NANYANG TECHNOLOGICAL UNIVERSITY SINGAPORE

Nanyang Centre for Emerging Markets
Nanyang Business School

Capabilities for Creating Shared Value:

Optimizing Social-Business Balance in Southeast and South Asian Countries

Executive Summary

This paper originated in the Business Sustainability in Emerging Markets (BSEM) project at Nanyang Center for Emerging Markets (CEM). BSEM views sustainability from the social, ecological and financial perspectives of the triple bottom line, and believes that the survival and development of current and future generations will require integration of these elements.

Sustainability in the business world rests on the design and implementation of the models, strategies, structures, and processes that enable sustainable business operations. Our understanding and practice of business sustainability expanded in this new century, far beyond earlier trends for "going green" and corporate social responsibility (CSR).

These earlier trends led to today's creating shared value (CSV) discussion. Professors Michael Porter and Mark Kramer introduced the CSV concept in the Harvard Business Review,[1,2] applauding CSV as a driver of transition in the capitalist system. CSV goes beyond CSR, systematically embedding social value in the business model and operations in pursuit of the joint growth of financial performance and social impact.

Viewed as a path to incorporate social needs in the core aspect of the business, CSV resonates with converging trends across social categories. In 2018, the founder & CEO of Blackrock Larry Fink urged companies to serve a social purpose and make positive contribution to society to receive Blackrock's support.[3] Business Roundtable, an association of CEOs for America's most prominent companies, recently declared that maximizing shareholder profits are no longer the primary goal of corporations.[4] Outside the traditional business community, the social enterprise movement is sweeping the world, as business and social pioneers adopt and adapt business models to solve social problems.

Despite acclaim for CSV and related concepts, some remain critical.[5,6] The thorny issue of how to effectively manage the process of simultaneously creating social and business values remains a puzzle. This report aims to untangle the complexity of managing CSV by shedding light on three fundamental questions: 1) What is CSV capability? 2) Why do managers develop CSV capability? 3) How can managers develop CSV capabilities to achieve their goals?

1 Porter, M. E., & Kramer, M. R. 2011. Creating shared value: How to reinvent capitalism and unleash a wave of innovation and growth. Harvard Business Review, January-February: 63-77.

2 Porter, M. E., & Kramer, M. R. 2006. Strategy and society: The link between competitive advantage and corporate social responsibility. Harvard Business Review, December: 78-92.

3 https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

4 https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans

5 Crane, A., Palazzo, G., Spence, L. J. & Matten, D. 2014. Contesting the Value of Shared Value. California Management Review, 56.

6 Wieland, J. 2017. Creating shared value: Concepts, experience, criticism. Springer: Cham, Suisse.

This report aims to untangle the complexity of managing CSV by shedding light on ***three fundamental questions:***

1
What is CSV capability?

2
Why do managers develop CSV capability?

3
How do managers develop CSV capabilities to achieve their goals?

To answer the "what" question, this report builds on analysis of the best practices and challenges of 42 leading CSV players in ASEAN and South Asia countries. This provides the basis for our working definition of CSV capability. CSV capability describes managers' abilities to develop, implement and adapt organizational activities to achieve shared value optimization.

The "why" for CSV capability is straightforward. Traditionally, for-profit companies seek to maximize business value, while nonprofit organizations (NPOs) seek to maximize social value. Managers develop CSV capability to achieve shared value optimization (SVO). SVO involves continuous growth in the aggregate value of social impact and business performance. SVO also allows necessary tradeoffs between them in order to balance and rebalance social and business values. CSV capability therefore pursues continuous value growth based on sustained social-business balance.

The "how" question is far more difficult. Achieving SVO is a formidable task, which requires managers to develop distinctive capabilities not found in traditional for-profit companies or in NPOs. Managers must subtly balance social and business value. Ideally, these values support one another, while in other cases trade-offs are necessary.

This report presents a 4A framework of CSV capability, which explains approaches to achieving SVO and shows how managers develop and execute CSV capability by accomplishing four interrelated tasks—avoiding destructive tradeoffs, adapting to internal and external changes through constructive tradeoffs, accruing competitive advantages through synergies, and aligning CSV capabilities with SVO.

As CEM's first public deliverable of the BSEM project, this report starts a journey of annual surveys and research publications focused on building CSV capability. It results from a partnership formed by CEM with leading business schools, nonprofit organizations and companies in eight ASEAN and South Asia countries that share an interest in generating rigorous practical knowledge on business sustainability.

Table of Contents

" As CEM's first public deliverable of the BSEM project, this report starts a journey of annual surveys and research publications focused on building CSV capability. "

1 Understanding the CSV Category

This paper originated in the Business Sustainability in Emerging Markets (BSEM) project at Nanyang Center for Emerging Markets (CEM). CEM views sustainability from the social, ecological and financial perspectives of the triple bottom line. The emergent CSV movement focused mainly on business opportunities that would derive competitive advantages by addressing social issues. This view has roots in earlier discussions about the potential contribution of CSR to financial performance,[7 8] the instrumental value of stakeholder management[9] and the business potential of social innovation to serve the disadvantaged.[10 11] The CSV movement's call to simultaneously create social and business value differentiates it from traditional corporate philanthropy and CSR.

CSV's increasing popularity may transform the way people think about and do business. This outcome is inevitable if CSV expands its scope to accommodate varied organizational forms and models. Managers must create both value types while they seek ways to balance these values. Clarifying different types of social-business balances and developing distinct managerial capabilities will help address criticism of the inherent social-business tensions in CSV, such as continuous struggles between companies and stakeholders over limited resources.[12]

This report draws on the experiences of CSV practitioners whose activities fall broadly into one of three organizational categories. The first category includes companies that carry out Strategic CSR (SCSR); next triple-bottom-line (TBL) businesses that embed social value in the business model and pursue the interests of a wider range of stakeholders beyond shareholders; the final category includes social enterprises (SE) that prioritize a social goal and adopt a business model to serve it.

All CSV practitioners who contributed to this report adopted a sustainable business model. This model allows social and environmental values and concerns to shape and drive, rather than supplement, a company's business operation and decision-making.[13] At the same time, the substance of these models is diverse, ranging from utilizing business tools to serve prioritized social goals to pursuing profits that can produce positive social change.

SCSR refers to company use of its business resources and competencies to address social or environmental issues. This might take the form of a company's CSR projects, social venture investments or foundations. Expectations that such effort will serve strategic interest and contribute to improving the market competition motivate such firms. Examples include IBM's Corporate Service Corps program[14] and Goldman Sachs' 10,000 Women program.[15]

A triple bottom line business embeds the TBL model in its strategy and business operations. Its business model treats social, financial and environmental values as equally important drivers for business growth and as criteria for evaluating business success.[16 17] While many businesses might self-claim TBL status, regulatory, administrative or certification agencies govern certain TBL enterprises. These must comply with the TBL goal to serve the interest of a broad range of stakeholders, versus maximizing shareholder value. Examples of formally regulated TBL businesses include the Low-Profit Limited Liability Company (L3C)[18] and Benefit Corporation[19] in the US and the Community Interest Company[20] in the UK.

SE is a business type that trades to meet a social purpose.[21] SE adopts a business model to sustainably serve the prioritized organizational goal of solving social problems. SE includes social purpose companies (SPC) and social businesses (SB).[22] SPC has flexible profit distribution policy, while SB prohibits profit distribution to shareholders. Examples for SPC include d.Light[24] and Barefoot College.[23] Examples for SB include Grameen Danone Food Limited[25] and Technology for Social Impact.[26]

Companies in different CSV categories have different understandings of social-business balance and how to manage it. Understanding differences across CSV categories is a prerequisite for developing category-specific CSV capabilities that fit organizational goals.

Table 1 summarizes key features of the social-business relationship in different categories.

Table 1: Social-Business Balance in Different CSV Categories

	Type of social and business value priority	Social value's position in business operation
Strategic CSR	**Business priority** Treating social value creation as of strategic importance to serve the business goal	**Separate** CSR projects, social venture investments or foundations separate from other parts of the business
Triple-Bottom-Line	**Equal priority** Treating social value creation as an inherent part of business value creation	**Embedded** Highly integrated efforts throughout different parts of the strategy and the business operation
Social Enterprise	**Social priority** Treating business value creation as the means to serve the social goal	**Dominant** The business is devised and operated to serve the social goal

7 Burke, L., & Logsdon, J. M. 1996. How corporate social responsibility pays off, Long Range Planning 29: 495-502.

8 J.P. Walsh and J.D. Margolis. 2003. Misery Loves Companies: Rethinking Social Initiatives by Business, Administrative Science Quarterly 48/2: 268-305.

9 Freeman, R. E. 1984. Strategic management: A stakeholder approach. Boston, MA: Pitman/Ballinger.

10 Prahalad, C. K., Hart, S.L. 2002. The Fortune at the Bottom of the Pyramid.Strategy & Business.

11 R. Moss Kanter, "From Spare Change to Real Change. The Social Sector as Beta Site for Business Innovation," Harvard Business Review, 77/3(1999): 122-128.

12 Crane, A., Palazzo, G., Spence, L. J. & Matten, D. 2014. Contesting The Value of Shared Value. California Management Review, 56

13 Stubbs, W., & Cocklin, C. 2008. Conceptualizing a "Sustainability Business Model." Organization & Environment. 21 (2): 103-127.

14 https://www.ibm.com/ibm/responsibility/corporateservicecorps/

15 https://www.goldmansachs.com/citizenship/10000women/

16 Elkington, J. 1999. Cannibals with forks: The triple bottom line of 21st century business. Oxford: Capstone.

17 Elkington, John (June 25, 2018). "25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It". Harvard Business Review. Retrieved October 11, 2019.

18 https://en.wikipedia.org/wiki/Low-profit_limited_liability_company

19 https://en.wikipedia.org/wiki/Benefit_corporation

20 https://en.wikipedia.org/wiki/Community_interest_company

21 Mair, J., & Marti, I. 2006. Social entrepreneurship research: A source of explanation, prediction and delight. Journal of World Business, 41: 36–44.

22 http://www.socialenterprisebsr.net/2018/03/social-business-muhammad-yunus/

23 https://www.dlight.com/

24 https://www.barefootcollege.org/

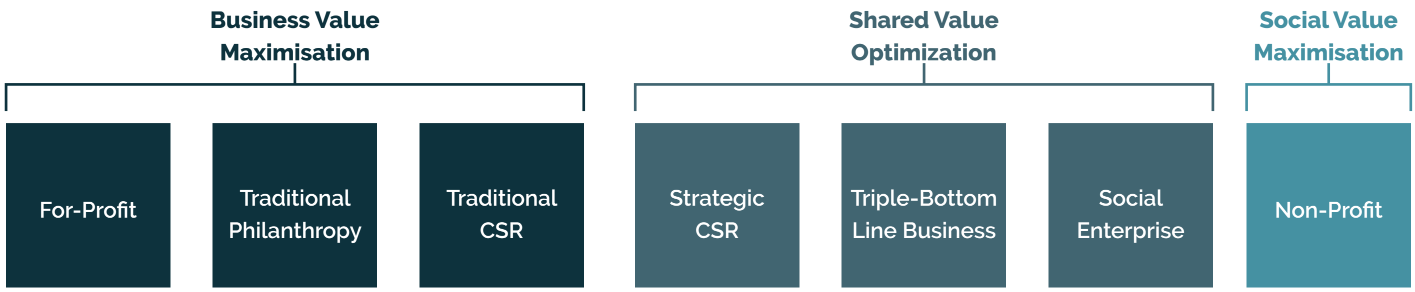
25 http://www.danonecommunities.com/index.php/portfolio_page/grameen-damone-food-limited/

26 http://tsi.com.bd/

2 The Goal: Shared Value Optimization

CSV practitioners seek neither to maximize business value nor social value. Figure 1 illustrates a spectrum of value creation goals. Traditional for-profit companies that rarely carry out philanthropy, companies that do philanthropy on a casual basis, and companies that conduct more formal and regular but rarely strategic CSR activities focus mainly on their goal to maximize business value. Traditional non-profit organizations (NPOs) seek to maximize social value. CSV practitioners attempt to achieve shared value optimization (SVO).

Figure 1. Spectrum of Value Creation Goals



Shared value optimization pursues growth in the aggregated value of social impact and business performance. Sustained growth requires identifying and facilitating tradeoffs needed to sustain the target level for social-business balance. CSV practitioners surveyed for this report recognize that overemphasis of either social or business value is likely to reduce aggregated value.

SVO as the goal of CSV activities differentiates them from traditional for-profit companies and nonprofit organizations (NPOs). The latter tends to maximize one type of value and depreciate or reject the other type. For traditional for-profit companies and NPOs, pursuing both values will generate internal conflicts that impair their capability of maximizing either value.

Each CSV category has a distinctive understanding of what it means by SVO. Companies conducting SCSR feature business-oriented shared value optimization (BOSVO). They use business expertise and resources to serve the prioritized strategic goal of the business and generate social impact.

The CSR director of a food company explained his view of the social-business balance, "Addressing business goals are our prime objectives... We can say that social goals cannot constrain business growth, but social goals should not face constraints due to pursuing business goals either."

SEs feature impact-oriented shared value optimization (IOSVO). They adopt business models and generate business value to serve the prioritized social goal continuously. They focus resources on growing social impact as long as they are able to generate revenues to recover expenses and hence sustain the business operation. A SE pioneer in the education industry described the social-business balance that represents IOSVO in the category. The cofounder said: "We make sure the project will not shift us away from our larger goal for creating social impact. Definitely, the social impact we want to get sometimes comes at the cost of profitability, but it holds both values." Maintaining the IOSVO can lead to tough choices. SEs may need to compromise social impact for business sustainability, while avoiding conflicts among internal and external stakeholders due to concerns regarding mission drift.

The chief operation officer (COO) for an SE pioneer describes its transition from an NPO to a SE, "In the last four years, we have learnt that social impact comes at a cost. We have transitioned to become a profit-making business. However, we have chosen to be a social enterprise...We have moved from providing products for free to creating products that can sell... We put together all teams and asked them what they wanted to see us to be. The common answer was that we wanted to exist for at least another 50 years, rather than as an NPO for 10 years. Then, we need to do things that can generate revenues."

TBL businesses feature embeddedness-oriented shared value optimization (EOSVO). They aim to increase business value by embedding social value and broader stakeholder interests in the business model, rather than by pursuing shareholder interest maximization. TBL businesses pursue doing good as a viable business model. They challenge the dominance of profit-driven business models.

They differ from SCSR as they do not treat social value merely as a means to the end of achieving strategic business benefit. Instead, they treat a social cause as an inherent part of doing business, and a source of business growth. For example, the founder of a TBL pioneer in the food industry explained her sales strategy to ensure profitability without compromising social impact, "We do not profit on packages...If customers only pay for the inside, we still make 40% margin for inside, which is good enough...We try to expand our products not because there is a bigger market but because our products are doing social good."

EOSVO is also different from the SE category since its primary purpose is not about using business as a means to solve social problems. TBL businesses' social impact does not necessarily come from serving the disadvantaged population or addressing widespread social sufferings. A large part of their social impact lies in improving the welfare of a broad scope of stakeholders, including consumers, employees or suppliers in addition to shareholders.

CSV categories and their SVO goals represent ideal types. In reality, an organization may contain subsidiaries that reside in different categories, or even migrate between categories over time. For example, the Danone Group falls in all three categories. The group conducts strategic CSR, launched a social business in collaboration with Grameen Credit Agricole in Bangladesh, and certified its North American business as a TBL B Corporation. CSV practitioners contributing to this report are a good fit for their category.

Table 2 provides sample evidence for the three SVO goals. The SVO goal is both the beginning and the end. Clarifying the Category-Specific SVO and building internal consensus about this goal is a critical starting point that guides the subsequent development of CSV capability aimed to achieve this goal.

Figure 2 shows the relationship between the SVO goal and CSV capability.

Figure 2. Shared Value Optimization and CSV Capability

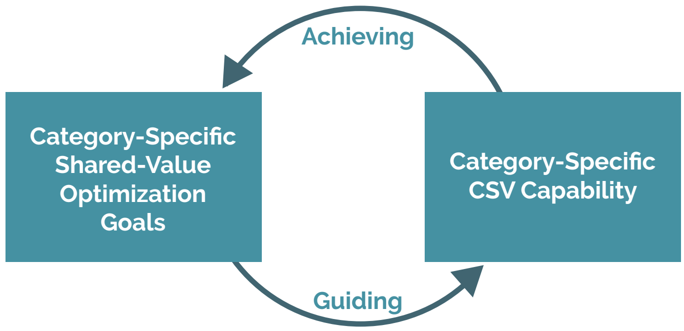


Table 2: Category-Specific Shared-Value-Optimization Goals

Company	SVO Goal	Interview Quotation
SCSR 1	Business-Oriented	"Our business goal also has a social element... Good CSR has to support the business agenda."
SCSR 2	Business-Oriented	"The business goal must come with a social goal... This [social value's contribution to the business] gives us more confidence that we should focus more on social value as well."
SCSR 3	Business-Oriented	"The way we do business is unless you make a better world, you can't do business... Any CSR project must have business impact."
SE 1	Impact-Oriented	"Our business goal is not to make a huge profit or to be a market leader. Our main goal is the social goal which is to provide employment through sustainable business model."
SE 2	Impact-Oriented	"Our business goal is brutally capitalist to growth, with a focused social goal... Growing business means supporting the social aim."
SE 3	Impact-Oriented	"We cannot forget that the impact part is our first goal. We need to build the business so as to build impact."
TBL 1	Embeddedness-Oriented	"What we sell is the service that at the same time can impact the society. So, it does not have to be which one comes first."
TBL 2	Embeddedness-Oriented	"I do not think we will compromise our social mission because I do not want to call it social practice, I want to call it business as usual... If it is in the business, you do not need CSR."
TBL 3	Embeddedness-Oriented	"We never identify ourselves as a social business, it is a business with a proportion of social work... We use social impact as a major selling point."

3 Developing CSV Capability

This report defines CSV capability as managers' abilities of developing, implementing and adapting organizational activities to achieve shared value optimization. CSV capabilities manage tradeoffs and synergies. A tradeoff is by definition a win-lose situation, while through synergy, all actors may be able to gain. CSV practitioners face many social-business tradeoffs. These tradeoffs arise when generating one type of value will compromise generation of another. For example, a company may worry that spending on CSR will reduce short-term or long-term business value; a social enterprise may believe that a focus on increasing business value will disrupt its commitment to vulnerable beneficiaries.

Synergies enable activity that generates social value to help generate more business value, and vice-versa. Synergies maintain social-business balance while facilitating the growth of the aggregate value. They are the key sources of CSV practitioners' competitive advantages, as this report will show in detail in the next sections. Therefore, like tradeoffs, synergies are core managerial factors for achieving SVO.

A social-business tradeoff can be either destructive or constructive, depending on whether it impairs or serves the SVO goal. Destructive tradeoffs jeopardize an organization's capability to achieve its SVO by enabling one value to dominate. For example, when a company donates to a social cause while ignoring internal concerns over the resulting impact on business sustainability, a destructive tradeoff takes place. When a social enterprise experiences mission drift and turns into a for-profit company, the organization experiences a destructive tradeoff. Continuing destructive tradeoff is likely to generate lasting conflicts and distrust among organizational members, organizational performance decline and perhaps threats to organizational survival. Analysis of experiences of 42 CSV pioneers revealed three types of destructive tradeoffs: ***internal expectation***, ***external stakeholder*** and ***growth***.

An internal expectation tradeoff occurs when organizational members have conflicting expectations of the priority of the social versus business value. This conflict threatens the capability to achieve SVO.

An external stakeholder tradeoff takes place when external resource provider expectations, for either business or social value, compromises an organization's capability to achieve its SVO. This destructive tradeoff emerges in three scenarios: 1) stakeholder-SVO tradeoff; 2) inter-stakeholder tradeoff; or 3) resource-splitting tradeoff.

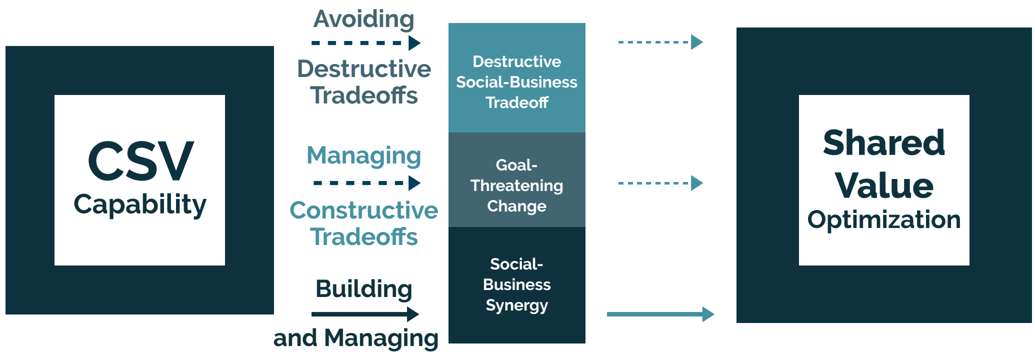
In the first scenario, the key resource provider does not commit to an organization's business or social goal. As a result, an organization that focuses on one value type is less likely to gain support from a resource provider who focuses on another type. An example is when major customers or business partners do not want to pay for a company's social mission. In the second scenario, an organization struggles to simultaneously meet different resource providers' conflicting expectations. For example, a company's commercial investors and nonprofit partners may have conflicting requirements on the target level of social impact. In the third scenario, an organization needs to split resources to cater to different stakeholders' demands. This effort distracts the organization from achieving SVO.

A growth tradeoff occurs when pursuing the growth of one value will compromise the growth of the other. For example, for-profit companies typically worry that spending resources on social and environmental issues will slow business growth.

Constructive tradeoffs serve to sustain or reinforce the SVO goal, by providing flexibility to adjust the relative importance of social and business components in operations to reach an acceptable level of aggregate shared value. For example, a SCSR company can reassign high-performing employees from the R&D department to a social initiative that might eventually develop into new business opportunities. A SE may focus on strengthening penetration in the bottom-of-the-pyramid (BOP) market and refuse to increase service price to improve profitability. A TBL business may invest limited human resources in working for both for-profit and nonprofit clients even though she has the resources needed to focus on business clients to increase profitability. The constructive tradeoff enables an organization to rebalance social and business values in response to internal and external changes that disrupt this balance.

CSV capability integrates operational and adaptive sub-capabilities. To achieve SVO, managers must develop operational capability that avoids destructive tradeoffs. The 42 CSV pioneers have developed operational capabilities through developing, implementing and adjusting five key organizational activity areas. They include: recruitment, training, performance evaluation, external stakeholder engagement and growth strategy. Section 4 elaborates how CSV pioneers' operational capability in these areas avoids destructive tradeoffs. Managers develop adaptive capability to manage constructive tradeoffs to deal with changes that may threaten achievement of the target SVO. Section 5 shows how adaptive capability works. Managers also need to actively build and manage synergies to accrue competitive advantages that facilitate the growth of aggregated value. Section 6 shows the details. Figure 3 shows tradeoffs and synergies as core managerial factors for achieving SVO.

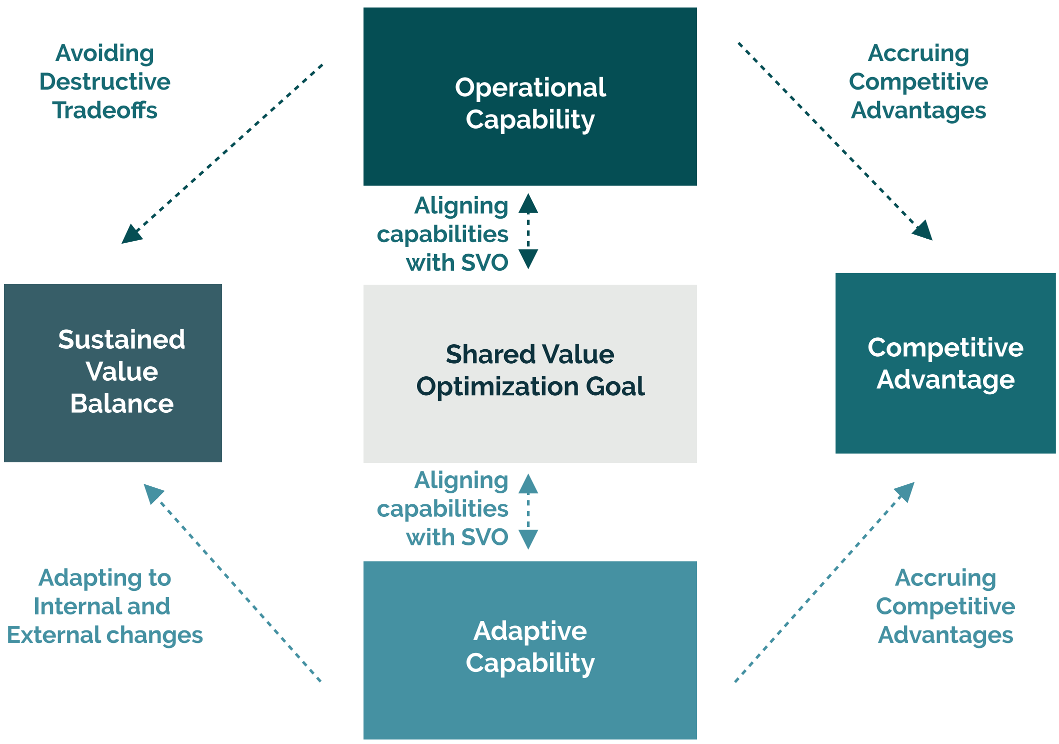
Figure 3: Tradeoffs and Synergies as Core Managerial Factors for Achieving Shared Value Optimization



This report maps a thorough analysis of CSV pioneers' lessons and experiences to a 4A framework in Figure 4. The 4A framework shows that, to achieve the category-specific SVO goal, managers need to develop and execute CSV capabilities to accomplish four interrelated tasks—avoiding, adapting, accruing and aligning.

Figure 4 contains three key messages. First, ***CSV capability is tailored***. Managers need to clarify their CSV category and SVO goal and align capability development and execution with the SVO goal. Second, ***CSV capability is comprehensive***. Managers need to avoid destructive tradeoffs that compromise the social-business balance, while continuously managing constructive tradeoffs to address internal and external changes that threaten the balance. Third, ***CSV capability is competitive***. Managers need to build and manage synergies in the above processes to accrue competitive advantages.

Figure 4:
A 4A Framework of CSV Capability for Achieving Shared Value Optimization



4 Avoiding Destructive Tradeoff

Destructive tradeoff describes the social-business tradeoff that leads to the predominance of one value to the detriment of the other, which reduces an organization's chance of achieving SVO.

4.1 SCSR Company Operational Capability and Tradeoff

Table 3 summarizes how specific operational capabilities avoid destructive tradeoffs in the SCSR category.

Table 3: SCSR Company Operational Capability

Organisational Activity	Operational Capability	Avoided Destructive Tradeoff
Recruitment	• Versatile-skill-focused recruitment • Decentralised value-based recruitment	Internal Expectation Tradeoff
Training	• Impact-oriented peer training	
Evaluation	• Business-oriented and synergy-based evaluation • Non-intrusive CSR evaluation	
External Stakeholder Engagement	• CSR-driven partnership development • Signaling CSR's business orientation	External Stakeholder Tradeoff
Growth Strategy	• Business-oriented and synergy-driven growth	Growth Tradeoff

4.1.1 Avoiding Internal Expectation Tradeoff

Versatile-skill-focused recruitment. CSV pioneers' effort to avoid internal expectation tradeoff starts with recruitment. Instead of focusing on mindsets and skills specific to doing CSR, they tend to recruit staff who accommodate both social and business values and can comfortably communicate both values with other parts of the organization. The general manager of sustainability in a diversified conglomerate explained: "Recruitment is more about skills that matter...People in the sustainability department can move to the core departments in the group if they want and they can communicate in their language and style...[At the same time,] they also need to [have social value to] communicate with the community, the government official, etc."

Decentralized value-based recruitment. Some SCSR pioneers have empowered different business lines to recruit people on their own according to both business demands and social value. This recruitment approach reduces the potential tension that takes place due to different value priorities among organizational members. A large commercial bank is committed to the mobile banking business that serves the unbanked rural population. A senior executive explained how they decentralized value-based recruitment: "We build a value centered approach that brings more accountability and responsibility to senior and middle management. The general managers of different business lines go out and hire their own sales force... So, people who join the company have the right mindset."

Impact-oriented peer training. SCSR leaders have relied on peer training to socialize social value throughout the company. A large food company addresses multiple sustainability development goals. The CSR director introduced that: "When we provided training to our work force in the field of nutrition and Sexual and Reproductive Health and Rights, first we sensitized middle management, then peer educators were selected from the mid-management and supervisor level who will train others."

Business-oriented and synergy-based evaluation. SCSR pioneers carefully incorporated social value into the evaluation systems. An effective approach for avoiding internal expectation tradeoff is to develop performance indicators of business value that support social-business synergy. This means a company focuses on measurable components of CSR that can inherently serve the business interest, and thus receive further business support. A large retail chain's corporate affairs director made it clear that: "We have to identify the real cost driver and the silver bullet [when evaluating CSR]. It should impact both business and social goals. For example, if we solve the plastic bag issue, then we help externally and internally by saving costs...We use a lot of plastic bags, let's say reducing 10%, it is a lot of money."

Non-intrusive CSR evaluation. Large companies feature complex bureaucracies and department interests that contain the risk of the internal expectation tradeoff. SCSR pioneers resorted to a nonintrusive approach that incrementally includes CSR elements into evaluations without disrupting the core measurement system. A large conglomerate's sustainability manager explained: "Right now we do not have the social goal focus in the evaluation system [at the company level]. One of the reasons is that the awareness is still low...Initially, we may make it [CSR] as some kind of extra marks or bonus marks. If you directly put them into the core measurement, it will change the system, changing the system requires time. The evaluation criteria need to be changed gradually."

4.1.2 Avoiding External Stakeholder Tradeoff

CSR-driven partnership development. SCSR pioneers adopted dual approaches to avoid external stakeholder tradeoffs. SCSR pioneers first rely on CSR to develop and strengthen the relationship with external partners with whom they jointly develop a differentiated market position. The general manager of sustainability of a conglomerate described their approach to partnership development: "We deal with other companies' development departments. We publish sustainability reports so they see us as the type of organization they can work with.

For example, when we do CSR, we work with UNICEF, and other companies come up. They see the brand of UNICEF. They see the social and environmental perspectives in our work that can differentiate them."

Signaling CSR's business orientation. At the same time, SCSR pioneers explicitly signal to shareholders, investors and partners about their prioritized business goal when they do CSR. The corporate affairs director of a large retail chain explained: "Sometimes we have to decline [CSR project] applications because their focus does not fit with our business agenda…We need to have a realistic conversation. For example, a large international organization is one of our business partners. They have many agendas. For some agendas, we can help them very quickly. Other agendas may be important, but we have little role to play. You have to have an open conversation with your partner on this…The government wants us to not give any plastic bags to customers any day of the week. But we can only do two days a week. We only do things we can deliver."

4.1.3 Avoiding Growth Tradeoff

Business-oriented and synergy-driven growth. SCSR pioneers focused on the areas of social-business synergies in CSR to drive business growth. This helps avoid the growth tradeoff because CSR becomes a key driver of business value generation. The general manager of sustainability in a conglomerate explained how the synergy facilitates growth: "We have a female supervisor program. We did a survey and found out that women are 2.9% more efficient when they are made supervisors. When we recruit supervisors, we did an analysis, we found out that female supervisors are more efficient than average employees. For 2.9% percent, it means 150 more pieces per day per production line. If you count the entire year, that is over 5,000 pieces coming in. If you count 2.5 USD which is the average price, it is 1.47 million USD… I believe in expansion through these programs…The moment we stop expanding, there is a higher risk for us. If you struggle by 2020, some new organizations will come up and take over. We will move from no. 1 to no. 2 to no. 10 then get out of the market."

4.2 Social Enterprise Operational Capability and Tradeoff

Table 4 summarizes how operational capabilities avoid destructive tradeoffs in the SE category.

Table 4: Social Enterprise Operational Capability

Organisational Activity	Operational Capability	Avoided Destructive Tradeoff
Recruitment	• Beneficiary-oriented recruitment • Socialising the fresh • Synergy-based recruitment	Internal Expectation Tradeoff
Training	• Impact-oriented immersion training • Impact-oriented responsive training	
Evaluation	• Impact-oriented and synergy-based evaluation	
External Stakeholder Engagement	• Cost-recovery-oriented evaluation • Impact-driven partnership development	External Stakeholder Tradeoff
Growth Strategy	• Impact-oriented and synergy-driven growth • Scale-economy-based social value growth	Growth Tradeoff

4.2.1 Avoiding Internal Expectation Tradeoff

Beneficiary-oriented recruitment. SE pioneers have distinctive mindsets and approaches for recruiting people. Some seek candidates who can get along with beneficiaries and serve their interests. This criterion helps normalize internal expectations. The cofounder of an SE pioneer that enables poor farmers to overcome income variability clarified: "The main issue is not what skillsets we look for, but it is farmer-oriented. People who have good attitude to work with farmers and who are able to maintain the relationship with farmers are whom we look for… We set up values and ask qualitative questions. Most people we hire have to go through what we call field-visit interviews, they talk with farmers, get feedback and come back…Even if they are not supposed to deal with farmers. They need to have the attitude to emphasize the farmer group and keep farmers at the center of their thinking."

Socializing the fresh. SE pioneers prefer recruiting fresh people with strong social values. They tend to downplay hard skill requirements. This tactic helps unify internal expectations. One SE pioneer has a mission to provide clean drinking water to the poor and protect them from arsenic contamination. The project director said: "We should hire people with strong willingness to work and eagerness to learn. Specially, younger people of 22-35 years old should be hired more. Over 35 years old, people have more family and social responsibilities which may constrain him or her to work and learn freely."

Synergy-based recruitment. Some pioneers avoided internal expectation tradeoff by attracting people who sought challenging and rewarding jobs aligned both to social and business values. One SE pioneer provides software-based products and services to address education sector problems. Its COO said: "Solving the new problem is what motivates people to come to us. Our communication with employees is all about how to solve the problem. We have a huge business impact also. We are looking at 500 million people who are under 30 years old in the country. They [job candidates] understand that when we are able to get the social impact, the business and profitability is going to follow."

Impact-oriented immersion training. SE pioneers provided training to align new organizational members to the beneficiaries' context, and evaluate training outcomes in terms of how well they work with the disadvantaged. A SE pioneer producing and selling handicraft products has a mission to turn waste into attractive products and empower vulnerable people to develop into craftsmen.
They run a family-based supplier chain, and require each family to complete in-depth training. The lead designer said: "The families are responsible for training, for continuous training, for quality check of products… [During the training] they [employees] need to come, they need to discuss all the problems with families. Only when they take part into our training, then they will become the family."

Impact-oriented responsive training. In addition to immersion training, SE pioneers tend to provide immediate follow-up training to redress problematic employee expectations that they discovered in the evaluation process. A private college provides quality healthcare education to rural girls and prepares them for job placement. The principal of the college said: "If we find out that they [employees] are good at business performance but do not understand our social value, then we train them up to know what social business is, how we can achieve social business goals, who come here, how they come here."

Impact-oriented and synergy-based evaluation. SE pioneers develop performance indicators with a built-in social-business synergy. Unlike SCSR pioneers who also build business-value-oriented synergies in evaluation, SE pioneers' synergies are social-value-oriented. The project director of a SE providing clean water to the rural poor said: "We have social indicators like every family needs to use 30 liters of water every day for drinking and cooking…If consumers use at least two liters water, they will remain safe. If they drink less water than our target, it might mean that they are drinking from free sources like river, ponds, wells etc., which brings arsenic risk for them…if we could increase water consumptions then we can say that our employees are working better. This is how we can measure their social performance."

Cost-recovery-oriented evaluation. Another evaluation approach distinguishes the SE pioneers from other CSV categories. Their business value measurement tends to focus on cost-recovery rather than revenue growth. This approach clearly signals to everyone about the organizational goal and avoids the internal expectation tradeoff. The CEO of a SE pioneer addressing agriculture and women healthcare issues said: "What our shareholders and investors are really asking is what percentage of the cost you are covering…The question becomes what costs you recovered this year, what percentage you will recover in the next year. If we do 10% for last year, if we can do 20% for this year, 30% for next year. We get paid to solve this cost recovery challenges."

4.2.2 Avoiding External Stakeholder Tradeoff

Impact-driven partnership development. Unlike SCSR pioneers who use CSR to drive partnership development, yet signal clear business expectations, SE pioneers rely on social value to develop and strengthen the relationship with external partners who share their social value priorities. This approach enables SEs to avoid the external stakeholder tradeoff. The business development director of a SE pioneer producing handloom products said: "We have a big factory network, but they all understand our standards and requirements. We work with fair traders. They subscribe to our values. In terms of communication, just having that fair-trade logo is kind of enough…Now I am developing an international sales force, we are going to build, again, personal connections like talking and selling the stories."

Translating social value to business value. SE pioneers need the capability to effectively acquire external resources by speaking the business language and allowing resource providers to see the business value in their social impact.

The cofounder of an SE empowering poor farmers with greenhouse technologies said: "You need to be able to convert your social impact into the business language that your partners speak. If you go to manufacturer and just talk about impact, they are not going to partner with you. The reason that manufacturers want to keep working with us, even though we were not selling large green houses with larger margins, is that they believe this is a much bigger market compared to the short-term market you could have with large farmers…Again, if you go to banks and just talk about the impact, they will not buy it. What we need to do is to show them that, with this model, they have much more less risky loans to farmers because the farmers will earn money in the end since we provide the market linkages as well."

4.2.3 Avoiding Growth Tradeoff

Impact-oriented and synergy-driven growth. SE pioneers focused on the areas of synergies to drive business expansion to serve the social goal, which avoids the tension between social impact growth and business value growth. The SE pioneer producing handloom products shows how the social mission guides and contributes to business diversification . The business development director explained: "We have different markets for different products. We have scalable products that are our cash cow. Then we have premium collections that are going to the more profitable retail market. For some brands, we have a price cap on them, people see them as affordable brands. These household brands are our faith…Diversification is the key for survival…Actually, this way, I am helping suppliers to diversify their products, and so they are going to survive. If I make products in December, then from January to August, the suppliers do not have work. If I make products in August, then they have work from January to June. So, the product strategy, the marketing strategy, the sales strategy, all matter to the suppliers."

Scale-economy-based social value growth. SE pioneers have managed to create scale economy in the cost structure of social value generation. This cost structure allows social value to scale up with low cost or reduced cost so that social impact growth does not constrain business growth. The CEO of the SE pioneer addressing agriculture and women healthcare problems explained that: "There are no growth tradeoffs because what you do to meet the short-term [business goal] is the first step you take to achieve your long-term social goal. The key thing to keep in mind for most social businesses is that they need to really scale their cost structure [to generate social value] to a point where they meet the short-term business goal. You need to keep your cost structure proportionate to the number of products. When you move towards the long term and feel there is bigger demand for your products, then you grow your cost structure accordingly."

4.3 TBL Business Operational Capability and Tradeoff

Table 6 summarizes how operational capabilities avoid destructive tradeoffs in the TBL category.

Table 6: TBL Business Operational Capability

Organisational Activity	Operational Capability	Avoided Destructive Tradeoff
Recruitment	• Embeddedness-based recruitment	Internal Expectation Tradeoff
Training	• Impact-oriented immersion training	
Evaluation	• Shared-value-oriented and synergy based evaluation	
External Stakeholder Engagement	• Enabling differentiated expectations • Shared-value-driven partnership development	External Stakeholder Tradeoff
Growth Strategy	• Embeddedness-based and synergy driven growth • Scale economy based social value growth	Growth Tradeoff

4.3.1 Avoiding Internal Expectation Tradeoff

Embeddedness-based recruitment. TBL businesses run a for-profit business model with embedded social value. Their effort to reconcile social and business values opens with recruitment. TBL pioneers recruit people with strong business skills who are aware of and comfortable with social value embedded in the working context. A TBL pioneer in the clean energy industry generates social value by empowering the disabled. The founder described how this social value influences recruitment of professional staff: "When we recruit, we ask them about how they understand B Corporation. They have to do their homework…we have one person coming here for interview, he is a finance guy. He came here and saw people using sign language who could not talk properly. He was like what was going on here. So, those who feel uncomfortable would not be here."

Impact-oriented immersion training. In addition to in-house training, TBL pioneers assign staffs to the real-world context of dealing with beneficiaries or other stakeholders. This enables them to align their emotional connections to the social cause. The founder of a TBL pioneer selling fresh and natural food products described how this works: "When we worked with supermarkets, we got employees to the floor themselves to sell samples. They were so passionate about it. They were talking like: look how long the food has been on the shelf, this thing needs to change. They checked the milk package date and were like: no, do not drink that. So, they are very much in line with the value, they promote themselves."

Shared-value-oriented and synergy-based evaluation. Some (but not all) TBL pioneers include social-business synergy in performance evaluation. The indicators reward high social impact behavior that increases business value, and vice versa. To normalize internal expectations on creating shared value, these TBL pioneers pay equal attention to both goals. The founder of TBL pioneer providing road safety training and empowering women rights, "We measure both business and social impact sides that are connected. For social impact, we first measure the number of people who have improved their awareness through our training, second, the number of people who joined our program, third, the number of people who have changed their behavior of safety riding after our training; and fourth, the number of women who are economically empowered after joining our training. About the business side, we look at the return of the investment and how long the investment can be eventually sustained."

4.3.2 Avoiding External Stakeholder Tradeoff

TBL businesses embed social value in their business operations, and thus seek support from external stakeholders with different value priorities.

Unlike SEs operating in under-served and disadvantaged markets, TBL pioneers are likely to serve the relatively affluent, and work in profitable or potentially profitable markets. They are likely to face competition from for-profit businesses. For instance, they compete with traditional companies who provide similar software services to the same clients; provide energies to the same rural families; or put their food products on the shelves of the same retailers.

Enabling differentiated expectations. Some tailor stories about what they do to match the values of their stakeholders. The cofounder of a hybrid rice producer explained differentiation of product messages to markets: "Consumers do not care much about that [social impact], they care about if it is a good product, they care about the price point… Usual carbon emission of rice is 1 to 6. Our rice is half of it. But putting the number there means nothing to consumers. This is the marketing challenge we are facing. The solution is differentiated messages to different consumers…The next packaging [for the mass market consumers] will do the same design, but the words and messages on top just focus on low cost. It is going to be a little bit mass market. All the information about the farmers' story will be gone for now."

Shared-value-driven partnership development. Although their stakeholders have varying expectations, TBL pioneers ensure sustainability of their social value by relying on resource providers that embrace the equal importance of business and social values. An alternative energy company generates social impact by converting energy consumption for off-grid commercial and industrial organizations from diesel to clean energy. Its cofounder, "We definitely need more capital to fund our projects. But there are few crowdfunding and fundraising platforms out there, all feel very mercenary like, they are very cold. So, we try to talk with impact investors who believe in the cause, not just about financial return…Sometimes the clients want to have a quick one. They said just give me the cheapest product and the lowest price; maybe they want to grow fast and sell out. I said sorry this is not what we want to do."

4.3.3 Avoiding Growth Tradeoff

To avoid the growth tradeoff, TBL pioneers focused on markets that mutually reinforce business and social values to guide business development and scale-up strategy. This enabled them to convert potential growth tradeoffs into a growth facilitator.

Embeddedness-based and synergy-driven growth. The founder of a natural food company described the growing social value as a source of product expansion and revenue growth: "We started with small plastic packages and sold the product at Rs. 150. People said you should not use plastic package. We knew this but we needed to make the product affordable. Now, the product is sold at Rs. 365, twice the quantity and uses glass jars and reusable labels. The glass jar can be used 48 times minimum. We buy back from consumers the jars for Rs. 20. This is exactly the price if you buy a new jar. There is a small margin, we do not try to make profits on the package. We do this to signal [the social impact] to customers…Every package needs to be reusable. We try to expand our products not only because there is a big market but because our products are doing social good. You just have to do it the right way."

Scale-economy-based social value growth. TBL pioneers are able to develop a cost structure for growing social impact that allows the low-cost growth of social value along with the growth of business value. The natural food company provides a good example in this case. The founder explained how they achieve low-cost growth and competitiveness: "Our social goal is really about food and nutrition and pushing for three main policies and regulations. One regulation is on value added tax. We want zero VAT for all clean products. This will make the products more affordable. Also, this benefit is an incentive to other players in the industry so they can get in this business to make the food clean… A lot of supermarkets will be in our favor if we get VAT off the record…The social goal we pushed does not cost any of our money. And it serves our business goals. We really want to expand our marketplace rapidly…We are not doing marketing, what we do is B2B, and we move quite fast on that. In the past year period, we started getting produces in supermarkets."

5 Adapting to Change

Managers must develop specific adaptive capabilities to manage constructive tradeoffs to deal with internal and external changes that may threaten achievement of the target SVO.

5.1 SCSR Company Adaptive Capability

SCSR pioneers applied three types of adaptive capabilities: business model adaptation, temporal value adaptation and prospective legal adaptation. These capabilities enabled SCSR pioneers to deal with prospective financial pressures, changing market demand and regulatory changes that threatened the sustainability of their business value. Table 7 summarizes how adaptive capabilities sustain social-business balance in the SCSR category.

Our research found that consumers said that banking in the current model is suffering. People really used that word. We see more digitized products coming forward. Data will become the key. We need to understand consumers and businesses much better, and provide products aligned with what customers need. So, the bank knew it had to change."

The senior executive explained how they have incorporated social value in a new business model to develop a leadership position in a new market: "The mobile banking business is the catalyst to enable bank payments to happen in rural areas. It was also the real central focus of how our bank will change… This business is a product of our new value system and social mission. You do not need to travel hours to the branch. People can work in the city and send money home to their family, plus it allows them to stay connected with their family…The key for management was to ingrain the values into the core business. We are a business, but we have a goal as having an impact in the community. We want to lead financial connection through financial inclusion.

Table 7: SCSR Company Adaptive Capability

Adaptive Capability	SVO-Threatening Change	Constructive Tradeoff	Outcome
Business Model Adaptation	Prospective financial pressures caused by environmental changes and growth constraints that threaten the sustainability of business value generation	Disrupting short-term business value to incorporate social value in the business model	Sustained business-oriented social-business balance
Temporal Value Adaptation	Market demands changes that threaten the sustainability of business value generation	Periodically compromising social value to ensure business growth	
Prospective Legal Adaptation	Legal changes that threaten the sustainability of business value generation	Compromising short-term business value to meet new legal requirements on social value and pursue long-term competitiveness	

Business model adaptation describes an organization's capability of incorporating social value in the business model to address environmental changes' negative impact on the sustainability of business value generation. This capability requires a company deliberately disrupt short-term business value and leverage social value to improve long-term competitiveness. A senior executive of a commercial bank elaborated their view of environmental changes and the growth constraints in their current business model: "We face more international competition and have to transform to become competitive against international players…

Temporal value adaptation is the capability to periodically compromise social value in response to market demand fluctuations to ensure business growth, without damaging the sustainability of social value generation. The CSR director of a large food company explains: "When we have a huge pressure of production, we postpone pursuing social goals. For example, in the month of Ramadan, we usually do not keep any social goals that hamper our financial motives. After the Eid festival or during dull seasons, we focus more on CSR activities. Therefore, we do not face challenges to integrate social and business goals. Because we have very well organized schedule for pursuing both goals. When we have less production pressure, we choose to pursue social goals."

Prospective legal adaptation indicates an organization's capability to prepare for and make use of regulatory and policy changes relevant to its social value to strengthen long-term competitive position. These changes raise the request on a company's social value generation. In response, a company can strategically compromise short-term business value to meet or exceed this request. The corporate affairs director of a retail chain said: "In the recent years, we have seen several regulatory developments: consumer protection, workplace safety, anti-corruption and anti-bribery, etc. There are new social elements, the day is coming soon...We are very exposed to external legal challenges...As the law changes, some areas we are working on might become more important. Everything we have been committed to is voluntary at the moment. But they might become a legal requirement. By then, we are ahead of that curve."

5.2 Social Enterprise Adaptive Capability

The SE category deploys adaptive capabilities of three types: ***social identity adaptation***, ***beneficiary scope adaptation***, and ***business portfolio adaptation***.

These capabilities enabled SE pioneers to address issues such as financial pressures and policy changes that threaten the sustainability of their business or social value generation. SE pioneers are subject to prospective financial pressures caused by various internal issues due to their prioritized social goal. For example, they have a challenge of acquiring resources from banks and investors. The vulnerable beneficiaries they serve may not be able to support a viable business model. Their products and services may overemphasize social impact and lack market competitiveness. SE pioneers developed adaptive capabilities to address these challenges, as summarized in Table 8.

Social identity adaptation refers to SEs' capability to strategically downplay their social enterprise identity and highlight the business growth potential to obtain financial support from resource providers. SEs do this without damaging their core social goal. This adaptive capability is similar to SEs' operational capability of translating social value to business value. But, it serves to address the prospective financial pressure instead of avoiding the destructive tradeoff. The SE pioneer empowering poor farmers with greenhouse technologies has successfully made business deals with for-profit companies and banks. They are on the way to enable millions of farmers to achieve financial independence. Their capability of adapting to the business rationale of resource providers accelerates social value generation. The cofounder says: "Even though our mission is to get loans for farmers and generate impact, our proposition to the banks and businesses is different from this so they can sign up."

Beneficiary scope adaptation resolves the prospective financial pressure caused by beneficiary issues that challenge the sustainability of business value generation. This capability compromises social value to expand the scope of beneficiaries and strengthen the business growth potential without damaging the core social goal. The lead designer of a SE pioneer producing and selling handcraft products explained why they expanded the beneficiary scope: "At the beginning, our mission focused on as many beneficiaries as possible and focused on vulnerable people. But vulnerable people made it difficult to achieve business stability. At least you need people who have capacity to stabilize the business. Then, we decided to only buy high-quality products. This cut low-quality products made by vulnerable people. Vulnerable people may take too much time to reach that level...There is no change of mission in terms of turning waste into beauty. We just try to get more techniques. Now it is pretty much a usual business models."

Table 8: Social Enterprise Adaptive Capability

Adaptive Capability	SVO-Threatening Change	Constructive Tradeoff	Outcome
Social Identity Adaptation	Prospective financial pressures caused by resource accessibility challenges that threaten the sustainability of business value generation	Compromising social identity to improve business sustainability without damaging the social goal	Sustained impact-oriented social-business balance
Beneficiary Scope Adaptation	Prospective financial pressures caused by beneficiary issues that threaten the sustainability of business value generation	Adjusting beneficiary scope to improve business sustainability without damaging the social goal	
Business Portfolio Adaptation	Prospective financial pressures caused by product/service issues that threaten the sustainability of business value generation	Compromising social value to improve business sustainability without damaging the social goal	

Business portfolio adaptation addresses the prospective financial pressure by adjusting the social-business balance of products/services that overemphasize social value at the expense of financial viability, without damaging the core social goal. The COO of a SE pioneer addressing education sector problems descried how they adjusted the business portfolio: "If a product has good social impact but very low profitability, we will see how it can be put in a better business model. For example, we make sure the product can scale up and we change the price so they cater to the farmers. Suppose that I create a product for teachers, and the product works very well, the social impact is there, the profitability is very low. We want to shelve the product for six month and ask the team if they want to continue developing the product on the social end, or shift the product to the business market?"

5.3 TBL Business Adaptive Capability

This TBL category deploys adaptive capabilities of three types: customer-driven product/service adaptation, cost-structure adaptation, and business model adaptation. These capabilities helped TBL pioneers tackle threats from new customer expectations, market demand changes and new competitors. Table 9 summarizes how adaptive capabilities sustained the social-business balance in the TBL category.

Customer-driven product/service adaptation describes the capability to innovate products/services to meet customers' social value expectations. This capability requires TBL businesses to compromise short-term business value, without constraining potential business growth. The TBL pioneer providing natural food products faced customers' rising expectations for recyclable packaging. This added pressure to the company's sustainability of business value generation. They struggled over tradeoffs between packaging recyclability and product affordability. They eventually replaced plastic packages with glass jars, compromising profitability but opening up a new line of popular products and a new source of business growth. The founder said: "We moved from the 10 rupee package to the 35 rupees package, so the price does increase. But we do not profit on packages… if we scale up more [of these products with the new package], we can get higher profits."

Cost-structure adaptation refers to the capability to rebalance the cost structure for generating social value to improve profitability. In responds to external pressures on the sustainability of business value generation, this capability compromises social value without damaging long-term social value generation. This capability helped TBL pioneers strengthen financial stability in the face of fluctuating market prices. The TBL pioneer producing hybrid rice and empowering poor farmers operates in a market where the price of its product lacks stability. The cofounder described their response to this challenge by adjusting payment to farmers while maintaining social impact: "When we first started, we paid higher-than-market price to farmers. Now I pay them market price. In the past, people always assumed that we should pay them higher price. What we need to do is actually paying them stable price that brings them stable revenues and also providing some support to help them reach their potential. Paying them higher-than-market price requires a stable market that can support higher price. When that happens, yes. Because we are not NGO, I cannot pay them higher price when I cannot sell higher price."

Like SCSR pioneers, TBL pioneers conducted ***business model adaptation***. They transformed the business model at the expense of short-term business value to reduce competition, and leveraged social value to enhance competitiveness in their relations with new competitors. The TBL pioneer providing affordable energy faced the challenge of new competitors. The CEO explained their approach to developing a competitive business model with embedded social value: "We now have competition from abroad like foreign investments. These guys have a better business model than local companies. How can we compete with foreign companies? Local companies have an advantage about local knowledge. We can do this through the local social business model. This is the future I see. It is all about focusing on the niche customer base…[Instead of keeping working as an energy supplier] We are moving into the 'Nike' business model. We do not own the production factory but build an asset in the customers. We talked with competitors who will fill us the LPG [liquefied petroleum gas] cylinders. We work as the distributor and the contact of end consumers. We focus on customer satisfaction, after-service and facilities. I can sell 10,000 USD for a cylinder and all these facilities. No problem."

Table 9: TBL Business Adaptive Capability

Adaptive Capability	SVO-Threatening Change	Constructive Tradeoff	Outcome
Customer-driven product service adaptation	New customer expectations that threaten the sustainability of business value generation	Compromising short-term business value to meet the customer's social value expectation, without constraining the business growth potential	Sustained embeddeness-oriented social-business balance
Cost-structure adaptation	Market price changes that threaten the sustainability of business value generation	Compromising social value to improve profitability without damaging the sustainability of social value generation	
Business Model Adaptation	New competition pressures that threaten sustainability of business value generation	Compromising short-term business value and leveraging social value to pursue long-term competitiveness	

6 Accruing Advantage

In the process of developing and executing operational and adaptive capabilities, CSV pioneers built and managed synergies to accrue advantages that improved their competitive market position. They gained advantages including strengthened growth potential, accessibility to talent, cost and quality advantage in the supply chain, product/service differentiation and new market accessibility and exploration. Table 10 summarizes how CVS capabilities lead to the accrual of competitive advantages.

The COO of the SE pioneer in the education sector problems explained how simultaneously generating income and social impact can drive a high growth potential without compromising its social goal. He said: "As long as we can get social impact on many beneficiaries, the profitability will follow...When we can create the products on the social end that are scalable with very low cost, we can make profits on this part too...One example is that we are developing a product for an international school. They want it for their teacher development. We realized that this product can benefit all teachers in that area. So, instead of creating the product for the school only, we discussed with them and moved to a model that allowed us to give this product to other people too....Our investors are also happy about this change because they can cash out with good profits."

Table 10: How CSV Capabilities Accrue Competitive Advantages

CSV Category	CSV Capability	Accrued Comparative Advantage
SCSR	• Business-oriented and synergy-driven growth (Operational)	• Business growth potential
	• Business model adaptation (Adaptive)	• Market accessibility and exploration
SE	• Synergy-based recruitment (Operational)	• Talent accessibility
	• Impact-oriented and synergy-driven growth (Operational)	• Business growth potential • Cost and quality advantage in the supply chain
TBL	• Embeddedness-based and synergy-driven growth (Operational)	• Business growth potential • Cost and quality advantage in the supply chain • Product/service differentiation • Market accessibility and exploration
	• Customer-driven product/service adaptation (Adaptive)	• Product/service differentiation
	• Business model adaptation (Adaptive)	• Product/service differentiation

Talent accessibility. SE pioneers' operational capability for synergy-based recruitment can strengthen their access to talent by attracting highly self-motivated and creative people. A software-based SE pioneer fights challenges in the areas of agriculture and women healthcare. The CEO said: "We are competing with four profit organizations to recruit people with the same type of talents...Our software is unique, if you look at the e-agriculture solution and soil master we just developed for micro-nitrogen analysis, it is a cutting-edge product. It is attractive for a lot of people who want to work for high-tech business, want to really work on some very difficult and challenging problems.

Business growth potential. CSV pioneers across categories applied the operational capability of synergy-driven growth, with category-specific orientations, both to avoid the growth tradeoff and to drive higher growth potential. A commercial bank in the SCSR category treated its mobile banking business as a driving force for organizational transformation. A senior executive said: "The mobile banking business could leapfrog the way the company is being transformed. When you look at financial inclusion in the country and the way people use banks, you recognize that this business is needed in the country...All employees are going out to explain the product. Everyone shares the passion to do the same thing. Everyone learns to understand what the company does. It does drive motivation and growth."

Product/service differentiation. CSV pioneers have developed differentiation-based competitiveness through operational and adaptive capabilities. The cofounder of a marketing service company explained how their embeddedness-based and synergy-driven growth model helped establish a competitive market position through embedded social value in their services: "One of our major selling points is giving clients more human perspectives. For example, we work with state-owned enterprises where most of our money come from. We aim to provide a lot of education and social awareness in the content. A large oil company has their social media. They did not have any human factor contents. What we did is bring together localized content with local culture and social issues such as education...We provide hope not problems."

The earlier case of the TBL pioneer providing natural food shows that the adaptive capability of customer-driven product/service adaptation, which adapts to emerging customer expectations through product innovation, also helps them strengthen product differentiation.. This opened up a new line of popular products and strengthened customer relations. The previous case of the TBL pioneer providing affordable energy to rural areas shows that the adaptive capability of business model adaptation differentiated the company's competitive position. This leveraged its knowledge and resources in rural areas to develop a collaborative and profitable relationship with large competitors went down as well."

Cost and quality advantage in the supply chain. CSV pioneers were able to develop operational capabilities to accrue competitive advantages by embedding social value in supply chain management. The SE pioneer producing and selling handloom products to empower disadvantaged suppliers adopted an impact-oriented and synergy-driven growth model that improved the quality and stability of its suppliers. The business development director said: "We do not just buy from them [suppliers], we work with them. When the quality is not good enough, we train them. There is no rejection [to their products]. But we do not compromise the business part.... For example, suppliers come with their products. We check the quality and we say we cannot sell at this price with this quality. We have to innovate on the products so they can sell the product at the price they want and sustain their businesses...If we can balance this, we can get good suppliers. We just got an order for 30,000 pieces of supplies...There are firms that rely on single factories, they went done, the company went down as well."

The TBL pioneer producing hybrid rice used the *embeddedness-based and synergy-driven growth model* to turn their deep knowledge about poor farmers into a cost advantage in the supply chain. The cofounder explained: "We have the entire value chain data. My cost is not higher in the market because we go directly to the source. I cannot be higher than anyone else. We are doing a lot of things on the social side. They help us keep the farmers. We always have this joke that, if we go to the price war, our price will be lowest because we go straight to the market and to the source."

Market accessibility and exploration. The TBL pioneer providing alternative energies to off-grid clients adopted the operational capability of embeddedness-based and synergy-driven growth to gain market access. The founder said: "The payback for our project is typically 3-5 years, which is very short, because the total cost of operation from diesel is very high. So, I focus on this niche area of off grid...Not many people focus on off grid... We tried to invite engineer people to help us in some projects, they initially said, wow, a five-million-dollar deal, very excited. Then they asked how far to go to the site. It is riding five hours off road, no data, no everything. They were like: we are not so keen to do this thing. I feel, because of our oil and gas background, we already got used to working in such an environment, going out for three hours for site visit in isolated rural areas."

7 Aligning CSV Capability

Managers that create shared value make constant choices in the five areas of organizational activity and decisions that deal with internal and external changes. A strong CSV capability is about making the right choice at the right time to sustain the category-specific SVO and facilitate business growth. The task of aligning describes a process of continuously monitoring and redressing the gaps between the operational and the adaptive capabilities to ensure they serve the category-specific SVO.

Operational capability works as a safeguard that can keep the adaptive capability on track. Aligning the two sets of capabilities ensures that constructive tradeoffs intended to sustain SVO will not devolve into destructive tradeoffs. For example, to improve product quality and profitability, a SE may feel a need to raise the level of worker quality by expanding its beneficiary scope. This may compromise vulnerable people's interests. It is critical that stakeholders agree that this company is pursuing impact-oriented SVO, and not on a mission drift. When a SCSR practitioner utilizes social value to transform her business model in response to the prospective financial pressure, preparing a supportive organizational environment for this transformation is critical. This requires planning recruitment, training, evaluation and stakeholder engagement activities to avoid destructive tradeoffs. Thus, CSV practitioners should coordinate adaptive capability with effort to strengthen operational capability.

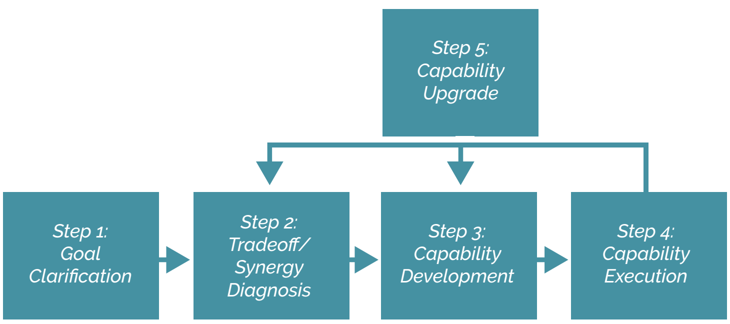
Operational capability alone does not guarantee that a CSV practitioner will be able to adjust and adapt to external changes in a timely manner. The capability to understand constructive social-business tradeoffs, accommodate compromises, and implement compromises to sustain SVO is beyond the scope of avoiding destructive tradeoffs. SEs with strong operational capabilities may rigidly commit to the social mission and the current business model. Even when external change impairs their operational sustainability, they may be unwilling to compromise social value or adjust the business model. Conflict between change and inertia also occurs in SCSR and TBL categories, jeopardizing their category-specific SVO. CSV practitioners need to develop mindsets, leadership and systems amicable to scanning and adapting to internal and external changes, along with development of operational capabilities.

8 Conclusion

This report conducts a thorough analysis of the challenges and experiences of 42 CSV pioneers in eight ASEAN and South Asia countries, which results in a 4A framework explaining how managers develop CSV capability to achieve shared value optimization. This report generates learning that clarifies important concepts and relationships in CSV activities. These learning points enable practitioners, researchers and CSV field enables to better understand the nature, the types and the implementation details of CSV capability. They also help shape further discussions on CSV capability and management.

Drawing on the 4A framework of CSV capability, this report provides a cyclic five-step roadmap to guide CSV practitioners toward achieving their category-specific SVO. In Figure 5, step 1 establishes the SVO goal by studying, theorizing and reaching internal census about the following fundamental questions: a) what is the organization's business goal; b) what is the social goal; c) what is the comparative priority of the two goals at the organization level. Based on the internally shared SVO goal, step 2 analyzes existing and potential social-business tradeoffs and internal and external challenges that may disrupt this goal, as well as identifies social-business synergies that can support this goal. Step 3 builds on the diagnosis of goal challenges and synergy opportunities in step 2 to develop operational and adaptive capabilities. This involves building managerial systems and organizing daily activities to avoid destructive tradeoffs, address current and prospective goal-threatening changes and build synergies. Step 4 executes operational and adaptive capabilities developed in step 3 to simultaneously conduct the tasks outlined in the 4A framework.
In step 5, managers build on the knowledge about capability execution processes and outcomes to inform challenge/opportunity diagnosis and upgrade capabilities. Throughout the journey, managers must guide each step toward the SVO goal.

Figure 5: Roadmap to Achieving Shared Value Optimization



Findings in this report draw from CSV pioneers in the ASEAN and South Asia region. We suggest that they have generalizability to inform CSV activities outside this region. We acknowledge that factors not explored in this report such as industry, nature of business, type of social problem and country- and region-level characteristics can influence the applicability and effectiveness of a specific capability. Nevertheless, frameworks developed in this report build on aggregated principles and evidence derived from a diversity of CSV pioneers (see Appendix 2 for company background). To the extent this diversity offsets idiosyncrasy in specific capabilities, these frameworks should have reasonably broad implications to different organizational and geographic contexts.

The findings are meaningful to managers in several ways. First, they demonstrate effective micro practices used to implement specific tactics. Managers may reference these as they develop CSV capabilities. Second, the findings identify a repertoire of organizational activities and systems that managers can recombine, adjust, and adapt to develop capabilities specific to their own contexts. Third, the 4A Framework for CSV capability is a diagnostic tool that managers can use to evaluate gaps, opportunities and directions in capability development. Fourth, the roadmap framework provides principles that guide a step-by-step journey to achieve SVO.

Acknowledgements

This CSV capability report was produced with the support of regional and country partners who are leading experts in the areas of business sustainability, corporate social responsibility and social entrepreneurship. Our partners made professional contributions to the process of report idea formulation and data collection.

In particular, the CEM team greatly appreciates the support and feedback from:

Asia Venture Philanthropy Network,B Lab UK, B Market Builder Singapore/Malaysia, Diinsider, Dr. Farhana Ferdousi at Southeast Business School in Bangladesh, Lanka Impact Investment Network, Myanmar Center for Responsible Business and research fellow Simone Anzboeck, Tony Fernandes School of Business at the University of Cambodia and Yunus Center in Dhaka.

References

Porter, M. E., & Kramer, M. R. 2011. Creating shared value: How to reinvent capitalism and unleash a wave of innovation and growth. Harvard Business Review, January-February: 63-77.

Porter, M. E., & Kramer, M. R. 2006. Strategy and society: The link between competitive advantage and corporate social responsibility. Harvard Business Review, December: 78-92.

https://www.blackrock.com/corporate/investor-relations/larry-fink-ceo-letter

https://www.businessroundtable.org/business-roundtable-redefines-the-purpose-of-a-corporation-to-promote-an-economy-that-serves-all-americans

Crane, A., Palazzo, G., Spence, L. J. & Matten, D. 2014. Contesting the Value of Shared Value. California Management Review, 56.

Wieland, J. 2017. Creating shared value: Concepts, experience, criticism. Springer: Cham, Suisse.

Burke, L., & Logsdon, J. M. 1996. How corporate social responsibility pays off, Long Range Planning 29: 495-502.

J.P. Walsh and J.D. Margolis. 2003. Misery Loves Companies: Rethinking Social Initiatives by Business, Administrative Science Quarterly 48/2: 268-305.

Freeman, R. E. 1984. Strategic management: A stakeholder approach. Boston, MA: Pitman/Ballinger.

Prahalad, C. K., Hart, S.L. 2002. The Fortune at the Bottom of the Pyramid.Strategy & Business.

R. Moss Kanter, "From Spare Change to Real Change. The Social Sector as Beta Site for Business Innovation," Harvard Business Review, 77/3(1999): 122-128.

Crane, A., Palazzo, G., Spence, L. J. & Matten, D. 2014. Contesting The Value of Shared Value. California Management Review, 56

Stubbs, W., & Cocklin, C. 2008. Conceptualizing a "Sustainability Business Model." Organization & Environment. 21 (2): 103-127.

https://www.ibm.com/ibm/responsibility/corporateservicecorps/

https://www.goldmansachs.com/citizenship/10000women/

Elkington, J. 1999. Cannibals with forks: The triple bottom line of 21st century business. Oxford: Capstone.

Elkington, John (June 25, 2018). "25 Years Ago I Coined the Phrase "Triple Bottom Line." Here's Why It's Time to Rethink It". Harvard Business Review. Retrieved October 11, 2019.

https://en.wikipedia.org/wiki/Low-profit_limited_liability_company

https://en.wikipedia.org/wiki/Benefit_corporation

https://en.wikipedia.org/wiki/Community_interest_company

Mair, J., & Marti, I. 2006. Social entrepreneurship research: A source of explanation, prediction and delight. Journal of World Business, 41: 36–44.

http://www.socialenterprisebsr.net/2018/03/social-business-muhammad-yunus/

https://www.dlight.com/

https://www.barefootcollege.org/

http://www.danonecommunities.com/index.php/portfolio_page/grameen-damone-food-limited/

http://tsi.com.bd/

https://www.danone.com/about-danone/sustainable-value-creation/BCorpAmbition.html

Appendices

Appendix 1: Data Collection and Analysis

Initially, the researchers identified a dataset containing 610 indigenous CSV practitioners in eleven ASEAN and South Asia countries. These are internationally or locally recognized pioneers in CSR, social entrepreneurship and/or social innovation. This dataset includes 316 SCSR pioneers, 285 SE pioneers and 9 TBL pioneers.

Organizations included in the CSV pioneer database met both following criteria, as:

1. A company operating a commercial business, or a commercially registered social enterprise (SE), rather than a nonprofit organization or a charity

2. A leading player internationally or locally recognized as such by a credible public or private data source. Public sources include major global ranking, awarding and accreditation agencies. Private sources include local thought leaders such as associations and reputable consulting agencies. The following table lists data sources used to validate CSV Pioneers.

Next, CEM worked with regional and country partners to develop a pool of 80 CSV pioneers in nine countries as interview candidates, taking into account their leading positions and their potential accessibility. CEM and partners sent interview invitations to all these candidates. Forty-two companies operating in eight countries accepted the invitation and completed the interview.

The research team at CEM developed the interview questionnaire to capture CSV practitioners' challenges and solutions in managing the social-business balancein various aspects of organizational activities. We developed interview questions based on a comprehensive review of academic research about organizational hybridity, organizational paradox, social entrepreneurship and social innovation management. We also drew insights from field observations, partner feedback and 10+ related interviews previously done in Bangladesh and China.

The interview covered thirteen open questions about a company's history: its social goal, business goal and relationship between the two goals; social-business tradeoffs identified through academic researches and practitioner experiences; and its approaches used to address these tradeoffs. The author and two trained research assistants developed a coding protocol and independently coded all interviews. The team had frequent discussions throughout the analysis process and resolved discrepancies on all results.

We have pursued interviewees' feedback and agreement on all quotations used in the report. Several interviewees requested anonymity for their companies and the removal of country characteristics that may reveal their identify. To ensure confidentiality, this report does not disclose the name nor the country-of-origin of interviewees and their companies.

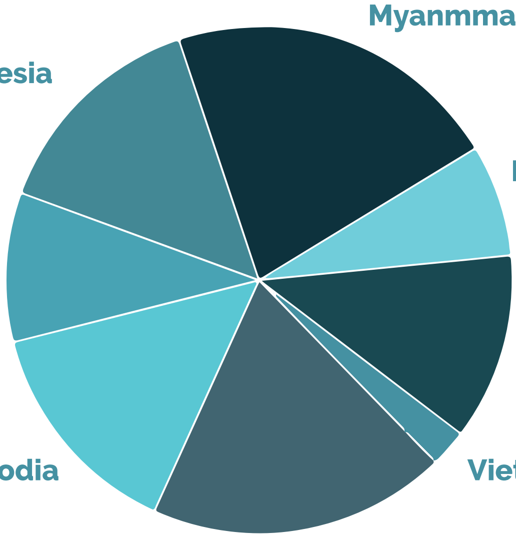
Data Sources used to validate CSV Pioneer status

CSV Sector	Public Data Source	Private Data Source
Strategic CSR	1. CSR Hub 2. CSR Box 3. Shared Value Initiative	1) Asia Venture Philanthropy Network 2) Diinsider 3) Lanka Impact Investment Network 4) Myanmar Center for Responsible Business 5) Southeast Business School, Southeast University Bangladesh
Social Enterprise	1. Ashoka Foundation 2. DBS Foundation 3. Mulago Foundation 4. Schwab Foundation 5. Skoll Foundation	1) Asia Venture Philanthropy Network 2) Diinsider 3) Lanka Impact Investment Network 4) Myanmar Center for Responsible Business 5) Southeast Business School, Southeast University Bangladesh 6) Tony Fernandes School of Business, University of Cambodia 7) Yunus Center in Dhaka
Triple-Bottom-Line Business	B Corporation research reports	1) B Lab UK 2) B Market Builder Singapore/Malaysia

Appendices

Appendix 2: Company Background Information

Country



	SCSR	SE	TBL	Total
Bangladesh	3	5	0	8
Cambodia	0	4	2	6
India	0	4	0	4
Indonesia	1	2	3	6
Myanmmar	2	4	3	9
Phillipines	0	3	0	3
Sri Lanka	2	2	1	5
Vietnam	0	1	0	1
Total	8	25	9	42

Industry

	SCSR	SE	TBL	Total
Agriculture	0	4	2	6
Apparel	1	3	0	4
Conglomerate	2	0	0	2
Education/Training	0	7	1	8
Energy/Utility	0	2	3	5
Finance	2	1	0	3
Food	1	1	1	3
Handicraft Making & Selling	0	3	0	3
IT Service	1	3	2	6
Retail	1	0	0	1
Transportation	0	1	0	1
Total	8	25	9	42

Age

	SCSR	SE	TBL	Total
<5 years	2	4	6	12
5 - 10 years	2	17	3	22
> 10 years	4	4	0	8
Total	8	25	9	42

% Companies expecting fast scale up within the next three years

SCSR	SE	TBL	TOTAL
100	80	100	88

Appendices

Appendix 3: Glossary

4A Framework for CSV capability: A framework illustrating achievement of shared-value optimization (SVO) by accomplishing four interrelated tasks—avoiding, adapting, accruing and aligning.

Accruing: The task of accruing competitive advantages.

Adapting: The task of managing constructive tradeoffs to deal with immanent or prospective internal and external changes that threaten the achievement of SVO.

Adaptive capability: A type of CSV capability that is aimed to manage constructive tradeoffs to deal with immanent or prospective internal and external changes that threaten the achievement of SVO, as well as accrue competitive advantages.

Aligning: The task of constantly monitoring and ensuring the alignment between CSV capabilities and the category-specific SVO goal.

Avoiding: The task of avoiding destructive tradeoffs.

BOSVO: Business-oriented shared value optimization refers to a type of SVO that serves the prioritized strategic goal of the business by using business expertise and resources to continuously generate social impact. BOSVO is the SVO goal of the SCSR category.

Constructive tradeoff: The social-business tradeoff that managers can strategically make to sustain or reinforce the SVO goal.

CSV capability: Managers' abilities to develop, implement and adapt organizational activities to achieve shared-value-optimization. CSV capability includes operational capability and adaptive capability.

CSV categories: Strategic CSR, social enterprise, triple-bottom-line business.

CSV: Creating shared value refers to systematically incorporating social value in the business model and the business operation in pursuit of the joint growth of financial performance and social impact.

Destructive tradeoff: The social-business tradeoff that leads to the predominance of one value to the detriment of the other, which reduces an organization's chance of achieving SVO.

EOSVO: Embeddedness-oriented shared value optimization refers to a type of SVO that aims to increase business value by embedding social value and broader stakeholder interests in the business model rather than by pursuing shareholder interest maximization. EOSVO is the SVO goal of the TBL category.

External stakeholder tradeoff: A type of destructive tradeoff caused by a situation where meeting the key external resource provider's expectation, on either business or social value, will compromise an organization's capability of achieving SVO.

Growth tradeoff: A type of destructive tradeoff caused by a situation where pursuing the growth of social value will compromise the growth of business value and vice versa.

Internal expectation tradeoff: A type of destructive tradeoff caused by organizational members' conflicting expectations on the priority of the social value and the business value.

IOSVO: Impact-oriented shared value optimization refers to a type of SVO that adopts business models and generates business value in order to continuously serve the prioritized social goal. IOSVO is the SVO goal of the SE category.

Operational capability: A type of CSV capability that is aimed to avoid destructive social-business tradeoffs and accrue competitive advantag-es.

SCSR: Strategic CSR refers to a company's CSR projects, social venture investments or foundation arrangements that utilize the company's business resources and competencies to address social/environmental problems, with an expectation that this effort will serve the company's strategic interest and contribute to developing a favorable competition environment.

SE: Social enterprise is a type of business that adopts a business model as the means to sustainably serve her prioritized social goal.

SVO: Shared value optimization refers to continuously growing the aggregated value of social impact and business performance, while allowing necessary tradeoffs between them in order to sustain the social-business balance.

TBL business: The triple-bottom-line business is a type of business that embeds social and environmental values in the business model and features the equal treatment of social, environmental and financial values as the driving force of business growth and the fundamental criteria for evaluating business success.

Global Institutional Partners

ASIA

John Gokongwei School of Management
Ateneo De Manila University

Indian Institute of
Management Bangalore

Yonsei School of Business
Yonsei University

Emerging Markets Institute
INSEAD (Asia)

Suleman Dawood School of Business
Lahore University of Management Sciences

Keio Business School
Keio University

Faculty of Economics and Business
University of Indonesia

Faculty of Management & Finance
University of Colombo

Graduate School of Business,
Nazarbayev University

Faculty of Business Studies,
University of Dhaka

Faculty of Economics & Administration
University of Malaya

Tony Fernandes School of Business
University of Cambodia

Thammasat Business School
Thammasat University

University of Economics and Business
Vietnam National University Hanoi

Faculty of Economics and Business
National University of Laos

EUROPE, MIDDLE EAST AND AFRICA

National Research University
Higher School of Economics

Kozminski University

Mohammed bin Rashid
School of Government

Faculty of Business Administration
University of Economics, Prague

Corvinus Business School
Corvinus University of Budapest

College of Business Administration
Kuwait University

Strathmore Business School
Strathmore University

School of Business
American University in Cairo

The China-UK Global Issues Dialogue Centre
Jesus College Cambridge

Gordon Institute of Business Science
University of Pretoria

Lagos Business School
Pan-Atlantic University

AMERICAS

School of Business
Universidad Adolfo Ibanez

ESAN Graduate School Of Business

Florida International University

Universidad EAFIT

Sao Paulo School of Business Administration
Getulio Vargas Foundation

IAE Business School
Universidad Austral

Technológico De Monterrey

Center for Emerging Markets
Northeastern University

About Nanyang Centre for Emerging Markets

Nanyang Centre for Emerging Markets
The Nanyang Centre for Emerging Markets (CEM) is a new initiative by Nanyang Business School to establish global thought leadership on business-related issues in emerging markets. It conducts research on pressing and timely business issues in emerging markets through a global research platform of leading scholars and institutional partners. It closely interacts with corporate partners to identify research topics and manage the research process. Its research outputs include valuable and relevant implications for sustained profitable growth for local and multinational companies in emerging markets. It delivers a variety of research reports and organizes forums, seminars, CEO roundtables, conferences, and executive training programmes for broad dissemination of its research outputs.

NTU-SBF Centre for African Studies
The NTU-SBF Centre for African Studies (CAS) is to develop thought leadership and capacity for doing business in Africa. It includes bringing Africa to Southeast Asia and Singapore and helping Singapore to be positioned as the gateway into Southeast Asia. As such, CAS aims to build and expand its local and international profile by means of publications, conferences, seminars and business forums through collaboration with local businesses, other research entities and business schools in Singapore and Africa.

Contact Information:
Email: cem@ntu.edu.sg
Tel: +65 65138089
S3-B1A-35 Nanyang Business School
Nanyang Technological University
50 Nanyang Avenue Singapore 639798

Author

Prof. Zhao Meng (Nanyang CEM)

Editors

Editor: Dr. A. Lee Gilbert
Editor-in-Chief: Prof. Seung Ho Park (Nanyang CEM)