



저작자표시-비영리-변경금지 2.0 대한민국

이용자는 아래의 조건을 따르는 경우에 한하여 자유롭게

- 이 저작물을 복제, 배포, 전송, 전시, 공연 및 방송할 수 있습니다.

다음과 같은 조건을 따라야 합니다:



저작자표시. 귀하는 원저작자를 표시하여야 합니다.



비영리. 귀하는 이 저작물을 영리 목적으로 이용할 수 없습니다.



변경금지. 귀하는 이 저작물을 개작, 변형 또는 가공할 수 없습니다.

- 귀하는, 이 저작물의 재이용이나 배포의 경우, 이 저작물에 적용된 이용허락조건을 명확하게 나타내어야 합니다.
- 저작권자로부터 별도의 허가를 받으면 이러한 조건들은 적용되지 않습니다.

저작권법에 따른 이용자의 권리는 위의 내용에 의하여 영향을 받지 않습니다.

이것은 [이용허락규약\(Legal Code\)](#)을 이해하기 쉽게 요약한 것입니다.

[Disclaimer](#)

February 2015
Master Thesis

A Detailed study on CSV (Creating
Shared Value) and its effect on
Corporate Performance: Focusing on
the Mechanism of Economic and
Social Value

Graduate School of Chosun University
Department of business administration
Prashant Mool

A Detailed study on CSV (Creating Shared Value) and its effect on Corporate Performance: Focusing on the Mechanism of Economic and Social Value

기업의 공유가치창출이 기업성과에 미치는 효과: 경제적 가치와 사회적 가치의 메커니즘을 중심으로

February 25th, 2015

Graduate School of Chosun University

Department of business administration

Prashant Mool

A Detailed study on CSV (Creating Shared Value) and its effect on Corporate Performance: Focusing on the Mechanism of Economic and Social Value

Advisor : Park, Jongchul

A thesis submitted for the degree of
Master of Business Administration

October 2014

Graduate School of Chosun University
Department of business administration
Prashant Mool

Prashant Mool의 석사학위논문을 인준함

위원장	조선대학교 교수	정형식	(인)
위원	조선대학교 부교수	박종철	(인)
위원	조선대학교 조교수	강성호	(인)

2014년 11월

Graduate School of Chosun University

Contents

ABSTRACT

Chapter 1 Introduction	1
1. Research Background	1
2. Research objectives	2
3. Structure of the thesis	3
Chapter 2 Theoretical framework	4
1. Interdependence between business and society	4
2. Evolution from CP to CSR to CSV	5
2.1. Corporate Philanthropy	6
2.2. Corporate Social Responsibility (CSR)	7
3. Creating Shared Value (CSV)	8
3.1. Overview on CSV	8
3.2. Extension of Creating Shared Value	13
3.3. CSR and CSV: What's the difference?	16
4. The link between previous models and CSV	17
4.1. Inclusive Business Model	17
4.2. Bottom of the Pyramid (BOP)	20
4.3. Triple Bottom Line	22

Chapter 3 Case study on CSV	24
1. CSV in action: A case study of CSV in Korea	24
Chapter 4 Research model proposition	28
1. Mediating variables in the proposed model	28
1.1. Gratitude as a motivator to establish relationship	29
1.2. Building trust builds corporate performance	30
2. Research Hypothesis development	31
3. Research model	37
Chapter 5 Conclusion	39
1. Research summary	39
2. Limitation and direction for future research	40
Reference	41

List of tables

<Table 1> Strategic Positioning with CSV	10
<Table 2> Comparison of original and extended CSV strategy	14
<Table 3> Difference between CSR and CSV	17

List of figures

<Figure 1> Evolution of CSV	6
<Figure 2> Creating Shared Value (CSV)	9
<Figure 3> Approaches of Creating Shared Value	11
<Figure 4> Types of Corporation	15
<Figure 5> Inclusive Business Model	18
<Figure 6> Economic Pyramid	21
<Figure 7> Triple Bottom Line	23
<Figure 8> Research model	37

ABSTRACT

A Detailed Study on CSV (Creating Shared Value) and its effect on Corporate Performance: Focusing on the Mechanism of Economic and Social Value

By Prashant Mool

Advisor : Prof. Park, Jongchul, Ph.D.

Department of Business Administration,

Graduate School of Chosun University

This study highlights the inter-dependence between business and society. Organizations have understood the importance of society for its long term growth. Hence, various business strategies like Corporate Philanthropy, CSR (Corporate Social Responsibility) etc. have been introduced to establish a better relationship between business and society. However, these strategies solve societal issues at the periphery, not to the core. This study presents the newly introduced theory of CSV (Creating Shared Value) model in which a corporation leverages all of its assets to make a positive social impact at the same time creating economic value for business.

The research model developed in this study contributes to clarify the role of CSV and its influence on the overall corporate performance. Further, this study tries to investigate the processes of how CSV enhances corporate performance rather than to investigate the direct link between CSV and corporate performance. To show the functional process of CSV this study reveals the mediating role of gratitude and trust which is generated by various mechanisms

of economic and social values, which leads to enhance corporate performance. Hence, the mediating variables as cognitive response (i.e. trust) and emotional response (i.e. gratitude) facilitates to highlight the link between CSV and corporate performance. Further, the case study of CSV presented in this study tries to justify the proposed research model and propositions.

Key words: creating shared value, corporate social responsibility, gratitude, trust.

ABSTRACT

기업의 공유가치창출이 기업성과에 미치는 효과: 경제적 가치와 사회적 가치의 메커니즘을 중심으로

By Prashant Mool

Advisor : Prof. Park, Jongchul, Ph.D.

Department of Business Administration,

Graduate School of Chosun University

이 논문은 기업과 사회와의 상호의존성을 강조하고 있다. 그동안 기업들은 자신들의 장기적인 성장에 있어 사회의 중요성을 이해해왔다. 그러나 기업 자선활동(corporate philanthropy), CSR(corporate social responsibility)과 같은 다양한 비즈니스 전략은 기업과 사회와 더 나은 관계를 형성하는 데 초점을 두고 있다. 그러나 이러한 전략들은 핵심이 아닌, 표면적인 사회 문제 해결과 관련되어 있다. 이에 본 연구에서는 기업의 경제적 가치를 창출하기 위하여 새롭게 소개된 CSV(creating shared value, 공유가치 창출)의 연구모형을 제시하였다. 이 연구에서 제시된 연구모형은 CSV의 역할과 전체적인 기업성과에 미치는 CSV의 효과를 명확히 제시하고 있다. 그리고 기업의 성과를 강화시키는 경제적 가치와 사회적 가치가 기업 신뢰와 호혜성 지각을 매개로 기업성과에 미치는 효과를 제시하고자 한다.

그동안 기업들은 사회와 기업철학, CSR, 인클루시브 비즈니스, 사회적 기업, 그리고 지금의 CSV와 같은 다양한 전략들에 대하여 책임의 중요성에 대해 인지해왔다. 대부분의 기업들은 철학적인 활동들과 CSR을 기업의 핵심가치가 아닌 표면적으로 사회적인

문제들을 해결하려는 시도로 받아들인다. 따라서 CSR은 비즈니스 모델의 일부가 되어 왔지만, 기업의 핵심 전략으로는 간주되어지지 않았다. 이러한 상황을 이겨내기 위해서 하버드대 교수 Porter & Kramer는 '공유가치'의 원리를 도입하였다. 공유가치창출의 주요한 개념은 니즈와 도전을 해결하기 위해 사회의 가치를 창출한다는 점에서 경제적 가치 창출을 포함한다.

본 연구는 공유가치 접근법과 CSV가 어떻게 경제적 가치와 사회적 가치를 유발시키는지에 대한 모델을 제시한다. 더 나아가, 본 연구는 CSV와 기업성과 간의 관계에서 기업 신뢰의 매개역할을 제시한다. Porter & Kramer는 CSV 접근법과 CSV가 기업성과에 미치는 긍정적 영향에 대해 제시하였다. 그러나 본 연구의 기본적 전제 조건은 신뢰와 호혜성의 맥락에서 효율적이고 효과적으로 기업성과를 달성하기 위한 CSV의 직접적인 영향에 대해 고찰하는 것이다. 더 나아가, 본 연구에서는 소비자, 공급자, 사회, 그리고 이해관계자들 사이의 신뢰와 호혜성이 기업성과 개선에 어떻게 긍정적인 영향을 창출해내는지에 대해 제시한다.

본 연구의 결과의 제안은 흥미롭지만, 내재적인 한계점들에 대해서도 고려해 볼 필요가 있다. CSV는 현재 도입단계에 있기 때문에 의미 있는 측정 데이터를 모으는 작업이 쉽지 않다. CSV는 많은 기업 종사자들에게 실행 가능성과 효용성의 관점에서 아직까지 불확실한 상태이다. 의미 있고 측정 가능한 데이터의 부재는 좀 더 확장된 CSV의 연구로 이행하는데 걸림돌이 되고 있다. 그럼에도 불구하고 많은 기업들은 CSV를 중요한 전략으로써 사용하고 있고, CSV의 긍정적인 효과 역시 확인되고 있다. 그러나 우리는 어느 정도의 규모를 가진 기업들이 CSV를 실행하고, 그 기업들이 이러한 전략을 어떻게 다뤄야 하는지에 대해 예측해야 한다.

본 연구는 CSV의 성과와 다른 중요한 수단들을 연결하는 방향에서 CSV와 성과 간의 관계성을 찾으려고 한다. 본 연구의 기여도는 기업성과에서 CSV의 영향력과 이들 관계에서 기업신뢰와 호혜성 지각의 메커니즘을 제시했다는 점이다. 또한 본 연구는 이론적인 시사점뿐만 아니라, 실현가능한 관점을 제시한다. 이론적으로, CSV, 기업신뢰와 호혜성, 그리고 기업성과 간의 관계성을 제시하기 위한 연구모형을 제안하였다. 이러한 프레임워크는 CSV에 대한 실증연구와 CSC에 대한 개념정립 시 향후 연구를 위한 토대가 될 것이다. 더 나아가, 본 연구모형은 CSV에 의해 창출된 경제적 가치와 사회적 가치가 어떻게 기업신뢰와 호혜성 지각, 나아가 기업성과에 영향을 미치는지에 대한 단서를 제공한다.

Chapter 1. Introduction

1. Research background

Today companies are viewed to be prospering at the expenses of community. These growths might help companies to optimize the short term financial growth however, in long run these business practices will lead to depletion of natural resources, viability of supplier reduces, limited social progress, and consumer will lose their trust in the company's products. Corporations are trying to ascertain how to create new business opportunities, facilitate growth, how to achieve competitive advantage and at the same time proactively engage with critical societal issues as a part of core strategy. In long run only those companies will survive that recognizes an opportunities to play a positive role in addressing fundamental societal issues and seeing those issues not merely as problems to be addressed through charity only, but seeing it as the opportunity for innovation and growth (Porter and Kramer, 2011).

Few decades ago, the mutual dependence between business and society was perceived with limited scope. Friedman (1970) stated "there is one and only one social responsibility of business... to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." However, today the scenario has been changed; relationship with society is viewed with a broader prospect. If the company's goal is to survive and prosper, it can do nothing better than to take a long term view and understand that if it treats society well, society will return the favor (Falck and Heblich, 2007). Businesses thus have some kind of responsibility to work for the wider societal good, but the precise direction and manifestation depends on the discretion of the corporation (Matten and Moon, 2008). During the course of time most of the firms have recognized the importance of responsibility towards society and implemented various strategies like corporate philanthropy, CSR

(Corporate Social Responsibility), inclusive business, social enterprises and now CSV (Creating shared value).

Most of the corporations embrace philanthropic activities and CSR as a response to external social pressure in which corporation tries to solve the societal issues at the periphery, not to the core. Hence, CSR has been a part of the business model but it was never considered as core business strategy. To overcome these situations the principal of ‘Shared Value’ was introduced by Harvard Prof. Michael E. Porter and Mark R. Kramer. The main concept of Creating Shared Value involves creating economic value in a way that also creates value for society by addressing its needs and challenges (Porter and Kramer, 2011).

2. Research objectives

This study explores the relationship between business and society, and tries to identify the point of intersection where both them are benefited. The core of this study is also to reveal how different scholars and businesses introduce various strategies and also expand them later in order to cope with changing society and maintain healthy relationship between them. Further, this study tries to present that the concept of CSV is not created all of a sudden. In fact, there is a huge evolutionary process which shows that business is trying to overcome the limitations of every previous theories and create a new one which will be more effective and beneficial for both business and society. Hence, this study revolves around the latest theory of CSV and its impact on business as well as the society.

This study presents an initial overview on shared value approach and how CSV generates economic and social value. Further, it reveals the mediating role of gratitude and trust, influencing the overall corporate performance. The concept of CSV is relatively under researched, very few studies has been made under this topic. Porter and Kramer (2011) have presented the approaches of

CSV and its positive impact on corporate performance in a broad concept. However, the fundamental premise of this study investigates the phenomenon in the context of cognitive response (i.e. trust) and emotional response (i.e. gratitude) which directly influences to achieve corporate performance effectively and efficiently. Further, this study examines how CSV (Creating Shared Value) facilitate to create positive influence on gratitude and trust among consumer, employee, supplier, society and other stakeholders resulting into improved corporate performance. Ultimately, which will help companies to have sustainable business and maintain its legitimacy.

3. Structure of the thesis

The thesis begins with the introduction of this study. Within the first part of the thesis, the research background and the research objectives are introduced conjointly. Chapter 2 presents the theoretical framework of this study. Firstly, an interdependence between business and society is presented. Then the evolution of the theory from Corporate Philanthropy to CSR to CSV is shown clearly. Also, an overview on CSV, extension of CSV and difference between CSV and CSR is presented. Further, the similar connecting links between CSV and earlier popular theories and strategic models like Inclusive business model, Bottom of the pyramid (BOP) model and Tripple bottom line are precisely explained. The emerging concept of CSV in South Korean market in shown through a case study of CJ Group. Research model proposition is followed by a mediating variables, proposed research model and propositions developed on the basis of the presented model. The next chapter describes the conclusion of this study followed by limitations and suggestions for the future research.

Chapter 2. Theoretical Framework

1. Interdependence between Business and Society

The fundamental background of this study is based on the relationship between business and society. For decades now, the business and society relationship has generated a number of economic, social, ethical, and environmental issues. Though the business system has served society well, criticism of business and its practices has become common place in recent years (Carroll and Buchholtz, 2009). Perhaps this is a reflection of the natural tendency to take for granted the beneficial aspects of the relationship and to spotlight the negative or stressful one. What is the proper role of business in society? The question isn't new. Debates about the private sectors responsibility for its economic, social and environmental impacts have been raging since the beginning of capitalism. What is new is the emerging global consensus that business is the engine of economic growth and international development and that business can and must play an indispensable role alongside government, civil society and communities to solve complex global challenges like hunger, poverty, inequality, unemployment and climate change. Thus, we need to understand the competitiveness of a company and the well-being of the society where it operates are closely interconnected.

Society's growing expectation towards business shows that society became skeptical on the effectiveness of the government's role on solving social problems. As society developed and modernized, the role of government on welfare has become increasingly ineffective, mainly due to limited capacity of government to create and manage long term welfare programs for the society. Hence, business has to step forward setting aside its vested interest, with new and effective strategies to cope with these situations and create welfare in the society. The betterment of society is not a job to be left to a few but it is a responsibility to be shared by all. Hence, society's welfare and solving social

problems should not be left only for government and NGO's. In fact, society's downfall directly obstruct each and every aspect including business therefore, business has to find its opportunities and achieve its goals along with solving social problems. As Drucker (1984) highlighted the importance of social opportunities and how firms could realign the value of self-interest to solve social problems. He assured that social problems can no longer be solved by government and will surface as critical agendas for business in the 21st century and therefore, that firms should choose to become actively engaged by regarding them as opportunity.

'Successful companies need a healthy society and at the same time healthy society needs successful companies' (Porter and Kramer, 2006). Society expects corporations to satisfy their consumers with quality products and generate sufficient profits for their investors. Society needs successful business to provide jobs and wealth creation opportunities. On the other side, business needs society to create demand for its product, regular supply of resources, skilled workforce. Economic profits may be used for social progress but few know that social progress can create highly sustainable economic profits (Maclean, 2011). Companies are increasingly aware that there is an economic perspective to take when helping social and environmental problems (Michelini, 2012). They have learned that applying their energies to solving social issues will stimulate their own business development. This is the main idea behind shared value.

2. Evolving from Corporate Philanthropy to CSR to CSV:

Traditionally, the interests of business and society have been defined in opposition to each other. The core function of business has been seen as creating wealth and profit for the shareholders. Hence, companies have been criticized due to their extensive focus on profit maximization and other business

gains. These actions started to create an uncertainty in the sustainability of business. Nevertheless, companies started to understand importance of society's role in their development and growth. Therefore, companies initiated to share their certain amount of profits with the society by charitable donation which became a crucial tool for promoting and shaping organization's reputation and image. This brought the idea of corporate philanthropy.



Figure 1. Evolution of CSV

2.1. Corporate Philanthropy

Philanthropy, though it is not a responsibility in the literal sense, these are viewed as responsibilities because they reflect current expectations of business by the public and the society. The amount and nature of these activities are voluntary or discretionary, guided only by business's desire to engage in social activities that are not mandated, not required by law, and generally expected by business in an ethical sense (Carroll and Buchholtz, 2009).

The core aspect of philanthropy is unconditional voluntary transfer of corporate wealth such as cash or other assets, there are not explicit exchange of resources between a corporation and beneficiaries. Hence, corporate philanthropy is a "good behavior above and beyond what is expected" (Godfrey 2005). Nevertheless, the public has an expectation that business will "give back" and thus this category has become a part of the social contract between business and society. Such activities might include corporate giving monetary donation at the time of natural disaster, product and service donations, employee

volunteerism, partnerships with local government and other organizations.

Several researchers argue that corporate philanthropy plays a significant role in enhancing corporate reputation and image (Brammer and Millington 2005; Godfrey 2005). Since corporate reputation is the collective opinion on a corporation formed by its stakeholders, good reputation is expected to contribute significantly to corporate performance in long-run. Many organization still today continues their philanthropic activities in order to build organizational reputation. However, in a competitive and global setting companies need to understand the caring for the society and environment as part of their operation (Brorson et al., 2006). To ensure survival and prosperity, a firm must integrate society's interest in its corporate activities. Hence, organizations started to view society's interest not just as a voluntary action rather as a responsibility with a new concept termed Corporate Social Responsibility (CSR).

2.2. Corporate Social Responsibility (CSR)

Over the past few decades, companies worldwide have been accepting and recognizing the importance of socially responsible business conduct and the impact it has on their reputation and performance. CSR has been defined in various ways by numerous researchers such as “the idea of social responsibility supposes that the corporation has not only economic and legal obligations, but also certain responsibilities to society which extend beyond these obligations (McGuire, 1963). Over the time, CSR has been described in numerous concepts as business ethics, corporate citizenship etc.

The scope and meaning of CSR has been rather broad and constantly changing to incorporate new elements and portray the extended scope of CSR. Carroll, (1991) developed the pyramid of CSR and defined it as “the social responsibility of business encompasses the economic, legal, ethical and discretionary (philanthropic) expectations that society has of organizations at a given point of time”. In recent years, CSR has been gaining momentum and expanding its dimension from traditional CSR to a more strategic perspective as

‘Strategic CSR’ (Kanter, 1999; Visser, 2010; Mahlouji and Anarki, 2009).

Despite the development and acceptance of CSR concept worldwide, there are still discussions of what really counts as socially responsible activity. Simply donating or supporting a charity, sponsoring popular events and conducting business ethically & legally etc. (Lapina, Borkus, and Starineca, 2012), Is that the only responsibilities that business has towards society? Companies have limited themselves to making philanthropic grants and managing acute stakeholder concerns, without necessarily linking those activities to core business interests, expertise, and influence (Bockstette and Stamp, 2013). Few companies have achieved significant progress in building their reputation through CSR activities. However, In general, these traditional approaches with limited scope are hindering the huge market opportunity. This is where the concept of creating shared value comes into rise, which tries to overcome the limitations of CSR. And gives a new direction where both business and society are mutually benefited. CSV is much more than philanthropy or CSR, which have evolved from the traditional corporate model of financial and material goods donations to a model in which a corporation leverages all of its assets to make a social impact.

3. Creating Shared Value (CSV)

3.1. Overview on CSV (Creating Shared Value)

In early 2002, Porter and Kramer have suggested an approach requiring companies to use their unique attributes to address social needs in the corporate context. Instead of focusing on the friction of business and society, corporation should look for intersection. Besides economic needs, societal needs also define a market, which is known as the competitive context of the corporation. It is clear that what does not work well for society and increasing we realize that it does not work well for business (Stout, 2012). Social harms or weaknesses

create internal costs, (Porter and Kramer, 2011) if corporations address these needs, there is a convergence of interests between business and society and the reconciliation of social and economic goals.

Porter and Kramer (2006) brought the idea of ‘Shared Value’ in their journal (Strategy & Society: The Link between Competitive Advantage and CSR). Later in 2011, they finally introduced the concept of ‘Shared Value’ in the Harvard Business Review “Creating Shared Value”, as an attempt to transform the business practice and address some of the criticisms being charged at CSR. The most recent definition of shared value proposed by Porter and Kramer (2011) is “the policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”. CSV enables companies to not only meet legal requirements and fulfill its social responsibilities, but also provides an opportunity to reassess the way business are operating along with a sustainable economic growth (Bockstette and Stamp, 2011).

Shared value creation focuses on identifying and expanding the connection between societal and economic progress. Shared Value does involve some initial investments, but these investments will results in the long-term business competitiveness that simultaneously benefit business as well as the society.

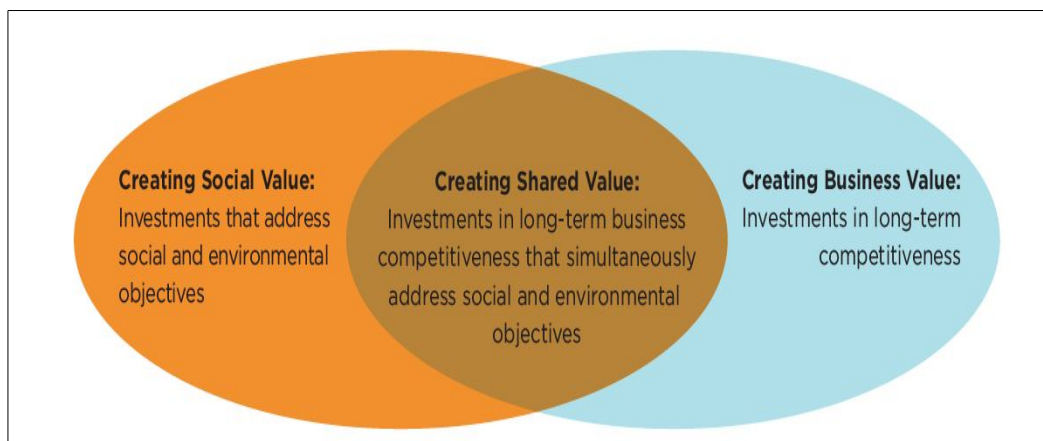


Figure 2: Creating Shared Value

(Source: Bockstette and Stamp, 2011)

Shared value recognizes that social harms or weaknesses frequently create internal costs for companies (Porter and Kramer, 2011), so by examining societal impacts, companies' costs can be reduced. Further, companies can use new technologies, operating methods and management approach- and as a result, increase their productivity and expand their markets. In CSV, business generates profit not at the expenses of the consumer or the community but, by the benefiting the consumers (Porter and Kramer, 2011). For this, there need to be changes in markets and their framework conditions. However, CSV should help to make some improvements in this direction.

Today, CSV is no longer a new theory rather it have been evolving and working with corporations to prove these concepts. There are numerous large global companies like Google, Nestle, GE, J&J, IBM etc. have proven and measured the enormous economic and social benefits of creating shared value. Peter Brabeck-Letmathe (Chairman and CEO - Nestle) says "It is our firm belief that, for a company to be successful over time and create value for its shareholders, it must also create value for society." These corporations has already recognized that the legitimacy of their business community had fallen to an all time low, this has forced them to reexamine their core strategies in order to regain the organizational trust and improve corporate performance.

Company	Traditional Positioning	New Positioning
Nestle	Food	Nutrition
Nike	Shoes	Health & fitness
IBM	Computing/ technology	Smarter planet/ smarter cities

Table 1: Strategic Positioning with CSV

Creating Shared Value provides an opportunity to transform the purpose of

business in the society. Business acting as a business, not as charitable donors will give a new purpose to business, along with making more effective impact to the society. This transformation of business practice will drive a new wave of innovation, productivity and economic growth (Porter and Kramer, 2011). Driving economic success and at the same time creating social value is not only a responsibility but also an opportunity to rethink the way we are doing business and drive sustainable economic growth. (Bockstette and Stamp)

There are mainly three basic approaches to create shared value:

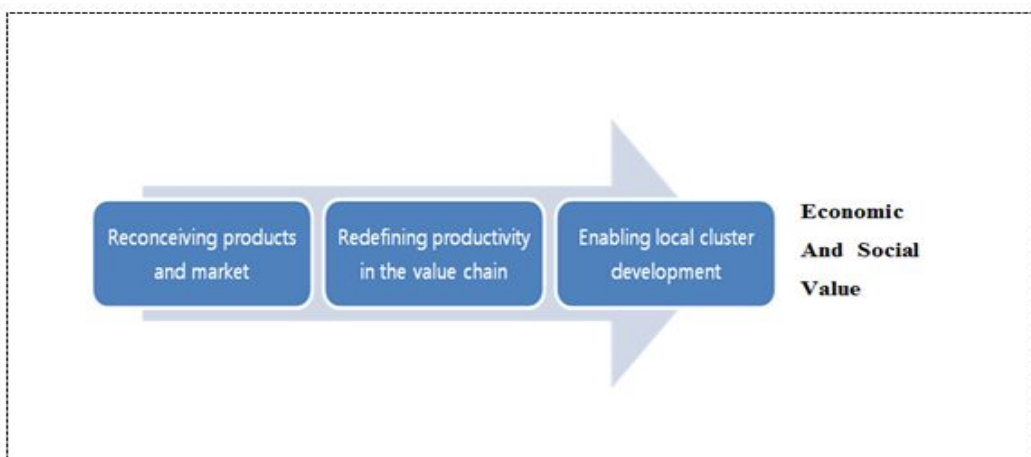


Figure 3: Approaches to Creating Shared Value

a. Reconceiving Products and Market.

Porter and Kramer (2011) argues that the needs of the society are huge, perhaps the greatest unmet needs in the global economy today. Even though most companies are great at continuously identifying new needs of their customers, most of them are missing the most basic questions of all: are the companies products really good for their customers? This strategy simply means designing products and market that directly tackle the social needs. The needs of the underserved market are often different and this is why the importance of redesigned products or different distribution methods comes in as

the first strategy (Porter and Kramer, 2011).

By reconceiving the products and markets of companies, whole new avenues for innovations can open up. From the society's point of view, the gains are even greater since businesses often are much more effective than governments and non-governmental organizations at marketing their products (Porter and Kramer, 2011). Companies should focus on unmet needs of society; innovate new products through which business get significant level of opportunities and society gains greater benefits. This means that products need to be redesigned and different distribution methods have to be used to serve the need of disadvantaged communities especially in developing countries (Moon et al., 2011). Prahalad and Hart (2002) also emphasize a great opportunities for companies by fulfilling the unmet needs based on the bottom of pyramid (BOP) model. The real source market is not the few wealthy in the developing world, or even the emerging middle-income consumers: it is the billions of aspiring poor who are joining the market economy for the first time (Prahalad and Hart, 2002). CSV will help the companies to find a new market in the countries that still don't have the modern infrastructure or products & services to meet basic human needs.

b. Redefining productivity in value chain.

The value chain of a company includes all activities that companies are involved in while conducting business. The value chain is affected directly or indirectly by various types of societal issues, which can be viewed as an opportunities to create shared value. A holistic evaluation of the value chain productivity in terms of energy use, logistic, resource use, procurement, distribution, location and employee productivity is carried out (Spitzeck and Chapman, 2012). Companies can improve the quality, quantity, cost and reliability of inputs and distribution while they simultaneously act as a steward for essential natural resources and drive economic and social development. Shared value thinking can transform the value chain by offering new ways to

innovate and unlock new economic value which lead to competitive advantage (Porter and Kramer, 2011).

c. Enabling local cluster development.

Business is not conducted in isolation. Multiple players must be involved including local governmental authorities, non-governmental organizations (NGO's), communities, financial institutions and other companies. Productivity and innovation are affected by the geographic concentration of other firms around the company. No company is self-contained and the success of every company is affected by the supporting companies, suppliers, local resource provider (farmers) and logistic infrastructure surrounding it. Hence, organizations must be willing to experiment, collaborate, empower locals, and create a new source of competitive advantage benefiting both company as well as the other supporting clusters. Cluster can be build to improve company productivity while addressing gaps or failures in the framework conditions surrounding the cluster (Porter and Kramer, 2011). The local cluster can be developed by providing necessary knowledge & technology transfer to the supporting companies and suppliers. Also, providing training, developing skills and improving the ease of infrastructure will boost the productivity.

Moon et al., 2011 argues that the most serious problem with Porter's original cluster theory is that it does not consider an international or global perspective in terms of developing cluster. Hence, it limits its scope by including only local and domestic clusters.

3.2. Extension of Creating Shared Value

The theory of CSV when introduced, it immediately attracted the attention from every sectors. It became the talk of the town as top corporate businesses started to implement CSV strategies. Also, various scholars and academic sector started showing huge interest in the field of this theory. Apart from tremendous

appreciation it also received few criticisms and at the same time many scholars from around the world started giving their point of view on the theory.

In the late 2011, an extended version of the CSV theory was constructed by Moon et al., (2011) which added few new key strategy in addition to the earlier theory introduced by Porter and Kramer (2011). In the extended model, the fourth key strategy was introduced to define the core competence of the business. The following table has summarized the changes and compared the difference between the two concepts on CSV.

Author	Strategies of CSV			
Porter and Kramer (2011)	1.Reconceiving product and market.	2. Redefining productivity in the value chain.	3. Enabling local cluster development.	4. ***
Moon et al., (2011)	1.Reconceiving comprehensive targets.	2. Redefining productivity in the value chain from both externality and internality.	3. Enabling local and global cluster development.	4. Defining core competence .

Table 2: Comparison of Original and Extended CSV Strategy

Apart from modifying the scope of existing CSV strategies the new additional element as building core competence emphasizes not 'how' but 'what' business should do. although the original CSV strategy mentions reconceiving products and markets, it only pertains to the needs of the society rather than the company's comparative advantage. According to Moon et al., 2011, a company may slightly modify their product, but they should still produce commodities in which the company is most competent at i.e. in which they possess comparative advantage.

Other than reconstructing and extending the earlier original CSV strategies, Moon et al., (2011) also presented the new framework for CSV which highlights the typology of corporations- from Good to Smart. This framework classified

the companies into different category on the basis of companies business activities prioritizing more on two aspects ie. company profit and social benefit.

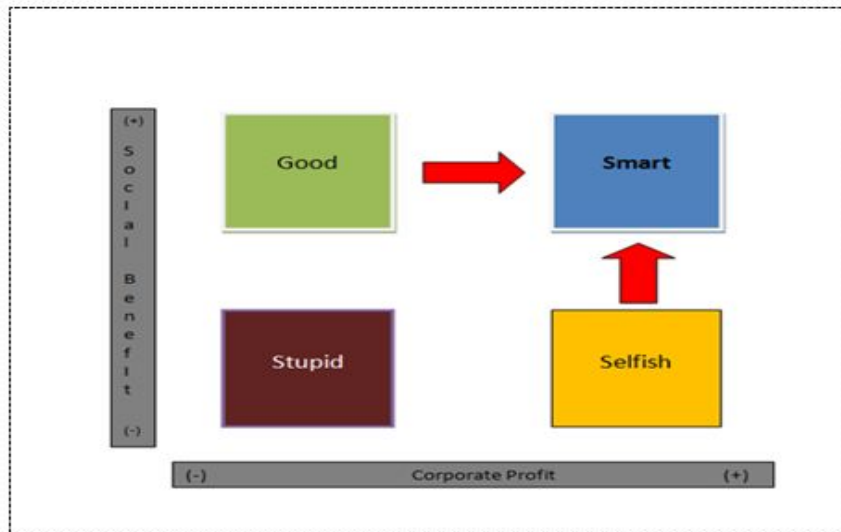


Figure 4: Types of corporation

(Source: Moon et al., 2011)

Out of the four types of companies, the most important distinction is between 'Good' and 'Smart' categories. The fundamental difference between good and smart can actually be compared to how CSR developed into CSV (Moon et al., 2011). Good corporations are the ones that stays within the boundary of corporate ethics and does charity for philanthropic purposes regardless of the business return. Many companies that fall under this category are engaged in activities such as donation, supporting social events, employees volunteering for social welfare etc. This category shows that these so called 'Good' companies are following the CSR strategies to maintain healthy relationship with the society.

On the other hand, 'Smart' company looks for business opportunities within the social periphery where it can make more positive social impact. Companies that are positioned in this section of category actually pursue activities in a

systematic way, where benefiting society is not considered as responsibility rather as a new opportunity to increase profit, market share and competitiveness.

The classification of companies into these four categories is very essential for comparing and measuring the companies in terms of CSV. Also, since it shows the direction of a corporation through the two ultimate objectives of any business i.e. company profit and social benefit, hence anyone can clearly observe which element the company lacks and need improvement.

4. CSV (Creating Shared Value) and CSR (Corporate Social Responsibility): What's the difference?

Currently, most of the people believe that CSR and CSV have same concept with different titles. CSV is considered as an extended concept of CSR. And both the concepts have a similar objective as performing social responsibility in order to achieve long-term corporate goals. Even though, these concepts have a common ground as maintaining good relationship with society, there is huge difference in the way things are done in these concepts.

In this section we try to highlight how these two concepts are fundamentally different to each other. The first significance of CSV is that it logically and convincingly superseded the CSR activities of business by properly combining the two ultimate goals of business in the capital system. CSV starts from a different view than CSR or corporate philanthropy; rather than considering how a portion of corporate profits can be used to address social issues, shared value identifies and uses business strategies to find solutions to social problems and simultaneously achieve economic goals (Porter and Kramer, 2011).

CSR	CSV
<ul style="list-style-type: none"> ● CSR is a response to external social pressure. Hence, it is considered as a cost oriented, not a profit oriented business activity. 	<ul style="list-style-type: none"> ● CSV is a core business strategy making effort to join company and community to create value for both.
<ul style="list-style-type: none"> ● The idea in CSR represents sharing the profit with society 	<ul style="list-style-type: none"> ● CSV is based on the idea of expanding the profit with society.
<ul style="list-style-type: none"> ● CSR mainly focuses on corporate citizenship, corporate image and reputation. It has limited connection with company's core operations. 	<ul style="list-style-type: none"> ● CSV is an integral part of profitability and competitive positioning.
<ul style="list-style-type: none"> ● Example: Philanthropic activities, Fair trade purchasing. 	<ul style="list-style-type: none"> ● Transforming the procurement process to increase the quality and productivity.

Table 3: Difference between CSR and CSV

5. The link between previous strategic model and CSV

The main purpose of this section is not to compare between CSV and other previous theories or to prove that CSV is better than the previous theories. However, it tries to show how all these theories are interconnected with similar objective of conducting business with an approach of earning profit with purpose.

5.1. Inclusive Business Model:

There is no doubt that for next 50 years poverty and climate change will still be the main problems facing humanity, which today affects more than 4 billion people. Poverty itself is a matter of concern not only to government,

NGO's, multilateral banks, bilateral aid agencies, and academia but increasingly also to the business sectors.

To create social impact, there are two options for companies:

- i. Community investment and corporate philanthropy within the broader CSR concept.
- ii. Creating shared value strategies

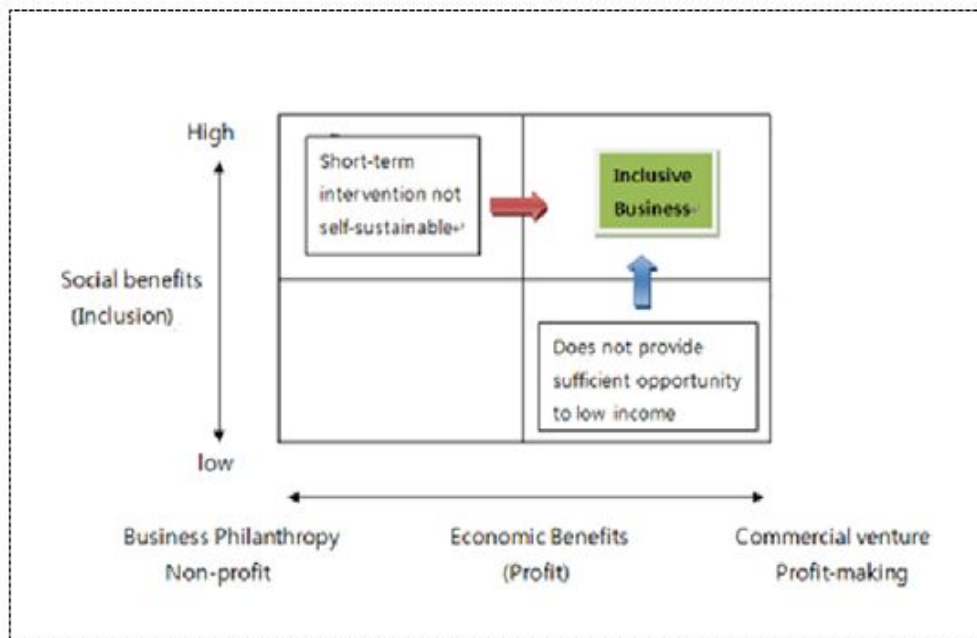


Figure 5: Inclusive Business Model

In the above figure, the first category, philanthropic and charitable activities include actions, which are not connected to the core business or the value chain of the company, and therefore often become unsustainable over time. The second category includes activities that create social or environmental value as part of the value chain of a company that is, as a part of the ‘core business’ strategy. When, as a result of shared value, better economic opportunities for the low-income population segment are created, at that point the concept of “Inclusive Business” emerges.

Inclusive business is a powerful model that introduces innovative ways to integrate low-income segments into the value chain of existing businesses. The

Inclusive Business Model is defined as entrepreneurial initiatives that allow the company to include the low-income communities into its value chain, generating a win-win situation for both company and low-income communities. It creates growth, productivity, profits and new opportunities for the company, at the same time generating income and wealth for the low-income population and finally a win for environment by introducing more sustainable practices and technologies, amongst others.

There are four broad areas where the principles of inclusive business can be incorporated.

- Supply chain: Large corporations have realized that associating themselves with small suppliers have enabled their supply chains to be more flexible & stable and at the same time be of reduced costs.
- Employment: Employing the local people in the areas of business will firstly ensure a market for the product. Also local employees will have a better idea of the kind of products that might appeal to the market and can also provide essential local knowledge.
- Product/Service: Another way of looking at inclusivity in business is by producing goods or rendering services to the poor. Even though earlier it was considered that producing for the poor is ultimately a mere wastage of resources now the poor are the potential and targeted customers for many businesses.
- Distribution channels: Poor localities have poor public infrastructure. Therefore, it is essential that there is some amount of flexibility and reliability in its operations.

The similar connecting link between Inclusive Business Model and CSV is the basic idea where both the theory emphasizes making an effective way to utilize its resources to accomplish the mutual objectives of the company as well as the society. The connecting link between these two theories is further clearly seen in the extension of CSV by Moon et al., 2011. In the extended version a new framework for CSV was introduced which distinguishes the

companies on the basis of their priority and focus on either social benefit or corporate profit. Hence, in the framework companies are classified as Good, Stupid, Smart and Selfish categories. Company's business activities are evaluated through the two important criteria: corporate profit and social benefit. Depending on how much they followed business ethics as well as business strategies, companies will belong to any one of the four classification of the company. Out of four classification, the company which incorporate CSV and balances the effort in achieving both societal benefit and corporate profit will fall under the category of 'Smart' company, which is also the point where business achieves inclusivity according to Inclusive business model. This is the part where both the theories shares the same concept. Hence, this clearly shows the similarity in the core idea between both the theories.

5.2. BOP Model (Bottom of the Pyramid)

First developed in 1998 by C. K. Prahalad of University of Michigan, this model was one of the first studies to address the needs and the potential of the poor in the developing world by dividing the world population by different segments of income groups. The theory of BOP clearly states that “the real source of market promise is not the emerging middle-income consumers: it is the billions of aspiring poor who are joining the market economy for the first time” (Prahalad and Hart, 2002).

At the time when the world business market was going through various financial crisis and slowed investment market, the theory introduced as BOP made world's top companies and MNC's to rethink their market strategies and see the global market through a new lens of inclusive capitalism. The developing countries from Asia, Africa and Latin America where billions of people living below poverty line still don't have the modern infrastructure or products to meet their basic human needs are an ideal market for developing environmentally sustainable technologies and products for the entire world. The companies with innovation, resources and persistence to compete at the bottom

of the world economic pyramid, the prospective rewards include growth, profits and incalculable contribution to humankind.

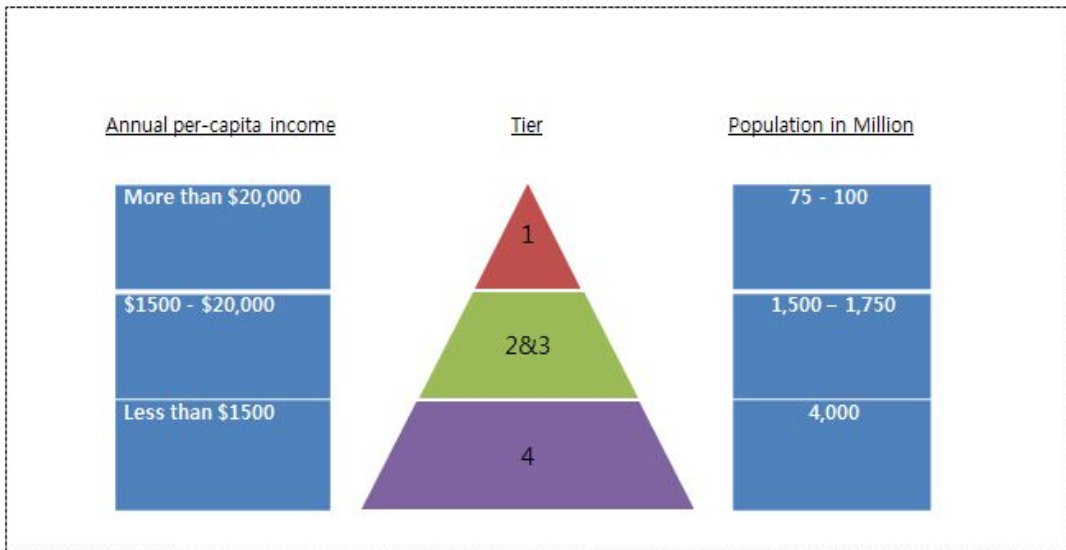


Figure 6: Economic Pyramid

(Source: Prahalad and Hart 2002)

In the above figure, at the very top of the world economic pyramid are 75 to 100 million affluent and rich elites as tier 1, from around the world. In the middle of the pyramid, in tiers 2 and 3, there are poor consumers from developed nations and rising middle classes in developing countries. At last there are 4 billion people in tier 4, at the bottom of the pyramid. The economic pyramid clearly shows the significant income gap between rich and poor. These gap between rich and poor shows the extreme inequity of wealth distribution where the top richest 20 percent in the world accounted for about 85 percent of total income.

Even though bottom of the pyramid constitute the majority of population and its vast size represents multi-trillion dollar market, it has been neglected by the companies from the very beginning. Most MNC's automatically dismiss the bottom of the pyramid because they judge the market based on income or selections of products and services appropriate for developed countries. MNC's

are fully aware of the high risks and costs that are entailed with BOP. Hence, they consider BOP as not so important to the long-term viability for their business and it should be left for governments and non-profit organizations. Furthermore, MNC's cannot exploit these new opportunities without radically rethinking how they should enter the market with new business strategies, models and innovative products focusing BOP. Bottom of the pyramid is not a market that allows for the traditional pursuit of high profit margins; instead, profits are driven by volume and capital efficiency. Margins are likely to be low but unit sales can be extremely high resulting into high economic growth.

The theory of BOP changes the whole perception how traditionally markets are viewed. It emphasizes the potential of the market which has always been neglected. The huge hidden opportunities in those market will encourage business to innovate new products and serve the disadvantaged communities resulting into long term sustainable growth and development for both. Therefore, firms entering in the emerging economies at BOP especially in the developing countries requires to acknowledge the importance of social responsibility and involve in social issues more actively at a broader scope. In order to do so, firms requires a strategy that fulfills the objectives of both company as well as the BOP. In fact the solution for this is within the concept of CSV theory, which is fully based on the exploration of societal needs that will lead companies to discover new opportunities for differentiation and repositioning in traditional markets, and to recognize the potential of new markets which were previously overlooked.

5.3. Tripple Bottom Line (TBL)

In a corporate context it can be stated that the emergence of the sustainability concept leads to a need for an important change in a way businesses act and have acted. They must now realize that economic sustainability alone is no longer sufficient for the overall sustainability of an organization. To achieve this the TBL proposed by Elkington(1997) is a valuable

approach. The term "triple bottom line" was coined by Elkington in his 1997 book *"Cannibals with Forks: the triple bottom line of 21st century business"*. TBL is an accounting framework with three parts: social, environment (or ecological) and financial. These three divisions are also known as 3P's: People, Planet and Profit, or the three pillars of sustainability.

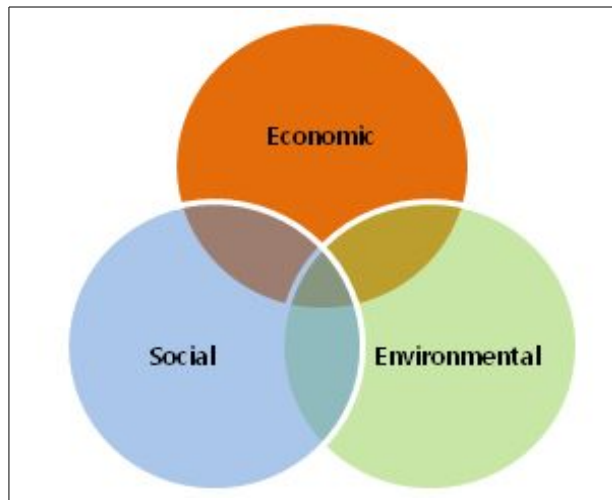


Figure 7: Triple Bottom Line

It is the concept that refers to the fact that modern business models are expected to address not only economic but also social and environmental objectives. Hence, the concept of TBL clearly separates company responsibilities into three dimensions: economic prosperity, environmental quality and social justice. Elkington (1997) argues that in the third millennium, businesses much more than governments will be leading the world, increasing the importance for sound business ethics and responsibility. In order to live up to this responsibility as well as growing needs and expectations from the society, company performance should be monitored on both the social, economic as well as from the environmental level.

Triple bottom line simply demands that a company's responsibility lies with stakeholders rather than shareholders. In this case, 'stakeholders' refers to

anyone who is influenced either directly or indirectly, by the actions of the firm. The theory of TBL states that the business entity should be used as a vehicle for coordinating stakeholder interests, instead of focusing only on maximizing shareholder's profit.

Triple bottom line, at its core ties the social and environmental impact of an organization's activities to its economic performance. Today, the "triple bottom line" is growing more importance by encouraging more social enterprises that applies commercial strategies to maximize improvements in human and environmental well-being rather than maximizing profits for shareholders.

Even though the theory of TBL was introduced quite earlier than CSV, they still shares the similar concept of reaching the untapped market potential by providing products or services which benefit underserved population and/or the environment which are also financially profitable. Both the theories presents the same ultimate conclusion that business needs to change their view towards profit not just limiting it with economic prospective but also including profit/value in terms of social benefit and environmental well-being for the long term sustainability.

Chapter 3. Case Study on CSV

1. CSV in action: A case study of CSV in South Korea

Today, every major companies around the world are redefining their company's core strategy in terms of CSV. Starting from Nestle to HP, GE, Unilever, Wal- Mart, IBM and the lists goes on and on. All these companies are incorporating CSV approaches and making major business decisions based on it. Companies are moving beyond philanthropic and traditional CSR activities to a new form of capitalism where they leverages all of its resources and assets to create value for both business and society through CSV.

In this phase of transformation of business, every companies around the

world are initiating with CSV approaches and South Korea is not an exception. From the very beginning of Korean corporate world, companies in Korea has kept social responsibilities as one of their top priorities. One of the reasons South Korea is considered as having one of the most powerful economies in the world is that their businesses has always been able to make huge positive impact in the society which clearly reflected in their nation's economy. Every top companies is South Korea from Samsung, LG, Kia, Hyundai, SK Telecom, CJ Groups etc. had always involved in social responsibilities from the beginning of their establishments through philanthropic activities like donation and charity to the social causes. Later, CSR took it into the next level of social responsibilities, still many companies implies CSR strategies in their companies in Korea. On the other hand, Korean global companies like Samsung and LG are trying to incorporating CSV strategies to create value globally for their businesses and for the society.

In this process of incorporating CSV strategies, one leading Korean company CJ (Cheil Jedang) Group, move ahead and took the CSV from conceptual theory to real practice in the Korean market. The CJ Group is a global multi-industry company based in South Korea with four main business areas: food and food services; biotechnology and pharmaceuticals; entertainment and media; retail and logistics. The company was founded in 1953 as a small processed sugar company. CJ Group now operates in over 23 countries worldwide and employs 44,000 people with \$28 billion in total sales (2013). In 2013, the company acknowledging the need for a new paradigm in businesses that integrates business efforts with social and environmental values, CJ Group established its own unique Creating Shared Value (CSV) Management Department in the organization. The CSV department of the company started many activities and projects from national to international level. The recent joint project by CJ Group, one of the leading food firm in Korea initiated CSV project with Korean International Cooperation Agency (KOICA) on May 27th 2014. The currently operating project in Vietnam is one of many programs in progress being implemented by CSV management department in CJ Groups.

The CJ Group has identified the opportunity to create sustainable agricultural development in rural Vietnam at the same time create value for the business. As a major food processing company, securing a steady flow of supply of high quality agricultural products is essential for the CJ's business. While assessing the range of its source and consumer markets, CJ identified Vietnam as an important strategic location. Although overall steady and strong growth supports Vietnam in its efforts to becoming a middle-income country, some rural population are still living in the extreme poverty.

In partnership with KOICA and with input from the ongoing UN Sustainable Development Goals initiative, CJ Group identified a failing farming system as one of the factors contributing to this vicious cycle of poverty in agriculture development rural areas, since the lack of well established agricultural framework in the 'Ninh Thuan' province of Vietnam resulted in underproduction, a lack of sustainability, and economic depression. The company saw an opportunity to tackle this endemic poverty by better integrating rural Vietnamese farmers into CJ's resource supply chain mechanism.

CJ Group partnership with KOICA developed a shared value strategy to improve the company's food manufacturing and distribution activities by enhancing the capabilities of local Vietnamese farmers. By assisting the rural agricultural area of Ninh Thuan province in Vietnam to become a successful and sustainable agricultural community- including developing infrastructures, sharing agricultural technologies and know-how, and creating living incomes for the community by buying the products- a positive social-business cycle would develop. On the other hand, CJ would benefit from a secure stock of high quality raw materials, food ingredients, guaranteeing product quality, while local populations would develop sustainable business models and communities.

The unique public-private collaboration of CJ Group and KOICA has clearly shown how CSV strategies create mutual benefit/value for business and society through following points:

- **Redefining productivity in the value chain:**

CJ Group works to improve the regions agricultural yield by sharing the latest advanced farming techniques and practices, such as sustainable seed selection, and establishing effective infrastructure, such as redesigning and recuperating the much needed agricultural water system in the province. Through CJ's continuous technical assistance, model farms and research facilities, local farmers receive timely information. The CJ Group will take charge of transferring specific farming technologies such as red pepper cultivation. The red pepper harvested from the province will be used to make red pepper paste products marketed by CJ Group. As the company improves crop quality and yield, it also ensures a steady market for the produce, purchasing it from the farmers at a fair price. The improved productivity and steady contracting for source ingredients improve the company's value chain and local operating environment.

- **Improving the local operating environment:**

Using the "New Village Movement" (Saemaul Movement), a community action plan that reaped great success in rural South Korean agricultural areas as well as Korean economy in the late 1970's, as inspiration, multiple tactics are used to reinforce the value chain of Vietnamese farms with priority given to increasing agricultural profits and strengthening each individual farmer's skills and potential. The CJ Group will also plough back some of the proceeds from the sales to the communities to build community centers, elementary schools, drinking water pipelines and irrigation channels. The key operations include reinforcing community capabilities through support of farmer unions and micro credit, and improving living standards by renovating educational facilities and remodeling town facilities.

- **Advancing partnership and responsible business leadership:**

Internationally, a global network of partnerships organized by CJ Group connects the company meaningfully with KOICA, the Vietnamese central government, Ninh Thuan provincial government and Syngenta (Swiss global agribusiness). In this public-private partnership program, KOICA will be responsible for overall administrative work and official development assistance funding. Meanwhile, CJ Group will transfer its technologies and expand the market for the Vietnamese agricultural products. These relationships enhance CJ Group business knowledge and insights, leading to valuable information that is integrated into the company's core strategy.

The project endeavor is still in an early phase, the CJ Group-KOICA partnership initiative is expected to lead to significant success both in business and social impact. Although CJ Group creates both business and social value through CSV approaches, it is still trying to develop a better qualitative and quantitative standards to measure the shared value.

Chapter 4. Research Model Proposition

1. Mediating variables in the proposed model

This study tries to investigate the processes of how CSV enhances corporate performance rather than to investigate the direct link between CSV and corporate performance. To show the functional process of CSV this study reveals the mediating role of gratitude and trust, and shows how it influences the overall corporate performance. Hence, the mediating variables as cognitive response (i.e. trust) and emotional response (i.e. gratitude) facilitates to highlight the link between CSV and corporate performance.

1.1. Gratitude as a motivator to establish relationship

Gratitude is a feeling or attitude in acknowledgement of a benefit that one has received or will receive. Gratitude has been defined as a warmly or deeply appreciative attitude of kindnesses or benefits received. It is an emotion that appears when a beneficiary perceives that a benefactor deliberately acts to positively influence the beneficiary's welfare (Fredrickson 2004). Expression of gratitude tell us that an exchange has been accomplished and that the possibility for future exchanges may exist (McAdams and Bauer 2004). Gratitude expression also promotes a recipient's need to act more pro-socially toward the benefactor that eventually creates relational strengthening cycle between two parties (Palmatier et al., 2009).

Gratitude simply acts as a motivator which influences the behaviour of the recipient to establish a relationship. Feeling of gratitude shows a typical response when a person benefits from another, which is the basis of reciprocal behavior for developing and maintaining relationships (Palmatier et al., 2009). If a giver's action is perceived to be unintentional, it creates little gratitude; when the action is perceived to be intentional, it creates a feeling of gratitude (Palmatier et al., 2009). In relationship marketing context, Palmatier et al., 2009 provide evidence of active features of gratitude and suggest that companies that invest in relationship marketing enjoy greater levels of gratitude and reciprocity from their recipient (society, consumer, employee etc.). Combining the process of a firm's high effort with the idea of gratitude reflects that recipient will reward companies that exert extra effort, even when they do not directly receive benefits from it.

This brief exploration of gratitude is intended to show how CSV activities facilitate to generate gratitude among stakeholders. Further, how gratitude will stimulate the positive behavior and attitude of recipient towards organization. In fact, this act of kindness initiated by the organization will inclined recipient to act positively and/or appreciatively toward the organization as well as improving the whole organizational performance in the long run.

1.2. Building Trust builds Corporate Performance

Capitalism is suffering from a crisis of trust. Today's businesses take the blame for many of society's economic, social and environmental woes, despite the launch of countless corporate social responsibility initiatives in recent decades. Now more than ever— in the midst of a global economic crisis that has strained the capacity of governments and NGO's to address complex societal challenges, it is time to restore public trust through a redefined vision of capitalism with the full potential to meet social needs.

The term trust is not a new phenomenon in the business world. Trust as a concept has gained a firm foothold in management and marketing research (Garbarino and Johnson, 1999; Schoorman et al., 2007). Extremely high uncertainty in the market has become the institutional context of every field in business, and therefore there is a great need for trust. Trust has emerged as a central construct in a wide range of organizational studies including those focusing on performance (Kramer, 1999). Trust is seen as an expression of confidence between exchanging parties that will not be harmed or put at risk by the actions of both parties. So, trust allows companies to reduce or avoid dependence on costly formal monitoring mechanisms to maintain their partnerships, promotes mutual concern for long term benefits (Morgan and Hunt, 1994). Today, the success of any organization is not just measured in terms of tangible assets (such as property, plant, and equipments) rather; success is determined by the intangible assets. The intangible assets such as reputation, loyalty, brand identity, employee commitment, relationships etc. among these, trust is one of the main factor which plays an essential role to improve corporate performance and achieve its long term goals.

For years, research on the importance of trust in organizations has grown rapidly. Researchers have worked to find a relationship between trust and organizational performance. According to Dirks (1999), "most of the trust-related research appears to position trust as a variable that has direct (main) effects on work group process and organizational performance". In other words, when trust

increases, firms would expect to experience higher performance and when trust decreases, firms are expected to experience the inverse effect i.e. decreased performance. On the other hand, the diminished trust in business leads government to set policies that undermine competitiveness and sap economic growth (Porter and Kramer, 2011). Hence, Consumer's trust, in turn, helps the corporation maintain favorable relationships with consumers (Morgan and Hunt, 1994; Valchos et al., 2009). Building trust ensures that stakeholders will listen to company's side of story in times of crisis as well as increase marketing efficiency among consumers. Thus, it leads toward healthy relationship with stakeholders resulting into overall growth in the corporate performance.

Trust is an immense topic that has been studied a lot lately. Trust has various dimensions as expertise trust, emotional trust, benevolence trust etc. however, in this study we just focus on the general trust i.e. overall organizational trust. Many previous researchers have emphasized the importance of trust for achieving organizational success. This study will give an overview of major issues in trust as mediating variable and identify foundations of building trust through CSV in an organizations. Also it deals with important aspects of CSV which generates the link between organizational trust and organizational performance.

2. Research Hypothesis Development

Based on the definition of CSV and above mediating variables fact this study made nine different proposals indicating how CSV has a positive effect on corporate performance through mediating gratitude and trust. The proposals are as follows:

Proposal 1: CSV and Business Value

Companies are being able to identify new business opportunities within social challenges through CSV (Porter and Kramer, 2011). The new area of

market is encouraging companies to develop new innovative products to meet the unmet social needs. The companies with innovation, resources and persistence to compete at the bottom of the world economic pyramid where billions of people living below poverty line, the prospective rewards include growth in business with high profits. CSV leads to reconfigure and secure value chain by tapping new or better resources and partners to improve productivity. Further, improving company operations (production processes, distribution system) improve efficiency, reduce costs, mitigate risks and boost productivity.

P1: CSV will have a positive effect on business value through improved productivity, new innovation and employee wellness.

Proposal 2: CSV and Social Value

CSV encourages corporations to make a positive impact on the society by solving social problems such as unfulfilled needs, unemployment and climate change. Companies designing new products and services that meet social and environmental needs will obviously benefits society. Also, companies making effort to support and strengthen the local clusters like suppliers, distributors, farmers, and academic institutions etc. by providing necessary training, transfer of knowledge and technology. The companies investing their resources for outcome of better and more skilled local clusters will help companies to capture economic and social benefits at the community level. Only by reinvesting in the communities in which we operate business can ensure the long-term success of the business (Porter and Kramer, 2011) as well as the sustainability of the communities that supply companies the required resources.

P2: CSV will have positive impact on social value through providing benefit to the society and supporting local cluster.

Proposal 3: Business Value and Gratitude

Gratitude is not just a "feel good" emotion when it comes to organizational setting. It can benefit an organization in various ways. The productivity of any organization is directly related to the employee working in that organization. By investing in employee wellness programs, employees believe his or her organization is grateful for his or her work. Hence, the employee will benefit by having an improved sense of worth to the organization. This improved sense of worth can lead to improved performance and productivity, thereby benefiting the organization.

Growing evidence indicates that the expression of gratitude facilitates positive interpersonal relationships between employees and the organization. This positive relationship influences other various key outcomes when effectively applied in the workplace. It may positively impact factors such as job satisfaction, loyalty and citizenship behavior, while reducing employees' absenteeism and turnover, and increasing organizational profitability and productivity. Therefore, based on the above-mentioned logic, the following proposal is suggested:

P3: The improved business value will have a positive impact on the gratitude.

Proposal 4: Social Value and Gratitude

Organizations deliberately trying to benefit the beneficiary's (society, consumer, and local cluster) welfare will certainly generate the feeling of gratefulness toward the benefactor (organization). Research shows that feeling of gratitude fosters and sustains positive and supportive relationships (McCullough et al., 2002). The social value created by CSV will allow the society as well as the consumer to build a sense of gratefulness toward the organization as their actions are intentionally directed toward helping the society. On the other hand, this expression of gratitude will function as "moral reinforcer"- society, who

has experienced the feeling of gratitude will be more motivated to act pro-socially in longrun. Following this logic, we propose that:

P4: The improved social value will have positive impact on gratitude.

Proposal 5: Business Value and Trust

Creating business value through CSV shows that organization is conducting its overall operation with total fairness and most importantly they are operating it within the social periphery where there is a huge requirement for development and growth. also keeping social responsibility as their top priority. This may bring trust among stakeholders, as a belief that the organization is really doing something for them. Companies stepping forward with an innovative products and services in the underprivileged area of community will build the trust among society and consumer. Further, the employee wellness program where employee safety and health, training and skill development, and opportunities for advancement etc. will increase the trust among organizational employees.

P5: The improved business value will have positive impact on building and maintaining trust among stakeholders.

Proposal 6: Social Value and Trust

Organization's effort for enhancing social welfare would influence the level of trust toward a corporation. Therefore, stakeholder may show high level of trust toward a corporation that invests in CSV activities and create more value for the society. Companies taking necessary steps to serve the consumer groups that have been poorly served or overlooked and fulfilling the societal needs will build and strengthen the trust towards organization by the society. The organizational trust in the society is further improved by its simple act of 'help

others to grow, to help your company'. The corporation assisting- supporting companies, suppliers, distributors will definitely boost the trust and strengthen the relationship with those parties.

P6: The effort made to improve social value will positively impact on trust.

Proposal 7: Gratitude and Trust

It is likely, that gratitude, trust and other positive emotions across the organization promotes and improves corporate performance. Gratitude as an emotion which generates feeling of gratefulness, creating positive influence in the mindset of stakeholders, while trust facilitates to build that emotion into a relationship. Palmatier (2009) suggests that emotion is tightly associated with cognition. For instance, people first evaluate feelings that they have toward someone, and then decide whether they trust this person or not (Jones and George 1998). Young (2006) argues that gratitude is an emotion that maintains relationships and put special significance on upholding trust in those relationships. Further, Palmatier et al., (2009) argue that since gratitude triggers positive evaluation and feelings, it also should positively influence the level of the trustworthiness toward a giver. Following this logic, we propose that:

P7: Gratitude will have positive influence on trust.

Proposal 8: Gratitude and Corporate Performance

In business-society relationships, organization's extra effort for social and consumer's welfare activities generates gratitude, which leads to enhancing stakeholders commitment toward the organization. Gratitude as an emotional response for benefits received, which accompanies reciprocal behaviour of giving back the benefits (Palmatier et al., 2009). Hence, investing a significant quantity of resources into CSV activities may accelerate consumers' perceptions and

beliefs and also encourage them to contribute in the prosperity of the organization, which eventually lead to enhance corporate performance.

In terms of organizational internal environment, where organization initiating to foster a sense of gratitude in the work place culture typically achieves higher level of employee engagement and productivity. Research on gratitude demonstrate that when employees feel appreciated and valued, they have higher job satisfaction, are willing to work longer hours, engage in productive relationship with co-workers and supervisors, are motivated to do their best and work towards achieving the organizational goals. In short, all these positive outcomes resulted from gratitude helps organization to increase their productivity and improve overall corporate performance.

P8: Gratitude will have positive influence on corporate performance.

Proposal 9: Trust and Corporate Performance

The success of any company depends on many factors and in many cases companies with the best product, technology, skilled workforce and other resources are also being unable to sustain in the competitive market. One of the important reasons that determine the company's success is how it is perceived by the community in which it operates. The perception of the community towards the company can be made favorable by building its organizational trust. Trust can be also viewed in terms of outcomes. Trust is a belief that the other party will act in a way that brings us positive outcomes (Morgan and Hunt 1994). Hence, when society and other stakeholder holds trust in organization, in return the positive outcome in terms of improved corporate performance is achieved. Further, trust facilitate organizations to establish the positive relationship with the society and its consumer. And this positive relation based on trust will help the companies to increase its performance and build its strong base to sustain in long run.

P9: Trust will have positive impact on corporate performance.

3. Research Model: The Effect of CSV on Corporate Performance (Proposed Model)

We summarize the ideas presented in the previous sections in the model illustrated in figure 8. This framework embodied Porter's CSV and emphasized on the essential relationship with gratitude and trust. Another significance of this framework is that, it shows how firms engagement with CSV results into creating new sets of competitive advantage which improves the overall corporate performance.

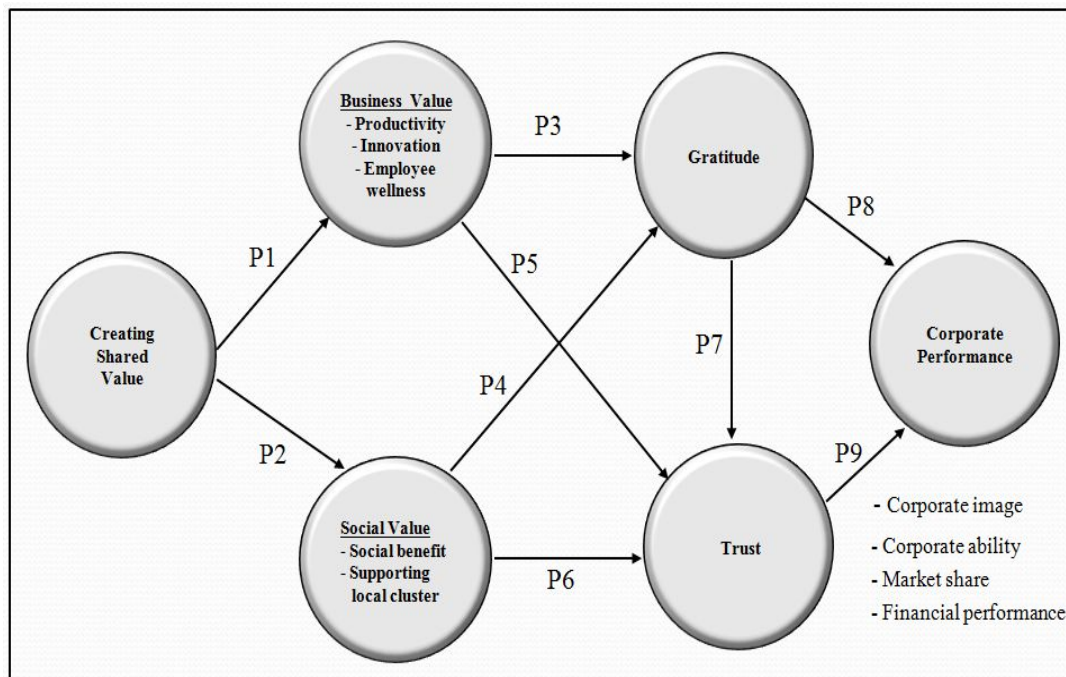


Figure 8: The effect of CSV on Corporate Performance

In this proposed model, it shows that by incorporating CSV activities in an organization, it can achieve both economic and social value. we have already discussed above as how shared value helps business to identify and initiate in those areas where they can create business value as well as social value. In

the above proposed research model, only few important variables under business value (innovation, productivity, employee wellness) and social value (social benefits, supporting local cluster) are selected. In the proposed model, we can see how CSV has been able to create social and economic value and its positive influence on mediating variables (gratitude and trust) which ultimately facilitates in improving overall corporate performance.

For any business to sustain and remain competitive in the market it is very essential to maintain its relationship and build trust among stakeholders (consumer, suppliers, society, government, shareholders). The case study presented in the study also shows similar processes as presented in the above research model. In the case study, CJ Group successfully incorporated CSV strategy and through those activities the organization was able to build a strong relationship with stakeholders within the country as well as in the global market. These relationship based on trust and gratitude will further improve the overall corporate performance in the long-run. Therefore, CSV helps to transform the way business is done by building long-term relationships based on gratitude and trust. These cognitive and emotional responses as trust and gratitude respectively maintains relationship between business and society, which positively influences corporate performance.

Chapter 5. Conclusion

1. Research Summary

This study seeks to make a connection toward bridging the ends of CSV and other important links. The contribution of this study is the identification of cognitive and emotional responses, trust and gratitude respectively as a sub-processes regulating the effect of CSV on corporate performance. The central role of gratitude and trust found in this research indicates that to assess the effectiveness of CSV actions, companies should routinely measure how much these actions create gratitude and trust among society and other stakeholders. This study presents both theoretical and practical perspectives. Theoretically, a framework is proposed for empirical studies to show the link between CSV, gratitude, trust and corporate performance. This framework may be used as a small stepping stone for future research on CSV. It can also be a starting point for a more empirical and formal conceptualization of CSV with other important links. From practical point of view, the relationship between society and business can be made much stronger through implementation of CSV. Furthermore, the economic and social value created by CSV provides a clue as how firms can build and maintain its gratitude and trust to sustain their performance.

The case study of CSV presented in this study also shows how much organizations in South Korea are eager to pursue the CSV strategy. The case study clearly shows how CJ Group recognized the opportunity where they can create value for both business and society. Based on the research model of this study we can see that CJ Group created both economic and social value and built the relationship based on gratitude and trust with the consumer, society and other stakeholders. It will be interesting to see in coming years as how CJ Group will improve its overall corporate performance. Also it will help to measure CSV more effectively.

Previously, there were many studies addressing CSR variables mediating through gratitude and trust, which reflected its impact on brand image, reputation and consumer loyalty etc. However, this study suggests that when CSV is mediated through gratitude and trust, its outcome is not limited with individual business goal; rather CSV actions will have greater positive impact on overall business goals and simultaneously benefit society.

2. Limitation and direction for future research

The findings of this study represent preliminary insights in the effect of CSV, but it should be consider in the light of its inherent limitations. CSV is currently in its early stage and thus it is difficult to gather meaningful data to measure the performance. CSV may still be in doubt for many business practitioners, in terms of its feasibility and effectiveness. Lack of meaningful and measurable data hinders the wide implementation of CVS in this study. Even though many companies have started using CSV as a core strategy and its positive impact has also been seen. But, we also have to see in coming years as how companies will cope with this strategy and up to which extent companies can take CSV into practice.

Even though this area of study has very limited research and studies, the findings of this study creates substantial opportunities for future research. Consequently, this study suggest several promising avenues for future research that will enable to gain a better understanding of the influence of CSV on corporate performance. In this study, it shows two broad outcomes of CSV as business and social value, and uses a limited number of associated items under those values. The salient categories does justify the total value created in both business and social value. However, future research must examine various ways of identifying other salient variables which are generated or boosted by CSV and insert other mediating variables and justify their role in influencing the overall corporate performance.

References

- Bockstette, V. and M. Stamp (2013), "Creating Shared Value: A How-To Guide for the New Corporate (R)evolution," www.fsg.org 1-17
- Brammer, S. and A. Millington (2005), "Corporate Reputation and Philanthropy: An Empirical Analysis," *Journal of Business Ethics*, 26-42
- Brorson, T. and G. Larsson (1999), "Environment Management - How to Implement an Environment Management System within Company or other Organization, EMS AB, Stockholm.
- Carroll, A. B. (1991), "The Pyramid of Corporate Social Responsibility: Toward the Moral Management of Organizational Stakeholder," *Journal: Business Horizons*, 1-6.
- Carroll, A. B. and A. K. Buchholtz (2009), *Business and Society: Ethics and Stakeholder Management*, 7thed., Cincinnati: South-Western, 1-13
- Creating Shared Value in Nestle, available at:
www.nestle-me.com/en/csv/creatingsharedvalueatnestle
- Creating Shared Value in South Korea, Shared Value Initiative, available at:
www.sharedvalue.org
- Dirks, K. (1999), "The Effect of Interpersonal Trust on Work Group Performance" *Journal of Applied Psychology*, 445-455
- Drucker, P. F. (1984), "The New Meaning of Corporate Social Responsibility" *California Management Review*, 53-63
- Elkington, J. (1997), *Cannibals With Forks: The Triple Bottom Line of 21st Century Business*, Capstone, Oxford.
- Falck, O. and S. Hebllich (2007), "Corporate Social Responsibility: Doing Well by Doing Good," *Journal: Business Horizons*, 247-252.
- Fredrickson, B. L. (2004), "Gratitude, like Other Positive Emotions, Broadens and Builds," *The Psychology of Gratitude*, R. A. Emmons and M. E. McCullough, eds. New York: Oxford University Press, 145-166.
- Friedman, M. (1962). "Capitalism and Freedom," *New York Times Magazine*

- article (1970).
- Garbarino, E. and M. S. Johnson (1999), "The Different Roles of Satisfaction, Trust, and Commitment in Customer Relationships," *Journal of Marketing*, vol.63, 70-87.
- Godfrey, P. C. (2005), "The Relationship between Corporate Philanthropy and Shareholder Wealth: A Risk Management Perspective," *Academy of Management Review*, 777-798
- Jones, G. R. and J. M. George (1998), "The Experience and Evolution of Trust: Implications for Cooperation and Teamwork," *Academy of Management Review*, 531-546.
- Kanter, R. M. (1999). "From Spare Change to Real Change: The Social Sector as Beta Site for Business Innovation," *Harvard Business Review*, 122-132.
- Kramer, M. K. (1999), "Trust and Distrust in Organizations: Emerging Perspectives, Enduring Questions," *Annual Review of Psychology*, 569-598.
- Lapin, I., I. Borkus, O. Starineca (2012), "Corporate Social Responsibility and Creating Shared Value: Case of Latvia," *World Academy of Science, Engineering & technology*, vol.6, 1609-1612.
- MacLean, D. (2011), "Pairing Passion With Purpose By Creating Shared Value," *Article: Motivated Magazine*.
- Mahlouji, H. and N. K. Anaraki (2009), "Corporate Social Responsibility Towards Social Responsible Innovation: A Dynamic Capability Approach," *International Review of Business Research Papers*, vol.5, 185-194.
- Matten, D. and J. Moon (2008), "Implicit and Explicit CSR: A Conceptual Framework for a Comparative Understanding of Corporate Social Responsibility," *Academy of Management Review*, 404-424.
- McAdams, D. P., and J. J. Bauer (2004), "Gratitude in Modern Life: Its Manifestations and Development," in *The Psychology of Gratitude*, R. A. Emmons and M. E. McCullough, eds. New York: Oxford University Press, 81-99.

- McCullough, M. E., S. D. Kilpatrick, R. A. Emmons, and D. B. Larson (2001), "Is Gratitude A Moral Affect?," *Psychological Bulletin*, 249-266
- McGuire, J. W. (1963), *Business and Society*, New York: McGraw-Hill.
- Michelini, L. and D. Fiorentino (2012), "New Business Model for Creating Shared Value," *Social Responsibility Journal*, vol.8, 561-577.
- Moon, H., J. Parc, S. Yim, and N. Park (2011), "An Extension of Porter and Kramer's Creating Shared Value (CSV) : Reorienting Strategies and Seeking International Cooperation" *Journal of International and Area Studies*, 49-64.
- Morgan, R. M. and S. D. Hunt (1994), "The Commitment Trust Theory of Relationship Marketing," *Journal of Marketing*, 20-38.
- Palmatier, R. W., C. B. Jarvis, J. R. Bechhoff, and F. R. Kardes (2009), "The Role of Customer Gratitude in Relationship Marketing," *Journal of Marketing*, 2-7.
- Porter, M. E. and M. R. Kramer (2002), "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review*. December, 3-16.
- Porter M. E. and M. R. Kramer (2006), "Strategy & Society - The Link Between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review*. December, 1-14.
- Porter M. E. and M. R. Kramer (2011), "Creating Shared Value - How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth" *Harvard Business Review*. January-February, 1-17.
- Prahalad, C. K and S. L. Hart (2002), "The Fortune at the Bottom of the Pyramid (BOP): Strategy and Business," *Wharton School Publication*, 1-9.
- Schoorman, D. F., R. C. Mayer, and J. H. Davis (2007), "An Integrative Model of Organizational Trust: Past, Present, and Future," *Academy of Management Review*, 344-354.
- Stout, L. A. (2012), *The Shareholder Value Myth: How Putting Shareholders First Harms Investors, Corporations, and the Public*, San Francisco: Berrett Keohler Publications.

- Spitzeck H. and S. Chapman (2012), "Creating Shared Value as a Differential Strategy: The example of BASF in Brazil," *Corporate Governance*, 12(4), 499 - 513.
- Visser, W. (2010), "The Age of Responsibility: CSR 2.0 and the New DNA of Business," *Journal of Business Systems, Governance and Ethics*, vol.5, 7-22.
- Vlachos, P. A., A. Tsamakos, A. P. Vrechopoulos, and P. K. Avramidis (2008), "Corporate Social Responsibility: Attribution, Loyalty, and the Mediating Role of Trust," *Journal of the Academy of Marketing Science*- 170-175.
- Young L. (2006), "Trust: Looking Forward and Back," *Journal of Business and Industrial Marketing*, 439-445.