

A vision shared a future gained

Until recently profit has often been a dirty word when companies discussed their citizenship efforts. But as bottom lines are squeezed and Asia faces new growth challenges, philanthropy is making way for a new kind of business: one where the value is shared. Oliver Fall talks to **Professor Ann Florini**



Creating Shared Value: The next stage for CSR

Q. Where do you consider Asia to be on the development curve towards the widespread adoption of creating shared value (CSV)?

Every part of the world has leading-light companies seriously engaged in trying to determine the future of capitalism and social responsibility in its broadest sense – what some people are calling CSR 2.0, breakthrough capitalism, or “shared value” that combines profit-making with social good. The approach will vary across regions and countries, depending on prevailing laws, rules, and norms.

Here in Asia, the model of capitalism is still evolving, but it frequently differs substantially from Western models. So as the economic centre of gravity shifts to Asia in the century ahead, there may in fact be greater potential to develop good ways of combining capitalism’s need for profits with society’s needs in this region.

There is still a lot of room to do a great many interesting things – especially if you look at the role governments are already encouraging businesses to take on. This has been particularly notable in China in the past six to seven years, where the government has unleashed a flurry of guiding principles and regulations intended to push the private sector and state – owned enterprises (SOEs) to think about their role in a broader sense than just making money.

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Q. What do you believe is CSV's advantage to tackling the issues faced by society today?

Capitalism that focuses only on financial returns is not well designed to help society manage the broad set of global challenges and goals that we face today. Indeed it is creating or exacerbating problems if we consider such issues as climate change and wealth disparity. Whose responsibility is it to address these issues? Governments still have primary responsibility, but it is clear that they cannot do this on their own, nor can they regulate the private sector into submission on the scale needed to fix the global environment and economy. So now people look to business to see what it can contribute – the terms of companies' social license to operate are changing rapidly and scrutiny from civil society is wielding ever-greater influence.

For example, stock exchanges are requiring listed companies to report on their social and environmental impacts. In other words, to deal with today's interconnected economic and environmental and social challenges business, government and civil society are required to work together. This is the basis of shared value. Yet it is also very important to keep in mind that the Shared value approach does not replace regulation. It is a supplement, not an alternative to a law-based enforcement – approach. Regulation by government alone is not going to come close to dealing with the problems that we are now facing, but it remains an absolutely essential component.

Q. What has the response been to CSV in the market?

There are many promising experiments underway and the key message of wanting to make a positive change increasingly resonates with stakeholders across the region. Businesses know they cannot focus solely on short-term profit and governments know they cannot govern on their own and regulate everyone else.

One exemplar is Unilever, which undertook a complete overhaul of its business model in 2010. The sustainable practices that it has implemented are delivering impressive results today for both profit and planet, with its stock price rising. Asian-based companies like Olam have notable systems promoting responsible practices in their business models. Although western companies have been part of the corporate-responsibility discussion longer and more deeply than many of their Asian counterparts, a lot is already happening here.

Q. What are the principal impediments in the region to establishing lasting tripartite partnerships to promote the development of shared – value business?

There are several challenges, but none are unique to Asia. One issue we face today is that the ideas, disciplines and even language are not yet embedded, and it's hard to have a meaningful conversation about the future of capitalism without appropriate language. Nor is there a deep and rigorous training programme in place to guide practitioners or a professional cadre from which to recruit. Another issue is that shared value needs to be a mutually collaborative partnership between partners of equal standing, but partners' respective development is mixed in Asia. Civil society organisations are growing, but in certain constrained ways.

Elsewhere, SOEs and family-owned businesses operating with differing priorities can also

dominate the markets. This is a critical issue. These companies enjoy the freedom to determine their priorities, but it is also more difficult for civil society actors to influence corporate policy. How do you get the attention of a state-owned enterprise or a family-owned business? The channels, while growing, are not as obvious relative to the forums provided by shareholder-owned corporations.

Q. How can academia contribute?

Academic work on CSV is struggling to keep up with the rapid, unstructured, rather chaotic development of practices amongst civil society, corporates and governments. Academia needs to step up to the challenge, on both the research and teaching sides. We need much more research to understand what's happening in Asia and with what effects, an understanding only rigorous academic analysis is going to provide. And we need to develop better ways of training and educating professionals in business, government, and civil society so that they will be able to work together effectively in tackling these great challenges.

All of this will be very much a case of learning and leading at the same time. The new and unique Masters on Tri-Sector Collaboration at SMU is attracting a great deal of interest from other academics, corporates and governments across the region that recognise the wider shortfall in both training and education. We are already deep in conversation with the Singapore Civil Service College and Economic Development Board, and with companies, scholars, civil society leaders, and others around the region and the world. And we hope that the model we are pioneering will help to create new approaches to management education for all three sectors – government, business, and civil society.

Q. What role do you foresee for profit and ROIs in CSV?

Shared value thinking inherently incorporates the idea of financial profit and ROI – but in terms of long-term sustainable profit. Business models that subscribe to short term 'casino capitalism' detract from a sustainable investment performance. It is therefore reassuring to see some larger firms such as Apple and Unilever place less emphasis on quarterly reports – a key part of the 2010 Unilever sustainability plan was the decision to stop providing quarterly earnings guidance.

This is an important and substantive move as shareholder-owned businesses are under much tighter constraints when it comes to maximising other goals beyond short-term financial profit. Fortunately, legal structures are being established in the strongholds of shareholder capitalism, the US and the UK. These new business models charter corporations to strive for environmental and/or social goals as well as financial profits, thus building shared – value commitments into the basic corporate structure. This is a particularly reasonable expectation for capitalism at a time when profitability is high – the idea that firms cannot afford to look at long term impacts is a failure of imagination, not a lack of capacity.

Ann Florini is Professor of public Policy, School of Social Sciences, Singapore Management University and Senior Fellow at the Brookings Institution, Washington D.C.