Experience in recent years has emphasized that social sustainability is a key to achieve long-term competitiveness and sustainable growth for firms. However, current studies on competitiveness in the construction management literature are mainly focused on achieving business values i.e. it focuses on an economic perspective of competitiveness but it often neglects social integration. Social dimensions are given relatively lower priority, analysed separately and treated outside the scope of business strategy. An alternative concept, Creating Shared Value (CSV) concept is considered. It aims to enhance a firm's competitiveness by advancing their business and social conditions simultaneously. It can help firms to better respond to societal, environmental, and market needs as well as business activities. However, the relationship between CSV and competitiveness is still unclear, especially in the construction management research. This study attempts to develop a CSV-competitiveness conceptual framework for construction firms based on the analysis of current CSV implementation strategies in other disciplines from a strategic management perspective. The framework categorises firm competitiveness into two dimensions- 1) business success and 2) facilitation of future growth and development. It also argues that through the CSV concept, firms can convert social issue into business opportunity - which is jointly measured in terms of social and business values. This ultimately leads to firm competitiveness. This study addresses how construction firms can achieve competitiveness by implementing the CSV concept.

Keywords: business strategy, business value, competitiveness, shared value.

INTRODUCTION

Ever since Shenhar et al. (2001), there have been discussions among researchers and practitioners on achieving business success, future growth and development, and long-term competitiveness for a firm. Such studies are mainly focused on the economic perspective of competitiveness but they generally fail to integrate the social dimension in the competitive process (Taatila et al. 2006). Moreover, despite experience in recent years which has emphasized that social sustainability is a key to achieve long-term competitiveness and sustainable growth (Osburg and Schmidpeter 2013), companies, especially construction firms, still give relatively little priority to social issues while accessing their competitiveness (Walsh et al. 2003). Social values are either analysed separately from business values or are usually disintegrated from the core business strategy (Porter and Kramer 2011). Although a few studies in construction management research have considered social dimension to access firm
competitiveness (cf. Fergusson and Langford 2006; Tan et al. 2011; Wagner and Schaltegger 2003), such efforts are not holistic, based on weak credentials, and lack empirical support.

One of the concepts gaining importance in addressing the given challenges and fostering firm competitiveness is creating shared value (CSV) (Porter and Kramer 2006; 2011). The CSV concept argues that social problems are actually a firm’s opportunities. It can generate positive externalities, and is scalable and self-sustaining solutions to social problems (Porter and Kramer 2011). Investment in solving social issues accounts for almost 75% of business success (Pot and Vaas 2008). Firms can gain tremendous economic value by solving social issues, which in turn helps firms to achieve their competitive edge. There is growing consensus that through CSV firms can better respond to the societal, environmental and market needs, support business activities, and develop innovative capacity.

Studies from various sectors (food, beverages, agriculture, pharmaceutical, health care, financial services, extractives, and natural resources) advocate that firms can enhance their competitiveness by embracing the CSV concept in their business strategy (Hills et al. 2012). Companies in these sectors are scaling up their business horizon through innovative products, reengineered value chain, and local cluster development. However, the results are mainly based on successful individual cases from large Multinational Corporations. The nature of the relationship between CSV and firm competitiveness in those studies is still unclear and has not been verified empirically. Moreover, management and organizational fields, especially construction management, is silent on this topic. In this respect, a study is needed to empirically investigate a new competitive strategy in the construction industry, which can add both social and business dimensions to business strategy and enhance firm competitiveness. Hence, the key question is: How can construction firms achieve competitiveness by implementing the CSV concept?

The key objective of this paper is to develop and demonstrate a CSV-competitiveness conceptual framework based on the analysis of current CSV implementation strategies in other disciplines and the dimensions of competitiveness as defined in the construction management literature. The aim of the framework is to assist construction firms to implement the CSV concept and evaluate their competitiveness in terms of business success, and future growth and development. It prioritizes measuring social and business values jointly rather than focusing on the two values separately as done in previous studies. In particular, this study discusses the characteristics of CSV and its implementation using strategic management theory.

FIRM COMPETITIVENESS IN CONSTRUCTION

Competitiveness is a concept that is central to normatively oriented strategic thinking, and can mean different things to different firms at different times (Barney 1986). It is a multi-dimensional concept that can be analysed at different levels: country (national), industry (sector), firm (organization or company) and project (Ambastha and Momaya 2004; Flanagan et al. 2007). Various competitiveness models, factors, measurement concepts, and indexes that have stemmed from different approaches have been explored in the construction sector (Flanagan et al. 2007). Prominently, the recent view on competitiveness of construction firms mainly focuses on economic perspectives but fails to integrate social perspectives.

To consider a firm’s competitiveness based on economic dimension alone would be incomplete. Firms which fail to integrate social dimension while accessing their
Achieving competitiveness, may not succeed in achieving business success, and future growth and development (Porter and Kramer 2011). Thus in general, competitiveness is mainly focused on short- to medium-term goals (project efficiency: time, cost, quality, functional performance, and stakeholder needs or client satisfaction) whereas achieving long-term goals (securing business success and preparing for future growth and development) are overlooked (Shenhar et al. 2001; Walker and Rowlinson 2008).

Hence, in this study firm competitiveness is conceptualized into two dimensions - 1) business success, and 2) preparing for the future (Shenhar et al. 2001; Walker and Rowlinson 2008), which should be achieved by addressing social and business values simultaneously (Porter et al. 2012). The first dimension, ‘business success’ may include commercial gains; growth and profitability; and increase in market share. The second dimension, ‘preparing for the future’ or ‘facilitating future growth and development of firms’ refers to revenue growth; creating new markets, ideas and innovations (to become a market leader), and new product lines; developing and gaining command/leadership in a new technology; developing sustainable brand and reputation; enhancing recruitment and retention strategy; developing external relationships; and gaining additional skills, capabilities, and competencies.

STRATEGIC MANAGEMENT IN CONSTRUCTION

Strategic management is a process of formulating and implementing strategy in which the decision makers make both strategic ‘what shall we do?’ decisions as well as tactical ‘how shall we do it?’ decisions to determine a long-term performance of the firm (Langford and Male 2001). Different strategic frameworks have been developed in the construction industry, which lead to numerous schools of thoughts (Green et al. 2008). These frameworks include four generic procedures - strategic analysis, strategic formulation, strategic implementation, and performance evaluation and control (Langford and Male 2001). Strategic analysis involves assessment of both the external environment (opportunities and threats) and the internal environment (strengths and weaknesses) that affect organizational performance. Strategic formulation includes planning and making strategic decisions on how a firm shall compete to achieve its organizational goals. The next step, strategic implementation translates the planned strategies into action. It involves assembling resources, structuring work relationships, integrating and controlling people and activities towards achieving strategic outcome. The final step is to evaluate the achieved performance, and monitor and control the progress.

Strategy is a widely used and an important concept in business studies, including within the field of management. It can be planned, analysed and formulated at different levels - corporate, business and functional/operational (Daft 2006; Langford and Male 2001). This study focuses on business level strategy and primarily emphasizes on how firms compete in particular market and position themselves among the competitors.

THEORETICAL BACKGROUND ON THE CSV CONCEPT

Business success, and future growth and development can be achieved if firms adopt the creating shared value (CSV) concept (Porter and Kramer 2011). CSV is a differentiation strategy (Spitzeck and Chapman 2012) that creates business value by tackling social issues or converting social issues into tangible business opportunities using three pillars: (i) reconceiving products and markets, (ii) redefining productivity in the value chain and (iii) enabling local cluster development (Porter and Kramer
Pillar one focuses on designing and determining new products/services that fulfils the unmet needs and reaches unserved or underserved customers. The second pillar addresses social and environmental issues, and maximizes the value creating activities in the value chain that in turn improves the efficiency of business operations i.e. internal productivity (energy use and logistic, resource use, and procurement). Lastly, pillar three deals with improving the external environment of the company; improving available skills through the education and training of workers; and strengthening local suppliers, contractors, institutions and infrastructures (Porter and Kramer 2011; Porter et al. 2012).

In general, numerous social issues such as generic social impacts, value chain social impacts, and social dimensions of competitive context impacts that influence society and environment, are associated with the company. The CSV concept focuses particularly on those issues within the business context that have significant impact on firm competitiveness, i.e. ‘social dimensions of competitive context impacts’. Firms need to identify, prioritize, and address those issues that are most relevant and the solving of which will make the biggest impact and lever competitive advantage for the firm (Porter and Kramer 2006). CSV is about creating social and business values simultaneously. Both values are relative to cost benefit, and are jointly measured to comprehend the total shared value created. The social values refer to positive improvements in the social issues targeted by the firm, and social outcomes or social changes that are needed to be achieved. The business values are the actual economic benefits to the firms (Porter et al. 2012). Figure 1 below demonstrates the CSV concept.

TRADITIONAL CSR VS THE CSV CONCEPT

Despite the tremendous contribution of the construction industry to the economic growth and development, its negative environmental and social impacts are undeniable (Welford et al. 2007). To overcome and neutralize such impacts, construction firms have embraced the concept of corporate social responsibility (CSR). CSR states that companies should be profitable, obey laws, be ethical, and be a good corporate citizen (Carroll 1991). Although, the firms spend huge amount of money through charity, philanthropy, or corporate giving, stakeholders still criticize companies for not being ethical and responsible (Porter and Kramer, 2011). CSR is limited to react against external pressure, mainly to satisfy stakeholder’s needs and maintain the firm’s reputation (Kanter 2011).

CSR has some potential to deal with environmental issues (e.g. carbon emission, pollution, waste disposal and oil spills) (Frynas 2009) and also emphasises various activities including corporate governance, sustainability, stakeholder management, relationship with employees, unions, suppliers and community representatives, commitment to transparent reporting, and harm reduction (Petrovic-Lazarevic 2008). However, these perspectives are reactive, defensive, lack active strategic choices
within companies, and fail to deal with key challenges in business-society relationships (Frynas 2009). Hence, CSR is typically an afterthought on how businesses operate. Companies often try to manage their impact on society and the environment after their business processes are in place. Therefore, CSR often remains at the periphery of business operation (Porter and Kramer 2011). In contrast, the firms embracing the CSV concept approach business operations in different ways. Rather than being an afterthought of how businesses operate, the CSV concept places social and environmental issues at the core of business operation. Although both CSR and CSV are based on the same overlapping concept - “doing good by doing well”, the former is about being responsible, whereas the latter is about creating new values. CSR is generally successful in achieving project efficiency and client satisfaction but it does not necessarily lead to business success and facilitate future growth and development of the firm. Figure 2 illustrates trajectories of the traditional CSR and the CSV concept.

![Figure 2: Trajectories of the traditional CSR and the CSV concept](image)

**DRIVERS OF CSV AND FIRM COMPETITIVENESS**

Social problems can present intimidating constraints to business operations, but it can also provide massive opportunities for business growth. However, solving social problems requires innovation (Pfitzer et al. 2013), collective impact (Kania and Kramer 2011) and changes to the traditional mind-set. Hence, CSV needs various ingredients and constituents in order to effectively deliver or implement its strategy.

Porter and van der Linde (1995) expressed that a firm can improve competitiveness by reducing environmental impacts and integrating sustainability. Porter and Kramer (2002) advocated on context-focused philanthropy to enhance elements of social dimension of competitive context instead of goodwill giving, charity, and communal obligation. Prahalad and Ramaswamy (2004) highlighted co-creation as the basis for shared value creation. Gradl and Jenkins (2011) noted that inclusive business model acts as a catalyst for the CSV concept. Cross-sector partnership; collaboration and alliances with NGOs, governmental bodies and other business companies; co-creation with stakeholders; and development of new business models are the strategic dimensions to create shared value (Bisgaard 2009). Saul (2011) focused on social innovation to enhance shared value creation.

McWilliams and Siegel (2011) showed that through strategic CSR, firms can create and capture both economic and social values. It ultimately provides competitive advantage and enhances strategic positioning of the firms in the industry. Other researchers have emphasized on synergistic value creation for business and society through strategic CSR (Juscius and Jonikas, 2013; Porter and Kramer 2006). Strategic CSR helps firms to build trust and reputation, increase financial performance, minimize risk, gain competitive advantage and above all, lead to synergistic value creation (Porter and Kramer 2006). However, strategic CSR, value co-creation, social
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innovation and inclusive business model follow the principle of the CSV concept (Porter and Kramer 2011). In other words, firms can be sustainable and profitable only if they are conducted along the line of the CSV concept.

TOWARDS A CONCEPTUAL FRAMEWORK

The literature on shared value provides a growing notion of firms towards adoption of a new business strategy. This suggests the need for developing a conceptual framework that would help firms implement the concept and allow them to generate cumulative knowledge on achieving competitiveness. As the CSV concept is a firm’s business strategy to achieve competitive advantage (Juscius and Jonikas 2013; Porter and Kramer 2006; 2011), the conceptual framework is modelled using a perspective of strategic management process as follows:

Strategic Analysis

Strategic analysis starts with the identification of shared value opportunity (social needs vs. business opportunity or the opportunity for the greatest impact) (Hills et al. 2012) by scanning a firm’s internal and external environment. Firms that want to make the greatest possible impact with the available resources should select an issue through which they can earn the most leverage. In other words, firms should choose those issues, which are best suited to generate the solution (Barney 1991). A firm’s internal strength includes values and culture, its distinctive resources, capabilities, and expertise to deal with the issue. A firm’s external opportunities are related to initial insight on societal drivers, market readiness and demand, government policies and availability of NGOs, external stakeholder opinions and agenda of other institutions, both outside-in and inside-out social linkages, and strategic social contribution.

Strategic Formulation

Firms should make the CSV concept as their core business strategy by incorporating it as their companies’ mission and by having a vision to solve social and environmental problems. Once the potential social impacts are identified, the next step is to formulate a solid business case based on market study, research and development, and types (pillars) of the CSV concept. For each pillar of the CSV concept, first the related activities, desired targets, and tentative cost involved are identified, then possible business and social results relative to cost are modelled, and finally the go/no-go decision is made (Porter et al. 2012). This depends on the firm’s strategic behaviour and management competences where stakeholder engagement, empowerment and commitment are the essential factors (Rowlinson and Cheung 2008).

Strategic Implementation

Adopting a new strategy like a CSV concept involves a higher degree of risk and threat. Hence, implementation of the CSV concept needs competencies, know-how, and optimal innovation structure (Pfitzer et al. 2013). Cross-sector collaboration, inclusive business model, strategic CSR, corporate social innovation and context-based philanthropy can pave and make strategic implementation effective. These relational approaches should be based on trust and ownership where the partner’s motivation and commitment again play a crucial role (Rowlinson and Cheung 2008).

Performance Evaluation and Control

The final step focuses on performance evaluation, monitoring, and control. It involves three sub-steps: (a) estimation of business value and social value, (b) establishment of intermediate measures and progress tracking, and (c) assessment of shared value.
results (Pfitzer et al. 2013). The first sub-step anticipates a degree of social change needed to unlock estimated business value with respect to available resources. Progress tracking involves monitoring inputs and business activities, and outputs and financial performance relative to the targeted social and business benefits. This is done by establishing intermediate measures during monitoring process using any performance improvement tool. In the final sub-step, joint business value and social value created will be measured which will be further assessed in terms of firm competitiveness in relation to ‘business success’ and ‘preparing for the future’. Figure 3 below presents a CSV-competitiveness conceptual framework that emphasizes the link between the CSV concept and firm competitiveness.

A CSV-COMPETITIVENESS CONCEPTUAL FRAMEWORK

Firms gain competitiveness through competitive advantage. A firm’s competitive advantage comes either from the competitive strategy adopted to cope with the competitive environment (Porter 1980; 1985) or from the possession and utilization of resources and competencies (Barney 1991; Prahalad and Hamel 1990). Similarly and as also discussed in the previous section, a firm’s competitiveness in the CSV concept comes from business opportunity, simultaneously creating social and business values by solving social issues that impact competitive context of the firm (Porter and Kramer 2011).

Figure 3: A CSV-competitiveness conceptual framework

The idea of the CSV concept emerges from a company’s motive to solve social challenges and simultaneously obtain economic benefit to remain competitive and achieve a long-term sustainability. This will be shaped by social innovative mechanism of a firm’s internal strength (value and culture, resources, capabilities and expertise) and external environment (opportunities to leverage shared value initiatives); driven by profit maximization or competitive mechanism of a firm’s strategic behaviour and management competency (engagement, empowerment, commitment, trust); and supported by relational approaches (inclusive business models, corporate social innovation, strategic CSR, context-base philanthropy).

There are four major components in the framework: social issue, CSV, business opportunity, and firm competitiveness. These components are tightly linked to each other. A firm using this framework begins with the identification of social issue (referred to as ‘input’ in the framework) through which they can earn the most leverage. The CSV concept (process/strategy) then converts the social issue into business opportunity (output) using one of the CSV pillars. The business opportunity that the firm can gain using the CSV concept can be divided into two categories.
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(Porter et al. 2012). The first category is related to social values associated with the improvements in the social issue. It may include improved health and safety; reduced accident rate; improved education; reduced energy, water and raw-materials use; improved job skills and competencies; increased job creation; etc. The second group, which is the most important, is associated with the development of competitive advantage, and the economic and profit-related benefits. It may include increased revenue and market growth; improved profitability, productivity, quality, distribution system, and workforce access; reduced logistics and operating costs; secured supply; good relationship with subcontractors, suppliers, and other local organizations in order to develop future business activities in the emerging markets; enhancement in recruitment and retention strategy; achievement of additional or sustainable skills, capabilities, and competences; etc. These business opportunities will ultimately provide business success, and facilitates future growth and development of the firms (Shenhar et al. 2001; Walker and Rowlinson 2008), and finally enhance firm competitiveness (Outcome). Hence, the CSV concept creates win-win situation that prospers both society and the business firms.

CONCLUSIONS

Despite the notion that firms can achieve long-term competitiveness and sustainable growth emphasizing on social sustainability, construction firms give relatively low priority to social issues when accessing their competitiveness. Until now, much attention has been given to economic perspective of competitiveness, whereas social issues are either analysed separately from business value or are usually disintegrated from the core business strategy. This study argues that construction firms can embrace the CSV concept in developing fundamentally new approaches of business in order to generate values for both society and the firm, thereby strengthening their profitability and competitiveness. A CSV-competitiveness conceptual framework has been developed based on the analysis of current CSV implementation strategies in other disciplines using a strategic management perspective. The aim of the framework is to assist construction firms to implement the CSV concept and evaluate their competitiveness in terms of business success, and future growth and development. It prioritizes measuring social and business values jointly rather than focusing on the two values separately as done in previous studies.

However, given the complexity of the firm, different market and geographical conditions, and other factors might generate different issues that formulate the competitiveness of the firm; therefore, the model needs further refinement. It is expected that the present study would contribute to strategic management theory by adding a new business strategy (Creating Shared Value) to enhance firm competitiveness. A priority in future research will be to empirically test the model, investigate the tension and trade-offs between economic and social value creation, and develop a robust tool to jointly measure social and business values.

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