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## **Sustainable development through Corporative Social Responsibility, Corporative Philanthropy and Creating Shared Value**

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**Abstract.** This paper analyses the “strategic philanthropy” proposal, made by professors Porter and Kramer, according to which, a company’s social responsibility must lead to the agreement between social benefit and economic benefit. The company intentionally identifies the key areas in which the community and shareholders’ interests are related so they can take certain measures that improve each other’s conditions. With that in mind, companies should focus on those philanthropy activities that fortify their competitiveness, that is, those activities that equal a progress in the situation of the productive factors and requirements of demand. Drawing from this approach of creating social and economic value, we carried out a study of the main international corporations in which the public and the company’s interests are the same thus appearing new opportunities of creating shared value.

**Keywords.** Corporate Social Responsibility, Corporative Philanthropy, Creating Shared Value, Sustainable Practices, Business and Society

### **1. Introduction**

Professors Michel Porter and Mark Kramer published a series of articles during the years 2002, 2006 and 2011 that concluded with the development of the concept of Creating Shared Value (CSV) [1]. CSV is a business model that consists of operative policies and practices that enhance the competitiveness of a company while also improving the economic and social conditions of the communities in which it operates. Society can benefit from offering the right products to the needier customers, while companies can benefit substantially from it as well. Therefore, CSV is not corporative philanthropy, but a management strategy that provides measurable corporative performance [3].

The idea of CSV has generated great interest among entrepreneurs and scholars [4, 5] and it is becoming more and more important for businesses that are looking for new economic opportunities and want to regain public trust [6].

Well-established companies belonging to different areas such as healthcare, environment, chemicals, food, tailoring, finance, technology, tourism or defense, implement CSV

successfully [7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18]. For example, notable companies such as BASF, Enel, Coca-Cola Brasil, Finnish Savings Bank, Google, IBM, Intel, Johnson & Johnson, Nestlé, Novartis, Mars, Unilever or Walmart have launched meaningful initiatives related to CSV [2, 19]. The advantages of these practices for the companies have been studied in different corporate aspects such as the economic performance [20], the improvement and reinforcement of relationships with the client [9], environmental practices in relation with the results [21] or the creation of value for shareholders, linked to social change [6].

The present paper analyses CSV and its economic and social effects. After this introduction we will present the concept of CSV and the three levels that it stands for: reconceiving products and markets, redefining productivity in the value chain and enabling the development of clusters. In the following section we will present some of the main competitive advantages that CSV provides (different effects on competitiveness, on the customer's behavioral intention and on the company's value, as well as positive effects from the point of view of sustainability at regional level). To conclude, some empiric evidences are exposed, regarding the application of CSV strategies on important companies belonging to different productive sectors [2, 19].

## **2. The concept of CSV**

The CSV theory studied, at first, the importance of corporative philanthropy, linking it with social and economic benefits [22]. The development of this theory evolved from the aspect of corporative philanthropy towards the competitive advantages of the implementation of Corporate Social Responsibility (CSR). However, the authors observed that this process was not enough in order to obtain the desired competitive advantages [23]. The definitive conclusion of this theoretical model arrived with the final development towards the CSV theory collected in the publication "Creating Shared Value" [2], in which the theoretical basis of CSV, such as operative policies and practices for the enhancement of the company's competitiveness and the obtention of social benefits, are established. Therefore, it involves the connection between social and economic progress [1] and must be analysed as the creation of social responsibility with benefits for the business [24].

Nowadays, a practical interest to apply CSV to businesses has aroused, involving the European Commission that sees this corporate strategy as a way of helping society [25]. In this vein, CSV takes a more corporate approach [4] and provokes new opinions, revisions and criticism regarding CSR and even sustainability [5]. In fact, nowadays CSV is applied in a variety of fields [4] and it is considered an essential tool in companies that need to recover their clients' trust [6]. CSV makes corporations analyse their attitude towards the environment. It also helps them understand how they can treat society as an ally in order to find profitability and competitiveness in the market without falling in a misguided philosophy towards philanthropy. Therefore, it is better applied to maintain the relationship between profitability and the search of the common good [7].

The implementation of CSV requires precise indicators of its influence in the companies [2]. Moreover, companies that wish to offer social and corporate increasing benefits must be able to monitor their progress [2,19]. However, controlling how it should be measured it is a matter yet to be addressed [4].

Finally, it is worth noting that CSV involves numerous stakeholders (clients, government agencies, different suppliers, business alliances, NGOs, or political parties) [26], being the clients the most prominent group due to their relationships with the corporation [27]. In this light, CSV represents a new way of understanding clients, productivity and external influences used to increase corporative success.

### **3. CSV Strategies**

Corporate sustainability is being increasingly linked with the concept of CSV [28], and with the conceptual framework to develop corporate strategies that can create economic value. CSV is composed of three different strategies: reconceiving products and markets, redefining productivity in the value chain and setting up clusters that support the sectors close to the company. Each one is part of the virtuous circle of shared value; when value increases in one area, opportunities in other areas increase as well [2].

The strategy of reconceiving products and markets is orientated towards the needs of society, such as, health, housing, better nutrition, support for the elderly, financial safety and concerns about the environment [2]. Society has important needs in those areas, creating great opportunities for CSV [29].

On the other hand, the value chain is a theoretical model described and popularized by [30] as well. A company's value chain inevitably affects, and it is affected by different types of social issues such as water usage, health and security, working conditions or equal treatment in the workplace, showing an economic impact on the company's environment. At the same time, CSV, with the redefinition of productivity in the value chain in mind, focuses on the internal operations that improve costs, access to raw materials, quality and productivity, all of it being achieved through environmental improvements, resources management, the investment in social aspects related to employees, suppliers and other areas [31].

Lastly, clusters are defined as the geographical concentration of companies (service providers, complementary companies and industries) and institutions (universities, standardization agencies and trade associations) interconnected in a specific field, in which they compete with each other, but also cooperate between them [32]. Productivity and innovation are highly influenced by clusters. CSV, through the development of a local cluster, improves the company's environment in a way that also enhances corporate productivity [31]. Even though in Porter and Kramer's work (2011) there is a direct reference to clusters, literature about the relationship between CSV and clusters is more recent and research about this topic needs to be further developed [33].

A lot of leading firms are working on implementing CSV strategies around the world and the key factors for its success are the following: reconsidering the aims regarding social needs, focusing the efforts on unfulfilled needs, observing the creation of value for the company and society and drawing shareholders' attention for mutual benefit [19]. As with any business strategy, CSV strategies are unique and can adapt to each company individually [31].

In this regard, [6] have introduced the concept of "ecosystem of shared value" and confirm that companies that pursue CSV cannot operate in an isolated way, so they must adopt a new approach of collective impact, involving all the stakeholders in its ecosystem.

### **4. Advantages of CSV**

CSV has different implications in companies' competitiveness and in clients' behavioral intention, it is related to the company's value and, from a sustainability point of view, it can produce positive effects at regional level.

In regards to the effect of CSV in companies' competitiveness, [34] and [2], have proved that CSV improves competitiveness in the long term and also enhances sustainable growth through the development of its business and social conditions. [35] have proved that a CSV strategy helps improving business competitiveness, underlining the importance of stakeholders' satisfaction in relation with this improvement.

CSV also has a significant effect on the customer's behavioral intention [36] and finds benefit in the capital market [37].

From the point of view of sustainability at regional level, it has been demonstrated that the introduction of CSV strategies, resulted in the economic development of rural areas in the northeast of India and triggered the growth of women's crafting potential in the area [15].

In the same vein, tourism is one of the sectors in which the effects of the introduction of CSV are still being analysed. Specifically, the measurement of shared value has been key for pushing the so-called "Green Engage", that has been implemented in the hotel chain InterContinental Hotels Group (IHG) in order to achieve resource efficiency and reduce costs in plenty of hotels belonging to this chain [2]. It has also been proved that clusters play an important role in the creation of effective innovation systems, and different authors have studied their relationship with competitive advantages in the hotel industry [38].

## 5. Empirical Evidences

Empirical evidences regarding the application of CSV as a management corporate strategy are plenty already, covering a broad spectrum of productive sectors, it has also been proved that companies which introduced CSV strategies achieved a better competitive position [2].

Next, we will provide some examples of the application of CSV policies and their impact on business performance, specifically on the following sectors: Energy, Chemical, Construction, Food, Tourism, Education and Banking.

In the Energy sector we find, among others, the case of the company Enel (Italy), that focuses on the generation and distribution of energy. The introduction of CSV strategies in this company has positively affected its value chain. This has given the company the chance of introducing new technologies, discovering new business opportunities and increasing the quality of its employees' job training.

As evidence of the advantages obtained from introducing CSV strategies in the Chemical sector, the company BASF Brazil (Brazil), that focuses on manufacturing chemical products for several businesses, managed to create closer and longer relationships with their clients, something that is far beyond a purely commercial relation [9].

In the Construction sector, the implementation of CSV strategies has the potential of creating new business opportunities, improve quality, rentability and sustainability, and at the same time promote the participation of all the parts involved [39].

In the other hand, in the Food sector we highlight two very insightful cases, both found in important firms. In the first place, we will mention Nestlé (Switzerland), the largest in the world in its field of competence. In the second place, we find Coca-Cola (Brazil), that focuses on the manufacturing of soft drinks. In Nestlé, results show a positive impact in terms of revenue, profit margin and other indicators of financial performance [40]. Regarding Coca-Cola Brazil, the main implications have been a measurable impact on the sales volume and significantly higher levels of customer involvement with the firm after introducing the CSV program.

In the Tourism sector, we can highlight a recent study carried out in The Costa del Sol (Spain), in which the results show that hotels which introduced CSV strategies more intensely, achieved superior financial performance. Moreover, belonging to a hotel chain has been found to have a positive moderating effect on the relationship between CSV and business performance. Therefore, hotels guarantee their competitiveness and sustainability by taking an active part in CSV [20].

Regarding the Education sector, companies create shared value when they generate economic benefits for their businesses while covering unfulfilled educational needs. This way, every company can benefit from improving productivity in their value chain and can reinforce

regional groups by enhancing the educational results of the regions where they work. These last two forms of CSV are often intertwined because the educational systems not only affect current employees' productivity but also all of the suppliers, clients and future employees' regional group [41]. For example, Real Estate Business School (Spain) [42], constantly works with the aim of offering new learning methods, access to new market segments and new business lines while making constant efforts to include professionals from different sectors inside its value chain, as well as taking part on several clusters both from the university environment and the business community. Mid-term results show the adaptation of the company to new business models as well as its geographical expansion (<https://rebs-edu.com/Málaga>, 2019). In the same light, in Pearson PLC (United Kingdom) the CSV strategy offers their clients the quality that they demand, promoting productivity and profitability by offering greater social value. It is expected then that all the new products and services of Pearson PLC bring benefits, both financially and socially in order to create shared value through the innovation of products and services that push forward educational success. Nowadays the company is offering better learning results and it is also reinforcing its competitive advantage [43].

Finally, in the case of Finnish Savings Bank (Finland), belonging to the Banking sector, it was determined that the introduction of CSV strategies in a financial institution offers possibilities for the banks to significantly increase their activity and generate new businesses, meaning the creation of economic value [44].

## 6. Conclusion

Nowadays, in the 21st century, companies have to co-exist with management strategies that, traditionally, have been totally opposite to each other. On the one hand, there is the corporate philanthropy that drives managers to give back society a part of the economic benefits that were obtained through the production and selling of goods and services, but without asking for anything in return, apart from the moral satisfaction which that attitude provides. The practice of corporate philanthropy has evolved towards CSR policies, including practical management strategies that turn out to be more complex than philanthropy, mainly covering other areas such environmental and human resources policies.

Today, companies have an alternative to the simple corporative philanthropy and CSR policies. This alternative is the management strategies based on CSV policies. These policies, based on the redesign of the product, upgrades on the chain of value and the involved interaction with local clusters, achieve a double effect; to enhance the social conditions of the communities in which it operates, while indirectly incrementing both its reputation and performance. These are empirically proved evidences that work in both major and small companies of all productive sectors.

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