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# Bridging Morale and Business Through Shared Value?

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## Introduction

The recent worldwide economic crisis has produced a lot of discontent, irritation, even hostility towards business and the market rules that govern it. Demands for morale in society and in business have re-gained momentum in times of sky-rocketing profits in some areas and aggravating poverty in others. By contrast, opponents to this view argue that because enterprises are exposed to strong competitive pressure from the markets there ought to be no scope left for cost-intensive beneficence. More particularly, social responsibility and profit maximization in business have been perceived as being irreconcilable opposites.

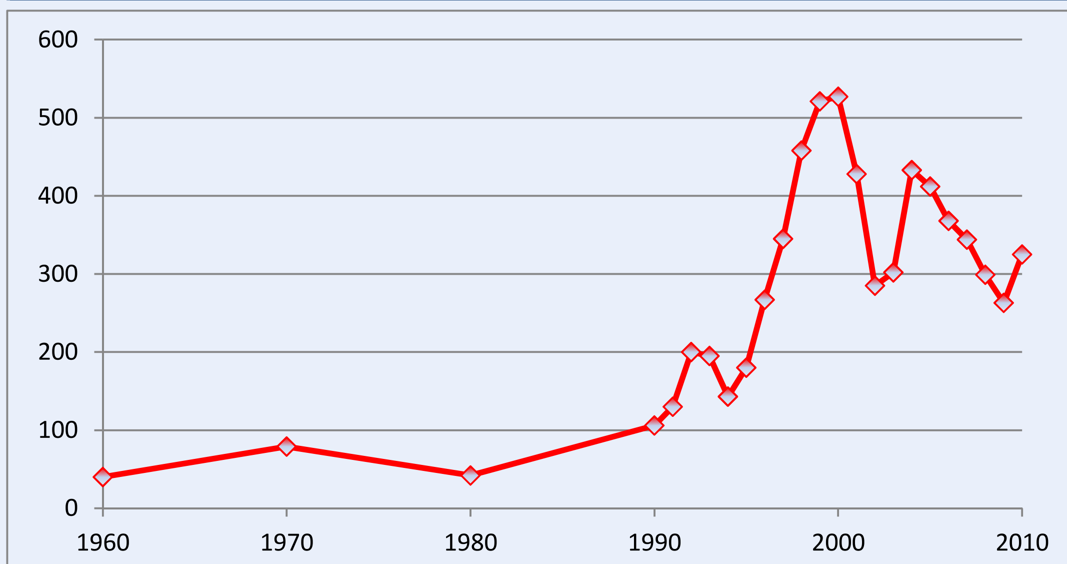
Concepts like shared value claim to offer a solution to this antagonism. The idea behind shared value is to produce a good or a service that, while complying with market forces, still offers a positive social externality beyond its private value for producers and consumers. In particular, the shared value concept emphasises the competitive advantage a company may generate in its own favour by improving social welfare. This concept is thus distinct from other, related concepts, like corporate social responsibility (CSR) where companies are challenged to sponsor the (costly) production of social goods, or like social businesses and social entrepreneurs that refrain from profit maximization in favour of a social goal and accept forgoing a higher income.

In contrast, the shared value concept might meet long-run requirements of business itself. Business requires a stable society to be successful as much as the society requires a prospering business sector to be stable. Business might thus be challenged or sometimes even constrained to pave the ground for its own success by curing the defects of a dysfunctional society: It may for instance provide the infrastructure (such as roads, water supplies, schools) required for taking up its own production and thereby produce shared value for the whole local area. The question central to this paper is, however, whether such kind of production really is feasible to a noteworthy amount and in a non-trivial way.

## An Economic Theory Background

What is morale in the context of business, actually? A particularly disturbing point in the public debate in recent years was that some firms were able to bestow an incredible amount of wealth upon their shareholders and managers (peaking particularly high around 2000, and then again in 2004; Figure 1) while at the same imposing strong downward pressure upon their workers and the environment regarding social and environmental standards, at home and particularly abroad in poor countries. It was particularly this conjuncture of extreme wealth with extreme poverty that was perceived of endangering the social sustainability of societies and that provoked demands for more morale in business.

***Figure:***
**CEOs' pay[a] as a multiple of the average worker's pay, USA, 1960–2010**




[a]S&P 500/Fortune 500 US corporations.

***Source:*** **Adapted from Domhoff (2011) and IPS (2011).**

Admittedly, from the view of a pure classical market economy, there is neither need nor scope for morale or beneficence in business, and social benefits are achieved automatically. Within such model world, firms need to be responsible to their shareholders only (Friedman, 1962). In order to satisfy these shareholders and keep them from withdrawing their capital to invest it elsewhere, firms strive for maximum profit to them. Firms are thereby subdued to competition, and this not only on capital markets but also on consumer markets, which in turn forces them to produce what consumers aspire. Strong competition leaves no scope for wasting money on anything that does not directly increase profitability, but it also leaves no scope for high profits, these tend to vanish under such circumstances. These effects should become the more relevant the closer globalisation drives markets towards a situation of perfect competition. In this model world, competition also efficiently operates labour markets. Wage competition on labour markets causes that jobs are given to those workers that are ready to accept the lowest wages, that is, those that are obviously in the most urgent need for these jobs. If wages are below productivity, competition may make it worthwhile to extend production and create more jobs, more demand for workers, and this may increase wages until they equal the marginal productivity of the respective jobs. The combination of profit maximisation and competition alone thus makes firms fulfil the social task of serving the needs of the public and also of distributing earnings fairly among all kinds of workers and capital-owners. In this individualistic approach, everybody gets what he deserves in line with his marginal contribution and to his own best interest, and firms produce morality as a side-product thanks to the work of the invisible hand. Or, as already Adam Smith (1776) put it: “It is not from the benevolence of the butcher, the

brewer, or the baker that we expect our dinner, but from their regard to their own interest. We address ourselves, not to their humanity, but to their self-love, and never talk to them of our own necessities, but of their advantages." A small number of social goods and services that may be required beyond in this model world are to be provided by the state. These are mostly institutional regulations, like the rule of law, property rights regulations, and internal and external security.

Yet, such an ideal market model world disregards the existence and strength of countless externalities, market irregularities and irrational, instinct- and emotion-driven behaviour; even more, it disregards the social-interaction nature of market processes. Externalities are by definition not considered in market prices. Particularly in combination with other market irregularities and irrationalities they lead to malfunctioning of prices and of competition, and to market failure. Globalization augments many of these irregularities. It may convey extreme wealth on the one side and sustain extreme poverty on the other, and, as another characteristic, it may uncover these extremes more clearly than ever before. This makes questions of morale in business an issue.

On the production side, it is particularly the asymmetric allocation of market power that may lead to a highly unequal distribution of returns. Consider on the one hand, at the downstream of the value chain, a declining number of ever-growing, oligopolistic, worldwide operating multinational enterprises. The fewer they will get the more influence and pressure they will be able to exert both on upstream producers for low prices, e.g., on intermediate sweatshops, and on governments for support and protection of their interests. Consider on the other hand, at the very upstream of the value chain, poor workers in poor countries, at the margin of subsistence, hardly organised in worker associations due to incapacity or administrational restrictions, and lacking social security systems whatsoever. In order to avoid starving, these workers will offer the larger amounts of labour the less pay they get for it—maybe even including the labour force of their children who are thus kept from getting educated for a better own future—thus producing an inverse labour supply function. Another disruptive element in the whole setting could be a corrupt government, which might intensify the market asymmetry and aggravate the situation further. As a result, under such setting, wages and working conditions may be heavily distorted, enclosing workers in poverty traps that neither they nor even their offspring may be able to escape on their own. Moreover, in the extreme, a thus dysfunctional society may carry an inherent danger of collapsing, with directly adverse effects even for business itself. And large negative externalities may also endanger third parties, such as future generations, animals, and open access resources that are rivalrous and finite like the resources of the forests, the oceans, and the climate. If one regards this a relevant scenario, one may conclude that the results from market processes may not always be to the best interest of the agents involved, and that hence morale comes by far not always automatically as the natural side-product of market processes.

On the demand side, it is particularly the social interaction of consumers that, alongside with other factors, may induce an extreme wealth. A dramatic decline of transaction costs in the course of increasing globalization may cause an extreme increase in the demand for a product due to a largely incidental, slight but worldwide preference for one star product over any second best (superstar effect, Rosen 1981). Further behavioural peculiarities of consumers regarding goods such as bandwagon effects (everybody likes it so it must be good), snob effects (most cannot afford it so one can signal to be someone special), Veblen effects (it is expensive so it must be good; all three described by Leibenstein 1950), a strong dependency on peer groups' beliefs, a preference for "keeping up with the Joneses", in combination with asymmetric information to the detriment of consumers may entail power-law distributions of demand for very popular goods or brands and inverse demand functions. Goods may receive their appreciation not primarily from their inherent direct utility to the consumers but from the attention paid to it by others. The more such goods may attract worldwide attention the more they are appreciated the more they attract attention and so forth, thus entering into so-called information cascades by a process of circular cumulative causation, ever more boosting demand and prices for this product. But while the reductions of transaction costs as well as the consumer behaviour spawning this demand is provided as a social benefit from the combined interaction of lots of agents worldwide, it is primarily the producers of such popular goods who pocket the rents. Accordingly, in many cases, firms may gather extreme wealth for their owners, share-holders or managers not as a well-deserved benefit from the ingenuity of their market ideas, business models and financial backings, but as a wind-fall gift from social inter-actions. Again, this may evoke doubts as to morale as a granted outcome of market processes.

Morale in business would not need to bother any further if there were economic solutions to the problems described. But such solutions are not abundant. One might think of an efficient internalisation of externalities by negotiations between the agents affected, e.g., as suggested by the Coase theorem, but this may often be precluded due to high transaction costs of such negotiations or to their pure impossibility (as in the case of future generations, creatures and environment). One might also think of government intervention and establishment of adequate regulations, for instance, by assigning respective property rights where they are ill-defined, or by imposing a Pigou tax simulating market prices where these are distorted. However, such solutions are difficult to accomplish in a global economy with only nationally defined competences for legislation. Furthermore the countries with the most irregular markets may often be those with particularly bad governance, so not much help is to be expected from this side.

One might also think of a change of consumer behaviour. In fact, this could prove extremely influential in shaping the behaviour of enterprises. If consumers are well-informed they could avoid taking part in information cascades by simply deciding

according to the best value for money. Also, they could behave not purely selfish but also other-regarding and offer higher purchasing prices to the final good in return for better production and working conditions. Yet given that response to prices is the major tool at the hand of consumers, at this point, they may run into trouble: in trying to obviate the one problem, they may add to the other. Consumers usually are not able to control for where any additional purchasing money is spent along the value chain, more upstream as they may wish or more downstream as may be more likely.

In very specific cases, consumers may start organising boycotts of certain goods or actions against certain companies. This may sometimes be quite successful: Anti-sweatshop actions, for instance, have been shown to increase real wages in targeted enterprises without endangering employment there (Harrison and Scorse 2010). In a way, such consumer behaviour could even be seen as part of a Coasian solution to externality problems (Kotchen and Moon 2011). Consumer punishment to companies producing negative externalities, or even the mere threat of it, may provide those social costs that generate the social activities or social behavior required to offset these externalities. Still, such actions require specific information for consumers that, due to asymmetric information, is often not available to them, at least not in a systematic way. Moreover it is usually difficult for consumers to build such sort of coalitions because of vast opportunities to free-ride (Olson 1965). Reflected consumer behaviour may thus be a necessary but not sufficient condition in overcoming global externalities and market irregularities.

To summarise, serious externalities exist and are able to generate extreme out-comes and endanger economic efficiency. Globalisation tends to fortify such externali-ties while it also tends to reduce the opportunities to deal with them by internalising them or compensating for them. Global institutions with the potential to solve these problems are lacking and will likely continue to be lacking in the foreseeable future. The results emerging from this setting may not only be economically deficient. Even more they are difficult to be reconciled with prevalent perceptions of fairness and justice, of morale, that is, due to the arbitrariness and the inescapability of the processes involved. Well-informed and sensibly reflecting consumers may be part of the solution but cannot cure the problem entirely.

## The Nature of Morale in Business: The Example of Shared Value

Consequently, some morale in business seems necessitated, be it by own insight or in response to consumer behaviour. More precisely, the challenge consists of demanding more acceptance of responsibility from business towards a sustainable, value-oriented society. However, it is not self-evident that such a challenge could at all be met by business. Usually, economists assume a strong trade-off situation between efficiency of markets and the provision of beneficence. Indeed, in this view, the mere fact of a

firm being able to offer any sort of social beneficence could be interpreted to indicate a lack of competition in the respective economic sector and to call forth a policy of strengthening competition in order to make markets function more properly. But the proposers of shared value deny the general validity of such trade-off. According to them, the concept of shared value is able to reconcile morale and business in a win-win situation, by allying profit maximization under market conditions with the creation of an additional social value, i.e., a positive social externality.

Shared value is thus defined as being part of the profit maximization strategy of a company (Porter and Kramer 2006 and 2011).[1] Within this concept, social goods are thought to be directly related to the firm's core activities, and their incidental costs are to be seen as part of the production process. Moreover, shared value is supposed to be highly innovative thereby giving the entrepreneurs a competitive edge over their competitors. A further important aspect of the shared value concept is that it entails selling social superiority to customers thus creating brand loyalty and a higher willingness to pay. This may often require pursuing a long-term business strategy, which may be particularly difficult for stock-listed firms led by managers instead of owners. More specifically, selling social superiority may require a strong long-term oriented interaction with society, to sustain it in a way that also paves the ground for businesses' own success. A shared value concept that is supposed to be real and not only part of a clever marketing strategy should thus stand explicitly against the overall trend of ever-shorter time horizons in business strategies.

Various other concepts for social behaviour of business have, in the absence of governmental institutions and policy instruments, also gained public awareness in recent years, but they all differ from the shared value concept one way or another.[2] The related concepts of corporate social responsibility and social business/social entrepreneurship differ mainly in that they do not claim to solve the basic conflict between social values and profit maximization while eventually even ranking the former over the latter.[3] Within the concept of corporate social responsibility (CSR), social activities are usually not aligned to the company's main activities but seen as accessories causing additional costs. Accordingly, this concept often refers rather to large companies on oligopolistic markets with high profit margins. Such companies are expected to be capable of acting as benevolent sponsors, thereby counterbalancing

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[1] We utilize a slightly different understanding of shared value as compared to Porter and Kramer (2011) by including trademarks. Indeed, Porter and Kramer (2011: 5) explicitly exclude the use of trademarks like Fair Trade in procurement from the concept of shared value, since they consider it aiming at redistributive purposes only. However, their own example of a true shared value, namely, increasing farmers' efficiency by "improving growing techniques and strengthening the local cluster of supporting suppliers and other institutions" has been shown to be embedded in Fair Trade in many cases (see, e.g., ITC (2011) for an overview of the literature). In our view this justifies the inclusion of such trademarks into the concept.

[2] To give just a few examples of the related literature see Porter and Kramer (2006, 2011), Yunus (2008), Prahalad and Hart (2002), Seelos and Mair (2005, 2007).

[3] Social values are often measured by the social return on investment (SROI).This measurement and the construction of the SROI is itself not uniform and subject to debate.

some of the market failures that they may profit from. Within the other related concept of social business and social entrepreneurship, the aim of profit maximisation is downgraded or completely left aside. This business model may vary according to the relative significance of the commercial compared to the social component, reaching from largely commercial firms with a concise commitment to social values, to idealistic owner-managers that serve social interest and try to make a (modest) living out of it or even live on philanthropy.

The shared value concept is further described in the literature by associating it with a number of different innovative strategies and by providing numerous examples of firms that followed them (Porter and Kramer 2006 and 2011; Seelos and Mair 2005 and 2007). Some of these strategies meet requirements of the highly developed countries; others are particularly created for the needs of poor countries and their population. In the following paragraphs we survey some of these strategies presumably creating shared value, and some of the corresponding examples.

**Trademarks, brands and certificates:** One strategy of providing shared value is to respond to the demand of concerned consumers by creating trademarks or brands that stand for the support of social or environmental values and convey certain minimum standards with regard to production and working conditions, health protection or protection of the environment. Actually, the strategy consists of two separate components: The first component includes setting the standards and providing the goods in compliance with these standards, either by trading them under a trademark or by self-producing them, eventually under a brand name. The second component includes communicating and selling these goods to the consumers. This communication is important: It increases the willingness of consumers to pay the higher costs and evokes loyalty to a trademark or brand. Yet any consumer on its own may have little chance to figure out whether the promises of such trademarks and brands are indeed real. Certificates controlling and guaranteeing for the compliance of goods with explicit standards therefore try to improve the credibility of trademarks and brands. Also, global communication networks enable consumer’s associations to offer websites on the watch of such promises by companies and to better assess their truth.

Accordingly, registered and certificated trademarks like Fair Trade, Oxfam, Reformhaus, Rugmark are overseen or owned by non-profit organisations. These organisations guarantee for specific production and working conditions. Fair Trade, for instance, promises a higher return to producers in developing countries, Oxfam requires recirculation of dispensable goods, Reformhaus includes only physiologically valuable substances in nutrition and other consumer goods, and Rugmark prohibits child labour in carpets production.

Also, companies try to turn their brands into social brands by making use in particular of the communicating and selling component of the strategy, perhaps combining it with other strategies that are described below. The general problem with such social brands is, however, that their creation is often just reactive to consumers’

demand. It is a response to bad publicity and an associated consumer reservation rather than to a foresighted strategy as would be the idea of shared value. Corporate philanthropy is thus effectively used to try to offset a bad reputation (Muller and Kräussl 2011). This means that it is public scrutiny that counteracts the market failures addressed by the trademarks and brands, not the companies—even if they claim otherwise.

**Proclamation of worldwide standards**: Another strategy claiming to generate shared value is pursued by several large multinationals that establish a uniform internal code of conduct to be followed in all their operations around the world, particularly with respect to working conditions, anti-corruption strategies, or use of the environment. The trick here is that it would arguably be more expensive for companies to work under different standards in different parts of the world. Internal standards are then expected to spill over to the respective societies where the companies are located. In particular in developing countries, in which regulations are not efficiently implemented due to a lack of government capacity, such spill-overs of internal standards may be more effective than regulations by individual countries.

Still many multinational corporations introduced such internal code of conduct only after undergoing scandals and massive protests in the press and the public. In fact, companies have been found to use social activities mainly in order to mitigate harm from value chain activities, or in other words "more CSI [corporate social irresponsibility] results in more CSR" (Kotchen and Moon 2011: 3).

**Pre-emption of regulations-to-come**: A further strategy may be to adopt a pre-emptive approach towards foreseeable new regulations (for instance, environmental or social regulations) rather than taking a responsive posture, by designing and introducing products and processes that comply with these regulations before they have actually come into force. Combined with offensive marketing, such strategy may provide respective companies a major advantage over competitors.

One example is B&Q, a British store chain and do-it-yourself retailer. B&Q committed itself to source its assortment of products by social and environmental criteria (working conditions in suppliers' factories, climate change effects, etc.) to identify risks to social responsibility and to take action before external pressure arises (Porter and Kramer, 2006:88). Another example is Toyota that created the hybrid car Prius in order to serve the demand for more sustainability in advance of any prescriptions (Porter and Kramer 2006: 88).

However, these examples amongst others once again show the vagueness of the shared value concept. Pre-emptive action of this kind has existed for a long time and only now seems to be sold as something new and positive. Market failure, in this case, is not corrected out of adopting own responsibility by a respective company, but in clear response to government action, however ahead this may be.

**Improving own context**: A further strategy associated to shared value is to create a favourable context to the own company by investing in social or environmental

infrastructure at the very location of the company. This may help sustaining the surrounding society and thus alleviating or improving the company's own production or sales. This strategy may perhaps be less driven by external pressure, and it may less easily turn out to be just a marketing action.

Examples include General Electric's support to underperforming public high schools near its own facilities (Porter and Kramer 2006: 88), Volvo's engagement in road safety reinforcing its image as a supplier of particularly safe cars (corporAID multilogue 2006), Nestlé's investment in local water source management in developing countries improving the quality of its milk products (Porter and Kramer 2006: 90), Nestlé's investment in local facilities to assess the quality of coffee delivered by farmers improving the quality of its coffee products, the fertilizer company Yara's investment in roads and ports in Mozambique and Tanzania extending its product markets, or Unilever's investment in employees' health in India improving their productivity (Porter and Kramer 2011).

These examples show that the concept is often simply part of more general firm policies such as entering into new, marginal product or labour markets, improving productivity of workers, or quality control. Hence, it may be more by coincidence than by social responsibility that such firm policies happen to target far-off destinations in countries where service provision by governments is still low and where improvement is required indispensably before action can be taken. It may thus be an unintended side-effect that such firm policies happen to provide goods or services for the poor.

**Innovate in BOP activities**: A currently very popular strategy discussed extensively in the literature on shared value (and also on social business) is to search for and innovate in BOP (bottom of the pyramid) activities (e.g. Prahalad and Hart 2002; Seelos and Mair 2007; Yunus 2008). It is argued that serving the market of the poorest allows developing so far unexploited markets, and may therefore turn out to be a very promising business model reaping shared value both for the entrepreneurs and their customers. The BOP strategy owes its high popularity particularly to the argument that it could solve problems of poverty by merely relying on market mechanisms. Several examples of successful business models of this sort are described in the literature.

The most well-known BOP strategy is the microcredit idea, with the Grameen Bank as its powerhouse example. The Grameen Bank is a social business and hence a company that strives for sufficient rather than maximum profit. But the newer literature shows that even in order to achieve such modest goal microcredit banks have to charge high fees. Another example of innovative financial services to the poor is Urbi, a Mexican construction company that invented novel financing vehicles to enable disadvantaged buyers to afford a house (Porter and Kramer 2006: 89). In general, however, microfinance seems unlikely to help the poorest among the poor (e.g. Roodman and Murdoch 2009; Duvendack et al. 2011), and the success of microfinance in overcoming poverty is unclear.

Another strand of BOP activities, that may come closer to the concept of shared value, are conventional for-profit firms that also invest in low income activities. For instance Aurolab, an Indian lens production company runs an eye hospital that charges different fees from different customers, zero fees from the very poor and fees well above costs from wealthy customers. The trick in this case works via market segmentation—the wealthy customers are treated in separate areas with air condition and further specific comfort, but no different medical care (Seelos and Mair 2005). The concept of the hospital could, however, only pass for shared value, if this treatment of the poor was part of its (long-term) profit maximizing strategy giving it a competitive edge over rivals (e.g. by earning a better reputation through pro-social behaviour or through future paying customers), for otherwise it might count as traditional CSR activity (and indicate the company to presumably be an oligopolist with high profit margins).

To exhaust the idea, one could even take retail discounters like the German Aldi or British TESCO (food retailers), or the German Deichmann (shoe retailer), and lots of follow-ups, as examples for a BOP strategy, for they aim at serving the basic needs of the poor, they exploit highly innovative ideas, they contribute substantially to low real consumer prices in their respective markets, particularly in Germany, and they are extremely successful with regard to profits. Indeed, these latter examples meet the definition of shared value quite closely. Still the question remains whether there is something special about enterprises discovering their market niches while responding to customers' needs—that's what a market economy is about.

This overview indicates that a number of business strategies and models exist that claim to overcome the presumed antagonism between profit maximization and social goods provision—some of these have even proven to be extremely successful in commercial terms. Several doubts remain, however.

First, the shared value approach can in many cases be suspected to not live up to its own promises. Whether creating value-oriented trademarks and brands, claiming an internal code of conduct, or pre-empting social/environmental regulations, companies take efforts in shared value often only in response to bad publicity or looming governmental regulation, rather than as a foresighted strategy as would be the idea of shared value. Even the activities to improve the own context or the BOP activities, are mostly realised as a sort of gem to some general firm policies, or as a marketing action to improve the image of the firm. Rightly some of these strategies have come under fire by the public exactly for an overwhelming preponderance of pure marketing actions, with comparatively few, small efforts behind to actually provide social goods. Public scrutiny and reflective consumer behaviour are therefore indispensable to raise the issues of market failures or unfair market outcomes, and to direct or even force companies into solving these problems.

Second, as the creation of shared value is arguably not the central aim of a firm's activity, but a side-product of an effort to win a competitive edge and to increase profits,

the provision of social goods from this concept will tend to be too small to offset negative externalities created by other business strategies. The reason is that all cases are ruled out where the creation of a social good either cannot directly be linked to profit maximization or is in direct conflict to profit maximization. Even if the strategies described above may open up markets and serve new customers, still the question remains, whether this is not primarily to make the respective company exert market power or get access to cheap labour, and less to create a lasting shared value. Conflicts to profit maximisation may become manifest particularly, where long planning horizons are required to reap a certain social benefit.

Third, many of the examples described exist only with the help of public money, often through public private partnerships (PPPs), with bilateral donor agencies such as GIZ, or UN-agencies such as UNIDO. The real question would therefore be how much additional shared value is actually created by the company on top of the aid money that is invested in the activity. If the shared value is created with public funding, it may not really relax the tension between business and social or environmental values.

To summarise, even though there do exist some examples, the general problem with the concept of shared value is how far there is really something non-trivial about it, something beyond a mere marketing action. For, any enterprise successfully supplying markets, offering employment opportunities and responding to regulations and rules accommodates a certain—private or social—demand and thereby creates social externalities by putting its customers, employees or the public better off than otherwise. To qualify as shared value, a business strategy in question thus would require not just some social value added but a specific “moral” one, one that drives a process towards counteracting market irregularities, and it should follow this strategy by itself. This may be rare. At least, the concept of shared value could valuably apply to cases where companies face several opportunities of running a profitable business and where they are thus in a situation to choose explicitly that kind of business that also offers a specific additional social value.

## Policy Conclusions

Thinking about policy conclusions the concept of shared value holds another tricky question: If shared value was able to reconcile the antagonism between business and morale by providing social goods in a profitable way, there would not be any problem for policy-making. For, if shared value was profitable by its own no further support from policy should be required. Proposers of shared value argue, however, that policy should at least do something to enable shared value business models, by removing obstacles that may stand in the way to such business strategies, and by designing rules that might strengthen the congruence of pursuing shared values and profit maximizing.

Indeed, governments can support the provision of shared value by alleviating information asymmetries and by strengthening reflected consumer behavior in the markets. Regularly, it is difficult for consumers to distinguish the true creation of shared value from mere clever marketing strategies or from actions responding to public pressure. Measurement of social achievements is difficult and so far depends highly on the reporting of the firms themselves. As long as consumers are insecure whether to trust the shared value promises of business they may hesitate to buy respective products and this may hamper the success of the shared value approach. To overcome this reluctance, governments may initiate and subsidize consumer associations or similar institutions, which may watch out over any created shared value, whether it lives up to the expectations generated by marketing operations. Policy actions could further include more support for the establishment of prizes and awards and public campaigns, an introduction of social accounting for enterprises alongside with financial accounting in order to organise the appreciation for shared value activities, and an appropriate education of the young people.

Beyond that, governments are left with the task to define minimum social and environmental standards, ideally laid down in international agreements. Thereby, solid baseline provisions for containing negative externalities are to be established that may hold even if shared value and other good-will actions fail, and that also may spark preventive (and reactive) action. More generally, it is a primary obligation of governments to determine the frame under which all market action is supposed to take place, and this obligation calls forth politicians to attend to those social and environmental problems that cannot be left to business.

But in the end, if shared value is also meant to compensate for a lack of governance and (international) institutions, there is not much point in asking for policy intervention to underlay and support it. Rather the message should then be to business: either do it or leave it, and thereby prove or disprove the usefulness of the concept.

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