

Creating shared value: A systematic review, synthesis and integrative perspective

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Creating shared value (CSV) refers to a strategic process through which corporations can turn social problems into business opportunities. CSV's strategic approach in solving societal problems and its close relationship with strategic corporate social responsibility (CSR) and stakeholder theory have kept the concept in the spotlight in both the corporate and academic worlds. As a result, the literature on CSV is riddled with ambiguities, weak theoretical foundations and contradictions. To better understand and address these ambiguities, we conducted a systematic literature review of 242 articles published from 2010 to 2020. We begin with a comprehensive review of the field and develop a definition of CSV that distinguishes it from related concepts. Our review and analysis reveal, firstly, that CSV is a meaningful, incremental addition in the extant literature and not a revolutionary concept, nor a buzzword. Secondly, assuming that firms are rational, a firm's decision function when it comes to adopting a CSV strategy depends on opportunity costs and transaction costs. Thirdly, there is no single universal way to create shared value: multiple external and internal factors influence a firm's ability to pursue a CSV strategy effectively. Our discussion delineates the key differences between scholars of strategy and scholars of business ethics, and directs avenues for more constructive research. We also believe that this study will act as a guide for managers in adapting to CSV strategies, helping corporations adopt society-friendly policies.

When there are so many fields of knowledge in which the same words are used with different meanings, [...] it becomes increasingly difficult for anyone to know whether he knows what he is talking about or not. And when we do not know, or when we do not know enough, we tend always to substitute emotions for thoughts. (T. S. Eliot, 1920)

INTRODUCTION

Despite the efforts of governments, activist groups and academics, ruthless corporate practices for making profits have been evident in recent scandals (Changing Markets Foundation, 2019; Dawn.com, 2019). However, Porter and Kramer's (2011) seminal article 'The big idea: Creating shared value' was a major breakthrough in conceptualizing how to promote profits while solving societal problems.

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Creating shared value (CSV) has been introduced as a new concept, seen as likely to become the saviour of capitalism (Porter & Kramer, 2011). However, business ethics scholars have criticized it for being nothing more than a buzzword or a management fashion, in that it is derived from existing models without their due recognition on the part of theorists; it lacks empirical evidence and is criticized for blocking transformative innovation (Beschoner & Hajduk, 2017; Crane et al., 2014; de los Reyes & Scholz, 2019; Dembek et al., 2016; Jones & Wright, 2018; Strand & Freeman, 2015). As a result, from the beginning, CSV evolved as a controversial concept. Despite being controversial, much recent theoretical and empirical work has been done on the subject of CSV. Some scholars have presented extended versions of the CSV framework (de los Reyes et al., 2017; Moon et al., 2011). Others have gathered empirical evidence on possible ways to create shared value (Alberti & Belfanti, 2019; Jackson & Limbrick, 2019; Yelpo & Kubelka, 2019; 2020). Furthermore, several corporations influenced by Porter Force have started practicing CSV and producing CSV reports.¹ Although opponents have heavily criticized this trend, they agree that the concept of CSV has managed to organize previously disconnected debates on corporate social responsibility (CSR), non-market strategy, social entrepreneurship, social innovation and the 'bottom of the pyramid' (Crane et al., 2014, p. 133). Scholars believe that CSV has been criticized for sound reasons, but this does not mean abandoning the concept itself. CSV reflects, systematizes disconnected concepts and promotes a view that corporations can contribute positively to society while advancing profitability (Wieland, 2017).

There is no doubt that CSV is closely related to existing models such as strategic CSR and stakeholder theory. In addition, scholars are quick to use fashionable tags for slightly different and interrelated constructs, or to present a new take on the same problem under a different title. These historical trends enhance the complexity of the concept's meaning and relevance, as illustrated in Eliot's words at the start of this paper. These issues and weaknesses in the CSV framework have resulted in the controversial evolution of CSV in academia. Nevertheless, the practical importance of CSV in solving societal problems has kept it to the fore on the research agenda of many scholars and the websites of many corporations.

¹ Fortune's Change the World 2018 companies list includes 63 corporations that are practicing CSV, which include Novartis, Discovery Insurance, Jain Irrigation, Nestlé and Walmart. Porter and Kramer, in collaboration with other corporations, organize a Share Value Leadership summit every year in which renowned global leaders and corporations participate. We have also seen a recent surge in the number of scholarly articles on CSV in comparison with strategic CSR (Figure 1).

Despite, or perhaps because of, its growing popularity and development as a controversial concept, the literature on CSV has left unanswered some fundamental questions: (a) Why should a firm be motivated to create shared value? (b) How can a firm create shared value? (c) What is the role of external and internal factors in leading firms to create shared value successfully? Due to the lack of conceptual consensus and the diversity of opinions expressed, the literature on CSV appears to be fragmented, consisting of valuable contributions that fail to build upon one another. To address these ambiguities, we systematize and categorize contributions to CSV under three main research streams: (a) CSV's conceptualization; (b) means and approaches for firms to create shared value; and (c) determinants of CSV. Then, we identify and discuss CSV's strengths and shortcomings in the existing literature and propose a better explanation of CSV. To accomplish this review, we followed a systematic review methodology developed by Jesson et al. (2011). We identified and analysed 242 articles published from 2010 to 2020. Our inclusion criteria led to the selection of 49 articles that mainly focused on CSV and the exclusion of those articles using CSV interchangeably with related concepts.

We propose that CSV is different from related concepts due to an additional dimension that focuses on integrating corporate strategy in responding to societal problems, which we define as the strategic process through which corporations can solve a social problem which is relevant to its value chain while making economic profits. As to the controversy about CSV's originality (Crane et al., 2014), using Kuhn's (1970) approach, we assert that while CSV is neither revolutionary nor a buzzword, it represents a meaningful, incremental addition to the prior literature. Then, we present a definition that clarifies subtle inconsistencies and ambiguities in the existing literature on CSV.

This paper contributes to the literature in two ways. Firstly, we take an economic perspective and propose that firms consider two factors, opportunity costs and transaction costs, when adopting a CSV strategy. In other words, if opportunity costs (i.e. loss of the CSV strategy's potential returns) are high, and transaction costs (i.e. the cost of organizing the social activity inside the firm) are low, the firm will move to a CSV approach; otherwise, it will not. Secondly, we categorize and integrate external and internal factors. We explain how these factors influence the CSV strategy.

METHODOLOGY: A SYSTEMATIC LITERATURE REVIEW

The concept of creating shared value has received attention from both managers and scholars. We have seen increasing

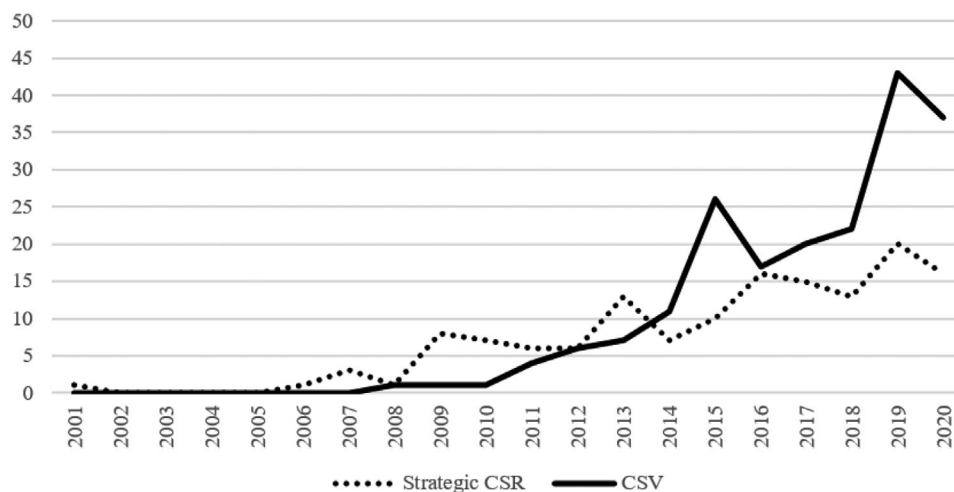


FIGURE 1 Comparing the literature on strategic CSR and CSV. Source: Authors' elaboration

TABLE 1 Overview of the systematic literature review process

Description	Last search (01/10/20) ^c	
	EBSCO business source ultimate ^a	Scopus ^b
Search query	123	193
Unified list of records (sum)		316
Duplicates		74
Records for first screening (relevance from abstract)		242
Records excluded		126
Records for full-text read and quality assessment		116
Records excluded		67
<i>of which excluded for relevance</i>		23
<i>of which excluded for quality</i>		44
Records included in the review		49
Records included manually		44
Final number of records		93

^aTI 'creat* shared value' OR TI 'shared value creat*' OR AB 'creat* shared value' OR AB 'shared value creat*'. Limiters applied: scholarly (peer-reviewed) journals; published date: 20110101-20201001; publication type: academic journal; document type: article; language: English.

^bTITLE-ABS-KEY ('creat* shared value' OR 'shared value creat*') AND DOCTYPE (ar) AND PUBYEAR >2010 AND (LIMIT-TO (LANGUAGE, 'English')).

^c2011–2020.

Source: Authors' elaboration.

literature on the subject (Figure 1), signifying that CSV is an important concept. However, the literature is ambiguous: it is in need of further clarification and a clearer direction. Hence, this study follows a systematic literature review methodology.

We adopted the six-phase research design proposed by Jesson et al. (2011), which involves: (a) mapping the field through a scoping review; (b) a comprehensive search; (c) quality assessment; (d) data extraction; (e) synthesis; and (f) write-up (Jesson et al., 2011). We begin this study by mapping the field, a process designed to understand what is known about the topic and where the knowledge gaps are. Both authors of this paper were familiar with the literature on CSV and recently attended workshops and confer-

ences to get an idea of what has been and what needs to be done. Then, in the second phase, we performed an initial search on two databases, namely EBSCO Business Source Ultimate and Scopus, which was repeated to include the most recent articles until the last search on 1 October 2020. We looked for articles published in scholarly journals after 2010 (Table 1), obtaining 316 records in total. After removing 74 duplicates, we listed the initial set of 242 articles in a preliminary Excel sheet, specifying the title, author(s), abstract, research methodology, year and journal for each record.

In the third phase, after reading the abstracts of all the articles, we selected 116 records which were relevant to CSV, discarding the remainder as irrelevant. We excluded

126 articles that appeared in the search because of the wide use of the wording 'shared value' in different contexts.

In the subsequent phase, both authors read the 116 articles thoroughly, separately assessing the eligibility of records based on both the relevance and quality of the contribution. Discrepancies in the authors' judgements were then resolved together. At this stage in the screening, we developed inclusion and exclusion criteria suitable for answering our research questions, as suggested by Hart (2009) and Jesson et al. (2011). Our inclusion criteria aimed to select articles having both (a) a central focus on CSV and (b) a clear theoretical contribution. Our exclusion criteria aimed to exclude articles that, although using the wording 'creating shared value' or referring to the concept of CSV, poorly explained the process of creating shared value and did not provide logical evidence about its difference from related concepts. To this end, we considered CSV as the strategic process through which corporations can solve a social problem which is aligned to their value chain while making economic profits. During this stage of the review process, we found that many of the studies were using 'CSR', 'social innovation', 'sustainability' and 'CSV' interchangeably. Ultimately, as a consequence of this ambiguity, they lacked clarity and a clear theoretical contribution. According to Whetten (1989), a clear theoretical contribution requires some fundamental elements: 'what' and 'how' describe the concepts; 'why' explains how concepts are connected to each other, while 'who', 'where' and 'when' place limitations on the theoretical model (Whetten, 1989). The articles we excluded at this stage were not clear about the first element (what is the key concept their study had focused on) and hence lacked a clear theoretical contribution. In sum, the quality assessment process led to a final selection of 49 articles to be included in our systematic literature review.

In the fourth phase (data extraction), we prepared an Excel sheet that, for each record, cited the title of the article, the methodology, the findings and the main contributions. To reduce bias, both authors separately read the articles and performed data extraction on their own Excel sheets, which were merged at the end of the process.

In addition, both authors separately conducted a manual search for relevant studies (books, conference proceedings, review articles and unpublished work). Furthermore, in order to clarify the distinction between CSV and related concepts, we also included earlier seminal research articles on CSR, strategic CSR, stakeholder theory, shareholder theory, transaction cost theory and varieties of capitalism. We found a total of 44 relevant studies that we considered worthy of inclusion.

In the fifth phase, we synthesized the data from these articles. Here, synthesis is defined as the act of organizing the existing literature and developing new connections

(Jesson et al., 2011). In our synthesis of the existing literature, we identify three main streams of research, for each of which we provide a synthesis and propose some advancements for research on CSV to develop constructively. The sixth phase closes the process and consists of the presentation of the next sections of this paper.

THE THREE MAIN RESEARCH STREAMS ON CSV

As part of our systematic review, we categorized articles on the basis of their focus and the research questions addressed. With the progression of the whole review process, we noticed that contributions were clustering around three dominant themes, each of which was related to a broader research question: What is creating shared value? How can a firm create shared value? And which factors enable creating shared value? In Appendices 1, 2 and 3 in the online supporting information, we list and provide the details of all articles on which each stream is built. The three streams are discussed individually in the following three sections. Each stream has three subsections, entitled synthesis, discussion and future areas of research.

Research stream 1: Conceptualization, criticism and response

Synthesis

This research stream includes articles which define CSV and conceptualize the phenomenon, and other articles that criticize the concept, question its originality and focus more towards proving whether CSV is a new concept or derived from existing theories. Based on this, we can differentiate studies into two different schools of thought regarding CSV:

- a. The first school of thought includes advocates of CSV who claim that it is a revolutionary, contemporary and useful concept (Aakhus & Bzdak, 2012; Alberti & Belfanti, 2019; Bockstette et al., 2015; Chen et al., 2018; Moon & Parc, 2019; Pfitzer et al., 2013; Porter & Kramer, 2011; Visser, 2013; Wójcik, 2016).
- b. The second school of thought includes opponents who argue that CSV is derived from existing theories such as stakeholder theory, blended value, 'bottom of the pyramid', social entrepreneurship and CSR (Beschoner, 2014; Corazza et al., 2017; Crane et al., 2014; Dembek et al., 2016; Orr & Sarni, 2015; Strand & Freeman, 2015; Strand et al., 2015).

The CSV journey began after the publication in 2006 of Porter and Kramer's article entitled 'Strategy and society: The link between competitive advantage and corporate social responsibility'. However, the term 'creating shared value' was formally defined 5 years later as the 'policies and practices that enhance the competitiveness of a company while simultaneously advancing social and economic conditions in the communities in which it operates' (Porter & Kramer, 2011, p. 6). Scholars of the first school agree that corporations, while striving to maximize economic profits, can create value for society, which can enhance opportunities, increase productivity and provide them with a sustainable competitive advantage (Bergquist & Eriksson, 2019; Bergquist & Lindmark, 2016; Michelini, 2012; Michelini & Fiorentino, 2012; Porter & Kramer, 2006, 2011; Strand & Freeman, 2015). Some other scholars' views are consistent with those of Porter and Kramer (2006, 2011): CSV is a new concept and companies can gain economic value by solving social problems (Moon et al., 2011; Pfitzer et al., 2013; Smith, 2016; Kullak et al., 2020; Lopez, 2020).

Critics argue that CSV is essentially a restatement of existing theories, the point being that Porter and Kramer did not just cite the work of previous scholars (Crane et al., 2014; Strand & Freeman, 2015). CSV is criticized for being closely related to existing frameworks, lacking empirical evidence and constituting a management fashion (Beschorner, 2014; Crane et al., 2014; Dembek et al., 2016; Jones & Wright, 2018; Strand & Freeman, 2015). Beschorner (2014) and Dembek et al. (2016) argue that CSV is more of a buzzword than a substantive concept. Recently, some scholars have argued that CSV effectively blocks transformative CSV innovation, '[...] hence don't count on "Creating Shared Value" to extinguish destructive business' (de los Reyes & Scholz, 2019, p. 785).

Crane et al. (2014) believe that CSV has received the wide attention of scholars and business practitioners because of the influence of Michael Porter and his efforts to systematize the previously disconnected debates on CSR, non-market strategy, social entrepreneurship, social innovation and the 'bottom of the pyramid' (Crane et al., 2014, p. 133). They also claim that CSV has several shortcomings: for instance, the idea is unoriginal and based on a shallow concept of the role of companies in society, and it does not take into consideration existing tensions about corporations' practices within the community (Beschorner, 2014; Crane et al., 2014; Kaplan, 2020). Proponents have responded to critics by arguing that CSV is a stronger and, at the same time, a transformational model in multiple ways, and that scholars have confused it with existing theories because of its close relevance (Porter & Kramer, 2014). Dembek et al. (2016) conducted a literature review on articles that use the term 'shared value' in different contexts in order to analyse its ontological and epistemological properties. They found

that the concept has little consistency in terms of definitions, measurement and empirical use; based on these findings, they claim that CSV is effectively a management buzzword rather than a valuable research concept. In our view, Dembek et al.'s (2016) conclusion is influenced by the fact that, in the first part of their review, they evaluate use of the term 'shared value' using text-mining techniques in articles that are not relevant to creating shared value. More precisely, their argument is based on an initial assessment that included 403 articles.² Strand and Freeman (2015) outline the same concern: CSV is not a new concept, but a restatement of the longstanding 'jointness of interests' tenet of stakeholder theory (p. 65).

Discussion

The comprehensive review of studies in this stream revealed that researchers have focused a great deal on the originality of the concept of CSV. As a result, less attention has been given to conceptual, nomological and empirical properties which are useful in theory development. In the following paragraphs, we undertake a more critical approach to clarify the underlying ambiguities. First, we clarify that CSV is not a revolutionary concept. Then, we explain CSV's theoretical contribution, redefine CSV and indicate avenues for future research.

CSV is not a revolutionary concept

Porter and Kramer are most frequently criticized by business ethics scholars for claiming that CSV is a revolutionary concept. We analyse this argument through Kuhn's typology of scientific development in order to understand the dilemma. Kuhn (1970) believes that scientific development can occur in two ways, namely normal science and revolutionary science or paradigm change. Normal science means 'research firmly based upon one or more past scientific achievements, achievements that some particular scientific community acknowledges for a time as supplying the foundation for its further practice' (Kuhn, 1970, p. 10). Conversely, 'a scientific revolution is a noncumulative developmental episode in which an older paradigm is replaced in whole or in part by an incompatible new one' (Kuhn, 1970, p. 92). Our review shows that CSV does not replace older concepts that focus on creating value while being socially responsible, but provides a strategic approach that integrates social problems with corporate strategy. Indeed, a proper conceptualization addresses the shortcomings of the existing concepts (CSR, sustainability and stakeholder theory), even if CSV does not

² However, later in the article, they claim only 73 articles were related to creating shared value.

TABLE 2 Comparing CSV and predecessor concepts

	Predecessor concept(s)	Creating shared value (CSV)
<i>Stakeholder theory</i>	<ul style="list-style-type: none"> • A firm must take care of its strongest or ‘primary’ stakeholders (Freeman et al., 2018, p. 1). • Conflicting demands of different stakeholders must be addressed to ensure the good health of a corporation [it does not say that firms must focus on solving societal problems profitably]. 	<ul style="list-style-type: none"> • A firm should not only take responsibility for its strongest stakeholders but also identify the unmet needs of society that can bring profits while benefitting society (Porter & Kramer, 2014). • A firm can solve societal problems while making economic profits.
<i>Friedman approach (shareholder theory)</i>	<ul style="list-style-type: none"> • The sole social responsibility of managers is to maximize profits for the owners (shareholders) within legal boundaries (Friedman, 2007)—i.e. ‘What is good for business is good for society’ (Porter & Ignatius, 2011). • Friedman calls socially conscious businessmen puppets of the intellectual forces (Friedman, 2007). 	<ul style="list-style-type: none"> • ‘What is good for society is good for business’ (Porter & Ignatius, 2011). • Business managers must consciously look for business opportunities in social problems (Porter & Kramer, 2011).
<i>CSR and strategic CSR</i>	<ul style="list-style-type: none"> • CSR started as a normative practice to do good in society without necessarily aiming at profits (Carroll, 1999; Prinz, 2017). • Strategic CSR has a weak relationship to firms’ performance (Vishwanathan et al., 2020). 	<ul style="list-style-type: none"> • CSV emphasizes on redefining purpose of a firm as solving societal problems while making economic profits. • Empirical evidences suggest that CSV results in the betterment of society and profitability (e.g. Nestlé, Unilever, General Electric, Walmart, etc.) (Porter & Kramer, 2011).

Source: Authors’ elaboration.

partially or completely supersede them. In response to critics, Porter and Kramer (2014) clarify that CSV extends past scholarship on corporate philanthropy, CSR and sustainability. They further argue that ‘we acknowledge these streams of work in our seminars and teaching—the HBR [*Harvard Business Review*] format does not permit footnotes and is not the place for a literature review’ (Porter & Kramer, 2014, p. 149). This acknowledgement of CSV’s connections with different concepts and its lack of radical innovativeness refutes their initial claim that CSV is a revolutionary concept. This is at variance, for example, with Porter’s (1980) introduction of industrial organization theory into strategy with the five forces framework, which was a paradigm changer that combined concepts from economics with corporate strategy, thereby transforming the way scholars and managers thought about competition. CSV lacks this characteristic. As we show in the comparison with predecessor concepts (Table 2), it is an incremental addition and thus falls under the umbrella of normal science.

Redirecting the debate by moving beyond the originality of the concept

The main question that is asked by CSV is ‘What is the goal of the corporation?’ CSV believes that the purpose of the corporation must be redefined as creating shared value, not just profit per se (Porter & Kramer, 2011, p. 4). CSV has brought this question back to the attention of practitioners (Crane et al., 2014) and academics, which is visible in the number of research papers published on CSV each year (Figure 1).

CSV states that business cannot prosper at the expense of the society in which it operates. Believing that business can cause damage to society and yet prosper is illusory and ultimately temporary (Porter & Kramer, 2006, 2011). However, CSV disagrees, and states that not all societal problems can be solved through CSR or philanthropy (Porter & Ignatius, 2011). CSV disagrees with the simple reputation-based approach (Beschoner & Hajduk, 2017) and directs firms to use their capabilities for social progress that will lead to profits and gain legitimacy for firms (Beschoner & Hajduk, 2017; Porter & Kramer, 2014). CSV touches on some progressive ideas, highlighting the potentially positive contributions of business (Beschoner & Hajduk, 2017).

CSV is not a completely new concept and has similarities with existing concepts (Crane et al., 2014; Porter & Kramer, 2014). Scholars have focused more on the originality of the concept; however, de los Reyes et al. (2017, pp. 160–161) provides a balanced view: ‘we agree with Porter and Kramer that CSV provides a more legitimate conception of business than the “old, narrow view” and with Crane et al. that CSV ignores the tensions between business and society’. Scholars claim that the purpose of a new concept or theory is to enhance scientific understanding by following a systematized structure that has the potential to explain and predict a phenomenon (Hunt, 1991; McKelvey, 1997). Scholars argue that CSV is a construct that provides a common framework and takes social goals to a strategic level (Crane et al., 2014; de los Reyes et al., 2017), thus making a theoretical contribution (Table 3) that enhances our understanding. Scholars argue that creating shared value

TABLE 3 Theoretical contributions of creating shared value

Author(s)	Explanation of CSV's theoretical contribution
Crane et al. (2014)	CSV contributes to the literature in three ways. Firstly, one of CSV's critical strengths is its unequivocal elevation of social goals to a strategic level (p. 133). Secondly, Porter and Kramer (2011) also make a significant step forward in understanding the role of government in the social initiatives of companies (p. 133). Thirdly, CSV has systematized previously disconnected debates on CSR, non-market strategy, social entrepreneurship, social innovation and the 'bottom of the pyramid' through a framework re-embedding capitalism in society with a dual impact.
Beschorner and Hajduk (2017)	CSV directs firms to utilize their capabilities for social progress that will lead to profits and gain legitimacy for firms. CSV touches on some progressive ideas. For instance, the authors stress the potentially positive contributions of business and focus on these while rejecting a mere reputation-based approach.
Rendtorff (2017)	Creating shared value is broader and more oriented towards society than the idea of profit-based CSR since it integrates the values of society and business in corporate legitimacy (p. 137).
Wieland (2017)	Scholars argue that creating shared value has been criticized for sound reasons, but this does not mean abandoning the concept itself. CSV reflects on and systematizes disconnected concepts, and promotes a debate in society that is of fundamental importance for further theoretical generalization. CSV does not replace stakeholder theory, nor strategic CSR; thus, CSV is a complementary framework.
McGahan (2020)	Creating shared value has been put forward not only to raise managerial awareness of social and environmental issues, but also to explore business models practically that simultaneously drive economic, social and environmental value creation.

Source: Authors' elaboration.

has been criticized for sound reasons, but this does not mean that scholars should abandon the concept itself. CSV reflects on and systematizes disconnected concepts; it promotes the view that corporations can contribute positively to society and shows management how to do so (Crane et al., 2014; Dembek et al., 2016; Hartman & Werhane, 2013; Wieland, 2017).

Based on the above discussion and using Kuhn's (1970) framework, it can be deduced that CSV is an incremental addition to the existing literature, neither merely a buzzword nor a revolutionary concept. Further debate among scholars on whether or not CSV is a new concept may have reached the extent of its usefulness. Rather, further research in the right direction is needed to advance our studies and guide corporations to adopt good practices (questions are provided in each stream's subsection on future areas of research).

CSV lacks fundamental clarifications

Our comprehensive review of the literature revealed that much of the criticism of CSV focuses on three points: it is unoriginal and not revolutionary (Beschorner and Hajduk, 2017; Crane et al., 2014); it does not address tensions between business and society (Crane et al., 2014); and it lacks conceptual clarification (Dembek et al., 2016). Opponents, and even Porter and Kramer (2014) themselves, agree that CSV is not completely new, and they cite the work of other scholars in their lectures. The second point of concern is answered by de los Reyes et al. (2017) through the CSV+ framework. In their words:

realizing the potential of CSV—not least to restore legitimacy to business—requires a more comprehensive framework that couples CSV with two kinds of ethical frameworks already developed, at least in outline, in the business ethics literature: a norm-taking framework that helps a manager identify legitimate non-legal norms to follow, and a norm-making framework that picks up the slack when the set of available legal and non-legal norms is evidently not up to the task. (de los Reyes et al., 2017, p. 143)

Furthermore, recent work (Tencati et al., 2020) presents a supererogation model that explains the ways companies engage with society. This model covers the limitations of creating shared value and offers a way forward through which some social issues can be solved.

Yet the third point of concern (conceptual clarification) is still not addressed, even though scholars have argued that not only CSV, but CSR and strategic CSR too lack conceptual clarification (Dembek et al., 2016; Gond & Crane, 2010; van Oosterhout & Heugens, 2008; Vishwanathan et al., 2020). In their review on CSV, Dembek et al. (2016) suggest that a clear definition is required to understand CSV and its differences from related concepts. As constructs are the foundation of a theory and the clear definition of the construct is an important building block of a theory (Suddaby, 2010), we put forward a new definition of CSV and explain its core

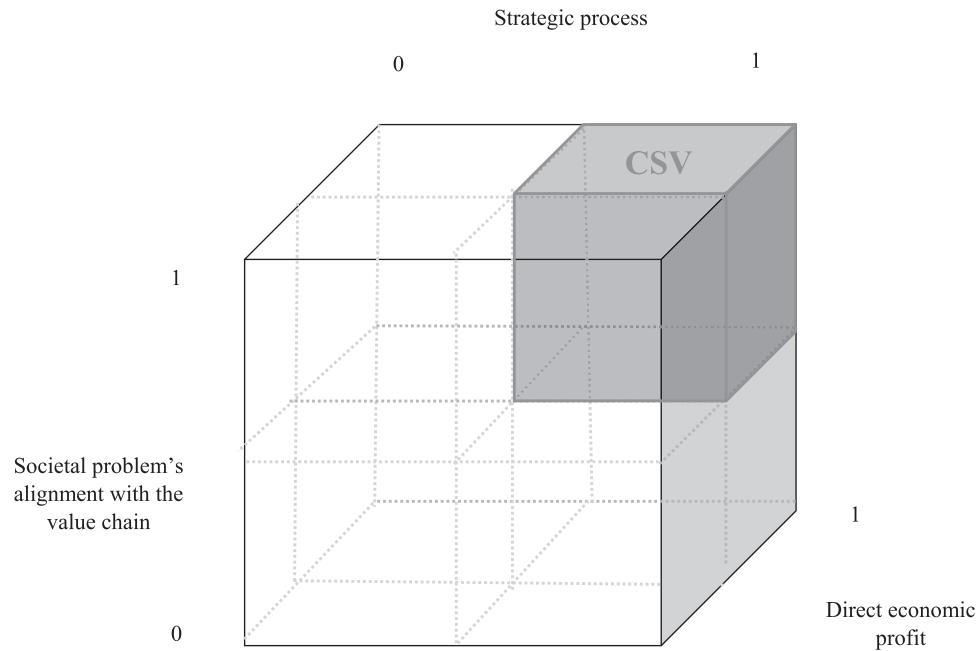


FIGURE 2 Characteristics of creating shared value. Source: Authors' elaboration

dimensions that are vital in differentiating it from related concepts.

Building on the work of Porter and Kramer (2011), we define CSV as the strategic process through which corporations can solve a social problem which is aligned to their value chain while pursuing economic profits. From the literature review, we found that there are three key dimensions—strategic process, societal problems alignment with the value chain and direct economic profits—emerging from the definitions of CSV.

Firstly, CSV is not a one-time activity but a strategic process: strategic is defined as 'necessary to or important in the initiation, conduct, or completion of a strategic plan' (Merriam-Webster, 2019a) and process is defined as 'a series of actions or operations conducting to an end' (Merriam-Webster, 2019b). The social projects of a firm can be considered as CSV if they are strategic in nature and not just a one-time activity. A CSV approach can be adopted through the reconfiguration of a firm's value chain, which involves a series of activities such as creating, reorganizing or supporting its products (Porter & Kramer, 2011). If a firm puts forward social activity that is not placed at the strategic level, this falls under CSR's umbrella (Porter & Kramer, 2011).

Secondly, the targeted societal problem must be closely related to the core value chain. Often a CSV approach affects the core business model. The further it is from the main business model, the less CSV in nature it is. As stated by Porter and Kramer (2011), 'not all societal problems can be solved through shared value solutions' (p. 17). If a social problem is aligned with a firm's value chain, solving it will

lead to the betterment of both firm and society in the long run.

Thirdly, there should be an economic yield in terms of profit. If solving a social problem does not yield direct economic profits, it is not CSV (Porter & Kramer, 2011). Sometimes, a firm's social activity can bring indirect economic profits because it enhances reputation, etc. (Vishwanathan et al., 2020). However, direct economic profit is an important requirement for considering a project to be CSV (Porter & Kramer, 2011). Building on this logic, a firm's social project can be considered as CSV if it meets the three-dimensional criterion in Figure 2. These three dimensions are interdependent and complementary to one another, and are vital in differentiating CSV from related concepts. Whether the firm's approach qualifies as CSV or as a philanthropic activity depends upon these three dimensions.

For example, let us take the case of an organization operating in the petroleum industry in an underdeveloped country. Let us assume that the company invests a given share of its profits in community development—for example, constructing houses or providing health facilities. Although this activity represents an important step towards solving a societal problem, it is not an example of CSV, but rather of corporate philanthropy or CSR, because this is not strategic, nor a process, but a one-off welfare activity. Next time, the same firm could well engage in another welfare activity which is completely different from the previous one in order to gain legitimacy in society. Even though such philanthropic activities are not one-off disconnected welfare activities but rather part of a clear

long-term strategy of ‘providing amenities to [the] community’ à la Friedman (2007, p. 117), such activities would still fall outside CSV: even though the first requirement of the strategic process would be met, the social problem is still not related to the core value chain of the firm. Furthermore, it does not make a direct economic profit for the firm.

In contrast, let us assume that the very same company plans to change its human resource (HR) policy, launching an educational project for the community. The company has had a problem finding talented young people in the area, so is hiring from abroad, which is costly. In order to cut this cost, the company changes its HR policy and launches a CSV project to hire local employees in future. The company conducts a local search and selects individuals who are interested in pursuing higher education in petroleum engineering, or develops a partnership with an educational institution. Under the aegis of this institution, the company will finance the education of students who will work for the company in the future. Once students finish their training, they will enlarge the local pool of resources that can work for the company. In this case, the company has a precise strategic plan with the aim of hiring local employees that could cut its HR expenses (hiring from abroad). It is a strategic process that can solve a societal problem (lack of higher education) and enhance profits for the company (by reducing its recruiting costs).

Future areas of research

In general, scholars have placed more emphasis on strategic CSR or CSV, and little focus is given to non-strategic CSR or corporate philanthropy. Further empirical research is needed to better conceptualize and understand why managers do and should pursue CSR activities (Vishwanathan et al., 2020). Do firms and managers take only an economic perspective, or are there other altruistic motivations behind pursuing CSR activities? Have the advocates of stakeholder theory overlooked some fundamental questions—for instance, what are the boundary conditions of ‘stakeholders’?

We have argued that the basic idea and logic of CSV is correct, but one has to ask how the CSV will be shaped, and on which premises it will be based—dominance of the economic paradigm of competition versus the integration of stakeholders from business and society (Wieland, 2017). Furthermore, it is not clear how value will be created and distributed among stakeholders: for which part of society does a firm’s shared value initiative actually create value? Are there any parts of society that are not considered for which value is negative? A firm’s shared value initiative might, for instance, provide training and employment for

underprivileged people, but if the product sold comes in non-recyclable packaging, then besides profits for the firm and better living conditions for a part of the local community, this operation also results in more pollution, which is considered a social cost (Daood & Menghwar, 2017, p. 516). This also calls for new scholarly efforts towards more robust measurements of shared value, which will help to support the economic and social value creation potential of CSV with reliable data.

We argued that CSV takes a strategic approach to social issues, which leads to challenges in decision-making. These challenges offer interesting areas of research: do managers take the strategic CSV approach which we outlined previously, or do they make the most beneficial and profitable choices for themselves? How does leadership take decisions which involve social and financial dilemmas? Future research might also explore how the past experiences of managers influence the way an organization approaches social issues. As Strand and Freeman (2015) argue, at large Swedish organizations are successful in creating shared value because of historical experience. Does this argument hold for value in general? Do Swedish corporations practice CSV outside Sweden? Research on these topics would not only clarify fundamental issues and differences, but also lead to theory development and convince corporations to practice CSV.

Research stream 2: Means and approaches to CSV

Synthesis

Porter and Kramer (2011) state that corporations can create shared value in three different ways: (a) reconceiving products and markets; (b) redefining productivity in the value chain; and (c) building supportive industry clusters at the company’s locations (Porter & Kramer, 2011). Porter et al. (2011) and Spitzack and Chapman (2012) give examples and explain in detail the three aforementioned ways of achieving CSV. Some scholars extend the framework proposed by Porter and Kramer (2011) in the banking industry (Bockstette et al., 2015; Ilmarinen and Akpınar, 2018). While others have empirically tested the ways of creating shared value proposed by Porter and Kramer (2011) and found that cluster development (Bergquist & Eriksson, 2019; Jackson & Limbrick, 2019; Yelpeo & Kubelka, 2019) and redesigning productivity (Spitzack & Chapman, 2012) positively affect CSV. Fernández-Gámez et al. (2020) found that two ways of creating shared value—reconceiving products and redefining productivity in the value chain—improve the online reputations of hotels. Shin (2020) found that collaborative logistics systems, which are similar to

industry cluster development, lead to CSV. More specifically, they create economic value by enhancing resource utilization and social value through reducing energy consumption and the greenhouse gas emissions associated with logistics and transportation (Shin, 2020).

Pfitzer et al. (2013) suggest a distinct five-step mechanism through which corporations can create shared value. The five steps they propose are: (a) embedding a social purpose; (b) rigorously defining the social need; (c) measuring the social and business value; (d) creating the optimal innovation structure; and (e) co-creating with external stakeholders (Pfitzer et al., 2013).

De los Reyes et al. (2017) present a framework that explains two situations and discuss possible ways to promote the legitimacy of business in these two situations. They name it CSV+ because it represents an extension of Porter and Kramer's (2011) framework that includes ethical and compliance issues, which are ignored in previous CSV frameworks (de los Reyes et al., 2017). They argue that a firm can find itself in two possible situations:

1. A win–win situation, wherein the firm can create shared value while solving societal problems; in this case, Porter and Kramer's framework is applicable.
2. A win–lose situation, wherein (a) business wins (i.e. the firm makes a profit at the expense of society) or (b) society wins (i.e. society benefits at the cost of the firm).

De los Reyes et al. (2017) claim that the second case is common, and a possible solution is adopting a CSV with norm-taking and norm-making frameworks. In the words of de los Reyes et al. (2017, p. 150), 'the union of CSV with norm-taking and norm-making frameworks is a "marriage of necessity"'. In the case of the norm-taking situation, the authors use the integrative social contracts theory (ISCT) developed by Donaldson and Dunfee (1994) and explain that managers identify applicable microsocial norms and hyper norms. According to ISCT, rational individuals or corporations develop and enter into hypothetical norms and standards. The authors argue that these norms are legitimate because they are designed voluntarily in collaboration with all players. Moreover, the legitimacy of the company depends on whether or not it follows the norms and standards. In the second case, when there are no legitimate norms and standards, or norms are vague and general, a firm needs a norm-making framework. In this case, a company can develop new norms at an industry level or a multi-industry level. A norm-taking framework guides managers in identifying legitimate norms, whereas a norm-making framework suggests what to do when legal and non-legal norms are not present (de los Reyes et al., 2017). A recent empirical study by Giuliani et al. (2020) found that firms cat-

egorize the CSV approach into three frames. The first and most prevalent frame pursued by an organization is growth first, in which employees prioritize the firm's economic goals over social and environmental goals. A firm pursues the second frame, which focuses on a win–win logic for business and society, only if they see economic profits. The third and less common frame is humanizing the business, which focuses on achieving human rights goals over economic returns. However, scholars have a uniform opinion on the notion that the future of sustainable business relies on responsible business without trade-offs (Freeman, 2017; Freeman et al., 2020; Porter & Kramer, 2011).

Discussion

The framework presented by Porter and Kramer (2011) does not clearly explain the value distribution process in complex situations (Crane et al., 2014) and has important limitations. De los Reyes et al. (2017) extend Porter and Kramer's framework and cover some of these gaps. We believe that they have directed the scholarly discussion in the right direction by focusing less on whether or not CSV is a new concept. In fact, it is not always possible for a firm to make profits while solving societal problems. However, in the majority of cases—case B, in the words of de los Reyes et al. (2017)—a firm needs to give up a share of its profits in order to create societal value, or vice versa (i.e. profiting at the expense of society). The main limitation of the norm-taking approach lies in the fact that companies use a cherry-picking approach when taking norms and adopting a CSV strategy (Dembek et al., 2016). Building on the literature of strategic CSR and CSV, a firm tries to develop a new norm, alone or by forming a consortium, when it realizes that making a new norm will benefit or reduce negative externalities, that is future losses, such as in the case of Walmart, as explained by Spicer and Hyatt (2017), or the case of the apparel industry in Bangladesh, as explained by de los Reyes et al. (2017, p. 159): 'immediately following the tragedy, numerous brands responded to the crisis with collaborative norm-making processes'. Crane et al. (2014) agree with this, stating that corporations have to comply with the rules of the game or engage in creating such rules where they are absent, whether it pays or not (p. 141). Yet it is not known what the main reasons behind rule-bending are, and perhaps all the reasons may never be fully known (Veiga et al., 2004). However, some scholars believe that there are three main factors—namely, performance-based judgement calls, faulty rules and socially embedded norms—which lie at the root of the most common reasons for which managers break rules (Veiga et al., 2004).

Another key component of the framework is the norm-making approach. De los Reyes et al. (2017) cite the example of the Rana Plaza disaster in Bangladesh, after which the apparel industry decided to make new norms to save its legitimacy. It is worth clarifying here that, in this case, it is in the interest of corporations to create new norms to reduce external pressure, as not making the new norm is likely to lead eventually to a bigger economic loss. This suggests that companies may not engage in norm-making out of a sense of responsibility, but rather when required to do so to limit future losses. In other words, norms need not be made with the primary intention of benefitting society. Here, the assertion by Crane et al. (2014) that companies typically do not comply with existing legal and moral standards holds value. Companies often engage in illegal and immoral activities (e.g. modern slavery) for the sake of profit (Crane, 2013). Similarly, companies may not necessarily comply with new norms developed at industry level unless it is in their own interest (i.e. more profit or fewer losses).

De los Reyes et al. (2017) recommend that companies develop new norms through multi-stakeholder initiatives. Spicer and Hyatt (2017) further explain this through the example of Walmart, which developed sustainable products but could not do it alone. Initially, a firm in the industry prefers to develop a new strategy that is society-friendly in order to gain a good reputation or customer loyalty. However, when a firm fails to create new norms alone, it forms a consortium. In the case of Walmart, the 'challenge in defining and measuring sustainable products led the company to form the consortium' (Spicer & Hyatt, 2017, p. 126). In addition, a consortium faces different and interrelated challenges depending on the nature of the norm: the focus may be on team selection, leadership, structure, coordination, financial or technical matters and self-interest. Besides these challenges, further issues arise when one of the consortium partners leaves the consortium and decides to develop firm-level norms. Fragmentation among key partners poses a new challenge to developing an industry-level norm. In the case of Walmart, Target, one of the consortium partners, decided to develop and execute its own sustainability norms (Spicer & Hyatt, 2017). This is aligned with the proposition that firms join or leave consortia for their own interest. De los Reyes et al. (2017) claim that 'Porter and Kramer say nothing about when and how managers should go about collaborating to articulate norms that establish precompetitive framework conditions' (p. 155). This is an important objection. Acquier et al. (2017) argue that implementing CSR policies in the value chain involves many changes and transformations, which inevitably generate costs. These costs include organizational costs, transaction costs with business partners and cooperation costs with secondary stakeholders (Acquier et al., 2017). Mostly, scholars share the

uniform opinion that CSV emphasizes economic returns as well as legitimacy (Beschorner, 2014; Beschorner and Hajduk, 2017; de los Reyes et al., 2017; Dembek et al., 2016; Porter & Kramer, 2011).

Porter and Kramer (2011) argue that the CSV concept rests on the premise that both economic and social value must be addressed using value principles (p. 6). Some other scholars connect CSV with transaction cost theory (TCT) (Acquier et al., 2017). TCT considers markets and hierarchies as a coordination mode and explain under what conditions managers make the decision to internalize business operations or to outsource to others (Coase, 1937; Williamson & Winter, 1993). Advocates of TCT argue that this type of economic activity generates transaction costs and coordination problems. These costs can broadly be categorized into three types: the cost of finding partners, the cost of negotiating agreements and the cost of enforcing and monitoring compliance with agreements (Shelanski & Klein, 1995). In the words of both strategic CSR and CSV scholars, connecting strategic CSR to a firm's value chain activities incurs economic costs (Acquier et al., 2017; de Zegher et al., 2019; Obaze, 2020). For instance, Obaze (2020) highlights that there might be challenges and barriers to face in the supply chain that undermine the overall benefits of shared value creation. This problem is also acknowledged by de Zegher et al. (2019), who point out that value chain innovations towards creating shared value must be properly designed to be implemented sustainably. Daudigeos and Valiorgue (2011) state that there are three necessary conditions: a willingness to pay among some stakeholders, low transaction costs and social acceptability of the transactions made. These conditions are important in managing negative externality and giving benefit to both society and firm. Furthermore, in Walmart's case of making sustainable products a reality, it formed a consortium of companies: it was found that partner companies in the consortium 'needed to incur transaction costs of reporting, auditing, aggregating, and communicating sustainability product information for implementing a firm specific initiative' (Spicer & Hyatt, 2017, p. 128). This transaction cost was one of the main reasons for partner companies leaving the consortium and launching sustainable products (Spicer & Hyatt, 2017).

CSV focuses on economic returns as well as legitimacy (Karwowska, 2019; Kettner, 2017; Park, 2020; Porter & Kramer, 2011; Yoo & Kim, 2019). Furthermore, scholars have explained CSV's relationship with TCT (Acquier et al., 2017; de Zegher et al., 2019; Obaze, 2020; Spicer & Hyatt, 2017). It can be suggested from the above discussion that rational firms may take two interrelated factors—opportunity cost (instead of opportunism) and transaction cost—into consideration while deciding to move from a traditional approach to a CSV approach. Assuming that

the main goal of the firm is to ensure sustainable profits, we propose that there are two important factors that could influence a corporation's willingness to adopt a CSV strategy: opportunity cost and transaction cost. Opportunity cost is defined as 'the evaluation placed on the most highly valued of the rejected alternatives or opportunities [and indicates] the value of "that which might be" if choices were made differently' (Buchanan, 2008, p. 1). If the opportunity cost is high, the firm will move to a CSV approach, otherwise not:

$$OC = R_{CSV} - R_0$$

where

OC = opportunity cost

R_{CSV} = expected return on the CSV strategy

R_0 = return on current strategy

Another factor to be taken into consideration is represented by transaction cost, which is defined as the cost of organizing and the cost of not organizing the social activities inside the firm. The transaction cost comprises four factors that can be categorized as internal factors: the cost of searching, integrating and organizing the social problems and the external factor cost of not being socially responsible. In other words, transaction costs determine how much the firm needs to invest in order to adopt the CSV strategy and how much it would be required to pay for not doing so. The higher the transaction cost, the lower the probability that the firm will opt to implement the CSV strategy. Hence, the more the societal problem is aligned with the core value chain, the lower the transaction cost and so the willingness of the firm to adopt a CSV strategy will be higher. Furthermore, a firm will carry out social activities within the organization if the cost of not doing these activities is higher. These internal and external factors will play a vital role in a firm's approach to adopting CSV.

Concluding our discussion, such an approach synthesizes the understanding emerging from the current literature addressing the CSV concept, but it has important limitations. Firstly, it is strictly economic in nature and does not consider, for example, moral and social factors (Beschorner, 2014; Tencati et al., 2020). For instance, research has found a strong ethical stance to be a determinant for CSV in Asia (Kim et al., 2019), but research on the matter is still at too early a stage to be included in a comprehensive framework.

Secondly, this approach does not free CSV from a fundamental critique that, although bringing some positive change in the attempt to integrate societal issues into business strategy, such change 'continues to be integrated in the neo-classical and transaction cost based concept of economics, including a strategic and economic view of the firm as an institutional arrangement for maximizing eco-

nomic profits of the business corporation' (Rendtorff, 2017, p. 120).

So far, our synthesis of the literature has shown clearly that CSV indeed responds to the mainstream economic logic: it puts societal issues at the strategic level, but only as far as this brings returns. We have highlighted that CSV is a complementary concept that moves the practice towards addressing societal challenges as business opportunities. In other words, CSV emphasizes the notion that what is good for society is good for business. Freeman (2017) also believes that the future of business lies in making profits while doing good for all stakeholders. Freeman et al. (2020) have explained what is wrong with the traditional capitalist approach and the usefulness of responsible capitalism through which corporations can do good while making profits. Freeman (2017) argues:

Economists love trade-offs. In fact, one of the hallmarks of modern economics is that one can always calculate trade-offs. I have become increasingly skeptical of trade-off thinking. In fact, I believe that the drive to collaborate and avoid trade-off thinking is far more powerful. When we see the task of the executive as getting stakeholder interests all going in the same direction over time, trade-offs will disappear. (p. 459)

Porter and Kramer (2011) criticize the trade-off approach to CSR. Advocates of CSV and Freeman (Freeman, 2017; Freeman et al., 2020) believe trade-offs will disappear and managers will find ways to make profits out of societal problems. An empirical study of 1257 Belgian firms shows potential positive effects of pursuing social and economic strategic goals instead of seeing them as inherently conflicting—in other words, social goals do not preclude an emphasis on economic goals, and vice versa. Furthermore, social strategic goals can deliver unique benefits to a firm, independently of and in addition to economic strategic goals (Stephan et al., 2019, p. 721). It is believed that firms' innovation performance benefits, or firms can gain competitive advantage, when strongly held social goals are aligned with strongly held economic goals (Porter & Kramer, 2011; Stephan et al., 2019). However, some scholars argue that advocates of CSV have ignored the tensions of business and society (Crane et al., 2014). Hence, there is a need for further research on this topic.

Future areas of research

The first area of research might be to test the framework presented by Porter and Kramer (2011) using the three-step criteria used by Priem and Butler (2001) to test

resource-based theory, which includes: (1) meeting generalized conditions; (2) providing empirical content; and (3) exhibiting nomic necessity. Future research also needs to address the issue of measurement of CSV (Dembek et al., 2016). Developing an empirical scale that can effectively measure the shared value created (in terms of both economic and social value) will be of great importance. The second area of research is consistent with the suggestions of Suddaby et al. (2011). Scholars could conduct further research on the following topics: Why do firms not organize philanthropic activities from within? Do the criteria for implementing a CSV strategy outlined above hold validity in an empirical situation where transaction costs are low, but firms already organize philanthropic activities? Do firms use a strictly economic approach while looking at social problems? Does supererogation behavior lead to creating shared value, and if so, how?

Research stream 3: Determinants of creating shared value

Synthesis

The third research stream comprises studies that focus on the factors that influence CSV.

Internal factors

Recent research on creating shared value focuses on internal organizational factors that are considered vital in CSV. These include the emergent strategy (Bergquist & Lindmark, 2016; Spicer & Hyatt, 2017), visionary leadership (Spicer & Hyatt, 2017; Vaidyanathan & Scott, 2012) and cognitive capabilities (Corner & Pavlovich, 2016; Lee, 2019; Pavlovich & Corner, 2014).

Emergent strategy. Over time, scholars have begun to focus on the role of emergent strategy in creating shared value, where emergent strategy means how ‘companies update and redesign their original plans as managers and leaders learn from experiences over time’ (Spicer & Hyatt, 2017, p. 117). The study by Spicer and Hyatt (2017) on Walmart’s goal to achieve sustainability found that the company’s emergent strategy played a crucial role in achieving sustainability goals and the creation of shared value. This is congruent with the study by Bergquist and Lindmark (2016) on the Sweden-based mining company Boliden, in which they found that the company’s proactive strategy was the key factor in implementing CSV, and the study by Hsiao and Chuang (2016), who found that green practices can guide the emergence of a CSV strategy. In addition, evidence is offered by Hules and Xie (2015) while researching the case of the Swedish firm, Tetra Pak. The company selected a social issue which could be integrated with its core strategy, thereby managing to create shared value for

multiple stakeholders (Hules & Xie, 2015). Tetra Pak’s two CSR campaigns—‘the carton-folding championship’ and ‘the hunt for the forgotten cartons’—created value for society by promoting awareness about recycling. This strategy created economic value in different ways: with experience, the company learned to produce sustainable products efficiently; it built good relationships with local suppliers, which reduced its costs; and it gained in reputation, which enhanced sales (Hules & Xie, 2015). Arena et al. (2020) in their study on decommissioning of plant found that proactive approach and codesign strategy and integration strategy are useful creating of societal as well as economic value.

Visionary leadership. Leadership vision was found to be a key factor behind Walmart’s successful CSV strategy implementation. This confirms the findings of another study on firms practicing CSV, which found that the leadership vision and the explicit strategic decision are crucial in moving from a traditional to a CSV approach (Vaidyanathan & Scott, 2012). Chen et al. (2018) also found that leadership’s moral characteristics are important in CSV. Similar to this, Mendy (2019) argues that organizational structure and leadership are important for creating shared value.

Besides the aforementioned factors, some scholars suggest that CSV adoption can be motivated by a sense of survival, a strong ethical stance and a willingness to do good in society (Kim et al., 2019). However, others raise doubts as to the potential of CSV projects ‘to stimulate sustainable development processes without radically changing entrepreneurs’ cognitive frames from growth first to humanizing the business’ (Giuliani et al., 2020, p. 1).

Cognitive capabilities. Scholars believe that cognitive capabilities play a vital role in creating shared value (Corner & Pavlovich, 2016; Lee, 2019; Pavlovich & Corner, 2014). Corner and Pavlovich (2016) believe that inner knowledge creation (IKC) and its resulting metacognitive capabilities play a crucial role in adopting a CSV approach. IKC is defined as a rigorous, disciplined practice of cultivating familiarity with one’s unique cognitive content—for example, thoughts, emotions or images (Corner & Pavlovich, 2016, p. 546). Furthermore, Corner and Pavlovich (2016) argue that a person’s metacognitive capabilities (moderated through the interaction mode) lead to social interaction, which advances collaborative innovation when moderated by generative mechanisms, affects the value creation process and resolves the innate tensions in creating shared value. There are two moderators in this process: (a) interaction (open or closed), which moderates the relationship between metacognitive capabilities and social interaction; and (b) a generative mechanism, which moderates the relationship between social interaction and shared value. However, there are some boundary conditions for metacognitive capabilities, such as individual

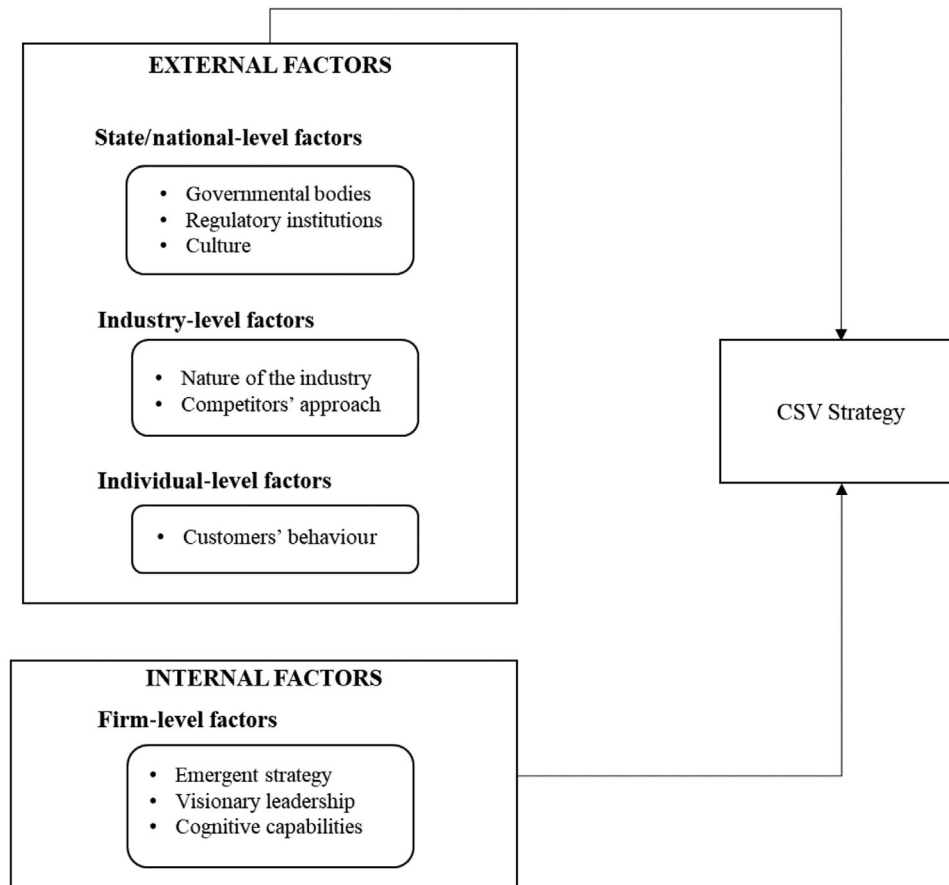


FIGURE 3 External and internal factors influencing CSV strategy. Source: Authors' elaboration.

aptitude, habits and external conditions (Corner & Pavlovich, 2016).

Another study has highlighted the role of an individual's spiritual practices that enhance consciousness, which can play a vital role in creating a conscious enterprise that focuses on creating shared value (Pavlovich & Corner, 2014). Campos-Climent and Sanchis-Palacio (2017) conducted research on 127 social enterprises from France and Spain. They found that knowledge absorptive capacity (KAC) is a key determinant for creating shared value. They argue that creating KAC acts as a mediator and positively affects CSV (Campos-Climent & Sanchis-Palacio, 2017). Recently, Wu et al. (2020) found that employees' CSV perception positively influences vision integration, and vision integration has a positive relationship with role behavior, and this relationship is mediated by work engagement.

Discussion

This stream of literature has two main limitations. Firstly, most of the research in this stream is conducted using case study analysis and is fragmented. The excessive reliance on such qualitative methods is in some part due to the exploratory nature of the fragmented research on the topic,

which is likely to have been spurred by the lack of a mature framework capable of directing cumulative and explanatory studies.

A second important limitation is that existing studies mainly focus on organizational-level factors and their impact on creating shared value. Although most of the work in this direction is represented by fragmented research within organizational boundaries, there are some suggestions that external factors do play a role. For instance, Kramer and Pfitzer (2016) acknowledge that there are conditions beyond the control of firms, and limitations of a firm's ability to implement CSV might also come from regulations or cultural norms. Furthermore, Zheltoukhova (2015) suggests that with the adoption of a principles-based approach to professional standards in human resource management, professional associations might be key to enhancing the capacity of organizations to create shared value through ensuring better working lives. These are important indications that state-level and industry-level factors matter and deserve further attention.

Considering these gaps in the current body of literature, the following description attempts to move this research stream forward by integrating other external factors that influence firms' CSV strategy adoption (Figure 3). We emphasize that creating shared value is a complex

phenomenon, and an organization takes into consideration external and internal factors in order to adopt a CSV strategy.

External factors

Building on the CSR and CSV literature, and the work of Hall and Soskice (2001), there are three main external factors that can influence a firm's decision to adopt a CSV strategy. These are state institutions (Crane et al., 2014; Spicer & Hyatt, 2017; Strand & Freeman, 2015; Strand et al., 2015), competitors' approach (Cao et al., 2019; Kaustia & Knüpfer, 2012) and customers' behavior (Ham et al., 2020; Kim et al., 2020; Vogel, 2005).

State institutions. We follow the definition of institution presented by Hall and Soskice (2001): institutions are 'a set of rules, formal or informal, that actors generally follow, whether for normative, cognitive, or material reasons, and organizations as durable entities with formally recognized members, whose rules also contribute to the institutions of the political economy' (p. 9). Our views are aligned with those of Hall and Soskice (2001), who say that state institutions affect the behavior of the firm. Moreover, different institutional systems offer a competitive advantage in different ways. Hence, firms shape their behavior accordingly. In other words, a firm strives to find a strategic fit between its own strategy and the policy of state institutions. Liang and Renneboog (2017) found that a country's legal origin and CSR performance rating are highly correlated. This could be why Scandinavian firms perform better in sustainability practices (Strand et al., 2015). Scandinavian institutions provide the necessary support and have designed rules that facilitate a CSV approach. For instance, Kentucky Fried Chicken was banned in Sweden because it did not meet Swedish health regulations, and to restrict bad eating habits in children, Sweden banned all TV advertisements directed at children (Schlosser, 2012). State institutions affect a firm's strategy, which influences its approach to CSV. Government institutions, regulatory bodies and higher education institutions have a crucial effect on a firm's policies. In countries where these institutions are powerful, corporations comply significantly better compared to countries where institutions do not function well. Several studies have highlighted the wrongdoing of corporations in underdeveloped countries. For instance, a study by Karnani (2007) highlighted the case of Fair & Lovely, a skin-whitening cream which is a profitable and popular product of Unilever in India, Pakistan and Bangladesh. The product carries dangerous risks for the public. Anil Gangoo, President of the Indian Association of Dermatologists, Venereologists and Leprologists, claimed that these (beauty creams) are drugs; however, governments in India and other countries have done virtually nothing to constrain the behavior of Unilever (Karnani, 2007, p. 1357).

Corporations comply with the rules relatively well in countries where institutions are strong, whereas they are more likely to conduct harmful business activities at the expense of society where institutions are weak. For instance, in recent years firms in developed countries have shown an interest in addressing environmental concerns; however, things are quite different in underdeveloped countries. Occidental Petroleum is a multinational company working on hydrocarbon exploration. In 1997, one of its gas wells, located in the city of Magurchara, Bangladesh, blew out, which led to a major forest fire that raged for 17 days—a loss worth more than \$147 million (Siddiqui, 2001). However, it was not reported in the company's reports, because reporting on the environmental effects of an entity's operations is not mandatory in Bangladesh (Siddiqui, 2001). Porter and Kramer (2011) cite the example of Nestlé's CSV. In 2015, Nestlé's most popular product in India—Maggi—was accused of containing seven times the permissible level of lead, which could damage the bones, kidneys, nervous system and liver in children. Nestlé denied the allegations, and product samples were sent for reanalysis. Despite an unusual delay in the laboratory results, the second set of samples showed the same: the product contained seven times more than the permissible level of lead (Pai, 2018). Recently, Johnson and Johnson (J&J), the American multinational company, has been in the news because one of its popular products, J&J's baby shampoo, failed to meet Indian quality standards. 'The Rajasthan Drugs Control Organization [...] said that the samples of J&J's baby shampoo taken from two batches had failed the quality test as they contained "harmful ingredients"' (Dawn.com, 2019). These are some of the scandals and issues that have made the news. In reality, there are countless similar issues created by corporations that have remained unaddressed. It is a fact that corporations generally have done enormous damage by practicing unethical and illegal activities all over the world, including in developed countries (Crane, 2013). However, corporations' bad practices are more prevalent in underdeveloped countries where state institutions are weak.

Competitors' approach. Extant literature has found that the policies and strategies of peer firms have an enormous impact on corporate strategies and activities (Kaustia & Knüpfer, 2012). Some CSR scholars argue that firms do not operate in isolation. If CSR creates a competitive edge, its advantage should be mostly manifest through a firm's competition with other firms (Cao et al., 2019). For instance, if a firm uses a green technology in production, other firms in the industry will perceive this as a threat because customers who are concerned about the environment might start buying from the firm that is producing green technology products. When Cao et al. (2019) empirically tested this argument on a sample of more than 3000 US public non-voting peer firms from 1997 to 2011, they

found a strong positive effect. Moreover, shareholders of the peer firms will also be aware of the probable loss in market share that will push it to adopt a CSR strategy (Kaustia & Knüpfer, 2012).

Building on this, we propose that a corporation's adoption of a CSV approach is highly dependent on the strategy of the competing firm. Let us suppose there are two firms (X and Y) in the market. *Ceteris paribus*, they are making equal profits; however, to gain competitive advantage, firm X makes a strategic leap and adapts a CSV approach. It is highly probable that firm Y will move towards a CSV approach to maintain its reputation in the market. In other words, competitor strategy can influence a firm's decision to adopt a CSV strategy.

Customers' behavior. Another external factor that could influence company behavior to be more responsible is the customer (Ham et al., 2020; Kim et al., 2020; Vogel, 2005). Extant research shows that the consumer prefers to buy from socially responsible companies. For instance, surveys on American and European customers show that consumers prefer to buy expensive products over cheap products manufactured using child labour, even though these assertions are not supported by empirical studies (Vogel, 2005). Unfortunately, there is a huge difference in consumers' words and their actions. Research on CSV found that solving a customer problem could lead to benefits: hence companies focus on solving problems. For example, the Redwoods Group, based in North Carolina, USA, works to take care of children and organizations who care for children. The company invests US\$3 million per year in consulting services that help its 400 youth-serving customers prevent risks to children: it reduced deaths by drowning by 85%, and reduced reported instances of child abuse by 65% in less than 10 years. The reduction in the number of deaths by drowning helped the company save US\$6 million in insurance claims per year (Porter, 2017). Advocates of CSV believe in helping companies by making them understand that solving social problems does not lead to negative profits, and that increasing profits is the most suitable way to solve social problems (Pfitzer et al., 2013; Porter & Kramer, 2011). A recent study in Korea found that sports fans' perceived economic and social values had a significant influence on team trust, which affected fan loyalty (Kim et al., 2020). Ham et al. (2020) also found that CSV dimensions (economic and social value) positively influence consumers' attitudes towards the company brand.

Future areas of research

We synthesized the existing literature, but the lack of quality and fragmented research posed a challenge to carry-

ing out a robust synthesis. We covered this by organizing several factors into external and internal factors that can influence the CSV strategy. Further conceptual and empirical research is needed, however. Firstly, research is needed on how the aforementioned external and internal factors influence opportunity cost and transaction cost, and we need to understand how state-level differences affect a firm's ability to create shared value. Hall and Soskice's (2001) article on varieties of capitalism explains the behavior of firms in different states. Is this argument valid in the case of CSV? Could a comparative analysis of companies in developed countries and those in underdeveloped countries enhance our understanding of this issue?

In addition, we believe that researchers need to direct their attention towards critical issues to deepen the role of organizational factors in the development of CSV in order to find compelling evidence that could help corporations in this direction. Such research will complement the external factors described earlier, as some organizations can overcome external challenges through internal competencies. How can companies cope with fragmentary institutional environments? Which organizational capabilities can help organizations overcome these challenges? Further qualitative research on these topics could provide additional insights into these issues, for instance exploring the role of dynamic capabilities in CSV. Alongside this, further quantitative research might deepen aspects such as competitors' strategy influencing a firm's decision to adopt a CSV strategy.

CONCLUSION

This study focused on CSV, discussing a decades-old question gravitating around a dilemma: what is the goal of the corporation—to increase the value for shareholders or stakeholders? The concept of CSV has acquired immense popularity, but it has also emerged as an ambiguous concept. Building on our review of the literature on CSV, we clarified in the first stream that CSV is neither a revolutionary idea nor a mere buzzword, but rather a meaningful, incremental scientific development (because of its theoretical contributions). We also gave a definition of CSV that might help increase conceptual clarity for future research on the topic. In the second stream, we discussed means and approaches to CSV. To understand why a firm will create shared value, based on what is known, we propose that if opportunity costs are high and transaction costs are low, the firm is likely to move to the CSV strategy; otherwise not. In the third stream, we organized the scattered literature focusing on factors for CSV into external factors, which include state-level, industry-level and individual-level factors; and internal factors, consisting of emergent

strategy, visionary leadership and cognitive capabilities. We discovered a complex network of external and internal factors that affect shared value creation and development. However, CSV is not a comprehensive idea that answers all questions related to tensions between corporations and society. Further research is required to fill this gap.

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