Measuring Sustainable Value Creation:

The CSV Practice Framework

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I. SUMMARY

This paper aims to contribute to the development of a creating shared value (CSV) measurement framework for sustainable value creation of organizations with their stakeholders, integrating business leadership, strategy development and measurement. The paper is derived from research on three related questions: A. what type of leadership is particularly appropriate for shared value creation?; B. what are the main drivers of shared value creation and what stages are discernable in the shared value creation process?; C. how to define and measure shared value creation?

The concept of CSV, as defined by Michael Porter and Mark Kramer (2011), is increasingly adopted by organizations that want to go beyond the apparent dilemma between pursuing business results and creating societal value at the same time. By taking the societal issues and needs as starting point of strategic objectives and capabilities, CSV is aimed at enhancing the long-term strategic competitive positioning and value creation of the firm.

This paper will provide an outline of framework that strengthens CSV's intellectual base, derived from literature and field-research, including a number of case studies from Unilever, DSM and TNO. The proposed CSV Practice Framework allows CSV to be easily implemented in practice.

Keywords: corporate strategy, business models, innovation, sustainability, leadership, value creation, value proposition, stakeholder engagement and transformation processes.

II. THE CONTEXT OF CSV

Over the last decades, corporate social responsibility or corporate citizenship has been increasingly emphasised in the management and strategy literature [2], [6]. Though CSR originally emerged because of concerns about businesses’ detrimental impacts on society (avoiding ‘negatives’), the theme of improving society (creating ‘positives’) was certainly in the minds of early theorists and practitioners [2], [18]. Porter and Kramer’s [7] concept of creating shared value (CSV) intends to build on the original CSR concept and on top of that resolve the conflict between business and social goals, emphasizing the equal importance of social and economic impact. From the perspective of the Logical Framework (LF) [10], it means that when a firm designs a strategy, it should not only think about the expected outputs of its activities (products or services that customers buy and create economic value for the company), but also about the outcomes that those outputs lead to (direct effects, e.g. behaviours) and the wider, long-term impact on society caused by those outcomes [9]. According to LF, shared value is created if a company has a clear strategy on how its activities will lead, on the one hand, to outputs that are favourable for the market and, on the other hand, to outcomes and impacts that are favourable for the society [16].

III. SUSTAINABLE VALUE CREATION AND STAKEHOLDER ENGAGEMENT

Value creation is at the heart of any business model; businesses typically capture value by seizing new business opportunities, new markets and new revenue streams [1], [14]. Richardson [8], based on a wide range of literature, proposes a consolidated view on the relationship between value creation, the value proposition, the value creation and delivery system and the value capture system. From this consolidated view, then, the objective of sustainable value creation is to identify solutions that allow firms to capture economic value whilst generating environmental and social value [12]. Organizations that focus on creating value for all stakeholders seem to perform better, especially in the long run [13] [3].

Stakeholder engagement is regarded as the essence of sustainable development and stakeholder relationships are considered an essential part of the firm [17]. This relational view of business corresponds to trends in organizational dynamics, where the organization is regarded as part of a living network in which value is generated by human connectedness, a sense of common purpose and collaborative creativity.

IV. LEADERSHIP AND TRANSFORMATION-TOWARD CSV
The view that CSV represents a next stage in business thinking and organizational capacity is supported by research showing that firms progress on the path towards a stakeholder value orientation on the basis of a number of progressive stages of development [5, [17], [19]. Van Tulder [17] developed a phase model that is particularly insightful in supporting leaders and managers understanding at which stage their organization stands and how they can move it forward to the next stage.

Whilst organizations move from stage to stage in the process of sustainable transformation, a key role is played by the mindsets and attitudes of the top leadership of the organization [6], [20]. Sustainability mindsets express the dynamic interplay between companies' leadership and their context. Shared value creation requires acts of inter-organisational and cross-sector collaboration, which requires other types of leadership. The literature describes this alternately as 'connected', 'visionary', 'collective' leadership, next to the obvious term ' sustainable leadership' [15].

V. THE MEASUREMENT CHALLENGE

Measurement of CSV is critically important for the concept to take root. Measurement links performance to value drivers of sustainability and facilitates continuous improvement. Performance evaluation and measurement systems fulfill three vital roles: 1) capture the logic behind a sustainability strategy and facilitate agreement about what is important, how day-to-day activities add value, and how each person contributes to the mission and vision; 2) monitor progress; 3) facilitate the ongoing discussion within an organization that will lead to better performance [4].

A wide array of value or impact measurement methods for specific purposes has been developed. This research selected a particular measurement methodology based on LF, which brings both analytical clarity and a clear sequential approach [10] [11]. While LF models may seem linear and static, the dynamic relationship between leadership mindsets and shared value creation causes the model to be used as an ongoing learning and development tool.

VI. HOW TO IMPLEMENT CSV: THE CSV PRACTICE DOMAINS

Since a concise and comprehensive practice framework for CSV has been missing in the literature since the term CSV was launched in 2011 [7], this study has created a 6 step CSV Practice Domain model, designed for organizational leadership to successfully implement the CSV strategy with their organization. The CSV Practice Framework identifies 6 Practice Domains, with 6 corresponding steps, which form the backbone of effective CSV development and implementation [16]. It is through the application of these practice domains that shared value creation will occur within the firm on a continuous basis.

VII. CONCLUSIONS

The CSV Practice Model is still work in process so we should draw conclusions with some caution. The authors are conducting further research on various aspects of the model and its associated processes. The main (tentative) conclusions are:

- The application of CSV demands an integrated and transformational approach of three processes: Leadership, Strategy and Measurement.

- The Leadership process involves a fundamental reorientation of leadership mindsets, abilities and behavior. A first conceptual mindset model has been identified but needs more research [15].

- Shared Value is measurable, which facilitates a tangible learning process and enables the alignment of all stakeholders involved. However, it requires a new perspective and integration of different measurement methods and types of indicators.

- The CSV Measurement Process proposed in this study is a first attempt to create such integrated method, but more research and testing will be needed.
REFERENCES


