CSR and Shared Value

Corporate Social Responsibility

In response to increased awareness of the impact they were having on their stakeholders, many businesses began to give greater attention to the need for 'corporate social responsibility' (CSR). By the 1980s, many medium and large businesses saw investment in CSR as an important strategy in achieving their financial goals. "By demonstrating concern for the environment, human rights, community development and the welfare of their employees … businesses believe they will gain a competitive advantage by appealing to the growing numbers of socially and environmentally oriented consumers, investors and employees". For example, companies like Starbucks enjoy "a strong CSR reputation due to its generous labor policies and its commitment to improve the earnings and environmental practices of coffee growers in developing countries" (Forbes Magazine, 2008). However, many businesses have viewed CSR as a necessary expense that has not brought proportional gains to the business in terms of competitive advantage and profit.

Corporate social responsibility is the term used to describe the way that a business takes into account the financial, environmental and social impacts of decisions and actions it is involved in.

Shared value

In recent times, the CSR strategies of an increasing number of businesses have evolved into a new approach described as "shared value". Shared value is a concept that sees businesses addressing social and environmental problems as an opportunity, rather than a cost. For example, a company that buys cocoa beans for making chocolate from a small-scale farmer in a developing country can offer the farmer a fair price for his bean, which means the farmer gets fair pay for the beans while the chocolate business gets the beans they need. This is a good system: however, if the chocolate business instead invests in the cocoa bean farm, assisting the farmer with things like the running of the farm and its equipment and plantations, then the farmer is capable of producing more beans of a better quality, therefore increasing profit for both the farmer and the chocolate making business. In addition, the chocolate making business may also be able to help the cocoa farmer farm in a more environmentally sensitive way, ensuring the sustainability of both businesses. In this way, the chocolate making business has also helped a company (and community) in a developing country, ensuring local employment and a healthy environment which profits the whole community.

The core concept of shared value is that investing in any social and environmental problems that intersect with your business will help to strengthen your business in the long term.