

THE CONCEPT OF CREATING SHARED VALUE AND SUSTAINABLE DEVELOPMENT:
THE IMPACT AND PERSPECTIVE
AFTER THE COVID-19 CRISIS

Aleksandra TOŠOVIĆ-STEVAŃOVIĆ¹, PhD

Research Fellow

Institute of International Politics and Economics,
Belgrade, Serbia

The concept of creating shared value describes the first step towards a new form of economy that includes all factors in a community and indicates the synergy of a company, its employees and clients, and the society. The goal is that a corporate policy and business practices besides improving the company's competitive advantage and its profitability also improve the social and economic living conditions in the community in which the company operates. Therefore, sustainable development is presented as one of the key factors for economic growth and economic development. Sustainable development seeks to propagate industrial production and consumption globally, and, at the same time, halt the process of environmental degradation.

In the 21st century, awareness of the role and importance of investing in sustainable development is widely present in a large number of countries; however, during the pandemic crisis many international institutions (UNCTAD, WEF, WB) within their analyses and recommendations highlighted sustainable development as one of the basic priorities for faster recovery after the crisis and a long-term plan to improve the environment.

Keywords: *creating shared value, sustainable development, economic growth, pandemic crisis.*

JEL Classification: A13, F44, F63, Q01.

Introduction

After the global economic crisis, since 2008, numerous economists have outlined that Porter's theory of creating *shared value* has led to the reassessment of the role and expectations of capitalism. According to Porter and Kramer (2011), the concept of creating shared value describes the first step towards a new form of economy that includes all factors in a community and indicates the synergy of a company, its employees and clients, and the society. The concept of shared value does not represent corporate social responsibility, philanthropy or sustainability, but a new way for companies to achieve economic success. The goal is that a corporate policy and business practices besides improving the company's competitive advantage and its profitability also improve the social and economic living conditions in the community in which the company operates.

In recent years, there have been a lot of papers (Werbel & Wortman, 2000; Porter & Kramer, 2011) which explain that by voluntarily engagement of companies to improve their community, companies can in return contribute to improving their competitiveness. Porter and Kramer explain that the economy and society are closely intertwined and tightly linked entities. If problems are caused to a society, companies make a reciprocal impact on increasing their own costs (e.g. the more polluted the environment is, the bigger the costs of raw materials are; the bigger racial discrimination in a society, the lower number of able-bodied inhabitants and the higher labour costs; by offering bribes and not eradicating corruption, unfair competition is created in the market which endangers business activities of companies, etc.). On the other hand, by taking into account the impact of business activities on a

¹ © Aleksandra TOŠOVIĆ-STEVAŃOVIĆ, aleksandra@diplomacy.bg.ac.rs

society and voluntary engagement in solving existing problems in a company, in return companies provide positive effects for their business activities (Predić et al., 2013).

According to Porter and Kramer, there are three dimensions of creating shared value which are inseparable in modern business world and their synergy is necessary for a long-term sustainable business model:

1. reviewing products and markets,
2. reviewing the value chain,
3. enabling the development of local clusters.

Some authors believe that the idea of creating shared values is the same as the idea of corporate social responsibility since it relates to creating economic value for companies. For a number of companies operating in different sectors, at this time, corporate social responsibility has become a competitive necessity. The global idea of a responsible business operation and sustainable development in a short period of time has grown into a kind of global movement (Savić-Šikoparija & Čabrilo, 2014). However, while the basis of corporate social responsibility according to Petković et al., (2014) is reputation, external stakeholders, costs, specially formed departments for corporate social responsibility and risk reduction, the concept of creating shared value is encouraged by a corporate strategy with the aim of achieving a competitive advantage through new business opportunities and long-term sustainable change initiated at all levels of a company (see Table 1).

Table 1. Difference between CSR and CSV.

	Corporate social responsibility (CSR)	Creating shared values (CSV)
Motivation	Corporate reputation	Competitive advantage
Initiators	External stakeholders	Corporate strategy
Measures	Costs, standard measures	Social and economic value
Management	Corporate social responsibility department	Corporate level
Social benefits	Successful projects	Long-term sustainable change
Benefits for a company	Reducing risk and goodwill growth	New business opportunities

Source: Petković et al., 2015.

Porter defines competitiveness as the ability of a national economy to use its natural resources, physical, and human capital. Improving competitiveness and more successful positioning of a company in the market is conditioned by responsible behaviour towards a society, i.e. long-term and strategically responsible business operations in order to achieve long-term, not short-term benefits.

Over the last few years, the World Economic Forum has been paying more attention to the consequences which are brought about by climate change and inequality and, thus, affecting the global economic growth, the economic system, finance, and trade.¹ This was unthinkable before, because many economists considered environmental problems more or less as backward. All of a sudden, it turned out that the last two decades of 20th century, as well as the first two decades of 21st century, brought to the world much more worries about long-term problems of natural balances than implied by

¹ The special edition in 2020 focuses on the need to combine productivity with a better living standard and preserving the environment.

the global economic growth, i.e. the change of conjuncture or recession. The burning issue is the alarming problem of inequality, social pathology, poverty and social stratification, accompanied with a low economic growth, high unemployment, environmental and resource issues (water, primary food, and energy) or increasing social contradictions. There is a justified belief that poverty is not only an economic and cultural, but also an ecological phenomenon. Namely, poor societies, families and nations are exposed to far higher risks from lack of clean water, available electricity, or diseases due to climate change (Mihailović et al., 2019).

The connection between the economic system and the natural environment is reflected, on the one hand, in the use and depletion of natural resources for production and consumption, and on the other hand, in the creation of residues, as a consequence of production and consumption, emitted and disposed into the natural environment (Riznić et al., 2017). In relation to the level of economic activity, the natural environment becomes limited, and thus economically relevant (Trivić, 2007).

Therefore, sustainable development is presented as one of the key factors for economic growth and economic development. Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Harris, 2009). Sustainable development seeks to propagate industrial production and consumption globally, and, at the same time, halt the process of environmental degradation. Further efforts are being made to strengthen the social cohesion, which is constantly undermined by industrialization, the erosion of traditional social ties, and not preserving the environment.

In the context of its 'Great Re-set', the World Economic Forum (2020) expresses some hopes and agreements on uncertainties across the economy about what the post COVID-19 world could look like, for example (Millard, 2020):

- Governments will be much more involved in industry. This will especially be the case in critical infrastructure sectors such as utilities, travel and healthcare, and will mean increased regulation.
- The relocation of global supply chains is expected by many, and will counter the previously unstoppable march of globalization. States and large companies will seek to gain more technological sovereignty, reducing dependence on others and improving the resilience of their operations to global shocks.
- Digital technologies are expected see a major acceleration in adoption, especially those which enable business activity with less human contact, including e-commerce, virtual networking and robotization.

Sustainable development as one of the key factors for economic growth and economic development

From the very beginning, critics have viewed sustainable development as something contradictory. Nevertheless, the contradiction makes this concept appealing. All large global corporations felt the need to get involved, so that everyone could benefit. If sustainable development has a potential to progress beyond mere rhetoric, then efforts have to be concentrated on the environmentally sustainable conversion of industrial production and consumption. Only in this way can this concept be extended to all humanity while preserving the environment.

Much of what should be done was stated three decades ago. There is now a whole range of technologies for harnessing energy from renewable sources. However, scientific and technological investment need to be drastically accelerated if a real progress is to be made concerning closed production systems and the "dematerialisation" of the economy. The tasks to be solved are difficult and cannot simply be put aside. It is clear, and even written in the statements of the Rio Declaration, that developed countries need to take a leading role in changing the methods of industrial production. They are the ones which (mostly) live beyond their possibilities in terms of environmental protection. They also have the means to implement this conversion actively. They should provide a model for new

industrialization, and often necessary hardware. However, industrialized countries and their large corporations are carrying out the "technological revolution" of another kind whose environmental sustainability (except for communication technologies) is, to put it mildly, questionable. Generally speaking, despite the commitment of leading elites to sustainable development, we treat the environment in a way that it does not guarantee the survival of humanity after 21st century. This claim is supported by a fact that most environmental indicators have deteriorated over the last 15 years.

The market share of renewable energy sources has accounted for an increasing share of the market over the last 20 years. Greater investment in energy efficiency, economy, buildings and transport, present a huge potential in an international business. For example, it is estimated that by 2030, 70% of the world population will be live in cities, use 80% of the total energy, and generate 70% of global greenhouse gas emissions. Business opportunities for positive development in this area are more than obvious. Companies that support sustainable development in their business activities are building better, smarter cities, where each individual will have an access to technology, health care, education, and communication. We need to find a way to build *Zero Emission City* with maximum energy efficient infrastructure, which represents a potential for an international business operation, because one company is certainly not able to meet the challenges of sustainable development.

It is common for economists to be insufficiently acquainted with environmental science and environmental protection, whereas environmental resources managers know very little about economics. Nowadays, however, economic and environmental systems are so intertwined that an increasing number of economists, scientists, and environmental resources managers have realised that they need to work hand in hand and in an interdisciplinary manner.

Natural resources are largely interdependent. Sustainable use of any resource will have a positive impact on the preservation of others, and irresponsible pollution or destruction of any of these will in return cause degradation of other resources as well. The modern world is largely faced with the need for global, shared responsibility for development in accordance with the needs of people and nature, and based on the available opportunities to preserve the planet Earth and hand it over to future generations in an acceptable state. The right of the current generation to use the resources and the healthy environment must not jeopardize the same right of future generations. Achieving long-term goals of sustainable environmental development implies the integration and harmonization of goals and measures of all sectoral policies (Hartwick & Olewiler, 1998).

The complex conditions of life on the planet Earth, the environment, can be endangered by both natural and social factors. All measures aimed at conserving renewable resources can be classified into (Harris, 2009):

- legal measures to prevent free access and uncontrolled use of resources,
- quantitative limitations,
- limits on the amount of exploited resources,
- economic measures.

One of the main priorities for achieving sustainable development is the protection and improvement of the environment and the rational use of natural resources. The adoption and implementation of national strategies for the sustainable use of resources and goods will reduce the pressure on natural resources. In order to integrate environmental policy into other sectoral policies, especially in the spatial and urban planning sector, it is necessary to strengthen the capacity to implement strategic environmental assessment, policies, plans and programs according to the law (Blagojević, 2001).

We are witnesses that in the last two decades there has been a great change in the attitude towards the world community to the preservation and protection of the environment, and the Agenda¹ is a part of that change and represents an international instrument for solving economic and environmental problems. The relationship between international trade and environmental protection is very complex, as it can result in both conflicts and mutual support. The connection between the legal system within the World Trade Organization and the system of international agreements and conventions in the field of environmental protection is vital. On the other hand, the basic instrument of regulation in the field of environmental protection is an international agreement and a convention. The environmental policy should provide an incentive for innovation and promotion of economic efficiency and productivity. Therefore, foreign trade rules should not restrict, but promote the ability of countries to develop and implement environmental measures, both at the national and supranational levels. Actually, the green economy implies a positive relationship between free trade, economic growth, and environmental policy. The strategy of free trade, i.e. global partnership as one of the goals of the Agenda, can lead to a situation in which all participants will benefit, because free trade promotes economic growth and leads to prosperity in all countries (exporters and importers). Free trade enables consumers to choose “ecological” products and establish the best climate for multilateral cooperation with the aim of solving environmental problems (Muradian & Martinez-Alieri, 2001). Economic growth enables the state to collect taxes in order to achieve various goals, such as reducing pollution and protecting the environment, reducing poverty, improving education, which are the goals of the Agenda.

The importance of investing in sustainable development after the pandemic crisis

In the 21st century, awareness of the role and importance of investing in sustainable development is widely present in a large number of countries; however, during the pandemic crisis many international institutions (UNCTAD, WEF, WB...) within their analyses and recommendations in 2020, highlighted sustainable development as one of the basic priorities for faster recovery after the crisis and a long-term plan to improve the environment. Some authors point out that the delay in implementing the principle of sustainable development (establishing a balance between economic, environmental, and social goals) has led to the crisis and there will be even more far-reaching consequences if awareness is not changed immediately and something is done.

In order to be able to identify and improve new solutions, we first need to understand the impact of the pandemic on people, institutions, businesses and environment in which we live (UNDP, 2020). The UN global response to the COVID-19 crisis, which is designed to support governments to look beyond the current recovery keeping in mind the long-term development goals and the 2030 Agenda, can be identified into five broad areas of recovery: health, social protection, jobs, economy (including the green economy), and overall resilience. In these aspects, the crisis has shown that there are solutions that can both help to fight the pandemic as well as to lead to sustainable development. E-commerce stood out as the immediate response of economic entities to lockdown measures; smart work (including teleworking) has accelerated connectivity with the international community much more than before the crisis; the application of technology has increased the flow of information and helped to manage communication with multiple stakeholders; and a temporary drop in air pollution (caused by

1 The UN Sustainable Development Agenda in 2015 contains 17 *specific goals*: end poverty in all forms; end hunger; ensure health and well-being for all; provide the access to quality education for all; ensure gender equality; provide clean water for all (as well as sanitation); sustainable energy; dignified work and economic development; provide conditions for innovation, industrialization and infrastructure; reduce inequalities, develop sustainable cities and settlements, sustainable production and consumption; intensify activities against climate change; achieve sustainable use of the sea and oceans; create sustainable ecosystems; ensure peace, the access to legal and just institutions, and achieve the global partnership.

physical distancing measures, reduced travels, and limited public activities) can serve as a starting point for building sustainable cities after this recovery period (UNDP, 2020).

As for Serbia, it is very important to assess how much the population is informed and acquainted with sustainable development goals, and how important these goals are for them as individuals, but also for the society.

In the survey of the citizens of the European Union, at the end of 2016 *Perception and Awareness of Citizens* (EB 455), it was found out that two-fifths of the respondents (41%) said they heard or read something about sustainable development goals, being 5% more than in 2015. Out of that 41%, approximately two thirds (29%) said they heard of SD but did not know exactly what it was, while one third (12%) claimed to know what sustainable development was. In the aforementioned survey, the citizens of Serbia gave the following answers to the question *When it comes to sustainable development, what do you think of first or maybe you don't know what it is*: 57% answered that they did not know what it was, while 43% gave some sort of answer - half of these answers were more or less correct answer (Mihailović et. al., 2019).

Since Serbia does not rely largely on the sectors most affected by the crisis (such as tourism and investment products in the financial market), as well as due to relatively weak integration into the global supply chain networks, the severity of the impact on the Serbian economy has been mitigated by a resilient macroeconomic environment. The companies have shown short-term resilience by relatively rapid operational and financial adjustments.

However, the government measures which supported companies during the crisis ignored environmental criteria, and thus missed an important opportunity to support Serbia's transformation to the greener economy. The opportunities, however, lie in a green recovery in the context of Serbia's EU accession process. The EU will legislate its transition to net zero emissions targets by 2050, separating growth from resource use and leaving no one behind in the process. The UN "Green Agreement", whose goals are in line with the 2030 Agenda, is likely to affect Serbia regardless of the pace of its progress towards full EU membership. Serbia's recovery from the COVID-19, if tailored to support the greener, less resource-intensive and less polluting economy, should help Serbia become more competitive in the global market and more resilient to future shocks and crises. On the other hand, regional goals of decarbonisation and separation of growth from resource use and energy intensity could in the long run improve air quality and reduce greenhouse gas emissions in Serbia (Mihailović et al., 2019).

The autor Millard (2020) indicated five global key issues for the just transition to sustainable development during and in the aftermath of COVID-19:

1. Recognize that sustainability requires a new balance that shifts away from narrow short-term economic between efficiency towards interdependency between economic, social and environmental resilience.
2. Give a greater role for good governance and intelligent government and a pivotal actor in coming through the crisis and building back better.
3. Seize opportunities in the new more de-globalized world for potentially huge increases in more localized autonomy and green jobs.
4. Reform structures to release people's own agency for intelligence, hard work and motivation.
5. Complement human intelligence with digital technology based upon ethics, transparency, security and human values.

Conclusion

As a result of the economic and social disruptions caused by the pandemic, sustainable development has become a major topic, along with digitalization and the green economy. The pandemic has revived the debate surrounding social and economic sustainability. Attention has been also paid into challenges of the debate surrounding corporate social responsibility as a new way for the sustainable development of businesses, but more about the concept of creating shared value which achieving a competitive advantage through new business opportunities and long-term sustainable change initiated at all levels of a company. To solve our long-term sustainability problems COVID-19 has hugely accelerated an already incipient focus on the joined-up resilience of the social, economy and environment, because if one fails all fail.

Funding statement: The paper presents findings of a study developed as a part of the research project “Serbia and challenges in international relations in 2021”, financed by the Ministry of Education, Science, and Technological Development of the Republic of Serbia, and conducted by Institute of International Politics and Economics, Belgrade.

References

1. Blagojević S. (2001). *Ekologija i ekonomski razvoj*, Ekonomski fakultet, Priština, 2001.
2. Harris, J. M. (2009). *Ekonomija životne sredine i prirodnih resursa: savremeni pristup*, Data Status, Beograd.
3. Hartwick, J.M., Olewiler, N.D. (1998). *The Economic of Natural Resources Use*, 2nd ed, Reading, Mass.: Addison Wesley Longman.
4. Mihailović, S., Đukić, P., Mojsilović, M. (2019). *Percepcija i svest građana o ciljevima održivog razvoja - Obaveštenost i evaluacija ciljeva održivog razvoja* –, Demostat, Beograd.
5. Millard, J. (2000). Impacts of COVID-19 on social development and implications for the just transition to sustainable development. UNDESA’s Virtual Expert Group Meeting on the “Socially just transition towards sustainable development: The role of digital technologies on social development and well-being of all”, 4-7 August 2020.
6. Predić, B., Stefanović, S., Ivanović Đukić, M. (2013). *Strateški pristup korporativnoj filantropiji u funkciji konkurentnosti preduzeća*, *Teme*, Ekonomski fakultet Univerzitet u Nišu, str. 363-382.
7. Petković, M., Lazarević, S., Lukić, J. (2015). *Značaj međuorganizacionih odnosa za kreiranje zajedničke vrednosti*, SYNTHESIS 2015 - Contemporary business and management, DOI: 10.15308/Synthesis-2015-369-374.
8. Riznić, D., Urošević, S., Vuković, M., Stević, Z. (2017). *Ekonomski aspekti održivog razvoja i uticaj na životnu sredinu*, Zbornik Međunarodne konferencije o obnovljivim izvorima električne energije – MKOIEE, (S.l.), v. 4, n. 1, p. 139-147, 2017.
9. Savić-Šikoparija, T., Čabrilo, S. (2014). *The role of corporate responsibility communication in creating sustainable competitiveness*, Third international science conference, Contemporary management challenges and the organizational sciences, Strategically focused organization and sustainable enterprise competitiveness, 24-25 October, 2014, Bitola, Makedonija.
10. Trivić, N. (2007). *Ekonomija i ekologija-jedinstvo i/ili suprotnost*, *Anali Ekonomskog fakulteta u Subotici*, Subotica.
11. UNDP (2020). *Human development report 2020*, United Nations Development Programme, USA, 2020.
12. <https://www.weforum.org/agenda/2020/06/ceos-reflections-on-leading-through-covid-19-so-far/>