Guest editorial

Guest editors' introduction (Scholz and de los Reyes)

Understanding the practice potential and theoretical limits of Creating Shared Value

We are grateful for the opportunity to edit the first special issue devoted to the development of the "creating shared value" (CSV) concept in a journal – if for no other reason than to have been the first to read and begin to integrate the insights of the six papers we have selected. Each of these important contributions is introduced by fellow guest editor, Marc Pfitzer, who speaks from his experience at the cutting edge of CSV, developing the concept (Kramer and Pfitzer, 2016; Pfitzer *et al.*, 2013) and pushing the frontiers in the practice of CSV across the globe and industry sectors (Pfitzer, 2019).

In this short introduction, we would like to begin by underscoring a crucial point that Pfitzer states in the Preface. Recall that ever since Porter and Kramer's (2006, 2011) original formulations, CSV has been intended as an account of corporate purpose (2011: 64; 2006: 84) that empowers managers with a framework designed to find and realize society-serving opportunities for long-term competitive advantage. What does it mean to serve society with shared value? Michael Porter and Mark Kramer specify that CSV presumes "mitigating any harm caused by business" (p. 75). The authors did not further define what they meant by "mitigation" and, therefore, the use of the term retains the vagueness of its definition. The end that CSV drives managers to achieve cannot but remain somewhat clouded.

To the benefit of scholars and practitioners alike, Marc Pfitzer in his Preface sharpens the view of the end considerably:

> The ultimate objective has to be shared value business operating at zero footprint, while anticipating that what is considered "good" or "bad" is constantly evolving. Purpose and values must guide the choice of which markets to compete in, and where to follow or lead on norms of operation (Pfitzer, 2019).

Zero footprint poses an enormously motivating hurdle and yet its meaning is crystal clear: companies ought to seek to cover the ecological and social tracks that even their shared value enterprises are leaving behind. At the same time, Pfitzer cautions that standards of care and good business practice are always a work in progress. Consider the perennial question of labor standards in the supply chain (Crane *et al.*, 2014; de los Reyes *et al.*, 2017). What counts as a praiseworthy shared value initiative – even assuming zero ecological footprint – depends on the labor conditions of workers and other factors, regardless of whether the standard of good care shifts over time. How should managers respond to the evolving and sometimes inscrutable imperative to "do the right thing"? We explored this question in an earlier article – authored with Craig Smith (de los Reyes *et al.*, 2017) – that sought to reinforce the toolkit for achieving win-wins provided by CSV in a manner consistent with its limitations. Specifically, we proposed a norm-taking framework to provide managers generic guidance for tackling precisely those questions of "good" and "bad" that, as Pfitzer correctly notes, are ever evolving.

We suggest the papers published in this special issue elucidate the concept of CSV along both of these critical dimensions:

- bolstering the theory and practice of CSV with the empirical study of exemplary win-win cases (Alcaraz, Hollander and Navarra; Alberti and Belfanti; Collazo Yelpo and Kubelka); and
- deepening the theory of the limitations of CSV – as a managerial framework (Lee); and as a theory of value (Glauner).

Competitiveness Review: An International Business Journal
Vol. 29 No. 1, 2019
pp. 2-4

1059-5422
DOI 10.1108/CR-08-2018-0053

Illustrating the power of win-win, Fernando Alberti and Federica Belfanti provide a case study of Whirlpool's investment in the food-waste cluster. Whirpool's participation helps to transform food waste – which can create real environmental problems – into the company's economic benefit. Jose Alcaraz, Rodolfo Hollander and Agustín Navarra demonstrate the potential to create shared value through technical education. Their study features analysis of the key events and factors that created a successful private–public alliance in the Dominican Republic. Pablo Collazzo Yelpo and Livia Kubelka contribute one of the very few research papers that studies clusters as the unit of analysis, theorizing the interplay between CSV and clusters and showcasing positive CSV contributions involving small or medium enterprises in nine different clusters in Austria.

All three papers provide evidence of CSV's potential to turn business into a force for good, which addresses the pressing societal and ecological issues of our time. Nevertheless, although CSV increasingly establishes itself as the dominant approach for corporate sustainability and corporate social responsibility both inside and outside of academia, the concept contains important vulnerabilities indicated in the remaining papers of this special issue. The authors of these papers recognize the positive power of CSV, but they unearth several significant conceptual limitations and concerns that stand in the way of CSV as a stand-alone account.

Jooho Lee takes the CSV framework on its face and asks whether managers are really capable of responding to the cognitive demands of the instrumental calculus implicit in achieving win-wins. To address the quandary, Lee proposes that managers can access "the logic of appropriateness" as a surrogate decision framework that draws normative content from the norms embedded in practice. Friedrich Glauner brings the perspective of natural systems to, first of all, identify shortcomings inherent in CSV because it represents "a mental model of economy based on the concepts of scarcity and value." In response to this limitation, Glauner proposes that companies pursue "ethicological business models" that are "based on the concepts of resource growth and value-added cycles." "This paradigm shift," contends Glauner, "allows the development of business models which serve the human drive for differentiation and value creation by cutting through the destructive downward spiral of concentration, disruption and resource depletion."

As editors of this special issue and as earlier contributors to the debate on creating shared value, we want to emphasize that we are skeptical that CSV, at least in the form practiced by its leading corporate exponents (Christiansen, 2014), has the capacity to transform the economy to the point where the net positive impacts of business exceed the negative externalities left behind (i.e. zero ecological footprint). Why then do we continue to promote and develop the CSV concept? As we have argued elsewhere (de los Reyes and Scholz, 2017), CSV initiatives across the globe and industries have helped to reduce the negative ecological and social impacts of business. Though CSV may not be an original concept (Crane *et al.*, 2014, p. 134), Porter and Kramer (2011) have crafted a framework that successfully draws on and combines earlier approaches from the domain of CSR, sustainability management and business ethics. Perhaps most critically, CSV is designed to fit alongside Porter's other popular management ideas (e.g. clusters and value chain analysis) and refers to well-known business-strategy concepts that make it easily accessible to practitioners. CSV has helped guide business leaders to deploy their companies' resources and expertise to address social and ecological problems effectively in ways that also increase profits.

Notwithstanding CSV's laudable successes, we would like to close by underscoring our conviction that each set of papers sends an important message that warrants the heed of scholars and practitioners alike. The opportunities to return value to society that a dedication to CSV can realize are certainly too great and too pressing for managers and researchers to overlook (namely, the first three empirical papers). On the other hand, CSV strategies have been compatible with the marketing of products that are very far from zero footprint. For example, Porter and Kramer (2011, pp. 69-70) celebrate Coca-Cola's initiative to save water in the production of soda. These water savings – no matter how impressive – cannot address concerns for the negative health effects, including diabetes, presented by the high-sugar sodas that the company continues to aggressively market to new (and traditional) populations. This example, for us, epitomizes the worry that the CSV framework is not built to provoke the radical change required today within companies, society and the ecosystem at large (namely, the second three conceptual papers).

The thrust of this special issue is, therefore, two-pronged in tenor. The overarching message is at once to embrace the CSV framework to find win-wins but also to be cautious – in practice and conceptually – about embracing CSV too narrowly. By following the lead presented in the three empirical papers and engaging in self-criticism as indicated by the three conceptual papers, managers can push concertedly and responsibly toward the zero-footprint economy of good business practice that Pfitzer identifies as the ultimate end of CSV.

Gastón de los Reyes
Department of Strategic Management and Public Policy, School of Business, George Washington University, Washington, District of Columbia, USA, and
Markus Scholz
Center for Corporate Governance and Business Ethics, FHWien der WKW, Wien, Austria

References

Christiansen, N. (2014), "'Creating shared value', is lost in translation, Let's reclaim it", available at: www.greenbiz.com/blog/2014/06/19/CSV-controversy (accessed 30 November 2017).

Crane, A., Palazzo, G., Spence, L.J. and Matten, D. (2014), "Contesting the value of creating shared value", *California Management Review*, Vol. 56 No. 2, pp. 130-153.

de los Reyes, G. and Scholz, M. (2017), "The radical organizational implications of the legitimacy argument for marginal social strategies", *Academy of Management Proceedings*.

de los Reyes, G., Scholz, M. and Smith, N.C. (2017), "Beyond the 'win-win': creating shared value requires ethical frameworks", *California Management Review*, Vol. 59 No. 2, pp. 1-26.

Kramer, M.R. and Pfitzer, M.W. (2016), "The ecosystem of shared value", *Harvard Business Review*, Vol. 94 No. 10, pp. 80-89.

Pfitzer, M., Bockstette, V. and Stamp, M. (2013), "Innovating for shared value", *Harvard Business Review*, Vol. 91 No. 9, pp. 100-107.

Porter, M.E. and Kramer, M.R. (2006), "The link between competitive advantage and corporate social responsibility", *Harvard Business Review*, Vol. 84 No. 12, pp. 78-92.

Porter, M.E. and Kramer, M.R. (2011), "Creating shared value: how to reinvent capitalism - and unleash a wave of innovation and growth", *Harvard Business Review*, Vol. 89 No. 1, pp. 62-77.

Schwartz, M.S. and Carroll, A.B. (2008), "Integrating and unifying competing and complementary frameworks: the search for a common core in the business and society field", *Business & Society*, Vol. 47 No. 2, pp. 148-186.