The potential of integration of Shared Value Creation with strategy management as an innovative approach to environmental challenges.

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ABSTRACT

The need to address environmental issues within production systems pressures organizations to incorporate the environment as an operational variable. This article questions whether Michael Porter's proposal of Shared Value Creation (SVC), which would replace Corporate Social Responsibility (CSR) without correcting the contradictions of the production system, can be a strategy for dealing with environmental issues within the production process. By reconciling economic development with a sustainable environmental policy, Brazil, under the aegis of government, is recognizing the problems caused by reducing the environment to a resource or obstacle to prosperity under the capitalist system. Because capitalism turns all resources into merchandise, and because this leads to the need for environmental issues to be factored into the value chain to enhance Brazilian companies' positions in the global market, SVC may be a solution. From this perspective, this article examines the SVC proposal as an alternative to CSR in organizations and includes Social Technology in capitalist logic. This shows the potential and the constraints of a capitalist reproduction strategy in achieving proposed business goals of economic growth, environmental sustainability and human development.

INTRODUCTION

Although governments and companies incorporate the environment as a variable in the development of public and private strategies and policies, these players still have little knowledge about the potential to incorporate this as an operating element in production systems (PORTER, 2011). This lack of knowledge is caused by tensions surrounding access to natural resources and changes in prevailing power matrices.

Since capitalism needs a continuous supply of material to promote production and maintain itself (MARTINEZ ALIER, 2007) exponential growth of production and consumption is incompatible with a finite amount of natural resources. To solve this problem, corporations and governments must understand the following:

1) the concept of social-environmental sustainability;
2) the relationship between sustainable development and capitalist production system management;
3) the way the social-environmental sustainability question affects stakeholders' lives;
4) how to make the environment operational in the value chain.

Addressing these questions leads to others that are no less important within the same capitalist framework: how to balance growth targets and competitiveness levels with a sustainable social-environmental agenda and how to ensure social-environmental sustainability for future generations? In light of these questions, we note that the social-environmental heritage left by organizations and governments is widely compromised because the emerging problem involves the search for effective solutions.

In 1998, Porter and Linde stated that through technological and managerial strategies for production

processes, it would be possible to find solutions for environmental problems while maintaining the competitiveness of nations and companies. However, the solutions presented by these authors included only the material basis and excluded an analysis of social questions. However, other researchers (VEIGA, 2010; SILVA, 2010; MARTÍNEZ ALIER, 2007; LEFF, 2006; CARNEIRO, 2005; LITTLE, 2001; ACSELRAD, 1999; GILBERT, 1995) have deemed it unfeasible to dissociate the environmental question from the social problem. New ways of incorporating value to production processes, especially in Northern Hemisphere countries, and technological changes in the material production basis such as aeolic energy, solar energy and biomass, are increasing. These changes are aggravating social conflicts, such as increased unemployment, uneven income distribution, instability in health and education systems and urban decay. Addressing these issues is one of the largest challenges for governments and corporate organizations (MARTÍNEZ ALIER, 2007; VEIGA, 2010).

Studies show that in the 1950s, organizations had already increased their market share through activities that would later be known as Social Responsibility (LEE, 2008; CARROLL, 1999). These activities were not integral parts of the businesses, but rather were treated as philanthropy that went beyond the production of assets and client and shareholder satisfaction. Companies' concerns with Social Responsibility grew as governments and third-sector organizations linked to international conferences related to social-environmental questions that increased political pressure (GLOBAL COMPACT, 2011; WBCSD, 2011; WCED, 1987). Despite this political pressure, Porter and Kramer (2011) show that the capitalist model has not become operational and is not able to insert sustainability into Corporate Social Responsibility (CSR).

Porter and Kramer's (2011) new proposition incorporates sustainability in the capitalist production model by replacing CSR with Shared Value Creation (SVC). Such replacement exceeds CSR's philanthropic and small profitability vision and introduces the creation of profit and competitive advantage value. SVC, by changing problems into business opportunities at a strategic level, directs operations toward adding shared value to organizations and society. As a result, organizations increase the possibility of becoming more competitive in the market.

Between the 1960s, 1970s and 1980s, academic institutions and Non-Governmental Organizations (NGOs) advanced the idea of new technologies as development options for less-developed countries. Such progress generated a movement that reflected on the role of technology in improving people's lives. Included in that movement were profit maximization and capital accrual, which caused environmental degradation and social exclusion.

After much debate among researchers, governments, international agencies and society, this movement evolved and became known as Social Technology (DAGNINO et al., 2004). As a result, Social Technology became a systematic effort to widen the application of knowledge about improving the quality of life of people excluded by the market actions by considering the non-scientific knowledge of each community as a means to respect their characteristics, culture and values (RITTO, 2008).

Considering this perspective, this paper reviews the SVC proposition as an alternative to CSR, aiming to reflect the benefits of incorporating Social Technology methodology with capitalist logic. This incorporation strategy of capital social-metabolic reproduction has the potential to reach corporate goals of economic growth, human development and environmental sustainability, all drivers for future generations. Though this study is not intended to answer all questions inherent in the social-environmental sustainability problem of governments and corporate organizations, through bibliographic research and analysis of cases presented in the literature, it is a preliminary reflection contributing to a critical analysis of the capitalist production model.

ECONOMIC GROWTH, SUSTAINABLE DEVELOPMENT AND SOCIAL-ENVIRONMENTAL RESPONSIBILITY: CHALLENGES FOR GOVERNMENTS AND CORPORATE ORGANIZATIONS

After World War II, concern with the reorganization of the Northern Hemisphere countries' economies caused the rise of 'development' as a synonym for 'economic growth and industrialization.' The old concept of progress spread through modernization campaigns in the late 19th century and early 20th century had lead to a vision where the growth rates of the Gross Domestic Product (GDP) *per capita* determined the economic growth level and categorizing a country's level of development as *developed, developing or lesser developed.* "Developing" assumed an inexorable path to becoming developed.

To promote the integration of less-economically advanced countries into the world capitalist system during the 1960s, international organizations such as the United Nations, World Bank and International Monetary Fund established a modernization scale that was characterized as *development planning*. However, the inclusion of social indicators with economic ones has shown that such integration did not occur in many developing countries. That outcome led to the question of what the obstacles to growth might be. If they were merely economic obstacles, the solution would come with the import of machines and the creation of industrial complexes. If they were related to the workers' lack of preparation, then labor training and technical assistance would solve the problem. However, if the obstacles were inherent to the lack of a mentality that would value the higher capacity of accumulating material assets as a (*sine qua non)* condition to happiness then this integration may have been contributing to problems rather than improving them.

For Castoriadis (1987), the progress of human knowledge, production and exploration of natural resources is infinite and continues indefinitely, with the idea that producing more is good. This idea contrasts with the Aristotelian rule of essence - accomplishment according to nature. The ideology of indefinite progress is based on modern postulates such as the dominance of economic mechanisms over social ones and the belief that human beings would advance forever.

The growth of foreign debt and misery in the twenty years after the initiation of progress development promoted by governments confirmed that the quantitative growth of the economy and cultural imitation did not contribute to public welfare, but rather deepened social injustices, cultural unraveling and environmental degradation. These results are the grounds for criticism of the traditional development model.

In the 1980s, a new paradigm emerged—sustainable development. Its priorities assumed fiver factors: the integration of conservation and of development; the satisfaction of essential human needs; the accomplishment of equity and social justice; the search for social self-determination and cultural diversity; and the maintenance of ecological integrity.

The global discussion of sustainable development in fact imbued society and development with a holistic concept of economic growth and postulated faith in technological solutions for the so-called externalities of the productive process. This favored taking politics out of the ecological debate. Nature, considered external to the social and political dynamics of society, was converted into a variable to be managed and administered to continue development. Combining economic growth with technical progress and sparing material resources without restricting the pace of capitalist accumulation, the market was presented as the institutional environment best able to consider nature as capital and sustainable development was converted into free-market environmentalism. This meant that the work-environment relationship was subsumed to the supremacy of capital with serious consequences to natural resources and to social relations.

Presently, based on the principles of neoliberalism — competition growth, capital accrual and movement across borders, and the incremental increase of efficiency in the capitalist dynamics of value generation from the expropriation of added value — the discursive matrix emphasizes a *revolution of efficiency* to the detriment of a *revolution of sufficiency*.

The notion of sustainable development that has become the dominant idea promoted by the media, companies and governments is pragmatic and short-term (short-sighted) and does not

question the basis upon which capitalist production conditions are built. Instead, it is based on positivist instrumental reason (NEFFA, 2001; LEANDRO; NEFFA, 2010).

According to Veiga (2010), governments and corporations have already absorbed the notion of sustainability, but the debate on its meaning still needs reflection, mainly regarding ecology and the economy. Reports by the World Bank say that there is a deadlock on the question of decreasing carbon emissions. According to this claim, the only way to solve the deadlock on the issue of the social-environmental inheritance left for future generations would be the radical reduction of carbon emissions globally. However, such a reduction could stop development, which would be harmful to *developing* countries. For developing nations to reach the GDP of *developed* countries, constant growth would be required and that would not allow a decrease in industrial production. Therefore, the question of how to accommodate the social-environmental costs for growth arises.

In the midst of this discussion, governments, international organizations and some segments of civil society have started to put pressure on companies to take responsibility for the social problems caused by global market growth. According to Ameshi and Adi (2007), although papers on this theme began in the 1950s, in the 1980s and 1990s it became quite clear that pressure from governments, non-governmental organizations and other social groups instead lead organizations to implement Corporate Social Responsibility programs. As a result, CSR is most often understood by companies as outside pressure, and in some cases, viewed as squandering profit. In some instances, CSR is performed only to comply with legislation or to avoid imagined problems for an organization; CSR becomes non-operational, excluded from the business scope. Porter and Kramer (2011) suggest that companies, societies and governments have been conflicted about social-environmental responsibility.

For Porter and Kramer (2011), the conflicts occur in part because governments, corporations and societies wrestle with balancing social-environmental responsibilities since capitalism that requires the production and accumulation of capital.

SHARED VALUE CREATION AND SOCIAL TECHNOLOGY: NEW POSSIBILITIES?

Porter and Kramer (2011) think of capitalism as a means to improve production efficiency and a way to create jobs and wealth. However, these authors note that a narrow conception of capitalism has prevented governments and corporations from using all of their potential to face the challenges imposed by contemporary society. Presently, the capitalism crisis has demonstrated that the accumulation of abstract wealth, without the development of advanced social policies and the creation of value, is an efficient way to exacerbate inequality, poverty and environmental degradation. For Porter and Kramer (2011), governments and civil society often aggravate the problem, instead of solving it, when they try to solve social problems to the detriment of the production process expansion. Although governments are responsible for formulating social-environmental policies, large transnational organizations play an important role in advancing alternatives for the emerging social-environmental question. However, we note that there are several contradictions and conceptual problems implied in the notion of development and social-environmental sustainability. Often, these contradictions are not taken into account when questioning the capitalist logic of accrual that causes social problems **since** they are based on exponential growth of production and consumption and on the exploration of natural resources.

Porter and Kramer (2011) propose that the solution to problems caused by capitalism is within capitalist logic itself. With that in mind, they present the methodology of Shared Value Creation (SVC), which calls for the creation of economic value both for corporations and society. With SVC, the notion of shared value becomes detached from the concept of Corporate Social Responsibility because it goes beyond philanthropy and the production of social reports and balances. The authors believe that the creation of Shared Value may generate a new organizational thought model where the shared value will be able to go beyond the organizational strategy and will become central to the production process.

This debate around Shared Value Creation brings us to the discussion on the Social Technology (ST), a methodology considered as a kind of vector for adopting public policies. Social Technology is a set of techniques developed and/or applied in interacting with the public and is appropriated by the public. ST represents solutions for social inclusion and an improvement of quality of life and is highlighted as an alternative to local development - **this** can contribute to social changes caused by the imbalances between capital and work (LASSANCE JR; PEDREIRA, 2004; RODRIGUES; BARBIERI, 2008, RITTO, 2010). This notion of development, as opposed to the positions of governments and corporations, emphasizes local development and the autonomy of the community in creating collective solutions not only as the user of technologies imported or created by external specialists, but also as an integral part of the process.

According to our analysis, the SVC proposal presents some premises already covered by Social Technology, a methodology developed with and for populations for problem-solving and social inclusion through the creation of value, innovation and assessment of local potential. The difference is that SVC moves the focus to the needs of large corporations. Although Porter and Kramer (2011) base their theory on questioning how corporations could ignore the welfare of their target audience, the depletion of natural resources vital for the expansion of production and the feasibility of key suppliers causes this reasoning to become detached from the vision of Social Technology and from a real creation of value for communities; instead, it boosts capitalist operating autonomy[1] (FEENBERG, 1999). This autonomy is boosted because the technological partnership process is owned and controlled by the company that transfers the technology or grants the means for its development. Despite this, the technological transfer work proposed by SVC may contribute to the economic development of the small producer who shall submit to the corporation that is interested in keeping its competitive position in the market because it constitutes the core driver of capitalism (DUPAS, 2008; WALLERSTEIN, 2009).

Thus, we note that even though SVC may be an operating element in the production process, it does not deny capitalist logic. On the contrary, it reinforces this logic by bringing a new approach to the treatment of the social-environmental problems as a business opportunity for governments and corporations. By adopting such a strategy, governments and companies expand their competitive advantage by directly facing the forces that threaten them and by generating value for partners, communities and all other stakeholders with the goal of keeping the hegemony and the power required to maintain their *status quo*.

Porter and Kramer (2011) are categorical when they state that SVC is not directly linked to the notion of sustainability: "Shared value is not a social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success" (PORTER; KRAMER, 2011. p. 4). Such a statement leads us to reflect on Social Technology, which is a more effective view of social-environmental sustainability because its intrinsic goals assume the promotion of economic and social autonomy and environmental sustainability of the communities involved in the process (RODRIGUES; BARBIERI, 2008).

FINAL CONSIDERATIONS

From the analysis of Porter and Kramer's (2011) proposal on SVC, we note that it is different from the notion of CSR because it is based on its centrality in the strategy of the corporations and of governmental programs.

Therefore, we can see that this proposal changes the way the social players (for example, small producers and traditional communities) are explored by creating a new supply category in the production chain. Although it may provide local growth and social development, SVC is still following the logic of social-metabolic reproduction of capital with operating autonomy remaining in the hands of the large technology-transferring corporations which ensure that asymmetrical power will continue. By comparing the notion of SVC with the methodology of ST, it can be observed that

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[1] Power accrual process leading to the operating preservation and expansion and hegemony that is contained in the capitalist technical code.

the first, in fact, does not give opportunities of social-environmental sustainability strategies because ST:

> [...] imposes the necessity of a scientific and technological political agenda much more complex than a proposal to create technological information bases similar to those conceived for making the Conventional Technology (CT) available within an environment built by conventional companies previously existing and organized to optimize the CT (DADIGNO et al., 2004. p. 57).

This means that even though Social Technology must reflect upon the managerial solution—how products and services generated from their production may be inserted into the production chain to create income and autonomy for the communities—it is much more autonomous and generates more social value than SVC. It develops a network of people connected with political, economic and social development, resulting in a decrease in inequality. The projects developed by a network of people who have specific knowledge discussing complex situations contribute to the identification of the most suitable ways to promote advances for individuals and for the collective.

To a certain extent, organizations, universities and governments are, in this case, facilitators of the process. Universities help the technological transfer and improve existing technologies while governments promote the supply of credit and of funding for infrastructure. Companies help by including the communities as integral parts of their supply chains. We can see that Social Technology (ST) points towards alternatives that can contribute to social-environmental rearrangement that includes people who lack capital and access to technology.

We conclude that the novelty of Shared Value Creation is propagating the idea that capitalism may contribute to the resolution of the imbalances that it caused, provided that it is within its own logic of competitive advantage. The methodology of the Corporate Social Responsibility presents a certain contribution, but, according to the Porter and Kramer (2011) analysis, even though it is sufficiently practiced, it moves away from the purpose of becoming an operating element in the organizations. Through the analysis of case studies (SINGER; KRUPPA, 2004; RODRIGUES; BARBIERI, 2008), we can see that Social Technology has potential and is quite manageable in meeting social demands. However, even though some problems are solved, ST gets caught in what we call *a market trap.* At a certain moment, communities long for a competitive position in markets, seeking more efficient and effective solutions which make them take a marketing stance that is similar to that dictated by capitalist logic. Therefore, potentially**,** the capitalism generated within societies may perpetuate itself in contradiction with the emancipation of the people.

(REMEMBER, YOUR REFERENCES ARE NOT TRANSLATED - I'M NOT SURE IF YOU NEED TO OR NOT)
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