How Creating Shared Value is taking Corporate Social Responsibility one step further. Google as a case study.

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Summary

The following paper consists of two parts. The first is an overview of the concept of Creating Shared Value (CSV), introduced by Michael E. Porter and Mark Kramer in 2011 in the *Harvard Business Review* (HBR) magazine. It covers a brief summary of the evolution of Corporate Social Responsibility (CSR) theory, as well as other theories upon which CSV builds; CSV as a concept, its framework and its measurement; and a review of CSV’s reception in both the corporate and the academic work, with an emphasis on the ongoing debate about it. The second part is a case study, following Porter and Kramer’s framework, of various Google’s shared value practices.

*Key Words*: Creating Shared Value, CSV, Corporate Social Responsibility, CSR, business strategy, Google

Resumen

El presente trabajo consiste de dos partes. La primera es una revisión del concepto de Creación de Valor Compartido (CVC), presentado por Michael E. Porter y Mark Kramer en la revista *Harvard Business Review* (HBR) en 2011. Ésta abarca un breve resumen de la evolución de la teoría de Responsabilidad Social Corporativa (RSC), además de otras teorías sobre las que el concepto de CVC se ha construido; la definición y el marco conceptual de CVC; su medición; y un análisis de la recepción de CSV tanto en el mundo corporativo como en el académico. La segunda parte es un estudio de caso, siguiendo el marco conceptual de Porter y Kramer, de diversas estrategias de CVC llevadas a cabo por Google.

*Palabras clave:* Creación de Valor Compartido, CVC, Responsabilidad Social Corporativa, RSC, estrategia empresarial, Google
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Introduction

The 2008 financial crisis has brought an invigorated distrust towards business. Society blames capitalism: they see employees getting fired on a daily basis, yet corporations keep increasing their profit. Capitalism is in danger.

So Michael Porter and Mark Kramer argue. As a solution, they propose that companies direct their strategies towards creating shared value. That is, that they create simultaneously both societal and economic value, not the latter only. They deem current Corporate Social Responsibility (CSR) practices as not enough to make a real change. In order to make a scalable impact, they argue, societal issues must be at the core of a company’s strategy, not in the periphery. They must be addressed through capitalism. In Creating Shared Value (CSV), Porter and Kramer merge Corporate Social Responsibility into business strategy (Porter & Kramer, 2011).

It is a seductive proposition, and even more so is its alleged potential. Porter and Kramer promise that Creating Shared Value will reinvent capitalism, creating a new version that truly serves society, and changing the way society sees corporations. The general goal of this paper is to explore, through literature revision and a case study, the potential and limitations of the concept of Creating Shared Value within the umbrella of Corporate Social Responsibility.

The paper is therefore organized in three chapters. The first chapter conceptualizes and contextualizes the concept of Corporate Social Responsibility as a management paradigm. The second one conceptualizes and contextualizes the concept of Creating Shared Value, presenting the three-level framework proposed by Porter and Kramer, addressing the topic of its measurement, examining its foundations, and reviewing the reception and debate around it. Last, the third chapter applies the previous theoretical and conceptual discussion to a case study. The company chosen for the study is Google, for even though it is mentioned in Porter and Kramer’s article as a company
that has embraced shared value initiatives, surprisingly enough there is very little research on the topic.

1. Corporate Social Responsibility as a management paradigm

This chapter will introduce the reader to the concept of Corporate Social Responsibility (CSR) from a theoretical standpoint. First, a conceptualization of CSR will be given. Second, the history of CSR will be briefly discussed from its formal birth in the 1950s and beyond, by following the work of Archie B. Carroll (2008; 2015), and with an emphasis on the several contributions to the field that have tried to draw CSR near to the core business and strategy of corporations. The purpose of this chapter is to lay the grounds and foundations for the following discussion on Creating Shared Value (CSV).

1.1 Conceptualization of CSR

“What is agreed in defining corporate social responsibility is that no agreed definition of corporate social responsibility exists” (Junge, 2011, Chapter III, Section A, para. 1).

Several different definitions of CSR exist and are currently accepted and used. Alexander Dahlsrud identified and analyzed 37 of them in 2006.

For instance, Carroll argued in 1979 that “the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time” (Carroll, 2008, p. 33). The Green Paper of the European Commission, on the other hand, simply defines CSR as “essentially a concept whereby companies decide voluntarily to contribute to a better society and a cleaner environment” (European Commission. Directorate-General for Employment, 2001, para. 8). Yet for Milton Friedman (1970, title) “the social responsibility of business is to increase its profit.”
Despite this lack of consensus regarding the definition of CSR, which led Votaw to eloquently claim in 1973 that “the term is a brilliant one; it means something, but not always the same thing, to everybody” (Carroll, 2008, p. 31), there has been a wide acceptance of Carroll’s CSR pyramid as a depiction of the modern social responsibilities of a corporation.

Carroll (1991) established four hierarchical levels of social responsibilities. Economical responsibilities form the base of the pyramid. The ultimate goal of a corporation is to provide society with products and service, and for that it must be and remain profitable.

The second level represents legal responsibilities: corporations must comply with the law. Both economic and legal responsibilities are required by society.

Ethical responsibilities stand at the third level of the pyramid. Besides complying with law, Carroll argues that corporations should embrace practices that are morally right or fair, and avoid those that are of questionable value for society. Society does not require but rather expects corporations to be ethically responsible.

Philanthropy forms the top of the pyramid. It consists of the responsibility of being a good corporate citizen, and promoting welfare and well being among society. While philanthropic responsibilities are also expected by society, they are seen as voluntary and society will not see a corporation as unethical if it does not meet them. Nevertheless, in 2003 Schwartz and Carroll merged philanthropy into the ethical responsibilities of a firm in their revision of Carroll’s four-level model. Instead, they proposed a third-level model presented as a Venn diagram.

1.2 Brief history of CSR

Even though practices that today would be defined as socially responsible can be found already in the XIX century, and even earlier, the formal birth of CSR did not take place until the decade of 1950. It may be attributed to the publication of Howard R. Bowen’s Social Responsibilities of the Businessman (1953). Besides raising the question of “what responsibilities to society may businessmen reasonably be expected to assume,” Bowen articulated as well one of the first definitions of CSR, also referred to simply as Social Responsibility: “It refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society” (Carroll, 2008, p. 25).
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Carroll considers Bowen to be the “Father of Corporate Social Responsibility” (Carroll, 2008, p. 25) and “ahead of his time”, for he already asked for specific changes within a company’s management in order to better respond to social issues (Carroll, 2008, p. 26).

CSR grew in importance as social consciousness rose in the 1960s, with increasing activist movements for social and women’s rights, and for environmental protection (Carroll, 2015). Among the several relevant contributions to the CSR field, one of the most prominent was that of Keith Davis, considered by Carroll the “runner-up for the Father of CSR designation.” Davis argued that some CSR decisions can be justified as they provide economic value to the corporation in the long-term, and defined CSR as “Businessmen’s decisions and actions taken for reasons at least partially beyond the firm’s direct economic or technical interest” (Carroll, 2008, p. 27).

The decade of 1970 was one of expansion and acceleration for CSR. In first place, there was a proliferation of alternative or parallel concepts to CSR, such as Corporate Social Responsiveness, Corporate Social Performance or Public Responsibility. The last one, coined by Lee Preston and James Post in 1975, was developed in response to the alleged vagueness and broadness of CSR. Public Responsibility, in contrast, directed responsibility towards specific “primary and secondary involvement areas” (Carroll, 2008, p. 32).

Two significant contributions to the case for the legitimacy of CSR can be noted. First, Steiner argued in 1971 that “all companies can assume some share of them [responsibilities] at no cost and often at a short-run as well as a long-run profit.” Second, Richard Eels and Clarence Walton went further in 1974, suggesting that CSR was vital for the preservation of an “effectively functioning free society,” and therefore vital for the preservation of the existing business system (Carroll, 2008, p. 30).

The 1970s were also characterized by the emergence of a managerial approach to CSR. It was then “recommended that companies forecast and plan for CSR, organize for CSR, assess social performance, and institutionalize corporate social policy and strategy” (Carroll, 2008, p. 34).

In the decade of the 1980s, Edward Freeman’s approach to stakeholder relationships became broadly popular (Freeman, 1984), as did other instrumental or utilitarian approaches to CSR. Such approaches advocate for CSR as a means to achieve
economic returns (Rey García, 2012). Additionally, Thomas M. Jones argument that CSR should be “voluntarily adopted” is remarkable (Carroll, 2008).

The relation between CSR and corporate’s financials continued to be researched (Carroll, 2008). Aupperle, Carroll and Hatfield concluded in 1985 that no correlation existed between the both of them, and that socially responsible corporations suffered a competitive disadvantage, since they incurred in extra costs (Tsoutsoura, 2004). Nonetheless, in the United States, CSR resulted invigorated with the election of President Ronald Reagan, who would advocate for the addressing of social problems by private businesses rather than by the government (Carroll, 2015).

Concepts and theories complementary to CSR continued to proliferate in the 1990s, such as sustainability and corporate citizenship, as well as studies examining the relationship between CSR and business performance. New concepts, such as cause-related marketing and corporate reputation, appeared (Carroll, 2008).

With the emergence of globalization and multinational corporations, CSR became a global phenomenon in the 1990s. Not only corporations exported CSR to new regions and countries (particularly, CSR became extremely popular in Europe), but their challenges also grew as they faced the need for asserting the legitimacy of their actions, especially in developing countries. Globalization led, therefore, to a trend of growing institutionalization of CSR: CSR consultancy was born, CSR became a common topic in higher education and business research, etc. Especially noteworthy was the creation of the nonprofit organization Business for Social Responsibility (BSR) in 1991. BSR, that argues that CSR can be used as a competitive advantage, was formed with the goal of promoting social responsible practices among corporations (Carroll, 2008; Carroll, 2015).

In the 2000s, a switch from theoretical studies to empirical research can be observed. Numerous studies appeared linking CSR or Corporate Social Performance to different variables, such as corporate reputation, and employer attractiveness. At the same time, the managerial approach to CSR continued to rise. In 2005, Philip Kotler and Nancy Lee exposed CSR as a “new way of doing business,” linking value creation to a responsible attitude towards stakeholders (Carroll, 2008, p. 40).
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Overall, Carroll observes a clear trend towards the convergence of social and financial objectives, and concludes that CSR will survive "only so long as it continues to add value to corporate success" (Carroll, 2008, p. 42).

2. Creating Shared Value: Linking Corporate Strategy and CSR

This chapter will review the concept of Creating Shared Value (CSV). First, the context in which the idea of CSV is born will be briefly introduced. Secondly, Porter and Kramer's three-level framework of CSV will be defined and reviewed, explaining the three ways in which companies can create shared value, each illustrated by a real example. Third, the state of CSV measurement will be presented. Fourth, theories and concepts upon which CSV builds will be examined. Fifth and last, the reception of, and discussion on CSV will be explored.

2.1. Context to the CSV idea

Corresponding to the trend observed by Carroll and discussed earlier, Michael Porter and Mark Kramer started to focus on the intersection between business and society at the end of the 1990s.

In 1999, Porter and Kramer issued their first publication on the subject, "Philanthropy's New Agenda: Creating Value." In this article, they argued that while charitable foundations do good, they could do better by working strategically. Thus, Porter and Kramer proposed that foundations follow the strategic mindset of business corporations. Foundations are, Porter and Kramer claimed, in the "business of contributing to society," and their goal should be that of "using scarce philanthropic resources to their maximum potential" (Porter & Kramer, 1999, p. 126).
In order to achieve that goal, Porter and Kramer argued that foundations must follow basic principles of business strategy: specialize in a reduced number of social challenges and make trade-offs, choose an unique position and differentiate from the competence, and establish primary objectives and measure performance. Moreover, they identified four ways in which foundations create value: selecting the most effective grantees, signaling other funders, improving grantees’ performance, and advancing the state of knowledge and practice (Porter & Kramer, 1999).

Due to the positive response obtained by their article, Porter and Kramer created in 2000 the Foundation Strategy Group (FSG), “to help foundations develop more effective strategies” (FSG, n.d.-a, para. 1).

Porter and Kramer continued their work on the field with the publication of “The Competitive Advantage of Corporate Philanthropy” in 2002, focusing now on the initiatives for the public good that emanate from for-profit sector, mainly corporate giving. In a very similar fashion to their previous article on foundations, they criticized the typical corporation contributions for being “unfocused and piecemeal” (Porter & Kramer, 2002, para. 7), and claimed that better results would be achieved through individual philanthropy. However, by changing their approach, corporations could, they argued, attain competitive advantage through philanthropy. More specifically, through “context-focused philanthropy” (Porter & Kramer, 2002, para. 8), which consists in aligning the economic and social goals of the corporation, thus improving its long-term business prospects (Porter & Kramer, 2002).

According to Porter and Kramer (2002), companies can influence the four elements of their competitive context through philanthropy: that is, competition, factor conditions, demand conditions, and supporting and related industries. For instance, by increasing the living conditions of the local community and, therefore, its purchasing power, companies can increase their markets. Done following a strategic approach, the authors claimed, “Philanthropy can often be the most cost-effective way for a company to improve its competitive context” (Porter & Kramer, 2002, “Where to focus,” para. 7).

Porter and Kramer expanded their ideas in their 2006 article, “Strategy & Society: The Link between Competitive Advantage and Corporate Social Responsibility.” On it, they analyzed the current state of CSR, identifying four arguments for its adoption: moral obligation, sustainability, license to operate, and reputation. All of them, however, share the same weakness, a focus on the “tension between business and society” (Porter &
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Kramer, 2006, “Four Prevailing Justifications for CSR,” para. 8), and result in a “lost opportunity” (Porter & Kramer, 2006, “Four Prevailing Justifications for CSR,” para. 9). Furthermore, Porter and Kramer differentiated two preeminent types of CSR: responsive CSR and strategic CSR. While the former is necessary, they argued, it’s through the latter that companies can focus on the intersection between business and society, and can make the greatest impact (Porter & Kramer, 2006).

According to Porter and Kramer (2006), strategic CSR consists of addressing both the social impact of a company, and the impact society has in a company. It implies identifying the social issues that lie close to a corporation’s core business, and solving or improving them while also enhancing the competitive position of the corporation. It requires a long-term investment and “adjustments in organization, reporting relationships, and incentives” (Porter & Kramer, 2006, “Organizing for CSR,” para. 1). And it allows corporations to create both economic and social value; that is, shared value, a concept which Porter and Kramer would further develop in 2011. The evolution of the concept of CSR, culminating in the shared value paradigm and comparable approaches, is synthesized in Figure 1.

**FIGURE 1: Evolution of CSR approaches**

<table>
<thead>
<tr>
<th>Conventional CSR</th>
<th>Advanced CSR / CSR innovation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charitable Giving</td>
<td>Shared value / impact</td>
</tr>
<tr>
<td>Advertising opportunity</td>
<td>philanthropy / social entrepreneurship</td>
</tr>
<tr>
<td>Business as usual</td>
<td>Economic value is created in a way that also creates value for society</td>
</tr>
<tr>
<td></td>
<td>New Business models</td>
</tr>
</tbody>
</table>

Source: Rey García (2012, p. 2).
2.2. Definition and conceptual framework

The term “Creating Shared Value” was first coined and defined in 2005 by then Vice-President of Public Affairs at Nestlé, Niels Christiansen. Christiansen’s concept was rapidly embraced by Nestlé and has become a core part of the corporation’s global strategy (Christiansen, 2014a). Since 2008, the company publishes an annual CSV report (Nestlé, 2014). They define CSV as “a strategic way to achieve triple bottom line sustainability. In other words, be financially, environmentally and socially sustainable” (Singh, 2013). The concept is graphically depicted in Figure 2.

FIGURE 2: Nestlé’s CSV pyramid


Christiansen presented the concept to Porter and Kramer, who adopted it and introduced it in their 2006 article. Since then, Nestlé has been working closely with Porter and Kramer’s FSG consulting group on the development of CSV. The term acquired major notoriety when Porter and Kramer published the article Creating Shared Value in 2011, in which they defined and expanded the CSV concept, and presented a three-level framework (Christiansen, 2014a):

The concept of shared value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously
advancing the economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connections between societal and economic progress. (Porter and Kramer 2011, “What Is ‘Shared Value’?” para. 1)

According to Porter and Kramer (2011), CSV is not CSR, but a new way to achieve economic success. It addresses social issues through self-interested behavior; it is not about doing good for the sake of it. CSV assumes compliance with the law and business ethics, and supersedes CSR. The main differences between CSR and CSV are summarized in Table 1.

**TABLE 1: Differences between CSR and CSV**

<table>
<thead>
<tr>
<th></th>
<th>CSR</th>
<th>CSV</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Traditionally focused on issues of compliance, transparency, volunteerism and philanthropy</td>
<td>Policies and practices that enhance competitiveness while advancing economic and social conditions</td>
</tr>
<tr>
<td>Motivated by</td>
<td>Improving corporate reputation among stakeholders</td>
<td>Seeking competitive advantages and sustainable solutions to social problems</td>
</tr>
<tr>
<td>Measured by</td>
<td>Funds expended and/or GSE indicators (e.g., Global Reporting Initiative)</td>
<td>Value created (economic and social benefits relative to costs)</td>
</tr>
<tr>
<td>Managed by</td>
<td>Separate CSR and philanthropy departments</td>
<td>Cross departmental teams from senior management, operating units and CSR</td>
</tr>
<tr>
<td>Viewed as</td>
<td>Discretionary compliance in response to external pressure or pending regulation</td>
<td>Integral to competitive advantage and profit maximization</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Business benefit</th>
<th>Peripheral benefits through risk reduction and goodwill</th>
<th>Innovations that provide new business opportunities and extend core strategy</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social benefit</td>
<td>Limited to corporate footprint and charitable activities</td>
<td>Large scale and sustainable social benefits that can transform communities</td>
</tr>
</tbody>
</table>

Source: Kramer, Kingsbury, Mundle, and Voûte (2011, p. 7)

Porter and Kramer (2011) advocate for collaboration between the private and public sector, urging both to ignore trade-offs between society and business, and to focus instead on intersection points. According to these authors, companies, as the most powerful driver for social change, must take the lead. Their main points are as follows:

- CSV is not a value redistribution approach; instead, it aims to expand value creation.
- Shared value creation substitutes profit maximization as businesses’ ultimate goal. Companies must focus on the long-term, not on short-term financial returns.
- Governments and NGOs must think in terms of value created (benefits minus costs), instead of funds/effort deployed.
- Companies must focus on location and areas of impact close to their main business. CSV strategies are tailored, data driven, and pursue specific, measurable goals.
- A change in education is needed: business schools’ curricula need to be multidisciplinary, including environmental, societal and governmental instruction.

Porter and Kramer (2011) identify three distinct ways by which corporations can create economic value while creating societal value: by reconceiving products and markets, by redefining productivity in the value chain, and by building supportive industry clusters at the company’s locations. All three ways are “mutually reinforcing” (Porter & Kramer, 2011, “Creating Shared Value in Practice,” para. 10) and “part of the virtuous circle of shared value; improving value in one area gives rise to opportunities in the others” (Porter & Kramer, 2011, “How Shared Value is Created,” para. 1).
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Through **reconceiving products and markets**, Porter and Kramer (2011) ask businesses to come back to basics: instead of creating new needs for society, corporations should answer society’s currently unmet needs, such as housing and nutrition. In this way, corporations can create economic value by “better serving existing markets, accessing new ones, or developing innovative products and services that meet social needs” (Hills, Russell, Borgonovi, Doty, & Iyer, 2012, p. 10).

Emerging markets, in particular, constitute big opportunities: they have greater needs than traditional markets and are often ignored by the business world (i.e. less competence). The same holds true for underserved communities, such as low-income groups, within developed countries (Porter & Kramer, 2011).

In order to seize these opportunities, corporations need to identify and analyze the social issues embodied in their products, and will usually have to develop innovative ways to distribute and commercialize them. At the same time, the products and methods developed for underserved markets can trigger innovations that can be applied in traditional markets (Porter & Kramer, 2011).

The Dow Chemical Co., a multinational chemical corporation from the U.S., provides a good example of how a company can gain a competitive advantage by reconceiving products in a way that better serves society, as the corporation differentiated itself from the competence by developing healthier, heart-friendly cooking oils (Greenway, 2014). This case, which is depicted in Table 2, has been chosen due to the existence of quantitative data that illustrates both the social and economic value created by Dow Chemical’s innovation.

**TABLE 2: Dow Chemical’s Omega-9 oils**

<table>
<thead>
<tr>
<th>Business case</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2005, The Dow Chemical Co. developed and introduced in the market Omega-9 oils, which contain no trans fat (linked to heart disease), half the saturated fat of olive oil and are high in monounsaturated fat (heart-friendly and recommended over saturated fat).</td>
</tr>
</tbody>
</table>
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**Social value created**

Since 2005, thanks to the use of Omega-9 oils:

- The amount of trans fat used in American food has been reduced by a billion pounds.
- The amount of saturated fat used in American food has been reduced by 250 million pounds.

**Economic value created**

Omega-9 oils have:

- Become one of Dow Chemical’s best selling products, yielding around $700 million in revenue in 2012.
- Allowed the company to capture the dominant share of the U.S. fast food restaurants market.

Source: Author’s own elaboration from Kramer et al. (2011), Porter (2014), and Greenway (2014).

By redefining productivity in the value chain, companies can also create shared value. Every company impacts and is impacted by several societal issues, such as water use or working conditions. These societal issues can carry economic costs, as it is the case of externalities (i.e. excess of packaging). Therefore, these issues present opportunities for companies to create shared value (Porter and Kramer, 2011). By studying their value chains, corporations can “mitigate risks and boost productivity” (Williams, & Hayes, 2013, p. 4). Figure 3 depicts some of the main areas of impact between social issues and a company’s productivity.

**FIGURE 3: The nexus between societal issues and company productivity**
Porter and Kramer (2011) explicitly identify six areas in which shared value strategies can transform a company's value chain: energy use and logistics, resource use, procurement, distribution, employee productivity, and location.

IHG Green Engage represents a good example of how a company can create shared value by redefining its value chain. Through it, InterContinental Hotels Group (IHG) has been able to reduce its operating costs while saving energy and reducing water use and CO2 emissions (Porter, Hills, Pfitzer, Patscheke, & Hawkins, 2011). The case, which has been chosen due to the existence of quantitative data to backup its efficiency, is presented in Table 3.

**TABLE 3: IHG’s Green Engage initiative**
Business case

In 2009, InterContinental Hotels Group (IHG) launched the Green Engage initiative after realizing that energy accounted for its second largest costs group. Green Engage is an online platform that helps individual hotels measure energy use and reduce costs by adopting environmentally friendly practices.

### Social value created
- Overall energy savings of up to 25% per hotel.
- Since 2012, reductions of 4.2% in water use, and 3% in carbon footprint per occupied room.

### Economic value created
- Annual savings of $75,000-100,000 per hotel.
- In 2013, IHG saved $73 million in energy costs alone.


Last, corporations can create shared value by building supportive industry clusters and improving framework conditions, thus enhancing the productivity of the company and solving societal issues in the community (Porter & Kramer, 2011).

On the one hand, clusters can strongly promote productivity and innovation, as it is the case of Silicon Valley and the IT industry. On the other hand, the environment can create internal costs and constraints for a company. For instance, deficiencies in education can lead to a shortage of prepared employees (Porter & Kramer, 2011).

Porter and Kramer (2011) name logistics, suppliers, distribution channels, training, market organization, and educational institutions, as areas which corporations need to study in order to support cluster development in their communities. Moreover, companies should seek partners, both in the private sector (even competitors) and in the public sector (NGOs, government, trade associations, etc.) in order to share costs and risks, win support and maximize the potential of their initiatives.

Coca-Cola’s Coletivo initiative in Brazil is a perfect example of how to create value by enabling cluster development. Coca-Cola’s business performance in low-income sectors of the Brazilian market was being subpar. After studying the situation, the company concluded that this was a result of the low-income youth’s lack of skills and
job opportunities. To solve the issue, Coca-Cola decided to follow a shared value strategy and launched Coletivo Retail, an 8-week training program that prepares unemployed youth from low-income communities to enter the retail sector (Hills et al., 2012; Coca-Cola Brasil, n.d.; Porter et al., 2011).

This case, whose results are presented in Table 4, was selected due to the existence of quantitative data that backs up the efficiency of Coca-Cola’s strategy, both in its economic and in its social dimensions.

**TABLE 4: Coca-Cola’s Coletivo Retail program**

<table>
<thead>
<tr>
<th>Business case</th>
<th>Social value created</th>
<th>Economic value created</th>
</tr>
</thead>
<tbody>
<tr>
<td>In 2009, Coca-Cola realized that traditional business approaches were not working in the low-income segments of the Brazilian market. In response, the corporation partnered with local NGOs and launched Coletivo Retail, an 8-week program that teaches retailing, business and entrepreneurship skills to unemployed youth from low-income communities.</td>
<td>Over 25,000 people have graduated since 2009. 70% of the graduates were women.</td>
<td>Coletivo Retail community sales grow 9.5% more on average every year than control communities.</td>
</tr>
<tr>
<td></td>
<td>30% of the graduates find a job within six months of completing the program. 10% have started their own businesses with microfinance support.</td>
<td>Over 200% higher “brand relevance” in areas targeted by the Coletivo program than in control communities.</td>
</tr>
<tr>
<td></td>
<td>Graduates’ household income is increased, on average, by 50%.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s elaboration from Hills et al. (2012), Coca-Cola Brasil (n.d.), and Porter et al. (2011).
2.3. Measuring Shared Value

One of the key differences between CSR and CSV is measurement. There are numerous different performance measurements regarding sustainability, social and economic development impact, reputation and compliance. However, according to Porter et al. (2011), their aim is merely to demonstrate that the corporation is socially responsible, as they do not link social impact to financial performance.

CSV measurement, in contrast, must focus on the tangible intersection between business and social value. The monitoring of both social and economic results, in terms of value, is essential for shared value initiatives to succeed. On the one hand, it is only through tangible economic data that the connection between social and business is proven, so that investors and shareholders will support shared value initiatives. On the other hand, CSV initiatives seek scalable business and social benefits, for which they require an iterative measurement system embedded within the strategy of the corporation (Porter et al., 2011; Porter & Kramer, 2011).

No universal system for measuring shared value exists yet. There are several initiatives that join financial and social results in one simple report, as are the cases of the Integrated Reporting framework by the International Integrated Reporting Committee (IIRC), and the G4 Sustainability Reporting Guidelines by the Global Reporting Initiative (GRI) (Porter et al., 2011). The latter are used by Nestlé to create their annual CSV report (Nestlé, 2014).

In compliance with the G4 guidelines, Nestlé tracks progress on its CSV initiatives against Key Performance Indicators (KPIs) aligned with the social issues it addresses. The company identifies seven groups of KPIs: economic, nutrition, water, rural development, environmental sustainability, human rights and compliance, and our people. For instance, one of their nutrition KPIs is “Products meeting or exceeding Nestlé Nutritional Foundation profiling criteria” (Nestlé, n.d.-b, “Nutrition”), which is based on nutrition science and dietary recommendation by the World Health Organization and other authorities (Nestlé, 2014).

However, neither the G4 Reporting Guidelines nor any other existing initiative, Porter et al. (2011) claim, establishes a direct, tangible link between social and economic outcomes. To fill this gap, Porter et al. (2011) have developed the Shared Value
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Measurement Process, a four-step ongoing loop (graphically depicted in Figure 4) that builds on and develops well-established business and CSR measurement practices:

1. **Identify the social issues to target.** Corporations have to create a hierarchical list of specific social issues related to their business, ranked by how great an opportunity they represent for increasing profit or reducing costs.

2. **Make the business case.** The second step consists of intensive research on how solving the social issue or issues chosen will enhance the competitiveness of the corporation, designing a business model, specifying costs, activities and measurable goals, and studying different potential scenarios. Ultimately, make a go/no go decision.

3. **Track progress.** Progress against the established targets is tracked.

4. **Measure results and use insights to unlock new value.** The final step consists of measuring the results and determining whether the goals have been met. If so, design ways in which the benefits can be enhanced or expanded to other areas; if not, analyze what went wrong and redesign the program.

**FIGURE 4: The Shared Value measurement loop**

1. Identify the social issues to target
2. Make the business case
3. Track progress
4. Measure results and use insights to unlock new value

Source: Porter et al. (2011, p. 4).
2.4. Foundations of CSV

The concept of CSV nourishes from some of the most relevant contributions to social and business theory in the recent times, such as social innovation and stakeholder management.

Additionally, Porter and Kramer (2014) have explicitly acknowledged Jed Emerson’s blended value; Stuart Hart’s mutual benefit; C.K. Prahalad and Hart’s bottom of the pyramid; John Elkington, Andrew Savitz and Karl Weber’s work on sustainability and the triple bottom line, and David Schwerin and John Mackey’s work on conscious capitalism, among others, as “contributions to the body of thinking” of CSV (Porter & Kramer, 2014, p. 149). Other contributions come from the previous work of Porter. The most relevant are summarized below:

- **Business strategy.** The business side of CSV theory is strongly based on Porter’s previous work in the field of strategy. Porter argues that a corporation’s performance is determined by its relative position within its industry. Thus, in order to achieve superior performance, a company must acquire a competitive advantage over its competitors. Accordingly, a competitive advantage is achieved and sustained by the company’s value chain, i.e. “the set of activities involved in creating, producing, selling, delivering, and supporting its products or services” (Porter & Kramer, 2011, “The Roots of Shared Value,” p. 7). The value chain includes the firm’s structure, the human resources management and the marketing and sales effort, among others. There are two ways by which a company can attain a competitive advantage, by following either a differentiation strategy (offering distinctive value to customers at a high price) or a price leadership strategy (offering acceptable value at low prices, driving down costs) (Porter, 1985/1998). Moreover, Porter identifies five forces that affect every industry and the way economic value is distributed: threat of substitute products or services, threat of new entrants, bargaining power of suppliers, bargaining power of buyers, and rivalry among existing competitors (Porter, 2008).

- **Social Innovation.** The Stanford Social Innovation Review defines social innovation as “the process of inventing, securing support for, and implementing novel solutions to social needs and problems” (Phills, Deiglmeier, & Miller, 2008, para. 1). The social innovation stream advocates for the nonprofit and for-
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profit sectors to partner, creating cross-sector dynamics upon which underlie the three mechanisms of social innovation: exchanges of ideas and values (e.g. nonprofits applying businesslike approaches to social issues), shifts in roles and relationships (e.g. businesses proactively addressing social issues and working with nonprofits instead of against them), and the integration of private capital with public and philanthropic support (e.g. hybrid business models that meet the needs of underserved populations) (Phills et al., 2008).

- **Stakeholder management.** The Business Dictionary defines a stakeholder as “a person, group or organization that has interest or concern in an organization” (BusinessDictionary, n.d., para. 1). A corporation’s stakeholders can be internal, such as its employees and owners, or external, such as its customers, investors and even society. Widely considered as the father of stakeholder theory, R. Edward Freeman argues that, in order to be successful, corporations must create value for its customers, suppliers, employees, etc. In short, corporations must create value for each and every of its stakeholders (Freeman, 1984). Stakeholder theory opposes Milton Friedman’s shareholder theory, which established that the only purpose of business is to increase profits, and therefore a company must only attend to the interest of its owners and shareholders (Smith, 2003).

- **Conscious Capitalism.** The Conscious Capitalism movement, started by John Mackey, co-founder and CEO of Whole Food Markets, and Rajendra Sisodia, advocates for free enterprise capitalism as the most powerful vehicle for driving social change and human progress (Schawbel, 2013). For that reason, however, capitalism must be exercised in a conscious way based on four guiding pillars: higher purpose (a purpose that goes beyond profit maximization), stakeholder orientation (a business’ need to create value for its various and interdependent stakeholders), conscious leadership (corporations must be leaded by people that embrace the higher purpose of business and care about value creation for stakeholders), and conscious culture (the set of values that connect the business to its stakeholders, and every stakeholder to each other) (Conscious Capitalism, n.d.).

- **The Bottom of the Pyramid.** Prahalad and Hart (2002) have highlighted the market potential of the unsatisfied human needs of the billions of people at the bottom of the pyramid, defined as those individuals whose annual per capita income is less than $1.500. According to them, by doing business with the 4
billion of people that form the bottom of the pyramid, multinational corporations (MNCs) do not only access to a vast and almost competition-free market, but also have the opportunity to improve the living conditions of two thirds of the world’s population. Prahalad and Hart remarked that, in order to be successful, MNCs would have to work closely with local communities, governments and NGOs. Last, the authors recognized the potential of business initiatives for emerging markets to be replicated in developed markets.

• **The Triple Bottom Line.** Coined by J. Elkington in 1994, and later expanded in 1997, the Triple Bottom Line (TBL) is an accounting framework that aims to measure the financial, social and environmental (also called the three Ps: profit, people and planet) performance of the corporation. Accordingly, sustainability would only be attained by rigorous measurement of the performance of the corporation (Hindle, 2009). However, while measuring the financial performance of the corporation is straightforward, measuring the other two dimensions of the TBL is not; it rather depends on every project or corporation (Slaper & Hall, 2011).

• **Blended Value.** Coined by Jed Emerson in 2000, the Blended Value Proposition (BVP) argues that value is no divisible and is formed by a blend of economic, social and environmental value. Therefore, all organizations, both for and nonprofit, simultaneously create economic, social and environmental value through their operations. The same applies to shareholders and investors, who provide capital to those organizations (Emerson, 2003). In fact, the BVP focuses on investment strategies (Impact Investing) that create the three aforementioned kinds of value, with the goal of moving investors away from the established myth that the three are mutually exclusive (Jarvis, 2014).

### 2.5. Reception and discussion

Porter and Kramer’s “Creating Shared Value” article has been widely received, and drawn significant attention both in academic literature and in the corporate world. Named by McKinsey & Company as the best article published in the *Harvard Business Review* (HBR) magazine in 2011 (Harvard Business Review Staff, 2012), it has been translated to five languages (German, Italian, Polish, Portuguese, and Spanish) (Shared Value Initiative, n.d.-a), and as of June 2015, Google Scholar shows that it has been cited by 2,579 other articles.
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According to Kramer, just three months after the release of the article, he and Porter had already received hundreds of responses, and been contacted by dozens of CEOs of the largest corporations worldwide (The Economist, 2011a). A study from the Australian Centre for Corporate Social Responsibility (ACCSR) suggests CSV to be “very important in explaining the development of CSR in Australia” (ACCSR, 2015, p. 13).

The popularity of the article led FSG to launch in 2012 the Shared Value Initiative, which they define as “a global community of leaders who find business opportunities in societal challenges.” (FSG, n.d.-b, para. 1). Nestlé, Verizon, Mercy Corps, and the Rockefeller Foundation funded the initiative. Today, 25 of the leading Fortune 500 companies and 8.000 practitioners are involved on it (FSG, n.d.-b).

The Shared Value Initiative organizes also a yearly Shared Value Leadership Summit, which is presumably attended by “450 of the most advanced shared value leaders” every year (FSG, n.d.-b, “How is the Shared Value Initiative making a difference?” para. 4). The 2015 edition was sponsored by corporations such as Chevron, Barclays, and Nestlé, and nonprofits such as Conscious Capitalism, and the Global Health Council. Among its speakers were found the CEOs of Western Union, Nespresso, and Education For Employment (Shared Value Initiative, n.d.-b).

Even though the reception and influence among corporations and business leaders has been truly impressive, Porter and Kramer’s proposal has found stark criticism in the academic field. Niels Christiansen himself has been very critical of it, claiming that “it has tended to direct companies toward individual projects, initiatives and programs aimed at social impact,” rather than changing the whole corporate’s core strategy, as should be the aim of CSV (Christiansen, 2014a, para. 8). He also finds ironic that Porter and Kramer advocate for superseding CSR with CSV, when in 2006 they presented CSV as a result of strategic CSR (Christiansen, 2014b).

The Economist has asserted that none of Porter and Kramer’s ideas are new, and that, in fact, CSV bears a “striking similarity” with Emerson’s Blended Value concept (The Economist, 2011b, para. 8). The article ends by pointing that, in arguing that corporations must focus in shared value creation instead of profit, Porter and Kramer risk “giving politicians carte blanche to meddle in the private sector” (The Economist, 2011b, para. 9). Steve Denning has claimed that CSV cannot fix capitalism, for “under
the guise of something new, ‘shared value’ is at heart more of the same” (Denning, 2012, “‘Shared value’ is a subset of traditional management,” para. 4).

Tony Webb, a CSR and business ethics professional, strongly criticizes Porter and Kramer for their lack of originality, and ignorance of current CSR practices (Webb, 2011). He argues that “companies, particularly in Europe and also in emerging markets, have been doing this for quite a while” (Webb, 2011, para. 33) and does not see “any difference between ‘shared value’ and ‘responsible business’ or ‘sustainable business’” (Webb, 2011, para. 34).

Thomas Beschorner criticizes CSV on the grounds that it “includes several terminological and conceptual misunderstandings” (Beschorner, 2013, p. 108). As Webb, Beschorner (2013) considers Porter and Kramer’s understanding of CSR too narrow and limited, focusing only in philanthropy and neglecting today’s practices. Regarding their economic arguments as “too normatively thin to do the important work of reconnecting businesses with society” (Beschorner, 2013, p. 106), the author argues that the CSV approach is not enough to reinvent capitalism, and suggests some directions for achieving so. For instance, that companies develop moral capabilities that go “beyond the dominant economic discourse,” such as moral imagination and communication (Beschorner, 2013, p. 112).

On a similar tone, John Elkington, while admiring the “huge merit in Porter’s concept of creating shared value” (Elkington, 2011, para. 3), considers his version of CSR a “straw man” against which he has launched CSV (Elkington, 2011, para. 2). He argues that, instead of doing so, Porter should recognize and honor the work of the pioneers who brought social responsibility into the corporate world, and respect CSR for there are urgent issues, such as human rights and corruption, which CSV does not seem to address. He does not mention Kramer in the article (Elkington, 2011).

Perhaps the most notorious criticism has come, however, from Andrew Crane, Guido Palazzo, Laura T. Spence, and Dirk Matten’s article “Contesting the Value of ‘Creating Shared Value,’” published by the California Management Review in 2014. The article analyzes the strengths and weaknesses of CSV, which are synthesized in Table 5.

**TABLE 5: Strengths and weaknesses of CSV**
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<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>CSV successfully appeals to practitioners and scholars</td>
<td>CSV is unoriginal</td>
</tr>
<tr>
<td>CSV elevates social goals to a strategic level</td>
<td>CSV ignores the tensions between social and economic goals</td>
</tr>
<tr>
<td>CSV articulates a clear role for governments in responsible behavior</td>
<td>CSV is naive about the challenges of business compliance</td>
</tr>
<tr>
<td>CSV adds rigor to ideas of “conscious capitalism” and provides an umbrella construct for loosely connected concepts</td>
<td>CSV is based on a shallow conception of the corporation’s role in society</td>
</tr>
</tbody>
</table>

Source: Crane, Palazzo, Spence, and Matten (2014, p. 132)

But while acknowledging CSV strengths, the article is eminently critical. Crane et al. (2014) find four basic problems with CSV. First, its unoriginality: they claim that CSV is no different from other established concepts such as strategic CSR, social innovation, or stakeholder management. Moreover, they criticize Porter and Kramer for not giving the due credit to extant literature from which CSV clearly nourishes, such as the concept of social innovation. Second, they argue that Porter and Kramer ignore altogether the possible trade-offs between social and financial goals, and do not provide any guidance on how to solve them. Third, in a similar fashion, Crane et al. criticize that Porter and Kramer simply take firms’ compliance with law and ethics for granted, while its lack actually is, they claim, one of the major causes behind capitalism’s current legitimacy crisis. Fourth and last, the authors argue that while Porter and Kramer aim at saving capitalism, they do not tackle any of the “deep-rooted problems” (Crane et al., 2014, p. 140) that are at the center of capitalism’s crisis – instead, by creating a model based on self-interest behavior, they broaden such problems. Crane et al. conclude that “CSV promises much but ultimately takes us not closer, but further, from the solution to a challenge that we are already struggling to address” (Crane et al., 2014, p. 145).

Porter and Kramer answered Crane et al., and defended the potential and novelty of their contribution on the grounds of the “substantial changes in behavior in corporations...
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around the world, both large and small, that have come as a direct result of the article.” Clearly, they argue, “something about this article has moved companies to embrace the idea and act in ways that previous literature has not” (Porter & Kramer, 2014, p. 149).

Porter and Kramer write that, while they have incorporated extensive work on topics such as stakeholder management and CSR, they have extended it and added a strategic dimension to it, concretizing it in a three-level framework that companies can follow. Moreover, if they do not acknowledge other writers who have made contributions to the development of CSV is because the HBR, which is not the place for a literary review, does not permit footnotes – they do acknowledge them, they say, in their seminars and teachings (Porter & Kramer, 2014).

Concerning those contributions, Porter and Kramer also explain how CSV differs from them. For instance, they argue, Prahalad and Hart have written about the business potential of selling to the bottom of the pyramid, but not every marketable product or service creates shared value. Regarding Jed Emerson’s work, Porter and Kramer claim that CSV is about creating economic value by solving societal problems, not about “blending or balancing different types of value” (Porter & Kramer, 2014, p. 149).

In regards to the third point of Crane et al. criticism, Porter and Kramer explain that they do not “believe that corporations always follow the law and behave ethically,” but that they treat them as prerequisites for shared value creation. About the last point, the authors write that, in fact, that “conception of the corporation’s role in society” is what has led CSV to become so popular among corporations in such a short period of time. They end up their note by arguing that “it is precisely the wishful thinking of writers like Mr. Crane that has led to so many corporate responsibility and sustainability arguments falling on deaf corporate ears,” thus resulting in a further separation between business and society (Porter & Kramer, 2014, p. 150).

In turn, Crane et al. answer that “there is little in their response to assuage any skepticism one might have about the value of their framework.” While Porter and Kramer acknowledge some of the ideas upon CSV is built, they do not mention others that Crane et al. consider to be more relevant and similar, such as “instrumental stakeholder theory” (Crane et al., 2014, p. 151). Moreover, they argue that by treating compliance with law as prerequisites, Porter and Kramer’s ignorance of trade-offs and ethical dilemmas deepens. Furthermore, they write that “wishful thinking” (Crane et al.,
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2014, p. 152) is Porter and Kramer’s belief that the world’s problems can be solved from a self-interest perspective.

Crane et al. (2014, p. 153) conclude by doubting Porter and Kramer’s assumption that CSV has triggered “substantial changes in behavior in corporations,” for they claim that “there is no realistic way to distinguish a CSV initiative from, say, a strategic CSR initiative, except for its label.”

Nevertheless, not all the discussion has been against Porter and Kramer’s work. Rather the contrary, in fact. A study conducted by Crane et al. (2014) on 250 citations of “Creating Shared Value” found only 2% to be negative. Jed Emerson believes that Porter and Kramer’s work “confirms, affirms and extends” a decade of research on the ideas of serving the bottom line and maximizing value as an aggregate of economic, social and environmental performance (Emerson, 2011, para. 2). He also praises their “good work as consultants to CEOs,” spreading these ideas within their firms (Emerson, 2011, para. 1).

Thomas Dyllick agrees with Crane et al. in that CSV cannot and will not solve the world’s problems, despite Porter and Kramer’s promises, but believes that “it should help us to make some improvements in this direction” (Dyllick, 2014, para. 7). In any case, he concludes, the debate about CSV has been going on for long already, and does not seem to have a definite answer (Dyllick, 2014).

3. Google as a case study

Following Porter and Kramer’s framework, this chapter studies Google’s strategies and initiatives that follow CSV premises. First, Google Inc. and its philanthropic arm are introduced. Secondly, shared value practices at Google are examined, with a deep review of 20 Percent Time, Google Green, Project Loon and Android One, which correspond to the “redefining productivity in the value chain” and “reconceiving products and markets” levels of Porter and Kramer’s framework.
3.1. Google Inc.

Google Inc. is an American multinational technology company that designs and offers various Internet-related products and services, primarily web-based search and advertising (Bloomberg, n.d.). The company’s mission is “to organize the world’s information and make it universally accessible and useful” (Google, n.d.-a, title).

Founded in 1999 by Larry Page (current CEO) and Sergey Brin, two PhD students in computer science at Stanford University, Google went public in 2004 after completing an initial public offering (IPO) of 19.605.052 shares at $85 per share. As of August 2014, Google’s shares reached a price of $570, giving the company a market value of $390 billion (Edelman & Eisenmann, 2014).

Based in Mountain View, California, Google has over 70 offices in more than 40 countries worldwide (Google, n.d.-b), and employed 53.600 people at the end of 2014 (Statista, n.d.). The company registered a revenue of $17.3 billion in the first quarter of 2015, a 12% increase year over year (Google, 2015). Google products, besides web-based search, include AdWords, AdSense, Gmail, Google Maps, Google Scholar, Google+, Google Chrome, and Android (Google, n.d.-c).

3.2. DotOrg

Google.org (DotOrg) is the philanthropic arm of Google. Founded in 2005, DotOrg was established as for-profit unit within Google, operating as any other Google division. DotOrg houses Google Foundation, a conventional tax-exempt nonprofit (Belinsky & Cavanagh, 2012).

The reason for this innovative structure was to achieve a greater flexibility and avoid limitations. Sheryl Sandberg, President of Global Online Sales and Operation at Google from 2001 to 2008, and highly involved in the launch of DotOrg and partially responsible for its dual-structure, explained that they “came to the conclusion that just a foundation was much too limited. If we only could do donations to certain nonprofits that had no ties to our direct business, we were never going to have the kind of impact we were going to have” (Belinsky & Cavanagh, 2012, p. 3). On the contrary, the hybrid-structure of DotOrg allowed them to “start companies, build industries, pay consultants, lobby, give money to individuals and make a profit,” said Larry Brilliant, Executive Director of DotOrg from 2006 to 2009 (Hafner, 2006, para. 11).
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In their Founders’ IPO letter, Page and Brin (2004) committed to contribute employee time, and 1% of Google’s equity and profits to the Google Foundation. The equity part was provided by the pledging of 3 million shares from the IPO; profits are assigned every year. In addition, Google endowed DotOrg with a gift of $90 million at the launch (Boss, 2010).

As of 2015, DotOrg claims to donate $100 million in grants, 1$ billion in products and 80,000 hours of voluntary work every year (Google Dot Org, n.d.-a). DotOrg focuses, among others, on renewable energy and climate change, health and crisis response, and support for nonprofits. Particular current initiatives include Google Flu Trends, Earth Engine, and Google Person Finder (Boss, 2010).

3.3. Shared Value at Google

Shared Value is at the core of Google, yet it has never been called so. Larry Page wrote the following in the Founders’ IPO letter of 2004:

Sergey and I founded Google because we believed we could provide an important service to the world-instantly delivering relevant information on virtually any topic. Serving our end users is at the heart of what we do and remains our number one priority.

Our goal is to develop services that significantly improve the lives of as many people as possible. In pursuing this goal, we may do things that we believe have a positive impact on the world, even if the near term financial returns are not obvious. (Page & Brin, 2004, para. 4 & 5)

The two previous paragraphs are referring, actually, to creating shared value. However, the last sentence is especially significant, since it is exactly what Porter and Kramer preached in 2011. They claimed that the field of vision of companies had “been simply too narrow,” criticizing the prevalent business models as too focused on short-term performance, pushed by impatient shareholders, and therefore overlooking the unmet needs of society and unable or not interested in creating real value (Porter & Kramer, 2011, “The Roots of Shared Value,” para. 7). Page and Brin, acknowledging this as
harmful, vow to continue focusing on the long term, even if that means sacrificing returns in the short term (Page & Brin, 2004).

From Google’s business mission of organizing and facilitating access to the world’s information, to its corporate motto of “Don’t be Evil” (Google, 2012), being responsible towards society and the environment is apparently embedded in Google’s way of doing business.

Google defines “Don’t be Evil” as: “providing our users unbiased access to information, focusing on their needs and giving them the best products and services that we can. But it’s also about doing the right thing more generally – following the law, acting honorably and treating each other with respect” (Google, 2012, para. 1). Google’s extensive code of conduct includes guidelines on integrity, privacy, equal employment opportunities, investments, reporting, and auditing, among several others (Google, 2012).

Google’s intention of creating economic value by creating value for society can be observed in how their products are showcased. Google’s main source of revenue is online advertising, through the AdWords and AdSense programs. The first, according to Google, allows corporations to “attract more customers and only pay for results,” the second, to “create online revenue today” (Google, n.d.-c). The rest of the products act mainly as drivers (McFarlane, 2012). Gmail and Google Apps, for instance, do so while allowing the corporations that use them to achieve savings of 65-85% in carbon and energy usage. Google Earth, through its different applications, does the same while fighting deforestation and mountaintop removals. Google Finance, acts also as a driver while promoting transparency and publishing information on how corporations address climate change (Google, n.d.-d).

Likewise, DotOrg tackles philanthropy from a strategic standpoint, benefiting from its dual structure. DotOrg was born with the purpose of applying Google’s strengths in technology and information to solve the world’s problems, such as climate change or poverty. Just as Porter and Kramer do, Page and Brin, according to a Google employee, “believe in the for-profit sector. [...] They believe it is more effective, can scale better, and, thus, is best suited to solve the world’s problems” (Belinsky & Cavanagh, 2012, p. 3).
Moving beyond traditional grant-giving philanthropy, Google’s is based on the application of the company’s resources to solve social issues close to the company’s business – something that Jacqueline Fuller, current director of Google.org, has defined as “grants plus Google” (Chhabra, 2015, para. 15). For instance, Earth Engine exploits Google’s computing power to analyze vast amounts of existing satellite images in order to monitor changes in the Earth’s surface, and help fight global problems such as deforestation or desertification, largely reducing the costs of tracking by land (Gardner, 2010).

DotOrg projects rely strongly on measurement and in the establishment and tracking of specific goals. Greg Miller, managing director of DotOrg from 2006 to 2009, defined the philanthropy’s investments as “data-driven, outcome-based” (Boss, 2010, p. 68). According to Fuller, a Return On Investment (ROI) is established and monitored for every project and investment (Bloomberg, 2015).

Although to different degrees of success, Google and DotOrg’s products and initiatives lie on the intersection between business and society, creating both societal and economic value. Following Porter and Kramer’s three-level framework, four of the most representative ways Google is creating shared value will be analyzed in the following sections: 20 Percent Time, and Google Green (redefining productivity in the value chain), and Project Loon and Android One (reconceiving products and markets).

None of them, however, belong to the “Enabling Local Cluster Development” level. While DotOrg has programs and initiatives that belong to this category, and they follow a strategic approach, they cannot be considered shared-value strategies, since their economic value to the firm is neither tangible nor relevant, nor a goal in itself. For instance, the “Made with code” program tackles a social issue closely related to Google’s business: the gender inequality in the technology industry. According to Google, only 18% of computer science graduates in the US are women. “Made with code” aims at fixing this gap by promoting coding among young girls. While this initiative will arguably increase the number of trained individuals and potential employees for Google, that does not appear to be Google’s goal – but only to fix the social issue (Google Dot Org, n.d.-b).

Similarly, the Bay Area Giving program aims at improving the living conditions of the disadvantaged population of the Bay Area. The social impact of the program will ultimately affect Google in a positive way, since it is there where its headquarters are
located. But, as in the case of “Made with code,” that is not what Google ultimately pursues with this initiative (Google Dot Org, n.d.-c). Thus, and following Porter and Kramer’s terminology, these initiatives can be considered context-related philanthropy, but fall short of being CSV: they are aligned with Google’s business or focused on Google’s location, but the company does not ultimately seek quantifiable, explicit economic returns through them.

3.3.1. 20 Percent Time: Redefining productivity in the value chain

For the sixth year in a row, Fortune magazine has proclaimed Google the best company to work for in 2015. Among the reasons, the possibility of taking a paid leave for volunteering, or an extra compensation for new parents, stand out (Fortune, 2015). However, one of the most well-known and discussed perks of working at Google is possibly 20 Percent Time.

20 Percent Time is Google’s policy of allowing its engineers to dedicate 20% of their time to personal projects, which may entail developing a new product or improving an existing one (Alex K., 2006). That is, one day per week, four days per month or around two months per year. It is more of an idea than a formal process, and it is up to the employee whether to use it or not. There are no guidelines, nor a written policy, and it usually works like an outlet for the brightest or most driven engineers (Tate, 2013).

However, it is enough institutionalized for Google and its engineers to maximize its potential. For instance, peer-to-peer communication is deeply rooted into Google’s working life, both at a general and at a specialized level (e.g.: project level, group level, company level, etc.). Through this Intranet, Google engineers can show their 20 Percent Time projects to their colleagues, get feedback and find support and collaborators. Ultimately, only the most powerful ideas succeed (Tate, 2012).

Along these lines, Google seems to have change their policy concerning 20 Percent Time in the last years. In 2012 it was reported that any 20 Percent Time project required now approval from management, and that only those projects closely related to Google’s core business, and which showed great potential, got the green light (Lynley, 2012). Similarly, Marissa Mayer, former Vice President of Google Product
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Search, has recently said that it is not 20% percent, but 120%, indicating that those projects would be pursued in the employee’s free time (D’Onfro, 2015).

In any case, 20 Percent Time goes well beyond the principle that a happy employee will make a productive one: former Google CEO Eric Schmidt once said that “virtually everything new seems to come from the 20 percent of their time engineers here are expected to spend on side projects” (Battelle, 2005, para. 7). AdSense for content or Gmail were initiated in some employee’s free time, for instance (Tate, 2012).

In fact, the origin of 20 Percent Time at Google is found in the development of Gmail and AdSense. In August 2001, the 23rd employee at Google, Paul Buchheit, was “given a kind of vague direction to work on some kind of e-mail or related project” (Tate, 2012, “Scratching Your Own Itch”), according to his own words. In just a few hours, he developed the first version of what would later be Gmail, a personal project in which he worked for over two years at Google. Through these two years, Buchheit followed a heavy policy of iteration. He presented his product to his colleagues, who became the first Gmail users, and asked them for their opinion and feedback, in accordance to which he continuously refined and improved Gmail. Through the process, colleagues of Buchheit joined the project, and he also earned the green light from the board, which proved critical since at the beginning Gmail faced strong criticism, for at that moment Google’s business was only web-search (Tate, 2012).

However, when Gmail was ready for launch, the problem of its financing arose: it was expensive to operate, as it offered 1 giga-byte of storage, about 500 times as many as competitors did. Buchheit proposed a contextual system of advertising similar to the one Google ran alongside its search results, based on the content of the e-mail you got. Marissa Mayer, Gmail’s product manager, discarded the idea as she considered that it attempted against individual privacy, and instead proposed to make it a premium service, charging users for the extra storage (Tate, 2012).

Working overnight, Buchheit developed the first version of what is now called AdSense. Despite her initial opposition to the idea, after seeing it in action, Mayer liked the advertising system. So did Page and Brin, and AdSense soon became a top priority in Google. Six months after, Gmail and AdSense were launched to the public (Tate, 2012). In 2012, Gmail became the largest email service in the world, surpassing Microsoft’s Hotmail, its first competitor, after reaching 425 million users (Pichai, 2012). On the other hand, AdSense is currently Google’s second source of revenue after
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AdWords. In 2014, it accounted for 21% of Google’s total revenue, bringing the company $13.9 billion in income (Tate, 2012; Google, 2014).

A more recent example of a 20 Percent Time product is Google Now, launched in 2012. Google Now is an application that uses search history, location history and e-mail history to anticipate and provide information that users may need. Started by a few engineers on their 20 Percent Time, Google Now was named “Innovation of the year” by Popular Science in 2012 (Reed, 2012).

Other products started in 20 Percent Time include Google News, Google Reader, Orkut, or Google Trends (Tate, 2012). However, not only new products result from 20 Percent Time. Google Suggest, the auto-complete feature that predicts what you want to search as you type your query, started as Kevin Gibbs’ side project in 2004. It was launched that same year, and in 2008 it became default in google.com. Now it can be found extensively on the web, as sites such Facebook or Amazon have implemented it, and is considered “one of the more influential online user interface changes of the past decade” (Gannes, 2013, para. 8).

The Google shuttle system that transports everyday around 4.500 employees from San Francisco to the company’s headquarters in Mountain View was also devised as a 20 Percent Time project. The shuttle system is not only an employee perk (the service is free of charge), but a shared-value initiative by itself: the buses are equipped with Wi-Fi connection and tables for laptops, so employees can work during the two hours that they spend travelling daily to and from work. It has also saved Google substantial amounts of money (estimated at $400 million), as otherwise large parking facilities would have had to be built (Dumaine, 2012).

Another way in which Google’s engineers invest their 20 Percent Time is in one or some of the several “Grouplets” that exist within the company. A grouplet is a group of engineers who share an idea and the commitment to make it work – normally one that implies a broad change across the organization. Examples include the Agile grouplet (to promote and spread a particular product development approach), the Fixit grouplet (to coordinate special Fixit days in which its members are organized to work on solving particular problems), and the Testing grouplet (to encourage engineers to develop automated tests as they write their code) (Bick, 2007).
By fostering personal experimentation, innovation and intrapreneurship among its engineers, Google has, among others, developed its second most profitable business line and several other products and features that have become an essential part of the company’s business, such as Gmail or Google Suggest.

However, 20% Percent Time is not foregoing working hours in hope that, in this way, productivity will rise: only those projects close to Google’s core business, and with great potential are encouraged or approved, and they are only launched if a profitable business model is viable. In addition, Google’s salaries are strongly based on productivity bonuses that employees risk by pursuing 20 Percent Time projects (Tate, 2013), which, in reality, may not be 20%, but 120% time.

In conclusion, Google lays the rules, means and tools (technology, infrastructure, work colleagues, etc.) for their engineers to pursue personal projects that will render an economic benefit to the company. In this way, by creating value for its employees, Google has also created economic value.

3.3.2. Google Green: Redefining productivity in the value chain

Energy use is another area in which, by following a shared-value approach, Google is simultaneously creating societal and economic value.

Since its birth, Google has shown a purposeful commitment to respect the environment and combat climate change, and both were targeted by DotOrg as priority issues to tackle. Consequently, the RE<C project was launched in 2007, as one of the initial five projects by DotOrg (Belinsky & Cavanagh, 2012).

RE<C stands for “Renewable Energy cheaper than Coal,” and aimed at driving down the cost of producing renewable energy. For that, and hence the name, DotOrg established the goal of developing a gigawatt (enough to power a city like San Francisco) of clean electricity that was cheaper than that generated by coal-fired plants (Belinsky & Cavanagh, 2012). The shared-value character of the project offered no doubt: “if we are successful, we will not only help the world, but also make substantial profits,” asserted Google’s founders in 2007 (Page & Brin, 2007, “The World,” para. 1).
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However, RE<C’s goal resulted too bold, and the project was eventually discontinued in 2011. It did, though, yield positive advancements in Google’s quest to reduce the cost of producing clean energy and, nevertheless, Google continues with its commitment to protect the environment and fight climate change through several initiatives under the umbrella of Google Green (Google Dot Org, n.d.-d), which have resulted in Greenpeace praising the company for its “leadership in building a renewably powered Internet” (Cook, Dowdall, Pomerantz, & Wang, 2014, p. 6), investments in clean energy (over $1 billion), advocacy and innovation (Cook et al., 2014).

These initiatives are also approached with an eye on business performance. Last May, Google made its biggest investment in clean energy to date: $300 million to support over 25,000 SolarCity Corp. rooftop power plants (Martin, 2015). The deal is structured as a tax-equity transaction, so Google will reduce its tax burden through the operation. “It’s good for the environment, good for families and also makes good business sense,” said of the investment Sidd Mundra, renewable energy principle at Google (Martin, 2015, “Tax-Equity Deals,” para. 5).

One of the primary objectives of Google Green is to power the company with 100% renewable energy. Towards that goal, Google has invested over $2 billion in clean energy wind and solar projects. Besides purchasing renewable energy from partners, Google also develops and tests new technologies in their facilities. The criteria the company follows for their selection is twofold: they must have potential to transform the industry and they must make business sense. That is, Google expects its renewable energy technology to deliver a ROI in a timely manner. As of 2015, renewable sources account for 35% of Google’s total power consumption (Google, n.d.-e).

Furthermore, Google’s strategy to become an energy-efficient corporation has a strong focus on the performance of its data centers, which power Google’s products and services and are Google’s first source of greenhouse gas emissions and energy use (Dumaine, 2012).

However, through different techniques and initiatives, Google claims that its data centers use 50% less energy than traditional ones, saving the company millions of dollars every year, and reducing carbon dioxide emissions by tens of thousands of tons (Google, 2011). According to an independent study, only 1% of the electricity used by data centers worldwide belongs to Google’s, despite Google being a “high profile user of computer servers” (Koomey, 2011, p. iii). The report attributes this fact to the “higher
infrastructure efficiency of Google’s facilities”, compared to standard ones (Koomey, 2011, p. 6).

For instance, a particular measure undertaken by Google was the retrofit of a small data center by investing $25,000 to optimize the room’s airflow and reduce air-conditioned use. The investment brought Google savings of $67,000 per year, and reduced the facility’s energy usage by two-thirds of its original value (Google, 2011).

Google also puts an emphasis on its on campus operations. Concerning water usage, for example, Google has launched initiatives such as collecting rainwater for bathroom use (it accounts for the 25% of the total water consumption at the Dublin office), or using non-drinkable water for cooling systems. Regarding commuting, Google’s shuttle system and similar transportation systems result in savings of 29,000 metric tons of CO2 per year, while bringing the company the benefits in productivity and savings in parking costs already mentioned (Google, n.d.-f).

In summary, Google’s commitment to preserve the environment and fight climate change has led the company to drastic savings in energy use and greenhouse emissions, and therefore to business performance enhancements.

3.3.3. Project Loon and Android One: Reconceiving products and markets

Porter and Kramer (2011) stated the great opportunities that underserved markets from disadvantaged and developing countries, once considered unprofitable, constitute for corporations. Google has recognized this opportunity as well, in the markets of both Internet and mobile communications.

In 2013 it was estimated that around two billions of people had access to the Internet, leaving five million people without it. In other words, Google’s business reached less than 30% of the world’s population. In order to tackle this issue, Google started Project Loon, an initiative to bring Internet to rural and remote areas of the globe by building a network of balloons in the stratosphere that provide Internet connectivity (Page, 2013).

By identifying a social issue close to its core business, Google has developed a solution that can create both positive social impacts in disadvantaged populations and
substantial profit for Google. Paul Katsen has called Project Loon “a textbook example of shared value” (Katsen, 2013, para. 2).

Mike Cassidy, its project leader, has estimated Loon to be a potential $10 billion business: “with 4.5 billion people without Internet access, take 5 percent; you’re talking 250 million people. [...] If those people pay just a small portion of their monthly income, say $5 a piece, you’re going to be in a billion dollars a month in revenue, tens of billions a year in revenue” (Popper, 2015, para. 34). On top of that, bringing Internet to the several millions of people without access at the moment will mean larger markets for Google’s main sources of revenue, AdWords and AdSense, meaning scalable profits for Google.

Moreover, Project Loon has also started to attract the attention of the developed world. As Porter and Kramer (2011, “Reconceiving Products and Markets,” para. 8) put it, special requirements from undeveloped markets “can trigger fundamental innovations that also have application in traditional markets.” That may be the case of Project Loon. On the one hand, Google’s balloons cost only tens of thousands of dollars apiece, while a satellite with similar range costs millions. On the other hand, since they are located in the stratosphere, they are not affected by extreme weather events such as typhoons or hurricanes. In particular, Cassidy has announced talks with Japanese officials, as Japan is a country regularly affected by such adversities (Popper, 2015).

At Google’s annual I/O developer conference in May 2015, Cassidy announced key advancements in Project Loon development that could make its commercial launch come as early as 2016, with underserved markets in Africa, South America and South East Asia being the likeliest places to start (Stone, 2015a). Earlier in March, Sundar Pichai, Google’s senior vice president of products, had declared that Google was “well on our way to a platform that, by the end of the decade, will touch 4 to 5 billion people” (Stone, 2015b, para. 3).

Android One, Google’s approach to bring affordable smartphones to the developing world, follows the same idea, and has the same goal: to reach the next 5 billion people (Pichai, 2014). Like Project Loon, Android One not only answers to a particular social issue, but also creates a vast business opportunity for Google in the smartphone market. According to a study, in 2018, 70% of the total smartphone sales are expected to come from emerging markets (Sridhar, 2014).
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The first smartphones operating Android One were launched in 2014 to the Indian market, Google’s main target in the developing world, for a price equivalent to $105. Despite being the second-biggest telecom market in the world, India accounts for only the fourth-biggest smartphone market: of the 900 million of cellphone users, only 10% has a smartphone (Krishna, 2014).

Just as Project Loon, Android One benefits for Google go beyond the sale of the devices itself: more Android devices mean more customers for Google products and web-search, ultimately meaning increased revenues through a larger advertising network. That is one of the main reasons for Google’s keen interest in smartphones: they entice Internet use. In fact, Pichai expects India to become the second-largest Internet market by 2017, something that will happen through mobile devices (Einhorn, 2014).

Android One also means larger revenue through Play Store, Google’s app store. According to a study from RadioFreeMobile, Play Store surpassed Apple’s AppStore, its main competitor, in terms of app downloads in 2014, but not in revenue. Google is expected to achieve so, however, in 2018, with Android One playing an important role in that accomplishment, as Google’s Play Store business model relies on volume (Shaik, 2014).

However, Android One’s real importance lays deeper. Last May, Google announced that, for the first time, “more Google searches take place on mobile devices than on computers in 10 countries including the US and Japan” (Dischler, 2015, para. 1). With web-search clearly drifting towards mobile devices, Google must react to this trend in order to retain its superiority in the market, and Android One serves that purpose. By dominating the smartphone market in developing countries, Google will ensure that “the next five billion” use Google’s web-search and related products.

At the moment, Android One is present in seven countries (India, Bangladesh, Indonesia, Myanmar, Nepal, Philippines, and Turkey), and while so far the product has not been as successful as expected, Google expects to keep expanding its market in the present year (Aulakh, 2015).

In conclusion, Project Loon and Android One are two axiomatic examples of how a corporation can increase its profit and differentiate itself by meeting the needs of underserved markets: Internet access and access to smartphones, respectively. In fact,
the ability of reaching “the next 5 billion” may be critical for the future of Google, as web-search, and Internet use in general, is drifting towards mobile devices, and Google is tackling the challenge via “textbook” shared-value strategies.

Further examples include Google’s driverless cars and smart contact lenses (Brin, 2014). With the former, Google aims to reduce energy use, car accidents and make transport more affordable to people who cannot drive. Specifically, Google has claimed that their self-driving cars can reduce traffic accidents, wasted commute time and energy, and the number of cars by 90%. According to Chunka Mui, if these claims were achieved, they would, in the U.S. alone, save around 30,000 lives and reduce $400 million in accident-related costs (Mui, 2015). The financial opportunity would also be enormous: over $200 billion, according to Piper Jaffray's analyst Gene Munster (Whitney, 2013).

On the other hand, Google is developing, in partnership with Novartis, smart contact lenses that would monitor their user’s blood sugar levels and transmit the data to a mobile device, thus helping diabetics – around 382 million people (Morse, 2014) – better manage their health. Novartis would also be working with Google in the development of lenses that correct vision. Joe Jimenez, Novartis Chief Executive, has estimated the market for wearable health devices to be worth between $10 and $50 billion within the next ten years, and expects their smart contact lenses to be launched within five years (Ward, 2014).

Google’s main shared value initiatives are summarized in Table 6.

**TABLE 6: Shared Value at Google at a glance**

<table>
<thead>
<tr>
<th>Shared Level</th>
<th>Initiative / Product</th>
<th>Social Value</th>
<th>Economic Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Redefining productivity in the value chain</td>
<td>20% Time • Employees can use working time, and Google’s facilities and technology to pursue personal</td>
<td>• Development of AdSense for content, Google’s second most profitable business line • Development of Google’s main products such as Gmail, and key features</td>
<td></td>
</tr>
</tbody>
</table>
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| Redefining productivity in the value chain | Green Data Centers | • 50% less energy use than conventional data centers | • CO2 emissions reduced by tens of thousands of tons per year | • Several millions of dollars saved per year in energy costs |
| Redefining productivity in the value chain | Google Shuttle System | • Free commuting system to work | • 29,000 tons of CO2 saved every year | • Increased productivity | • Saved $400 million in parking facilities construction |
| Reconceiving products and markets | Project Loon | • Internet Access for underserved populations | | • Estimated revenue of $10 billion per year | • Innovation and products potentially applicable to developed countries | • Increase market for Google’s main businesses |
| Reconceiving products and markets | Android One | • Smartphones at affordable prices for underserved populations | | • Penetrate the smartphone’s market with greatest sales potential | • Increase market for Google’s main business | • Secure Google’s web-search market dominance |
| Reconceiving products and markets | Driverless Cars | • Reduce traffic accidents | • Reduce energy use | | | • Business opportunity estimated at over $200 billion |
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- Affordable transport for people who cannot drive

<table>
<thead>
<tr>
<th>Reconceiving products and markets</th>
<th>Smart Contact Lenses</th>
<th>Help diabetics manage their disease</th>
<th>Market expected to be worth between $10 and $50 billion within the next ten years</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Correct people’s vision</td>
<td></td>
</tr>
</tbody>
</table>

Source: Author’s own elaboration.
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Conclusions

The concept of creating Shared Value is scarcely original or new in content. Webb, Elkington, Crane et al., to name a few, are correct when they point that Corporate Social Responsibility theory and practice had, long ago, started moving towards the core strategy of corporations. As shown in the first chapter, Davis had already argued in the 1960s that companies could create economic value by solving societal issues. Moreover, there are several concepts, theories or frameworks with which CSV presents a striking resemblance; more than any other, Jed Emerson’s “Blended Value.”

Having said that, Porter and Kramer’s focus lies on practicality, not on originality. The strength of CSV does not really lie on its literary value, but on its marketability: on its appeal to business leaders. Porter and Kramer have expanded the potential of concepts such as the bottom of the pyramid or conscious capitalism, and developed a three-level framework that corporations can follow. And almost more important, they present it in the plain business language corporations understand best: do good because it will bring you money.

Consequently, Porter and Kramer have met an enthusiastic response from business leaders, one perhaps without precedents in regards to being socially responsible or, at least, endorsing the idea of CSV. Nestlé has become the champion of CSV, and several other large multinational corporations, such as Coca-Cola or Verizon, have also embraced the idea. The strength of CSV lies in the broad movement behind leaded by FSG and the Shared Value Initiative, which continuously expand the research on CSV, organize summits, roundtables, and seminars, and keep gaining more and more organizations to the cause, proving, maybe not the originality of the idea, but undoubtedly its utility.

In any case, this paper ultimately sides with Thomas Dyllick’s conclusion. CSV will probably not make a revolution, nor it will end the world’s evils, but, even with its flaws (especially, the explicit ignorance of trade-offs between social and financial interests), it
is an important step in the right direction; and more importantly, an easy one for corporations to take.

On the other hand, the case study suggests that Google not only has embraced CSV, but also that it is embedded in its corporate culture. Google’s practices that can be labeled as shared value initiatives date back to Google’s very establishment, and today they seem critical to the company’s future.

Yet again, this fact proves that CSV is not a new practice – Google was using such practices long before Porter and Kramer developed the concept. It also seems to prove its unoriginality: a case could be made for calling Project Loon, and Android One, bottom of the pyramid’s strategies; another for calling Google Green a triple-bottom line initiative; and another for considering 20 Percent Time as classic strategic CSR. And, ultimately, they would be legit. As a matter of fact, and as Christiansen has correctly remarked, by reading Porter and Kramer’s 2006 and 2011 articles, one cannot really distinguish between strategic CSR and CSV.

At the same time, however, the case study also proves the vast potential that Porter and Kramer’s ideas have in practice. Whether you call it CSV, strategic CSR or bottom of the pyramid, the fact is that Google has built success upon creating simultaneously economic and societal value.
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