AN ANALOGY BETWEEN CORPORATE SOCIAL RESPONSIBILITY (CSR) AND SHARED VALUE CREATION

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Abstract

In the earliest 19th century, corporate social responsibility was considered as a capitalist welfare. Overtime, this idea changed and the focus was on business people and not corporations, raising four approaches: social responsibility has not place in business, serves the interests of the corporation itself, may or may not pay off for the corporation and expected to pay off for the corporation. In recent years, the corporations in addition to generating profits for its shareholders, must consider that their activities generate positive and negative impact on their employees and the communities that carry out their operations; and combine between the business goals and the social-environmental value, creating a Shared value. The purpose of this study is to show how corporate social responsibility has become a new form of business, in which the company ensures that its operations are economically, socially and environmentally sustainable. The paper purposes a view how corporate social responsibility and shared value creation has become part of the business strategies and internal planning systems of corporations, with a vision that integrates people, ethical values, the community and the environment.

Keywords: *social responsibility, share value, environment, corporation.*

The term social responsibility was first coined in 1953 by Howard R. Bowen in his book Social Responsibilities of the Businessman but its roots lie as early as the early 19th century in what was defined as "capitalist welfare" (Kaplan, 2014). Capitalist welfare has been implemented by industrial companies in order to thwart the unionization of workers and increase production (Jacoby, 1997) and basically address employment and work problems where the government or union have not addressed these issues (Kaplan, 2014).

In the 1960s, Keith Davis led the claim that social responsibility was taken by business people to advance their business interests. His argument was that the concept should be looked at in the context of a management strategy (Carroll B. A., 1999). The argument is that social responsibility goes hand in hand with social and business power.

Another extension of the modern definition was made by McGuire (1963): "Social responsibility is an action beyond the provisions of law and obligations" (McGuire, Business and Society, 1963). In the 1960s, the focus was on business people, not corporations. In 1969, he raised four approaches to corporate social responsibility: (1) Traditional - Neoclassical: Corporate social responsibility has no place in business. (2) The enlightened approach: Corporate social responsibility serves the interests of the corporation itself. (3) The responsible approach: Corporate social responsibility may or may not pay off for a corporation, but it is the right thing to do. (4) 'Confused' approach: Ethical corporate social responsibility must be justified and expected to pay off for the corporation. (McGuire, 1969).

In 1971, corporate social responsibility was first defined as the concern of the company's executives and not its shareholders: "Social responsibility is a balance of interests by management. Instead of striving to increase shareholder profit, corporate responsibility also takes into account its employees, suppliers, local communities and other nations" (Johnson, 1971). For the first time, Johnson was of the opinion that corporate social responsibility would lead to an increase in profits in the long run.

In the same year, the Economic Development Committee stated that public consent to the corporation's operations constructively serves the needs of society and contributes to social satisfaction. The Committee maintained that it sees great importance in expanding the responsibilities of corporations towards society by way of moral and humane actions (Committee for Economic Development, 1971). This was a significant breakthrough in the recognition of corporate executives of social responsibility and corporate responsibility and indeed from the mid-1970s onwards the concept of corporate social responsibility began to be used in the United States (Wood, 1991).

In the early 1970s, a recognition began to permeate that corporate social responsibility is a corporate strategy that should be integrated into the overall strategy of the corporation, and each corporation must choose its actions within this strategy according to its type of activity and environment (Galbreath, 2006).

From Bowen's book until the end of the 1980s, it was customary for shareholders to trust their business executives who knew how to be responsible for their investments and the value of their shares.

Historically, this has meant corporate social responsibility (Sawhny, 2008; Collings & Sawhny, 1990; Leduc, 2001). Since then, social responsibility has been mentioned in many arenas and in different approaches: social and business approaches, approaches to social management, public policy, stakeholder management, accountability, and more recently civic participation and sustainable development (Garriga & Mele', 2004).

Another definition was brought up as part of a model of corporate social responsibility from the perspective of the corporation: a corporate activity that looks good socially, beyond the interests of the corporation set out in the law

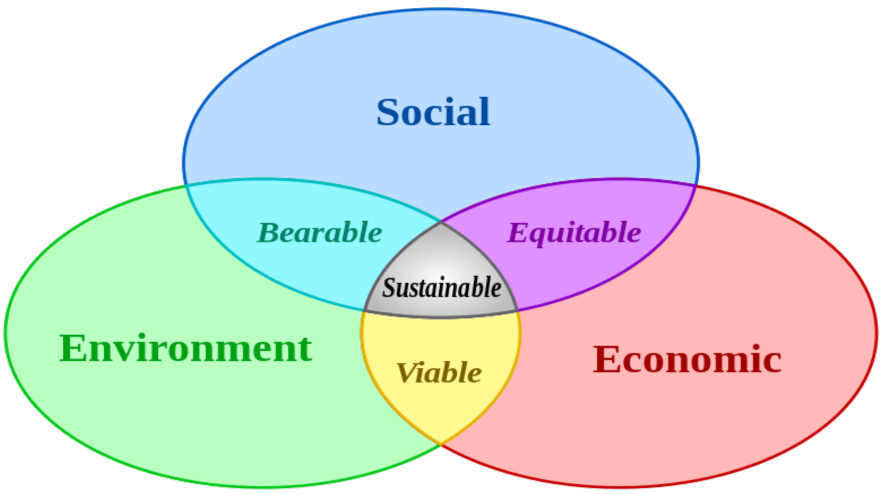
(McWilliams & Siegel, 2001). This definition complies with the definitions in the Israeli and international standards and the definition of McGuire since 1963.

The roots of social responsibility in the modern sense lie in 1987. The UN's Brundtland Commission officially and publicly first used the concept of sustainability: "Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (UNWCED, 1987). The generality and inclusiveness of the definition opened a wide window for opinions and definitions.

In 1994, Elkington coined the term Triple Bottom Line. The concept formulated the variety of definitions for sustainability and knowledge for the first time also related to social responsibility in terms of responsibility for the environment, society and the economy (Elkington, 2004).

At the 2005 World Summit on Sustainability and Conservation of the Environment, the United Nations adopted the definition of Elkington. It was thus determined that sustainable development requires compromises between the parties of the environment, society, and the economy.

Figure 1: Elkington’s Model of the Triple Bottom Line



The Triple Bottom Line Model (TBL) has become the most common and accepted model in most social organizations and academia.

The model is an equation of forces:

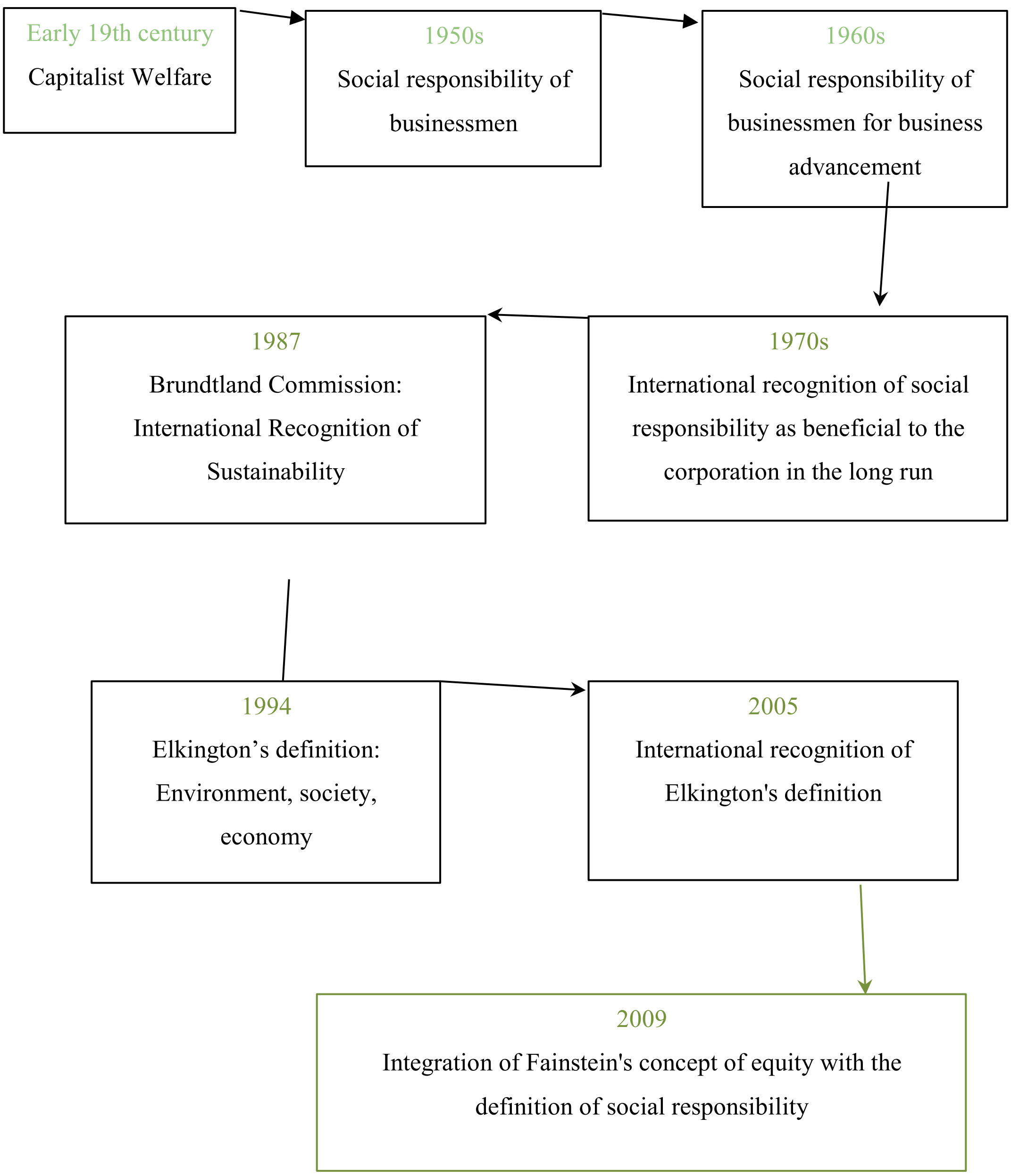
Between the economic and the society forces: Equitable. Equity is the balance between the economic aspects of the organization's operations and the social aspects. For example, a project of transferring digital infrastructure (optical fiber or other) is very economically essential for a corporation in large and densely populated cities and less economically essential in peripheral localities, but socially it is not necessary to neglect peripheral localities just because there is no economic justification to network them digitally. Equity is the compass.

Between the economic and the environmental forces: Viable. When economic elements collide with environmental elements, the equilibrium must be found. Equilibrium will be where the consideration for the environment will be practical and feasible.

Between the environmental and the social forces: Bearable. Sometimes there is a conflict of interest between the social aspects and the environmental aspects. For example, cellular antennas. Environmentally - there is complete agreement that the installation of the antennas is harmful to the environment, but it is clear that socially - the cellular is an essential need and therefore the balance is stopped exactly where the situation is tolerated.

The balance of all of the forces is sustainability.

Development of "social responsibility":



In Carroll's view, corporate social responsibility is based on four types of responsibility (Carol's Pyramid - Figure 1): economic, legal, ethical and voluntary (Carroll B. A., 1999).

In the 21st century, following the rise of environmental awareness, the deepening lack of resources and the demand for transparency, corporate executives have become extremely important in knowing how to use corporate social responsibility as a tool to create value for their organization and society (Gholami, 2011).

2.1.1.2 Mapping the approaches and theories

Assuming that most theories relating to corporate social responsibility are related to economics, politics, social involvement and ethics, all theories on the subject have been grouped into four core groups (Garriga & Mele ', 2004):

Mapping theories for corporate social responsibility

(Garriga & Mele', 2004)

Type of theory	Approaches	Brief Description	Literature
I Instrumental theories (focusing on economic goals through social activities)	**Maximizing value for shareholders**	Maximizing long-term stock value	(Friedman, 1970) (Jensen, 2000)
	A strategy for gaining a competitive advantage	▪ Social investments in the context of competition ▪ Investments based on natural resources ▪ Strategy for lower classes	(Porter & Kramer, 2002) (Hart, 1995) (Lizt, 1996) (Hart & Christensen, 2002) (Prahalad, 2002)
	Value-oriented marketing	Moral values are used as a marketing tool	(Varadarajan & Menon, 1988) (Murray & Montanari, 1986)

II **Political theories (Focus on using the power of business in the political field)**	**Corporate constitution**	The social responsibility of corporations arises from the economic power in their hands	(Davis K. , 1960) (Davis K. , 1967)
	Theory of the Integrative Social Agreement	The theory assumes an end to social agreements between business and community	(Donaldson & Dunfee, 1994) (Donaldson & Dunfee, 1999)
	Corporate citizenship	The corporation treats itself as a citizen in the community with some involvement	(Wood & Lodgson, 2002)
III **Integrative theories (Focus on integrating social demands)**	**Issue management**	A process of responding to political and social issues	(Sethi, 1975) (Ackerman, 1973) (Jones, 1980) (Vogel, 1986) (Wartich & Mahon, 1994)
	Public Responsibility	A process of responding to political and social issues	(Preston, Corporation & Society: The Search for Paradigm, 1975) (Preston & Post, 1981)
	Stakeholder management	Balancing the interests of all stakeholders of the organization	(Mitchell, Agle, & Wood, 1997) (Agle & Mitchell, 1999) (Rowley, 1997)
	Integrating social performance	Seeking social legitimacy and responding properly to social issues	(Carroll A. B., 1979) (Wartick & Cochran, 1985) (Wood, 1991) (Swanson, 1995)

IV **Ethical theories (Focusing on doing the right thing to achieve a good company)**	**The normative stakeholder theory**	Maintaining trust in all stakeholders with reference to theories of morality	(Freeman, 1984) (Philips, Freeman, & Wicks, 2003)
	International rights	A work framework based on human rights, labor rights and respect for the environment	(Global Sullivan Principles, 2003) (United Nations, 1999)
	Sustainable development	Development of humanity while maintaining the current and future generations	(World Commission on Environment and Development, 1987) Brundtland Report (Gladwin & Kennelly, 1995)
	The public good approach	Aimed for the benefit of the social community	(Kaku, 1997)

Creating shared value - further development in corporate social responsibility and differentiation from corporate social responsibility

In recent years, there has been growing finger-pointing at businesses in relation to social, economic and environmental problems, and a growing tendency to blame them for expansion and economic growth at the expense of broad communities. Moreover, the more corporate social responsibility has been adopted by businesses, the greater the trend (Porter & Kramer, 2011). Business companies have been perceived over the years as the main cause of social, environmental and economic problems. The prevalent feeling in the public is that the growth of companies comes at the expense of the community (ibid.).

The assumption that there is an "exchange trade" between economic efficiency and social progress has been rooted for decades in the determination of business policy. The solution lies in the business executives' awareness of the principles of shared value, that is, the creation of corporate economic value should be such that social value is also created. The shared value is not social responsibility, philanthropy and even non-existence, but a new way to bring about economic success. It is an activity that does not relate to the margins of the corporation's activity but to its core activity (Porter & Kramer, 2011). Combining the relationship between business success and community success will enable firms to save on their expenses, develop new markets and products, increase their productivity and drive a new wave of innovation and business development, all alongside success and social progress.

If in the past the businesses focused on creating profit and economic value, while seeing the issue of social and environmental responsibility as secondary factors to the company's activities, now the creation of economic value can only come from activities that combine both social and environmental value. The "common value" creates **an identity between the business goals and the social-environmental value that the firm creates.**

The definition of the purpose of corporations must change from "creating shared value" instead of “creating profits.” Recognition of this definition will lead to a new wave of innovation and will sharpen the definition of capitalism and its treatment of society. Perhaps the most significant change will be in the renewed legitimacy that corporations will gain (Porter & Kramer, 2011). The government, for its part, also did not facilitate through the regulation system and thus a system was created in which each party (company, corporation, regulator) acted to achieve its goals and act accordingly.

"Common value" is a policy or action that improves the competitiveness of companies while promoting the social and economic situation in the communities in which they operate. The common value deals with and focuses on identifying and expanding the connections between the promotion of social and general issues. As part of the corporation's business - they used to treat social issues as peripheral and thus created a smokescreen on the connections between economic and social affairs.

Also, in the social sector, NGOs, other social organizations and government authorities, tended to see success in terms of benefits obtained from budgetary expenditures. If this sector also begins to think in terms of creating shared value - their interest in collaborating with businesses will inevitably increase (Porter & Kramer, 2011).

The competitiveness of corporations on the one hand and a healthy and strong community on the other are essential for creating demand and subsequently for the economic growth of the corporation. The interest is not only of the corporations, because the community also needs strong corporations in order to gain decent employment and build personal wealth (Porter & Kramer, 2011).

Compared to corporate social responsibility that exists on the fringes of action and in fact is not usually related to the core of corporate action, but tends to be treated as a philanthropic activity, then the creation of shared value that can be considered modern corporate responsibility has meaningful interdependence between society, community needs and community needs. This interdependence indicates interests that are not conflicting, but common.

Figure 2: Creating Common Value

Value according to the business approach	**Share Value**	**Value according to civic organizations**
Total revenue less costs. Environmental factors are secondary to economic value.	A business approach that combines the creation of economic value with the creation of social value that addresses the needs of the community. Purpose: Creating a total greater social and economic value	Value is what civic organizations have achieved according to their goals or what money they have raised

The concept of "common value" is reflected, as stated, in the interdependence between businesses and their various stakeholders. For example, a community needs thriving businesses that will create jobs while businesses need a functioning community not only to create demand for their products but also to receive support and legitimacy for their actions. The principles of the approach require each business to create priorities for itself and define who are the most significant stakeholders for it.

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