument would seem to be logically inconsistent. On a practical level, this leads to a certain confusion regarding the identification of CSV as opposed to CSR. As Crane et al. argue, there is, apart from the labels used, no realistic way to distinguish a CSV initiative from other CSR activities as there is no conceptual distinctiveness to CSV as a specific corporate practice (2014). Apart from its symbolic significance, does the choice of preferred term/label involve any substantial difference, and how can this be determined? And when do corporate activities taken together qualify as being more one thing than the other? Perhaps more importantly: how are companies to reconcile the strategic call for a small number of focused activities with the need to address all the social harms their business creates? Porter & Kramer arguably fail to provide concise answers to such questions, but perhaps their recommendation boils down to a relative prioritization of value creating as opposed to responsive activities, however vague that may seem. We return to this issue in our case study of Maersk.

Finally, while Porter & Kramer claim greater concept clarity for CVS compared to CSR, more effort is needed to clarify the boundaries of the former. As reflected in some empirical studies, just about any product or service can be said to create value for a company while also serving some social need (Bertini & Gourville, 2012). This can lead to over inclusiveness in the sense that most market exchanges can be seen to reflect creation of shared value. Where to draw the line, then? What social needs qualify as representing enough of a problem or concern to be deemed worthy of inclusion in CSV?

3.5.3 Measures of value and social impact

Then there is the matter of how to measure or assess the value of shared value. As pointed out by Dembek, Singh & Bakhoo (2015), the lack of clarity and precision in definition is also reflected in problems with the operationalization and measurement of the concept, in spite of the implied economic rigor. Research has pointed to a number of problems. To begin with fundamentals: there is no agreed-upon way to measure shared value at this time (Pfitzer; Bockstette & Stamp, 2013). Research has provided assessment frameworks, but no specific measurement tools or metrics. Moreover, the cases used by Porter & Kramer and others tend to focus on the corporate ‘win’ rather than on social benefits. Hence, there is a bias toward
the achievement of economic success for business. The costs and broader impacts of organisational actions are largely neglected and most cases and examples are brief and lack the detailed information and data that would be required to properly support the author’s arguments (Dembek et al., 2015). Hence, the CSV concept rests on anecdotal evidence – with many of the examples cited by Porter & Kramer being clients of FSG or affiliated with Harvard Business School (Aakhus & Bzdak, 2012). Furthermore, CSV is primarily analysed at the level of singular initiatives, projects, products, which begs the question of whether or how it can be applied to the organisational level of analysis (Dembek et al., 2015). Crane et al. speak of CSV’s myopic focus on new projects and products (2014).

Ultimately, Porter & Kramer’s pivotal measure of worth, social impact, would seem to provide less rigor and direction than promised. Indeed, with their corporate-centric point of departure they fail to make it clear what they mean by social impact, simply because they have not properly addressed the wants and needs of those social groups that belong to the other side of the CSV equation. Although they do extol the value of joint initiatives and collaboration (across profit/non-profit and private/public boundaries) (2011), what they present is an asymmetrical and unbalanced approach to ‘sharing’. This absence of multiple perspectives can be considered as a critical shortcoming (Dembek et al., 2015), and it is symptomatic of an approach that puts corporate interests before social concerns. We are told that CSV is about creating economic value through the creation of social value and about enhancing competitiveness while simultaneously advancing economic and social conditions in surrounding communities. CSV is not about redistributing value, but about “expanding the total pool of economic and social value” (Porter & Kramer, 2011: 65). However, Porter & Kramer fail to provide a clear definition of what they actually mean by, again, social value. It is suggested that social value is something ‘of value’ to people in need within a cost-benefit framework, but so far none of the cases and examples provided by the literature on CSV has considered the degree to which such needs are actually satisfied (Dembek et al., 2015). Following from this: who is to determine what social value is for particular beneficiaries/stakeholders? The company or those stakeholders? Is it possible or meaningful to speak of value creation as something shared without actively engaging the societal side in some form of dialogue or deliberation? Dembek et al. suggest that there needs to be more focus on the means, resulting outcomes and beneficiaries of
the outcomes of CSV (2015), and we would likewise argue that a meaningful measure of the value of shared value need to embrace the notion of social value in a more inclusive manner.

3.5.4 Compliance and the big picture
Porter & Kramer strongly advocate for companies to go beyond compliance. This is nothing new in CSR. One of the classical contributors to the early CSR literature, Keith Davis, argued that a firm “is not being socially responsible if it merely complies with the minimum requirements of the law, because this is what any good citizen would do” (1973: 313). Whereas Davis makes a moral argument, Porter & Kramer, as we have seen, simply presumes compliance with the law and ethical standards. They are effectively reducing conventional CSR efforts to unadventurous, responsive, routine, largely compliance-driven activities, while all the really promising prospects of corporate action are taken out of this realm. Although there are some strength to this, there are also some obvious shortcomings, some of which have to do with the questions they hereby leave unanswered. By taking compliance for granted they tend to grossly underestimate the complexity of corporate supply chains and the ongoing challenges that are involved in securing compliance with rules and regulations in different social settings (Crane et al., 2014). By the same token, and by focusing almost exclusively on the positive, value creating side of responsibility, they downplay issues related to risk and risk management and how such considerations can have strategic value, vis-à-vis the materiality assessments used by many companies. Porter & Kramer are silent on the matter of how the broad accountability perspective of CSR can or should be aligned with the more focused agenda of CSV. Hence, they fail to capture the big picture of corporate responsibility. As mentioned, this problem is a result of their preferred level of analysis, which is the individual project or product rather than the overall corporate strategy or the organisation as such. This leads us to our final point of contention.

3.5.5 Delivering on integration
The shared value mindset comes with promises of integration, of operating (unlike CSR) close to the core of the business. However, CSV has been accused of simply providing a recipe for cherry picking activities that can fit neatly within a win-win framework – allowing corporations to engage in those activities that suit them while ignoring other pressing social issues that have
less direct financial benefit and may involve difficult dilemmas or trade-offs. Although Porter &
Kramer are sceptical about glossy sustainability reporting, they have come up with a concept that
lends itself extremely well to such reporting and to positive storytelling in other forms of
corporate communication. While Porter & Kramer have made an undeniable difference when it
comes to defining the *how* of CSR, there is little evidence suggesting that they have been even
remotely successful in their endeavour to redefine the *how* of capitalism. CSV has become a
preferred way for some companies to select, frame and communicate their social responsibility
efforts, in whole or in part, but has so far gained little ground when it comes to being fully
integrated into corporate strategies and value propositions of companies. We are not yet seeing
the realignment of entire corporate budgets in accordance with shared value that they are
advocating. As we have shown, Porter & Kramer fail (along with, admittedly, many other
contributions to the CSR literature) to provide concrete recommendations on how integration is
to be achieved in organisational and thus more holistic or systemic terms (Dembek et al.,
2015). What they propose instead is an integrated mindset. They emphasise that CSV is integral
to competing and to profit maximization, while also being company specific and internally
driven (2011). When all is said and done, however, they remain rather vague about the social
implications of CSV – both in terms of the meaning of social value (externally) and in terms of
the social organisation/implementation of this mindset (internally). As a result, shared value
activities can be practiced by companies that are simultaneously involved in irresponsible
activities – without Porter & Kramer apparently having much to say about this. In the words of
Crane et al., “CSV may lead to islands of win-win projects in an ocean of unsolved
environmental and social conflicts” (2014: 139).

3.6 Combining Perspectives

Based on an extensive literature review, Dembek et al. conclude that shared value is at a nascent
stage as a theoretical concept and more resembles a management buzzword (2015). Buzzwords
are characterised by being overused while their meaning often gets distorted and
overextended (2015). One recurrent critique of Porter & Kramer’s work in this field is that it
lacks originality and even, in some respects, borders on intellectual piracy – because they fail to
acknowledge how other researchers have come up with ideas similar to their own (Crane,
Palazzo, Spence & Matten, 2014). Apart from the antecedents already mentioned, the familiarity
with concepts such as conscious capitalism, sustainable value creation, blended value, mutual benefit, social innovation/entrepreneurship and base of the pyramid has also been highlighted (Crane et al., 2014; Dembek et al., 2015). Part of the critique levelled against Porter & Kramer for being unoriginal can, to some extent, be due to others’ broad uses of the concept and their own use of cases and examples that stretch the concept (as they have defined it). The buzz around the concept can, however, be interpreted both in a positive and a negative way. The negative take has to do with shared value floating around as a loosely defined signifier that adds to the conceptual confusion surrounding CSR instead of contributing to an economic consolidation of the field. The positive take has to do with a pragmatic overall assessment of how shared value has contributed – and is contributing – to the development of corporate responsibility. All ideological concerns aside, the value of shared value must ultimately be considered in terms of the practical difference it makes in the world. Porter & Kramer’s contribution to this stretches beyond their academic publications. To bolster support, the shared value mindset is also promoted through the consultancy arm of the Porter & Kramer enterprise, the FSG consulting firm (Foundation Strategy Group), and networks such as the Shared Value Initiative, which, apart from Nestlé – a company with which they have had a close collaboration on developing shared value, counts big multinationals such as Chevron, Coca-Cola, Deloitte, Hewlett Packard, Intel, Novartis and Verizon among its strategic partners.

Not only businesses, but also governments and other organisations are making use of the concept, but most often without buying into the whole package, so to speak. That is, without identifying with the neoclassical underpinnings of Porter & Kramer’s argument and without necessarily putting the interests of business before those of society in the way that they propose. Even corporate uses of the concept, as we shall see in the case of Maersk Group, tend to translate or adapt it rather than slavishly follow the prescriptions given. For instance, many companies, like Maersk, have a strong focus on compliance and risk management and would not want to reduce the handling of such matters to bland routine bereft of strategic value. Governments and NGOs may use the concept to lend an air of economic credibility to responsibility or development efforts – using shared value to signify win-win while balancing the interests of business and its stakeholders more evenly. Hence, we may speak of the relational value of the concept and how it can serve as a lever for development in more ways – and according to more agendas – than the one envisioned by Porter & Kramer.
As we have shown, shared value has primarily been used at the level of new projects and products, not to capture responsibility or value creation at the organisational level. It refers to parts rather than the whole, whether we are talking corporate responsibility efforts or corporate strategy more broadly. Instead of seeing it as a stand-alone concept or as a replacement for conventional CSR, we think that it makes more sense to see it as a supplement and argue for the need to combine perspectives and come up with hybrid forms of responsibility. Even if we acknowledge that the cost-benefit mindset of shared value is an important contribution to CSR, we still, in the words of Hartman & Werhane, need moral imagination as well. As they put it: “‘Shared value’ is just one of the many viable means to reconstruct a corporate worldview to tackle new-world social, environmental and economic problems” (2013: 42).

3.7 Case Study: Maersk Group and Shared Value
To illustrate and elaborate some of our points on strategic CSR, we turn to the case of the multinational conglomerate A.P. Moller – Maersk (hereafter Maersk Group). The core business of Maersk Group is shipping and energy: oil and gas. Its four core business units are Maersk Line (the world’s largest container shipping company), APM Terminals, Maersk Oil and Maersk Drilling. It is the largest company in Denmark based on total revenue and #172 on the Forbes Global 500 (list of 2014). The Maersk Group signed up to the UN Global Compact in 2009, and in 2011 became one of approximately 50 members of UN Global Compact LEAD: a platform designed to challenge highly engaged companies to experiment, innovate and share knowledge and learning – with the overall aim of leading new efforts to raise sustainability performance. In a recent survey by KPMG, Maersk was singled out as one of 10 companies from the Global Fortune 250 to score more than 90 points out of 100 on CSR reporting quality (KPMG, 2013). Maersk Group also joined the Shareholder Value Initiative in around 2015, which is a global community operated by Porter and Kramer’s consultancy FSG and consisting of leaders “who find business opportunities in societal challenges” (Shared Value Initiative, 2016). Maersk is thus a global leader in sustainability that has made an explicit commitment to the shared value agenda. In order to reflect on the practical ramifications of this commitment we will focus here on Maersk Group’s overall CSR policy and range of engagements as reflected in its sustainability reporting.
Maersk Group’s 2014-18 sustainability strategy articulates a vision of unlocking growth for society and Maersk Group by focusing on three key priority areas: enabling trade, investing in education and energy efficiency (A.P. Moller – Maersk Group, 2015). The new strategy was approved in 2013 and launched in 2014. Its formulation was inspired by the focused approach of Porter & Kramer and an urge of the Maersk Group CSR department to get a mandate to work with sustainability issues in a more forward-looking, business development- and innovation-oriented way. The strategy came into being through a development process involving workshops and brainstorming with business units, and its content reflects the concrete commercial and societal challenges that Maersk business units are facing. The focus on education, for instance, addresses the difficulties of finding qualified personnel in the energy sector. In many developing countries, companies such as Maersk Drilling are faced with local content policies aiming to protect domestic economic, labour and business interests in dealings with the oil and gas industry. In a potential growth market like Angola, for instance, local content rules broadly aim to promote Angolan employment and ownership of businesses along with Angolan industry, production and services – in order to avoid unfair exploitation. Oil and gas companies operating in Angola are required to have a workforce consisting of 70% Angolan nationals (and no more than 30% expats). This is referred to as Angolanization, and companies are obliged to be in compliance within three years of signing a private investment contract with government. To be in compliance with this rule requires education and training of locals, as safety is imperative. Investment in education can provide value for society by raising the level of qualifications among the populace and value for the business by making a scarce resource (skilled labour) less scarce, and thus less expensive, and perhaps more importantly by helping to build goodwill with government, which may give Maersk a competitive edge in bids for future contracts. Whether this should be considered as strategic CSR or smart compliance is another matter.

Overall, the new strategy focuses on ways to boost corporate performance by strengthening competitive context and reducing costs. However, these focus areas by no means capture the full range of the company’s current sustainability commitments and how it is held accountable by its stakeholders. This is reflected in its award-winning sustainability reporting, which provides a much broader view of the company’s social engagement. Maersk Group’s latest sustainability report covers a wide range of topics, most of which are related to compliance
and/or responsive CSR. These include integration of human rights, safety, diversity, global labour relations, reduction of environmental impacts, mitigating oil spills, fighting corruption and a responsible approach to tax payments (A.P. Møller – Mærsk A/S, 2015).

Maersk Group’s turn to strategic CSR has to be seen as part of a process. Its first sustainability strategy, which ran from 2010-2014, was to integrate sustainability into business processes and make it a competitive advantage. The goal was to achieve full business integration by 2013. ‘Integration’ measured in terms of business units following group standards and sustainability being integrated into management systems and metrics of performance management. The first part of the process was meant to establish a strong basis for responsibility in the classical CSR sense, meaning that the focus was on compliance, transparency and minimum standards for proper behaviour. These basics had to be in place, otherwise a turn to a more strategic and innovative approach would not seem credible and could too easily be perceived as cherry picking. In this sense, the turn to a more strategic approach can be seen as a sign of maturity (although the old strategy is still very much alive alongside the new one). It implies a shift from mitigating the negative to accelerating the positive impacts of responsibility, and it is inspired by Porter & Kramer’s idea of seeing societal needs as opportunities to create value for the business (and society) while focusing efforts on a few select areas instead of going off in all directions. However, Maersk Group’s CSR department very consciously does not make use of the term ‘shared value’ in the new strategy. The feeling is that if they use the term, they will have to buy into everything that Porter & Kramer is saying (or would signal that they do). Instead they prefer to be able to pick the parts they find useful and define the rest themselves. As indicated, they do for instance attribute a higher value to responsive CSR activities than Porter & Kramer tend to do. Joining the Shared Value Initiative is thus seen as much less of a commitment and as having much less of an overall impact than the membership of UN Global Compact and LEAD. The new strategy, after all, is also a reflection of the triple bottom line, covering economic (enabling trade), social (investing in education) and environmental (energy efficiency) aspects of corporate performance.

Although Maersk Group maintains a strong focus on mitigating negative impacts, the new strategy is meant to, indeed, accelerate efforts in the area of positive impacts, meaning that relatively more resources at Group level will be devoted to the three areas identified in the new strategy – and that recommendations for the business units will be centered on these areas. A
distinction is made between operational (i.e., responsive) and strategic activities, and the hope is that it will be possible to free up more resources for long-term exploration of new strategic opportunities. This in turn calls for more traditional competencies to be needed (as opposed to CSR specialisation) when things are really moving. However, development of the new strategy is still at a very early stage. The Maersk Group CSR department has a mandate from top management to proceed with the new strategy, but, at time of writing, it is still at the level of pilot projects, mapping of opportunities (e.g. in the area of education) and providing general recommendations for development. Indicators and targets – and thus the ambition level – of the strategy still needs to be set, and it remains to be seen how much and how many it will involve and what will come out of it.

Questions for discussion
1. What does the Maersk Group case tell us about the practical implementation of strategic CSR/CSV?
2. What are some of the possible weaknesses of the new Maersk Group sustainability strategy?
3. What does the Maersk Group case tell us about the limitations of strategic CSR in general?

3.8 Chapter Summary
In this chapter we have presented the popular notion of strategic CSR/CSV and provided a discussion of its theoretical and practical strengths and weaknesses. Overall, mainstream perspectives in the broad field of CSR have, albeit with considerable reservation, engaged with the instrumentalism evident in strategic CSR – while simultaneously issuing warnings about the negative effects it may have if the strategic mindset is not somehow curbed or kept in check by extra-economic (social, moral) values. Nevertheless, it cannot be ignored that strategic CSR has gained considerable traction in business, and this is not surprising considering its corporate-centric design and pro-business stance. However, our section focusing on the arguments against strategic CSR highlighted the dangers of accepting what seems to be an ideal solution to social problems at face value. Those who believe that business and capitalism need to undergo more fundamental reform to be sustainable need to look
elsewhere for viable solutions. Even Michael Porter has acknowledged that the shared value mindset is incapable of addressing issues of corporate irresponsibility properly, but instead of throwing the baby out with the bathwater, we have acknowledged the motivational strengths of this mindset and argued for the value of combining strategic CSR with other perspectives in order to more fully address and help companies deal with the challenges of responsibility they are facing. Our Maersk case study illustrates the complexity of strategic CSR and how one corporation has sought to find a balance between their commercial and social goals.

**Chapter Questions**

1. Does it matter why corporations are socially responsible? What are the implications if they practice CSR for *instrumental* reasons only?
2. Porter & Kramer have been accused of making a straw man out of conventional CSR. Do you agree with this critique? Why/why not?
3. Should corporations ever invest in a social project which has limited or indiscernible financial reward attached to it? What about vice versa?
4. Is there a role for CSR in changing capitalist economy and society?
5. What values might enhance strategic CSR’s legitimacy?

**Further Resources**


This paper provides a wide-ranging and very direct critique of Porter & Kramer work and contribution to the field of CSR, with a particular focus on the 2011 paper. The paper is followed by a lively exchange between the protagonists.


This literature review that provides a good – and critical – overview of theoretical and empirical development in shared value so far.

This paper provides a useful framework for making the business case more strategic and attuned to the particular circumstances of individual companies.

**Shared Value Initiative** [http://sharedvalue.org/](http://sharedvalue.org/)

This is the primary website for promoting the CSV approach. It is led by FSG, Porter & Kramer’s consultancy and features many contributions and testimonials from supporting companies.

**Nestlé Creating Shared Value** [www.nestle.com/csv](http://www.nestle.com/csv)

Nestlé co-created the CSV approach with Porter & Kramer. This is their wide ranging CSV website.