

The Review of Shared Value in Contemporary CSR Run by Two Successful Companies to Sustain the Business in Recent Years

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Abstract

The purpose of this paper is to validate the interdependency between a business and society. It explains the importance of carrying out strategic CSR of shared value rather than just plain practicing philanthropy. In other words, companies need to integrate social responsibility into their core business in order to succeed not only by profit but also changing the world to be better. Besides that, this research also puts two companies into discussion on how they take CSR strategy to a different level that maximizes profit whilst having a strong standing position in the market.

Keywords: Contemporary CSR, shared value, successful companies, sustainability.

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Introduction

Corporate Social Responsibility (CSR) is a business practice that involves participating in initiatives that benefits society (Fallon, 2015). It has become a big part of business as a platform to sustain in the competitive markets. Over the past decades, a business' economic performance is not the only criteria that people consider as successful but also social contributions that they have offered to societal matters. Thus, it is crucial

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for every company to perform CSR to build up their reputation and customers' assurance. They are expected to present good ethical behavior and moral values without solely depending on traditional economical role. Without a doubt, CSR has emerged to become an inescapable priority for business in every country. Many companies have tried their best to do as much social responsibilities as possible, yet their efforts do not pay greatly in their productivity due to two reasons. According to Porter & Kramer (2006), firstly, they ditch business against society, when clearly they are related to one another. Secondly, they think of CSR in generic ways instead of in the way most appropriate to each firm's strategy. In other words, doing a charitable deed just because it is needed to be done. Certainly they are far disconnected with their business core values and had not strategically analyzed their prospects for social responsibility, which could be much more than a cost or a charitable deed. It could be a source of opportunity, innovation and competitive advantage. If it is well strategized, their sources, expertise and effort to benefit society will advance their business revenue progressively (Moore, 2014).

Relationship between “Business” and “Society”

To improve CSR, every company must recognize the interrelationship between corporation and society. It is the most fundamental aspect as both depend on each other constructively. A successful business seeks healthy prospects. Hence, improving society's standard of living through health care, education and employment creates a more productive workforce. For example, providing a safe environment for employees and safe products will not only appeal to customers but also decrease the risk of accidents. This conserves the environment which prevents scarcity of resources, which will provide society the potential to expand their revenues (Militaru & Ionescu, 2007). Thus, a progressive society indicates a higher demand as more targeted goals and aspiration increases. At the same time, society seeks for established companies to improve their lifestyles as well. Generally, everyone will seek better jobs to get higher salaries and bonuses to achieve their life's goal. Besides employment, people tend to seek innovations for a better standard of living and social conditions. Therefore, business and society are dynamically interrelated (Afrin, 2013).

Evolution of “Corporate Social Responsibility” (CSR) to “Creating Shared Value” (CSV)

According to Porter, the history of CSR started just from conducting philanthropy, then corporate agreement with community standards, then finally sustainability and corporate social responsibility (Loki, 2014). The reason for this emergence is because in the early years, corporations carry out CSR as marketing and public relations tools. They solely depended on philanthropy as a tool to improve the public's image. However, there were many criticisms that it was a shallow approach to their “social responsibility”. They then shifted their method from just writing checks, to partnering with the respective charities. The environment became something significant and suddenly every firm was in the same shade of green. Critics still remarked that they were too image-driven by the fact that CSR is a defensive risk management tactic. Finally, they made a decision to enhance CSR by integrating and creating value. Rather than an objective tool to reduce risk, CSR is now a strategy to create and guard value for the company and society. This is when

Professor Michael Porter replaced CSR with CSV to solve problems or conciliate the critics of capitalism (Binda, 2015).

Shared Value

Businesses nowadays are unaware that they are taking a risky path by just focusing on CSR to generate public image and doing something good to society which is right in the context of marketing, but they have left out the most important principle - shared value. The relatively new concept, shared value, meaning intersecting social responsibilities with their business in return of generating higher profit (Porter & Kramer, 2011). It is a win-win situation where an organization creates value for the society by addressing its needs and challenges in a way which also creates economic value to them. It is ultimately a powerful strategy that will grow future markets at the same time strengthening economies and communities (Epstein, 2012). In order to put this principle into practice, corporations must integrate a social perspective into their core outlines to guide their business strategy and comprehend competition.

Strategic CSR

Developing a strategic approach can determine what activities you can devote to depending on what resources you have, which will reinforce their competitive advantage (Ballowe, 2009). Its unique position will build their company to be more outstanding by doing things differently from other competitors. It is here where the opportunities of shared value truly lie (Yodprudtikan, 2011). For instance, Toyota Prius was the first innovative car model that runs from hybrid electric that have produced a competitive advantage and environmental benefits. Moreover, to unlock shared value strategically, companies must invest in social aspects of context that strengthen their competitiveness. This is where a symbiotic relationship develops when the company's success and community's success becomes a mutual reinforcement (Adamson, 2011). Naturally, the closer a social issue is tied to the company's business, the bigger the chance to influence the firm's resources and capabilities, and benefit society.

Warby Parker

Warby Parker, an American company that sells designer eyeglasses is one of the leading examples of a successful business model that creates shared value in a capitalist framework. Neil Blumenthal, Andrew Hunt, David Gilboa, and Jeffrey Raider founded Warby Parker in 2010. They studied in Wharton School in the University of Pennsylvania and were inspired to create a fashionable and affordable eyewear. They took almost one and a half year to write out their business plan and finally created a benchmark in the eyeglass industry.

Warby Parker's vision is to provide designer glasses at a revolutionary price whilst leading the way for socially conscious business (Warby Parker, 2015). Unlike other eyewear industry, they have the most innovative concept that creates this company to be more outstanding than their competitors. They believe that everyone should have fun while buying glasses and feel good at the same time whilst getting good value for money. Thus, they created an alternative for customers by offering quality eyeglasses for a

substantially lower price than their local optometrist - narrowing it down from a \$500 glasses to a \$95 glasses (Murphy, 2015). They are able to make a profit as they operate closely with their manufacturer under one roof by eliminating the third party (Markowitz, 2012). By removing the middle man, it brings an advantage where they are able to give the best to customers when working together with the manufacturer on their preferences of design, shape and so on. In the early years, the business was merely engaging with customers directly online, but recently they started virtual stores after developing a strong foundation in the eyewear industry.

Warby Parker's CSR strategies have increased the company's growth undeniably. They aim to change the world by donating a pair of glasses to the needy for every pair sold (Swartley, 2014). Till now, the company has given away almost one million pairs in 35 countries, estimating the economic impact to those people and local economies to be \$200,000,000 (Haid, 2014). They are already making this process a new trend which encourages customers to have an opportunity, instead of just saving money, they are happier to improve the quality of people's life. A one-on-one model is used where Warby Parker collaborated with Vision Spring, a non-profit organization to provide glasses and training to low-income entrepreneurs in developing countries to start their businesses selling glasses (Gerber, 2011). They have given the tools to those who are unfortunate by creating jobs for the unemployed. Besides that, Warby Parker strives to be an eco-friendly company by using 100% carbon-neutral material, where they are the one and only carbon-neutral eyewear brands in the world. They also reduce its environmental impact by extinguishing greenhouse gas emissions, from frame production, to shipping, to warehousing, to office work, as well as purchasing carbon offsets accordingly (Brown, 2013).

TOMS Shoe

On the other hand, TOMS Shoe is also another top company similar to Warby Parker that strategically takes shared value into account seriously. Blake Mycoskie and Chief Shoe Giver as the chief of the company founded TOMS Shoe. Before TOMS Shoe was founded, Mycoskie had started five companies ranging from billboard advertising to laundry services. Things came to light when he stepped into the shoe industry by coincident. After taking part in the Amazing Race in 2002, he decided to travel back to all the countries that he had visited during the show. In 2006, he travelled back to Argentina which gave him the first inspiration. One of the events he noticed was that many of the villagers there could not even afford a pair of shoes for their children. The second event was that he soon discovered that there is a comfortable and unique farm shoe worn by the locals known as Alpargata (Tribby, 2013). Upon coming home, the founder Mycoskie sold his online driver education company for \$500,000 and funded his money to TOMS Shoe. TOMS Shoe opened for business in 2006 running with the non-profit subsidiary named under Friends of TOMS (Christi, 2011). The profit and non-profit organization work together in conjunction to operate the enterprise.

Today, TOMS Shoe practices the one-to-one concept, which allows them to give one pair to the unfortunate ones when one pair is sold (Joyner, 2014). TOMS Shoe has given over 35 million pairs of shoes which is how they make an indirect profit (Chu, 2013). The profit from the shoes might seem little but the number of pairs sold matters. It may not

look convincing as giving away one after selling another, but the fact is that the price of the shoe that is given to the unfortunate has already been charged in the shoe sold in TOMS. We can clearly see the shared value in this concept that has taken place; there is a well-balanced CSR between profit and doing good deeds. Aside from being a pioneer in donating shoes, TOMS Roasting Co. (Elks, 2014) a subsidiary under TOMS Shoe also approaches CSR in another way by giving clean water to unfortunate countries. This works when they sell coffee, they provide 140 liters of safe water by cooperating with Giving Partners. Aside from that, TOMS Bag Collection also helps to address the need in maternal health. This made the company successful as with every purchase of TOMS Bags, Giving Partners provide training for skilled birth attendants and to distribute birthing kits to deliver the baby safely.

A company that started as a shoe seller has become a movement; a movement to help those in need and suffering. TOMS Shoe made themselves proud by striving to help the unfortunate at full force. CSR at TOMS Shoe is at its finest as they also focus on environmental issues as well as the social impact of their products and operations. Aside from doing what it is best at, TOMS Shoe also offers organic cotton, recycled polyester to make the upper, liner and the insole cover which emphasizes on green manufacturing. All of their shoeboxes are also made out of 80% of recycled post-consumer waste and printed with soy ink.

Discussion

Recently, companies have been sustaining its business by adopting a charity model known as “buy one give one” (B1G1) (Bansal, 2012). Warby Parker and TOMS Shoe are probably the biggest and best-known B1G1 companies. The founders of Warby Parker, Neil Blumenthal and TOMS Shoe, Blake Mycoskie are certainly legendary advertising gurus. In terms of Warby Parker, a few young men figured out together on how to eliminate the middleman and deal directly to the consumers. Once they succeeded, they were able to sell it for less than market price. They grew along the way and partnered with VisionSpring, an organization that donates glasses to people in the developing world (Rothstein, 2014). On the other hand, as the Alphargatas-style is becoming famous in Argentina, Blake Mycoskie made an intelligent decision where he starts exposing his work at American marketplaces where they had highest demand and most spending expenditure on apparels by creating a simple, yet influential, marketing slogan that attracted many people.

According to the authors of “Inside the Buy-One Give-One Model”, Marquis and Park (2014), they are using the concept in a way that creates both commercial and social value. Rather than just addressing to systematic problems, these businesses are giving away things for free and without a doubt no one can compete with free, which gives an advantage to obstruct competing marketplaces. The B1G1 model holds a lot of instinctive appeal, which has likely contributed to its production. It gives chances for the society that may otherwise be disconnected with the social world problems to effortlessly helping them out by purchasing something benefits the other as well. It encourages philanthropy in everyday buying decisions. “To the extent (B1G1) unlocks money that would have otherwise not been available”, as stated by Antony Bugg-Levine, chief executive of the Non-Profit Finance Fund (Bansal, 2012).

Warby Parker and TOMS Shoe concepts are similar. They both integrate modern CSR through shared value in their businesses. However, there is a slight difference between these two companies' strategies - Horizontal Corporate Social Responsibility (HCSR) and Vertical Corporate Social Responsibility (VSCR). Horizontal integration is an approach where a corporation produces corresponding units. A firm may diversify by growing horizontally in order to leverage the acquired company's capabilities to their advantage (Caplan, 2014). The "acquired" basically maintains its corporate identity by supporting financially as a conditionally independent company to fulfill its greater purpose. Warby Parker is the likewise role of HCSR strategy where they carefully used the word "distributed" because it supplies eyewear to the collaborated Vision Spring company to be sold to "vision entrepreneurs". Meaning to say they indirectly leverage Vision Spring's infrastructure on the ground in exchange for fulfillment of its social mission. On the contrary, vertical integration is a process where they develop and ship product and services within a sole organization. TOMS Shoe has used this strategy where the infrastructure is built overseeing the supply chain from manufacturing to distribution (Caplan, 2014). Blake Mycoskie gave the first 10,000 pairs of shoe by itself to the Argentinian kids noticing that it will be able to achieve higher purpose, TOMS Shoe work closely with its inter-related Friends of Toms a non-profit organization to allow them to perform shoe drops which closely mean giving shoe to the needy. TOMS also looks after a program under the name TOMS Giving Partner Program which is a shoe company that distributes to the people that allows them to create a connection to those who are in need. As stated, Friends of TOMS mission is to place the shoe on each child's feet to establish a connection, and they are concerned about it.

Conclusion

Having said all that, concluding this research paper would be in a very subjective manner as it is based on wide perspectives. The fact that companies are leaning towards CSR is a great thing, but implementing CSR without the approach of shared value in an organization's core business is basically insufficient for the growth of revenue. Indeed CSR was meant to improve public image but would be quite risky as sometimes doing irrelevant CSR that does not benefit one's side might not bring the company up to stake. Some companies carry out CSR for the sake of enhancing public image yet they do not realize a new innovative concept can be implemented, which enables them to obtain a win-win situation on both sides. Traditional CSR might be easy but contemporary CSR are tricky, therefore some established companies would not take the risk of reinventing their strategy. Looking at both sides of the stories, Warby Parker and TOMS Shoe has done a great job in succeeding strategic CSR that portrays them as a leader in the market including setting a benchmark in the competitive industry. Standing where they have successfully given away so many glasses, shoes and others, munching out profit from CSR for profit maximization proves themselves as role models that others should take into account for the survival of business in long run. A strategic shared value is indeed an advantage to foster economic and social development at the same time changing the way society and corporations think about each other. Instead of just carrying out basic "Corporate Social Responsibility", companies should start thinking of "Corporate Social Integration".

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