

ALIGNING THE INTERESTS OF BUSINESS AND SOCIETY: SHARED VALUE, INTEGRATED VALUE, AND CORPORATE SOCIAL RESPONSIBILITY

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Nashchekina O. M., Nwafor F. N., Tymoshenko I. V. Aligning the Interests of Business and Society: Shared Value, Integrated Value, And Corporate Social Responsibility

The evolution of CSR is largely the history of reconciling economic goals of business and social goals of society. Relatively recent CSR related concepts "creating shared value" (CSV) and "integrated value creation" (IVC) aim at aligning interests of business and society by producing economic and social value simultaneously. The purpose of this article is to compare the CSV and IVC concepts and show their relation to CSR. In particular, we discuss whether CSV and IVC can be regarded as substitutes for CSR, varieties of CSR or completely new paradigms, and come to the conclusion that the positioning of both concepts depends on how broadly CSR is defined. We summarize major criticisms of the CSV concept and provide our own vision of the strengths and limitations of both concepts, showing why at least the CSV concept cannot supplant CSR. Comparing CSV and IVC, we focus on the differences between them and show that IVC represents a more fundamental shift in business philosophy and aims at a deeper and system-wide rather than local and fragmentary integration within society. We maintain that the CSV and IVC ideas can and should be used in strategic planning as inspiration for innovative thinking, as guidelines for increasing business competitiveness and societal well-being. We also point out the need for refining methodological frameworks for the practical implementation of the CSV and IVC ideas.

Keywords: corporate social responsibility (CSR), creating shared value, integrated value creation, instrumental approach to CSR, integrative approach to CSR.

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Nashchekina Olga M. – PhD (Physics and Mathematics), Associate Professor, Associate Professor of the Department of Management and Taxation, National Technical University «Kharkiv Polytechnic Institute» (2 Kyrpychova Str., Kharkiv, 61002, Ukraine)

E-mail: onashchekina@gmail.com

ORCID: <https://orcid.org/0000-0003-2578-1109>

Researcher ID: <http://www.researcherid.com/U-8260-2017>

Scopus Author ID: 6603714121

Nwafor Franklin Nnemeka – Postgraduate Student of the Department of Management and Taxation, National Technical University «Kharkiv Polytechnic Institute» (2 Kyrpychova Str., Kharkiv, 61002, Ukraine)

E-mail: Franklynchrys@gmail.com

ORCID: <https://orcid.org/0000-0003-2757-6360>

Tymoshenko Ihor V. – D. Sc. (Economics), Associate Professor, Professor of the Department of International Business and Economic Theory, V. N. Karazin Kharkiv National University (4 Svobody Square, Kharkiv, 61022, Ukraine)

E-mail: ivtymoshenko@gmail.com

ORCID: <https://orcid.org/0000-0001-9241-9842>

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Нащечкіна О. М., Нвафор Ф., Тимошенко І. В. Узгодження інтересів бізнесу і суспільства: спільна цінність, інтегрована цінність та корпоративна соціальна відповідальність

Еволюція корпоративної соціальної відповідальності (КСВ) – це значною мірою історія узгодження економічних цілей бізнесу і соціальних цілей суспільства. Відносно нові концепції КСВ «створення спільної цінності» та «створення інтегрованої цінності» спрямовані на задоволення інтересів як бізнесу, так і суспільства шляхом формування економічної та соціальної цінності одночасно. Мета даної статті полягає в порівнянні концепцій створення спільної та інтегрованої цінності, а також у визначенні їхнього зв'язку з КСВ. Зокрема, у статті обговорюється, чи можуть концепції створення спільної та інтегрованої цінності розглядатися як заміники КСВ, різновиди КСВ або цілком нові моделі бізнес-поведінки; узагальнюються існуючі в літературі критичні оцінки концепції створення спільної цінності та пропонується власне бачення сильних сторін і обмежень обох концепцій. Проведений порівняльний аналіз концепцій створення спільної цінності й інтегрованої цінності показав, що остання являє собою більш фундаментальний зсув у філософії бізнесу та передбачає більш глибоку і системну, а не локальну і фрагментарну інтеграцію бізнесу та суспільства. Обидві концепції можуть і мають застосовуватися у стратегічному плануванні, оскільки роблять наголос на інноваційному мисленні й являють собою керівні принципи підвищення конкурентоспроможності бізнесу та суспільного добробуту. Водночас актуальним завданням залишається подальший розвиток методологічної бази для застосування концепцій спільної й інтегрованої цінностей у практичній діяльності.

Ключові слова: корпоративна соціальна відповідальність (КСВ), створення спільної цінності, створення інтегрованої цінності, інструментальний підхід до КСВ, інтегрований підхід до КСВ.

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Нащекіна Ольга Миколаївна – кандидат фізико-математичних наук, доцент, доцент кафедри менеджменту та оподаткування, Національний технічний університет «Харківський політехнічний інститут» (вул. Кирпичова, 2, Харків, 61002, Україна)

E-mail: onashchekina@gmail.com

ORCID: <https://orcid.org/0000-0003-2578-1109>

Researcher ID: <http://www.researcherid.com/U-8260-2017>

Scopus Author ID: 6603714121

Наафор Франклін Немека – аспірант кафедри менеджменту та оподаткування, Національний технічний університет «Харківський політехнічний інститут» (вул. Кирпичова, 2, Харків, 61002, Україна)

E-mail: Franklynchrys@gmail.com

ORCID: <https://orcid.org/0000-0003-2757-6360>

Тимошенко Ігор Владиславович – доктор економічних наук, доцент, професор кафедри міжнародного бізнесу та економічної теорії, Харківський національний університет ім. В. Н. Каразіна (майдан Свободи, 4, Харків, 61022, Україна)

E-mail: ivtimoshenkov@gmail.com

ORCID: <https://orcid.org/0000-0001-9241-9842>

Corporate social responsibility (CSR), as a systematic effort of companies, as well as an object of academic research, has been around for more than half a century, however there are still many controversies regarding the meaning and dimensions of CSR, and its role in reducing tensions between business and society.

Indeed, the evolution of CSR is largely the history of overcoming the business-society dichotomy, i.e. reconciling economic goals of business and social goals of society through either sacrificing economic goals for social ones or finding the ways of aligning economic and social goals. For example, the earliest CSR practices, such as charity and philanthropy were viewed as a zero-sum game, with business transferring part of its profits to society, and were morally motivated rather than based on economic rationality. Later, however, it became apparent that socially responsible behavior, at least some CSR practices, could have an economic pay-off and benefit the long-term competitiveness of business, thus producing a win-win situation.

Notwithstanding the large number of examples of economically beneficial projects that successfully contributed to the solution of social problems, the question regarding the reconciliation of interests of business and society remains open. And this is not surprising. Whereas economic goals of business are clear, well-defined and straightforward, social problems are so numerous, versatile, and quickly accumulating that it is extremely difficult to define the extent of business involvement in solving social problems, especially those that are not a direct outcome of business activities. The failure of business to be adequately involved and effectively solve social problems adds to the tension between business and society.

Thus, the major questions related to CSR are (i) what business should do for society (the boundaries of CSR); (ii) why business should do it for society (motivation behind CSR); (iii) how business should do it (practical ways of solving social problems).

The evolution of CSR during the last seventy years has spawned many different, albeit related, concepts trying to address the above questions. Those concepts reflect different approaches to CSR and different aspects of CSR that have been coming to attention as a result of the accumulating social and environmental problems, growing economic and political power of corporations, changing societal values, tightening government regulation, tremendous technological advancements, impact of globalization on national economies, international initiatives aimed at tackling the most acute social and environmental issues and other factors. Among the CSR-related concepts are corporate social responsiveness, corporate citizenship, corporate social performance, sustainability, triple bottom line, stakeholder management, strategic social responsibility and others.

Relatively recently, several “value creation” concepts have been added to the list, specifically “creating shared value” (CSV) [1; 2] and “integrated value creation” (IVC) [3–5]. Both concepts explicitly and rather deeply address the problem of reconciling interests of business and society and mitigating, if not removing, the confrontation between them by creating economic and social value simultaneously. Both concepts call for fundamental changes in business thinking with a view to harmonizing the relations between business and society. These concepts will be the focus of this paper.

The better known out of the two is the CSV concept, which has many proponents among both

academics and business practitioners [6]. However, there are also well-grounded criticisms of the concept [7–9]. The IVC concept emerged later and partially drew inspiration from CSV, but it assumes more fundamental shift in business thinking towards a deeper commitment to societal well-being.

Although the authors of both concepts present them as new ways of thinking and warn against taking them for CSR, these concepts have emerged as a result of the evolution of CSR, they are related to CSR, and are often taken for a substitute for CSR.

The *purpose* of this article is to examine in-depth and compare CSV and IVC concepts zeroing in on the differences, to identify the strengths and limitations of these concepts, as well as to show the relation of CSV and IVC to CSR and some other CSR-related concepts and ideas.

The shared value concept was introduced by Porter and Kramer in 2006 in their article “Strategy and society” [1] and was presented as a reconceptualization of CSR. The idea has generated much interest among both businessmen and researchers in the CSR field because it provided a clear and consistent framework for the instrumental approach to CSR, which considers socially beneficial activities of corporations acceptable only if they contribute to corporate wealth creation [10]. At the time of writing this paper, according to Google scholar the number of citations of “Strategy and society” in academic literature exceeded 13000 [11], and the follow-up article “Creating shared value” was cited approximately 11000 times [11].

The major idea of creating shared value is that business should seek and seize business opportunities that simultaneously create social value, i.e. identify areas where interests of business and society overlap.

Although the shared value concept was formulated in [1], the idea of aligning business goals with social interests can be traced back to an earlier article of the same authors, specifically “The Competitive Advantage of Corporate Philanthropy”. There they point out that seeing the economic and social goals as “*distinct and competing*” represents “*a false dichotomy*” and “*an increasingly obsolete perspective*” and “*in the long run... social and economic goals are not inherently conflicting but integrally connected*” [12]. Porter and Kramer criticize companies for using philanthropy in an unfocused and fragmentary manner and exhort them to practice *strategic* philanthropy aimed at enhancing their competitive

context, i.e. the quality of business environment in which they operate. Such philanthropy not only produces social benefits for the local community but also improves a company’s business prospects.

The idea was generalized in [1], where the authors moved from strategic philanthropy to strategic CSR. They explicitly introduced the shared value concept defining it as “*a meaningful benefit for society that is also valuable to the business*” [1]. The authors contrasted it with then prevailing justifications of CSR, i.e. moral obligation, license to operate, sustainability, and reputation, considering all of them non-strategic because they were based on the assumption that tensions are inherent in the relationship between business and society. In contrast to them, the shared value principle advances the idea of a possible convergence of interests of business and society. Thus, the task of business is to find the points of intersection and build a strategy around them.

Let us note that in [1] the authors associate the principle of shared value with strategic CSR, which they contrast with responsive CSR. The latter, according to them, addresses generic social issues, which are “*neither significantly affected by the company’s operations nor influence the company’s long-term competitiveness*”. At best, responsive CSR tries to mitigate harm produced by the activities within the company’s value chain. As opposed to it, strategic CSR is concerned with transformations in the company’s value chain, beneficial both for the society and for the company, and with improvements in the company’s business environment that may positively affect the company’s competitiveness in the long run.

In [2], the idea of shared value was elevated to a new level as the foundation for reconceptualizing capitalism, restoring the legitimacy of business, building trust between business and society. The authors also put special stress on the role of innovations in creating shared value. It is noteworthy that in [2] Porter and Kramer present CSV as a concept distinct from CSR rather than a form of CSR, as they interpret it, explicitly showing the differences.

The main ideas permeating all three articles are (i) the tension between business and society is not inevitable or exogenous as both are interdependent; (ii) creating social value can be economically beneficial and should become part of a company’s strategy aimed at increasing its competitiveness; (iii) social issues to be tackled should be related to the

company's business – its value chain or competitive context.

Let us examine the relationship between CSV, CSR and some other ideas and concepts related to social responsibility of business in more detail.

Being featured as a new business mindset and an approach to reinventing capitalism and eliminating confrontation between business and society, the CSV concept has received a number of criticisms. In particular, Crane et al [7] and Aakhus et al [8] point out its unoriginality because similar ideas can be found in numerous earlier works on business case for CSR. CSV very much resembles Emerson's blended value proposition, denying a trade-off between social and financial interest [13], although Porter and Kramer provide a more coherent framework pointing out specific areas for innovations. The idea of CSV also overlaps with inclusive business models for the bottom of the pyramid, which have the potential to bring enormous business benefits while radically improving the lives of billions of people in developing countries [14]. And certainly social entrepreneurship, at least those forms of social enterprises that belong to the for-profit end of the social entrepreneurship continuum and thus assume economic viability and financial independence [15], is also based on the shared value idea. And more generally, as Carroll et al [16] point out *"Even with early CSR initiatives, there was always the built-in premise that by engaging in CSR activities, businesses would be enhancing the societal environment in which they existed and that such efforts would be in their long-term enlightened self-interest"*.

It is noteworthy that Porter and Kramer's shared value concept, which assumes providing benefits for society, does not clash with M. Friedman's stance: the only responsibility of business is to earn profits [17]. Friedman's position has been vigorously criticized for decades by those who believe that business should be involved in solving problems of society. CSV removes the persistent dilemma facing managers regarding whose interests should be attended to in the first place – shareholders' or society's, as the social value is created without compromising profits.

When advancing their idea of strategic philanthropy based on the convergence of economic and social interests, Porter and Kramer [12] exposed the fallacy of what they call Friedman's "implicit assumption" regarding the separation of social and economic goals. However, in our opinion, the exist-

tence of such implicit assumption can be questioned. Friedman recognizes that some philanthropic activities can be beneficial in terms of economic goals: *"It may well be in the long run interest of a corporation that is a major employer in a small community to devote resources to providing amenities to that community or to improving its government. That may make it easier to attract desirable employees, it may reduce the wage bill or lessen losses from pilferage and sabotage or have other worthwhile effects"* [17]. However, he is against calling it "social responsibility": *"In practice the doctrine of social responsibility is frequently a cloak for actions that are justified on other grounds rather than a reason for those actions"* [17]. In other words, Friedman does not associate CSR with the possibility of earning profits, thus rejecting the entire instrumental approach to CSR. In the same vein, Porter and Kramer, who initially positioned the principle of shared value as a strategic CSR [1], subsequently abandoned the use of the term "CSR" when describing the shared value principle, and furthermore contrasted CSV and CSR in [2]. Later, Kramer clarified the relationship between CSR and CSV: *"We believe that CSR is a different – if overlapping – concept from creating shared value. Corporate social responsibility is widely perceived as a cost center, not a profit center. In contrast, shared value creation is about new business opportunities that create new markets, improve profitability and strengthen competitive positioning"* [18].

Some authors, following Porter and Kramer's line of thought, regard the CSV concept as different from CSR, possibly for the sake of drawing attention to the CSV business philosophy, and thus position and promote it as a new and advanced way of dealing with social problems. Wojcik [19] compares the CSR and CSV concepts and identifies a number of differences, in particular, the use of normative approach in the case of CSR and positive in the case of CSV, external pressures as the major driver for CSR as opposed to internally driven CSV, the lack of connection between a company's strategy and CSR versus the explicit use of strategic analysis tools in the case of CSV, and others. Without trying to challenge the identified differences, we would like to point out that delineation of these two concepts is dependent on how broadly we define CSR, which is an umbrella term hosting a bunch of approaches [20, 21].

Indeed, the question whether CSR differs principally from CSV, can hardly be answered unam-

biguously because of the terminological chaos in the field of CSR. A commonly agreed definition of CSR is still missing. Despite the large number of attempts to bring structure to the field during the last 50 years, the meaning and the boundaries of CSR are not clearly defined.

Sometimes CSR is interpreted narrowly and associated with its particular form, e.g. non-strategic philanthropy [1; 17]. Frederick [22] isolates four stages in the CSR development, and each of them – philanthropy, response to social demands, fostering corporate ethics, and corporate global citizenship – is consistent with how Porter and Kramer characterize CSR. However, according to other interpretations, CSR does not necessarily contradict the economic goals [23].

Lee [24], reviewing the history of CSR, identifies trends in the CSR thinking in different periods. According to him, while the 1950s and 60s were characterized by the absence of coupling between CSR and the corporate bottom line, the 1970s and 80s by a loose but ever increasing such coupling, in the 1990s, social and financial performances were already coupled tightly, CSR was driven by practicality and aimed at building competitive advantage [24]. Garriga et al identify four groups of CSR theories depending on whether it is economic profit, responsible use of power, integration of social demands in business operations or ethical values that corporations focus on when choosing the forms of socially responsible behavior [10]. According to that classification, CSV is consistent with economically driven approach to CSR. In Carroll's framework, CSR encompasses not only legal, ethical and discretionary (philanthropic) but also economic responsibility [25], which lays grounds for "*thinking about the business case*" for CSR [16]. Thus, demarcation of CSV and CSR depends on a researcher's perception of what CSR is.

One of the broad definitions of CSR is that by the European Commission: "*CSR is the responsibility of enterprises for their impact on society ... Enterprises should have in place a process to integrate social, environmental, ethical, human rights and consumer concerns into their business operations and core strategy in close collaboration with their stakeholders, with the aim of: (i) maximising the creation of shared value for their owners/shareholders and for their other stakeholders and society at large; (ii) identifying, preventing and mitigating their possible adverse impacts*" [26]. CSV is explicitly mentioned

in the definition as part of CSR. CSV represents just a specific approach to the integration – in an economically beneficial way, through finding innovative solutions and by embedding social value creation into business strategies. It would be oversimplification to believe that all societal concerns can be addressed in this way, though, so CSV cannot fully replace CSR but can (and should) be used along with other forms of responsible corporate behavior.

Thus, CSV with its emphasis on the economic gain belongs to the instrumental approach to CSR, in the first place. In particular, Mosca et al. [27], who provide an overview of the evolution of instrumental and integrated approaches to CSR, mention Porter and Kramer's 2006 article [1] when referring to contributions to the instrumental approach.

The instrumental approach is not homogeneous itself, because a company can benefit merely from the improved reputation and increased brand awareness due to non-strategic philanthropy and subsequent effective communication of the well-doings and their social impact, whether actual or inflated. On the other hand, by using the CSV concept, a company can build a competitive advantage and reap substantial economic benefits in the long term through strategic philanthropy or innovative transformations within the value chain. Thus, CSV can be considered as one of the ways of gaining ground on competitors in the long run. Indeed, when describing the possible strategies within the instrumental approach to CSR aimed at building competitive advantages, Garriga et al. [10] mention social investments in the competitive context, referring to strategic philanthropy [12], a precursor of CSV. At the same time, we believe that both strategic philanthropy and CSV can also be related to the integrative approach to CSR, which is concerned with "*how business integrates social demands*", because "*business depends on society for its existence, continuity and growth*" [10].

Another source of terminological confusion in [1] is associated with the fact that the evolution of CSR was accompanied by the emergence of numerous concepts, which were often introduced to designate new forms of CSR and to expand its boundaries. One of them, social responsiveness (SR), was shown to be distinct from CSR, while the authors of [1; 2; 19] describe CSR as responsive, which sounds confusing. Furthermore, even if we assume that SR is just a variety of CSR, its characteristics as for-

mulated by Sethi [28] go well beyond what Porter and Kramer consider responsive CSR. In particular, Sethi contends that *“the issue in terms of social responsiveness is not how corporations should respond to social pressures, but what should be their long-run role in a dynamic social system”* [28]. When characterizing socially responsive corporate behavior, he explicitly uses the term *“operating strategy”* and describes it as proactive adaptation, which means that corporation *“takes lead in developing and adapting new technology for environmental protectors, evaluates side effects of corporate actions and eliminates them prior to the action’s being taken; anticipates future social changes and develops internal structures to cope with them”* [28]. Can any better description of strategic CSR be proposed? This is just another argument in favor of our proposition that CSV should not be opposed to or shown as something different from CSR or as a completely new way of business thinking.

Why do we examine the relationship between CSV and CSR in such detail? In [2] the authors stated that *“creating shared value should supersede corporate social responsibility in guiding the investments of companies in their communities”*. So, the question is whether CSV is a substitute for CSR or just one of the strategies within CSR, albeit advanced and promising.

We believe that CSV cannot be equated to CSR but not because CSR comes at a cost to business. Some CSR strategies can be economically beneficial. CSV is not to replace CSR, because it cannot be applied to all social issues that companies have to deal with. Porter and Kramer themselves point out that *“not all societal problems can be solved through shared value solutions”* [2]. However, it is not clear what the implications are: whether a company should ignore problems that do not lend themselves for CSV solutions, or whether a broader understanding of CSR should come into scene and companies should deal with those problems using principles different from CSV and integrating social demands into business strategies in other ways, including those that come at a cost. Besides, to dismiss possible questions regarding remaining issues in the business-society relationship, the authors take for granted *“compliance with laws and ethical standards and reducing harm from corporate activities”* [2], which is an essential part of CSR. Crane et al. [7] describe this statement as naïve, so if we drop this assumption then the tensions

between business and society remain despite the use of CSV. Thus, we believe that it is not the value creation approach that distinguishes CSV from CSR, but the limited applicability of the CSV principle for dealing with social problems and demands.

Both Crane et al [7] and Aakhus et al [8] criticize CSV for the corporation-centric approach. Aakhus et al mention that when a company selects a business opportunity that also creates social value, the company may remain indifferent to other societal problems that may be more acute and pressing, and need immediate attendance. *“However, the SVM [shared value model] proposes a model for social innovation that is skewed toward the corporate interest”* [8]. Some social values created by companies look more like positive externalities: *“The fundamental concept of shared value places the company in the center node of any network of stakeholders. Any value for others is essentially spillover from the company’s success”* [8].

In our opinion, Porter and Kramer excessively rely on business’ ability and wisdom to choose the social issues to tackle. They endow business with too much decision-making power and downplay the role of stakeholders in influencing corporate decisions and controlling activities of corporations (*“...stakeholders’ views are obviously important, but these groups can never fully understand a corporation’s capabilities, competitive positioning, or the trade-offs it must make”* [1]), which shakes the system of checks and balances in the society. Why should the society entrust corporations with making decisions that are critical for the future of the society, relying on their good will and fair judgment? Using the CSV concept companies can integrate some social demands in their strategies and business models but in a highly selective, profit driven fashion, and not perceiving stakeholders as important influencers of business decisions.

Thus, using Garriga’s et al classification of CSR theories [10] we believe that the CSV concept results from the convergence of the instrumental and integrative approaches to CSR, representing an advanced CSR strategy. We would refrain from regarding CSV either as a substitute for CSR or completely different way of thinking.

Another “value creation” concept that we will discuss and then compare with CSV is the integrated value creation (IVC) concept introduced by W. Visser [3].

The roots of the integrated value concept can be traced back to Visser's article [29] in which he distinguishes between CSR 1.0 and CSR 2.0. He describes CSR 1.0 as "*an outdated, outmoded artefact... whose time has passed*", which failed to address the most important social and environmental issues due to its peripheral, incremental, and uneconomic character, and as mostly reduced to corporate philanthropy and public relations. As opposed to CSR 1.0, CSR 2.0 (now the acronym "CSR" stands for Corporate Sustainability and Responsibility) represents a holistic model of CSR and is described as performance-driven, with responsibility and sustainability performance incorporated into market incentive systems. CSR 2.0 assumes collaboration between business and its community and overall "*reorientation of the purpose of business*" [29]. Thus, what Porter and Kramer describe as CSR is rather CSR 1.0 in Visser's terminology, while CSR 2.0 is conceptually similar to CSV, at least it includes the idea of inducing positive changes in society and having economic pay-off at the same time.

Later in [3] Visser et al abandon the CSR 2.0 terminology and introduce the concept of IVC, presenting it as a result of the combination of corporate social responsibility, sustainability and CSV. They show that historically CSR was associated with social issues, sustainability with the environmental ones, whereas CSV focuses on the ways of solving societal problems at a profit. They do not fail to cite many other ideas that inspired the IVC concept, such as Freeman's stakeholder theory, Elkington's "triple bottom line" and others.

More specifically, Visser et al define IVC as "*a methodology for turning the proliferation of societal aspirations and stakeholder expectations – including numerous global guidelines, codes and standards covering the social, ethical and environmental responsibilities of business – into a credible corporate response, without undermining the viability of the business*" [3].

Visser elaborates on IVC in his later works [4; 5; 30] and promotes IVC as both a conceptual and practical framework for dealing with the worsening social, environmental and ethical conditions that often result from economic activity [4]. He believes that economic activities are a frequent cause of disintegration in the society because economic goals may be at odds with social and ecological ones. In terms of the systems approach, the disintegration of a system leads to the loss of synergy and reduces the overall positive result produced by the system. Con-

versely, a tight integration between different parts of a system and alignment of their goals enhance the system's output (the overall value produced by the system).

Similar to Porter and Kramer, Visser points out the fruitfulness of thinking in terms of value creation both for businesses and for their stakeholders as more strategic and emphasizing integration approach.

Visser contends that modern society has been evolving under the interplay of two opposing tendencies – towards integration and towards disintegration. He identifies five sources of disintegration in society that contribute to value destruction: disruption (instability that threatens human life and safety); disconnection (isolation that prevents communication and data sharing); disparity (inequities that lead to social tensions and inefficient use of resources); destruction (production and consumption that destroy ecosystems), discontent (impaired human wellbeing due to unhealthy lifestyles, stress, psychological problems etc) [4].

Visser suggests that the value destruction can be reversed through innovations in five economic spheres, so-called the resilience, exponential, access, circular and wellbeing economies [4], which present market opportunities for solving societal problems in economically beneficial ways. The resilience economy provides the means of reducing risks in society, enhancing safety, overcoming shocks related to changes. The exponential economy represents investments in technologies that promote connectivity between people and enhance intelligence in society. The access economy makes products and services more accessible due to the efficient use of assets through sharing or collaborative consumption. The circular economy seeks to minimize the negative environmental impact of economic activities. The wellbeing economy provides the means of improving human health and happiness. Depending on to which of the economies the company's innovations are related and what social benefits they target to produce, Visser distinguishes five pathways for innovation: secure, smart, shared, sustainable, and satisfying, respectively.

According to Visser [4; 5], to create an integrated value, it is not enough for an organization to pursue innovations in one of the abovementioned economic spheres or/and do it in an incremental way. The integrated value is created only in a transformative way and by utilizing syn-

ergies from innovations in two or more economies. Integrated value is *“the simultaneous building of multiple capitals (notably financial, infrastructural, technological, human, social and ecological) through synergistic innovation across the resilience, exponential, access, circular and wellbeing economies that result in a world that is more secure, smart, shared, sustainable and satisfying”* [4].

Let us note that Porter and Kramer also emphasize innovations as means of producing shared value, but do not require synergies from innovations in different spheres, although consider them desirable.

According to the authors of [3], the IVC concept marks an important shift in business thinking and practice towards a higher degree of integrating social and environmental concerns into business models. We describe IVC in terms of triple integration: (i) it aims at integrating business and society by creating value for both through innovations; (ii) it is based on the integration of different ideas and practices that emerged under the CSR umbrella; (iii) it assumes the integration of different areas and processes within the business in order to provide a coherent corporate response to stakeholders' expectations.

The IVC and CSV concepts are largely similar in a sense that they aim to reconcile long-term business interests with those of society rather than call for sacrifices on the part of business. They both are based on the understanding of the interdependence between business and society and the convergence of their interests, and emphasize innovative thinking. Nevertheless, there are some differences between IVC and CSV. Visser compares these two concepts in [30] in terms of the assumptions they are based on, synergies they are aimed at, positioning of the concepts in academic and business literature, means used for value creation, the character of innovative solutions these concepts promote, benefits they bring, and their relation to CSR. We believe this list of differences is not exhaustive and make our own comparative analysis of these two concepts. The results of the analysis are summarized in *Tbl. 1* and discussed in more detail after the table. The differences identified help better understand IVC's added value.

Out of the two, CSV is a narrower concept, if only because of the fact that CSV is just one out of several CSR-related concepts IVC draws inspiration from. Although CSV and IVC are related as a part and the whole, the relationship between them is not linear

or additive. Being based on a number of CSR-related concepts, IVC combines them in a complex way.

CSV is an instrumental concept in the first place, but can be partially related to the integrative approach to CSR because it recognizes the need for integrating social interests into the business strategy, while IVC conceptually is the very embodiment of the integrative approach [27].

Porter and Kramer position CSV as independent of the concept of sustainability. They even criticize the term “sustainability” as vague [1]. In [2] they mention sustainability only to contrast it with CSV. IVC, on the contrary, combines several ideas, and sustainability is one of them.

CSV puts economic dimension of the shared value first and is viewed by the authors as a long-term investment in a company's future competitiveness. Such an approach narrows the role of corporations in society. As Beschorner puts it *“the shared value perspective regards companies as players with the ability to calculate benefits, but they cannot be conceptualized as actors beyond the economic ideology”* [9]. IVC is more concerned with combating social problems and reaching a higher degree of integration in society but preserving the viability of business at the same time, thus resembling for-profit social entrepreneurship.

CSV is a corporate-centric concept, which means not only that economic interests of the corporation are top priority, but also that the corporation is the ultimate decision maker possessing wisdom to decide what is good for society, and it does it on purely rational (profit maximizing) grounds. The importance of stakeholders' opinion downplayed (*“seeking to satisfy stakeholders ... companies cede primary control of their CSR agendas to outsiders”* [1]).

On the contrary, “stakeholders” is a key term used in the very definition of IVC, and interactions with stakeholders are essential for creating integrated value: *“After identifying, categorising and prioritising stakeholders, companies must enter into an active and systematic process of engagement to find out what the “material” issues of concern are for these groups”* [3]

Among the major concerns articulated by Porter and Kramer in [2], which inspired the creation of CSV, are the worsening image and falling legitimacy of business in society. In fact, it is not the image and legitimacy themselves that matter, but rather the implications, such as the increased government regulation of business, which adversely affects business

Table 1

The differences between the CSV and IVC concepts

CSV	IVC
CSV is a narrower concept, representing one of several ideas used in the IVC concept	IVC is a more comprehensive and holistic concept at its core
The CSV concept lies on the intersection of the instrumental and integrative approaches to CSR	IVC represents the integrative approach to CSR
CSV is not conceptually linked to sustainability by its authors	IVC is rooted in sustainability
CSV emphasizes economic goals. Satisfying social needs should be integral to profit maximization	The IVC concept stresses the need for addressing the global social and environmental challenges in the first place but in such ways that would allow business to remain viable
CSV is a corporate-centric concept, which assumes that the corporation alone decides how to advance societal well-being and what social problems should be targeted	IVC does not endow business with the exclusive right to decide what is good for society. Listening to the stakeholders and identifying their concerns are also important
Social value is created for stakeholders as a positive externality	IVC implies intrinsic commitment to stakeholders' interests
CSV was proposed in response to the worsening image of business in society	IVC was proposed in response to the worsening social, environmental and ethical conditions
CSV is mostly concerned with removing tensions between business and society and legitimizing business	IVC aims at removing the sources of disintegration in society that create social problems
The authors of the CSV concept use the systems approach in a fragmentary way	The use of systems approach in the case of IVC is more explicit, comprehensive, and consistent
CSV focuses on the local overlaps of interests of business and different societal groups	IVC stresses more fundamental interrelation and interdependence between business and society
CSV may target any number of social issues, including a single one.	IVC assumes addressing two or more social issues in a transformative way and taking advantage of synergies
CSV is based on neoliberal ideas	Visser [5] regards neoliberalism as a source of problems plaguing modern capitalist economy

competitiveness and ultimately economic growth. CSV aims at harmonizing relations between business and society and restoring business legitimacy.

The creation of the IVC concept was inspired by the aggravating social and environmental problems resulting from the disintegration in society and the inability of business organizations to tackle global challenges within the framework of then current business models. Thus, IVC aims at integrating society and reaping the benefits in the form of the increased value.

If corporations concentrate only on social problems whose solution offers financial gain, then the application of the systems approach is limited and patchy. The authors of CSV use the systems approach in a fragmentary way, recognizing the interdependence between business and society and urging business to seek local points of intersection of business interests with those of society. To be fully

integrated in society, corporations should balance the interests of multiple stakeholders, but the interests of some stakeholders can be neglected if the corporation cannot satisfy them profitably.

Visser uses the ideas of systems theory more consistently and mentions the failure to apply systems thinking as a reason for intractable social problems [5]. Following the systems theoretical line of thought, he argues that fragmentation leads to the persistence and aggravation of societal problems, whereas a higher degree of integration and interrelatedness of the parts of a system lead to synergies and the increased total output of the system.

Porter and Kramer are not specific about the number of social problems to be targeted through the creation of shared value, although they call for analyzing both inside-out and outside-in linkages [1] in order to find as many areas for shared value creation as possible, and actually welcome those strategies that serve multiple interests. The IVC

concept, however, presupposes dealing with several social issues related to different economies (forces of integration) and taking several innovative pathways with a view to realizing synergies.

Porter and Kramer [2] mention the role of government and NGOs in imposing obstacles to business development, and thus preventing business from shared value creation. As was mentioned above, the authors leave all decisions regarding shared value creation to the company without involving its stakeholders. Companies are encouraged to create social value only if there are market incentives for that. All this discloses neoliberal foundations of the idea of shared value creation, i.e. CSV is based on the economic philosophy that supports free-market capitalism.

Visser, on the contrary, believes that the problems of modern capitalist economy stem from neoliberalism: *“Our global apartheid is an economic system fueled by neoliberalism”* [5]. More specifically, he names the following characteristics of this economic apartheid: most benefits being appropriated by the minority in power, exploitation and abuse of human rights, unsustainable use of natural resources.

CSV is definitely more appealing for corporations because it emphasizes economic benefits from socially responsible behavior. The IVC concept is not explicit about the economic side of the integrated value, and it is not quite clear how much emphasis is put on economic benefits for companies (viability of business or economic prosperity). Whereas CSV assumes that corporations should not deal with social issues that are far from their area of competence and are not economically promising, the IVC concept does not provide any explicit guidance for the situation when some acute social problems cannot be currently tackled through innovations but cannot be ignored either. Does sacrificing profits for solving social problems lie outside IVC? If yes, then we cannot treat IVC as a substitute for CSR but rather as a CSR strategy, similar to CSV. Otherwise, IVC represents a business mindset that makes CSR redundant.

The practical implementation of both CSV and IVC approaches of CSR faces the same challenge as most forms of social entrepreneurship – how to measure the social impact produced, especially if the benefits are long-term. If the shared or integrated value creation philosophy underlies business strategies, it is important to know whether the strategic intent produces desirable outcomes. Without that, it is impossible to distinguish between shared

(integrated) value creation and what the authors of the concepts call CSR and associate with expenditures alone. The measurement of integrated value is still more challenging because the very idea of integrated value consists in dealing with a number of societal issues and multiple stakeholders.

CONCLUSIONS

The CSV and IVC concepts that emerged after more than half-century evolution of CSR represent attempts to mitigate persistent tensions between business and society through creating economic and social value simultaneously and thus aligning corporate business interests with societal goals. Initially these concepts were presented as varieties of CSR, later, however, the authors positioned them as new paradigms rather than an evolutionary phase of CSR. This latter claim is based on a narrow definition of CSR as a non-strategic, peripheral activity that necessarily comes at a cost. Such an approach to CSR, from our point of view, disregards the multitude of CSR forms including those that can be economically beneficial.

Using a broader definition of CSR, which emphasizes the integration of societal interests into business models without specifying how exactly these interests should be incorporated, we regard CSV as a special CSR strategy resulting from the convergence of the instrumental and integrative approaches to CSR. At the same time, CSV should not be equated with CSR because the latter extends to a broader range of societal problems including those that cannot be solved without compromising the bottom line.

The IVC concept, which draws inspiration from several CSR-related concepts, including sustainability and CSV, represents more comprehensive, holistic approach to CSR. We relate IVC to the integrative theories of CSR, as the major idea behind it to integrate society through finding innovative solutions to social problems while remaining economically viable. Despite the fact that CSV and IVC share the idea of creating value simultaneously for business and society, these concepts differ in some respects. In particular, CSV is a corporation-centric concept that puts more emphasis on economic goals, downplays the role of stakeholders in corporate decision making, seeks for local overlaps of business and societal interests thus using the systems approach in a patchy fashion. IVC is more concerned with removing the sources of disintegration in society, implies intrinsic commitment to stake-

holders' interests rather than creating social value as a positive externality. Unlike the CSV concept, IVC is not explicit though about how to deal with social issues that cannot be solved in an economically beneficial way – whether to ignore them or address at a cost. Innovative thinking is critical for both concepts but IVC emphasizes the need for disruptive innovations and requires companies to pursue several innovation pathways simultaneously.

The CSV and IVC business mindsets are undoubtedly progressive and advantageous for both business and society and should be used in strategic management. At the same time, the task of refining conceptual and methodological frameworks remains relevant for the successful implementation of these concepts in business practices. ■

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КОНЦЕПТУАЛЬНІ ОСНОВИ ФОРМУВАННЯ ОРГАНІЗАЦІЙНО-ЕКОНОМІЧНОГО МЕХАНІЗМУ ПРОЦЕСНО-ОРІЄНТОВАНОГО УПРАВЛІННЯ

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Титикало В. С. Концептуальні основи формування організаційно-економічного механізму процесно-орієнтованого управління

У статті розглянуто теоретичні та інструментальні засади формування організаційно-економічного механізму. Розроблено концептуальну модель процесно-орієнтованого управління економічним потенціалом підприємства, яка складається з мети, цілей, методів, визначає взаємозв'язок суб'єктів, функції та об'єкти управління. Характеристика цих зв'язків обумовлена впливом зовнішнього та внутрішнього середовища, з урахуванням відповідної ієрархії та завданнями управління. За результатами дослідження визначено підходи до формування організаційно-економічного механізму та процесно-орієнтованого управління, яке ґрунтується на загальних принципах (системності, динамічності, комплексності, ефективності, цілеспрямованості, наукової обґрунтованості) та специфічних принципах (повноти охоплення та залучення економічних ресурсів, плановірності та бюджетування, інноваційного розвитку, економічності використання, ефективного адміністрування, контролю та координації). Запропоновані принципи є основними для визначення ключових показників при оцінюванні економічного потенціалу підприємства та фіксують певною мірою основні етапи його проведення в просторі та часі. Автором визначено, що організаційно-економічний механізм процесно-орієнтованого управління здійснюється на основі застосування методів управління, тобто сукупності певних прийомів впливу на об'єкт управління, що сприяють досягненню намічених цілей. Основними завданнями організаційно-економічного механізму процесно-орієнтованого управління економічним потенціалом повинні бути: формування стратегії розвитку на основі узгодженості економічних інтересів, створення умов для ефективної реалізації кожного компонента економічного потенціалу, розробка та впровадження заходів щодо підвищення ефективності його використання, організація оцінки ефективності управлінських впливів. Запропонований організаційно-економічний механізм є базовою платформою для встановлення системи елементів, характеру процесу їхньої взаємодії та розробки практичних рекомендацій діяльності підприємств.

Ключові слова: концептуальна модель, організаційно-економічний механізм, процесно-орієнтоване управління, принципи, методи, механізм, підприємство, адаптація.

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Титикало Володимир Сергійович – проректор з економічних питань Національного медичного університету імені О. О. Богомольця (бульв. Тараса Шевченка, 13, Київ, 01601, Україна)

E-mail: v.tytykalo@gmail.com

ORCID: <http://orcid.org/0000-0001-9461-5521>