Effects of Corporate Social Responsibility and Creating Shared Value on Sustainability

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ABSTRACT

This article describes how recently, there has been a shift in corporate social responsibility (CSR) to creating shared value (CSV), filling the gap between the strategies underlying competitive advantage and sustainability. Although the principles of CSR and CSV have been broadly studied and investigated, there is still little academic research focusing on the transitions regarding on economic, social, and environmental sustainability. In this article, literature and a case study were reviewed and analyzed to identify differences and contributing factors towards sustainability, based on value co-creation and collaboration approaches. The authors’ findings present that the CSV emphasizing on co-created value with the cross-sector collaboration leads to the sustainability. Working together with local people or social organizations enables deep understanding of local context and understand the real social and environmental issues. The study contributes to sustainability and business literature by investigating insights into the sustainability of CSR and CSV, and strengthening the importance of social involvement.

KEYWORDS

Case Study, Corporate Social Responsibility, Creating Shared Value, Cross-Sector Collaboration, Economic Sustainability, Environmental Sustainability, Literature Review, Social Sustainability, Value Co-Creation

INTRODUCTION

In the old days, firms’ only responsibility was to maximize their owners’ interests and profit, rather than concerning about social and environmental effects. However, nowadays serious climate changes, environmental disasters, and malnutrition around the world have been emphasizing the criticism toward capitalism and business management (Abdelkafi & Täuscher, 2016). Debates about the firm’s responsibility for its economic, social and environmental impacts have also been raising (Motilewa et al., 2016). As a consequence, firms are requested to contribute to the achievement of holistic sustainable development, which not only refers to economic sustainability for firms, but also ecological and social sustainability. Business management should think and support the innovative solutions that deal with environmental and social challenges, while creating economic simultaneously (Abdelkafi & Täuscher, 2016). Sheth et al. (2011) suggest that the performance of business does not only depend on economic performance but also environmental and social performance. Therefore,

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managing the relationship between business and society has become one of the important topics of academic research, business and sustainability management (Wilson & Post, 2013). In addition, there have been studies arguing that the growth of businesses encourages the growth of economic, as businesses have become a major driver of society in terms of, for example, creating employment, providing transportation and health care systems (Matilewa et al., 2016). On the other hand, society also plays an influential role in achieving a firm’s economic performance i.e., making a profit (Lawrence & Weber, 2013; Matilewa et al., 2016).

Corporate Social Responsibility (CSR) refers to business management and operations that aim to enhance societal well-being (Jackson & Apostolakou, 2010). Traditional CSR has been associated with corporate philanthropy and could have used the firm’s slack resources such as working hours of employees and financial capital (Wójcik, 2015). Its practice is mostly about sacrificing profits for the social interests. Therefore, the creating shared value (CSV) concept was introduced to address this issue by re-conceptualizing the role of business in the society and offering a theoretical solution through the prism of value. It can be considered as a corporate framework to guide the thinking about the relationship between a firm and society (Porter and Kramer, 2011). Social activities are linked to a firm’s goals, meaning that social and environmental responsibility is considered an internal function rather than external obligations. Nevertheless, it is difficult for businesses and academia to demonstrate how corporate responsibility could lead to improvements for the firms, society, and the environment (Camilleri, 2017). Many scholars have called for greater emphasis on value creation within the context of business responsibility (Wójcik, 2015). Socially responsible practices create value for the firm, it stakeholders including society and the environment (Camilleri 2017). Thus, firms should allocate and distribute corporate valuable resources and business capability that concern about social and environmental impacts (Camilleri, 2017; Porter and Kramer 2011). Competitive advantage and legitimacy related to social responsibility are important for firm’s survival and growth, which hinges on value co-creation process for sustainable development that meet pressures and expectations from the society (Ahen & Zettinig, 2015).

Although the principles of CSR and CSV have been broadly studied and investigated, there is still little academic research focusing on the transitions regarding on economic, social, and environmental sustainability. Furthermore, academic research that links corporate responsibility with firm, social, and environmental sustainability is still limited. Therefore, this study aims at filling this gap by exploring the conceptual framework of the holistic sustainability and corporate responsibility and investigating the transitional CSR and CSV. This paper identifies, organizes, and analyses existing empirical research to highlight the economic, social, and environmental value creation and sustainability as well as exploring a case study implementing CSV. The main objective of this study is to address the research questions: how do CSR and CSV influence on economic, social, and environmental sustainability? The authors further aim at understanding the differences, and the drivers of these transitions from value-based and sustainability-oriented frameworks. The study contributes to both theoretical and managerial implications. The findings contribute to CSR and sustainability literature by improving the general understanding of the corporate responsibility and sustainability and provides the theoretical framework. The study thereby contributes to the potential managerial implications for firms applying CSR and CSV based on value co-creation and sustainability and demonstrating on how firms may better implement corporate responsible practices in shared value creation for themselves and other stakeholders to attain the sustainability.

Next sections present our theoretical background and literature review exploring key themes of CSR, CSV, and their transitions and followed by the methodology section. The discussion section then explores our theoretical framework and offer insights into the links between CSR, CSV, value creation, and sustainability. After that, a case study is provided to better demonstrate our framework. Finally, the authors discuss and explain the implications, limitations, and directions for future research.
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