

Creating Shared Value in Cambodia

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INTRODUCTION

This chapter presents the initial findings of a survey of firms in Cambodia based on structured interview and questionnaire to explore the intentions of local firms in Cambodia to address social needs as part of their business model. Addressing social needs whilst simultaneously making a profit is a practice that would be interpreted as creating shared value. The Cambodian firms were located and interviewed by students taking the course. This was the first time that this survey was carried out. The timing of the study was highly appropriate during the COVID-19 pandemic as the sudden downturn in economic activity combined with the pressure on public services to cope with the pandemic, not to mention the concerns of the population facing the spreading threat of COVID-19, has focused attention on social needs as well as business performance. Whereas prior to COVID-19 business performance would more likely be primarily be assessed in terms of growth, market share and profit margins, during and post-COVID-19 the contribution of a firm's activities to the social good has arguably become more of the focus of attention. What the firm is actually doing and how this contributes to the needs of the community it serves is now a question more likely to be asked, rather than whether the firm has simply been able to find a profitable niche and source of growth.

This survey is based on the components of creating shared value which provide a framework and is intended to provide an indication as to whether firms in Cambodia consider that they are contributing to social needs. The survey has included many small firms, a few large international firms and covers a range of sectors. Many of the firms are young, having been established in the last one-to-five years. Most operate either within Phnom Penh and/or in the regions of Cambodia. The results indicate that there is a strong sense of social awareness amongst firms even if they were not aware of the shared value concepts. The majority of the firms had specific intentions to address social needs as part of their business and this was consistent over a wide range of sectors. The survey can be used as supportive data in the development of a comprehensive framework to measure shared value based on firms' intentions to address social needs. The fact that this survey was carried out during 2020, the period of the COVID-19 pandemic is unlikely to have influenced firms' strategies per se.

However, during the COVID-19 period of crisis, it focuses attention on contribution to addressing social needs and can help focus future research into Creating Shared Value.

THE CREATING SHARED VALUE FRAMEWORK

CamEd Business School is an active member of the Harvard Business School Microeconomics of competitiveness Network ('MOC'), and teaches courses developed by MOC to the undergraduates as part of an overall business ethics programme. The main thrust of creating shared value is that firms address social needs whilst at the same time making a profit. Although the literature contains a number of approaches to definition and measurement, shared value distinguishes itself from other forms of business which address social needs (e.g., social entrepreneurship, bottom of the pyramid, Non-Government Organizations) because shared value is the only form of business focusing on social needs which encourages competitive advantage and puts no bounds on limits to profits.

As the subject of 'Creating Shared Value' is still relatively new, having been put forward as a concept by Porter and Kramer (2011), there is still little survey data available, especially at the local level. The objective was to undertake an exploratory survey of businesses in Cambodia to determine whether firms are conscious of shared value principles and, more importantly, whether they are, or are intending to address social needs as part of their business. It was expected that there would be a noticeable intention of firms to address social needs, especially as the timing of the survey was during the period of the COVID-19 pandemic. The development of the survey included no preconception as to the extent of whether business owners and managers would hold social needs at the core of their business strategies. The survey is exploratory but based on the likely factors that may be included in a framework being developed to measure 'shared value'.

The reason for an exploratory study is that the literature on shared value has followed a number of paths since its inception (Porter & Kramer, 2011), and has yet to find a clearly established and agreed definition and means of measurement. A comprehensive literature review of over 300 articles, carried out in 2016 on shared value published since 2011, concluded that there was no clear consensus on the definition of shared value. Only around half of the articles used the Porter and Kramer (2011) definition that shared value is addressing a social need whilst simultaneously making a profit, whilst the other half put forward different, albeit similar definitions. However, most definitions of shared value appeared to be similar enough to conclude that making profits whilst addressing social needs is the focus of shared value (Dembek *et al.*, 2016).

The concept of creating shared value itself has been praised as a genuinely new and standalone concept to help guide businesses to address social needs (Bosch-Badia

et al., 2013; Epstein-Reeves, 2012; Moon *et al.*, 2011). Others have criticized shared value as not really being distinguished from corporate social responsibility or adding little value to the existing business concepts such as social entrepreneurship, which associate business with social needs (Crane *et al.*, 2014; Aakhus & Bzdak, 2012).

Expected outcomes of creating shared value are as varied as the definitions. In addition to the general ‘benefit’ measure put forward by Porter and Kramer (2011), outcomes of shared value extended, *inter alia*, to the economic and financial measures (Brown & Knudsen, 2012), financial measures (Pirson, 2012), and to environmental value (Shrivastava & Kennelly, 2013). Aside from these there has also been some consideration to include concepts in creating shared value such as wellbeing included in measuring shared value (Dembek *et al.*, 2016). The inclusion into the shared value of wellbeing, a subject incorporated into Social Progress (Porter *et al.*, 2014-21) and available at the website of the Social Progress Imperative (www.socialprogress.org) is important because wellbeing would have to be measured, and any framework to measure shared value would have to include appropriate measures for wellbeing and related subjects included in social progress such as fulfilment of basic needs and creation of opportunities. It may be necessary to include a range of different measures for shared value comprising some qualitative and some quantitative in order to achieve an appropriate measure for each component. By undertaking an exploratory study this paper can contribute to the understanding of what needs to be measured and how, based on the original work of Porter and Kramer (2011).

THE STRUCTURED INTERVIEW SURVEY

The purpose of the survey was to learn more about firms of any size (small, medium or large, start-up or well established), which are specifically aiming to ‘create shared value’ (i.e., addressing a social need whilst simultaneously making a profit). The survey contained a cross section (and random) sample of firms in Cambodia which have some stated intention to address a social need as part of their business. The companies were located and interviewed by students of CamEd Business School as part of their assignment for the course ‘business ethics—creating shared value’. The interview results were recorded on a standard format questionnaire recording both closed and open-ended questions. The open-ended questions were designed to allow respondents to elucidate on closed ended questions (e.g., the closed question related to whether a firm addressed a social need, followed by an open-ended question to clarify or give an example of what that social need actually was). All the interviews were carried out during October 2020. The following sections provide the overall results of the survey.

RESULTS AND DISCUSSION

Respondents Background

A total of 36 responses were received. Of these, 41 percent of respondents were owners of their firm and 28 percent managers. The business sectors covered were wide ranging, including 22.2 percent consumer discretionary goods, 13.9 percent each consumer staples and financial services, 11.1 percent health care. Other sectors interviewed included information technology, consumer services, utilities, real estate, energy and materials. A full breakdown of the firms interviewed is shown in Table 8.1.

Table 8.1: Firms Interviewed in the Survey

<i>Sector</i>	<i>No.</i>	<i>Examples Include (brief description)</i>
Construction/Repair	4	Supplies for repairing roads (asphalt, road safety signs) Producer of hollow and solid bricks Construction materials Auto repairs
Manufacturers (including recycling)	4	Producer of cotton and paper bags Sells clean water to residents of region in Cambodia Paper and packaging company with waste-paper Environmentally friendly char-briquettes: recycled biomass waste
Drinks and Food Manufacture	3	Instant noodles Sugar juice (food and drinks manufacturer) Beer producer and retailer
Banking and Finance	5	E-banking, Banking and finance, life assurance
Trade/Wholesale	3	Import and export company E-commerce platform connecting buyers and sellers Sells refrigerator, air conditioners
Other Retail	2	Diamond jewellery retailer Natural and ethical beauty brands
Coffee Shops and Food Retail	7	Coffee franchise Tea and coffee shops Mobile food delivery Restaurant Serves drinks and food, snacks, and meeting rooms
Other Retail	2	Diamond jewellery retailer Natural and ethical beauty brands
Travel (Regions)	2	Homestay living with local people in rice fields village Travel information and reservations
Healthcare	2	Clinic and pharmacy for people in the neighbourhoods Clinic providing healthcare
Education	2	Education institute University

Source: Primary data.

Most of the companies, (80 percent) were in Phnom Penh and 18 percent in the regions of Cambodia, with one firm located in another country. A total of 53 percent of firms served customers in Phnom Penh whilst 40 percent served customers in the regions of Cambodia. Most of the firms were small. A total of 12.8 percent had only one employee, 10.3 percent had 2–5 employees, and 30.8 percent had 6–20 employees. A total of 23.1 percent of the firms interviewed had 21–100 employees and 23.1 percent 101–1000 employees; 12.8 percent had over 1000 employees reflecting established multinational firms with activities based in Cambodia. Most firms were young, with 30.8 percent having been established before 2010, 32 percent 3–6 years old, and 35 percent of firms being established two or less years old having been established in 2018 or after (the survey was in 2020).

Shared Value Business Intentions and Targets

The target customers income group was 38.5 percent lower middle income and 41 percent upper middle income. In shared value we would expect to see a number of the customers in the lower middle-income range, often reflecting a niche considered underserved to lower income groups. A total of 52 percent targeted customers in Phnom Penh and 33.3 percent targeted customers in the regions of Cambodia. Only two firms were targeting companies abroad. A total of 53 percent were not targeting customers by age, gender or any particular category. In response to the market they serve, a total of 35.9 percent considered that they were serving a new or unserved segment. This is also important in terms of shared value where the identification of shared value is often the underserved niche for lower income consumers that has not been served before.

A total of 89.7 percent of those interviewed stated that they were addressing a specific social need. This is a very high percentage and highly indicative of a strong social conscience in business. Open ended comments which clarify the type of social needs that the respondents considered that they were addressing included:

- “.....health and wellbeing life plan..... trying their best to make it more and more accessible to people with lower level of wealth.”
- “..... nutrition. It aims to provide healthy and fresh..... drink for people who concerns about their health.”
- “.....education, improvement in quality of life through development and encouragement of house ownership and entrepreneurship.”
- “..... The (cosmetics) shop satisfies safety needs for consumers, while its production has positive impacts on environment, and job availability for poor people.”

The survey intends to know the perceptions of firms on whether the product or service benefit the community they serve, and in response to this, a total of 94.9

percent said that they considered that their product or service would benefit the community. Some open-ended comments from respondents referred to the specific nature of their contribution to the local economy:

- “The company creates 182 job opportunities to the community.”
- “People will get more deeply understanding about illness and know how to protect themselves and could also decrease spending on unnecessarily medicines that could affect to them.”
- “The company recycles used road facilities so they reduce the waste of product consumption.”
- “Since the shop is supporting the farmer and help with their training in growing vegetable, the shop will also support the community by buying organic vegetable to use in their shop as ingredient for the food.”

There was obvious scope considered and ambition to expand to new markets. A total of 12.8 percent saw the market as local in future, but 33.3 percent saw the market as national and 53.8 percent as international. Consistent with shared value expectations, 64.1 percent saw the market as being averagely profitable, whilst 23.1 percent saw the market as being very profitable and 12.8 percent saw the market as being low profitability. A total of 56.4 percent had targets other than profit by which to assess their business. Some open-ended comments relating to their plans for expansion included:

- “Increase customers reach, increase numbers of loans taken for Small and Medium Enterprises (SMEs), improved technology and public awareness.”
- “.....increasing market demand and increasing in understanding of health benefits from sugarcane drink.”
- “The on-going transactions and number of customers using the app....”
- “Reduce unemployment rate, improve staff soft skills,”
- “..... encourage staff to reach their own goals,”
- “.....provide good quality organic product.....”
- “To use domestic waste to produce cotton paper. (We want) to have imported waste in the country.....”

The Impact of the Shared Value Approach

Building resources to accomplish strategic objectives is important in any strategy. A total of 58.3 percent said that they were building resources for their sector. Respondents commented:

- “We are building physical resources, school, teaching facilities and teaching materials.”
- “Sustainable resource of coffee and food,”

- “The types of resources are resulting by distribution system and advertising on Website, Facebook, Instagram, etc.”
- “Highly responsible and timely delivery for customers and business partners.”

A total of 79.5 percent said that they were building new competences for their sector. These included the following examples based on the comments given by respondents:

- “Soft skills/Communication skills/a service mindset”
- “Digital skills”
- “The type of new competences and skills that is not familiar for workers in Cambodia. Because not many factories that used waste to produce the cotton paper in Cambodia.”
- “Sharing knowledge and consult to local people about the health care”
- “Serving in the shop will help them improve their communication and barista skills.”
- “Accounting and finance skills”
- “Service mindset, Technical skills”
- “Retail banking skills”

A total of 89.5 percent said that this created for them a platform for future growth. In response to their contribution to a growing local economy in the region they serve, a total of 82.1 percent considered that their business was contributing to the local economy in the region where they operate. Respondents commented:

- “It is a long-term business where the owner wants the village people to grow together with the business.”
- “The company provides employment to local people.”
- “Provide job opportunities”
- “Result in pension, health care expenditures, education expenditures.”
- “Culture awareness => Economy by foreign visitors, increase people’s working lives”
- “The local economy benefits from the factory is collecting tax and contributing the total export in the country.”

The question of impact on public sector services was also broached by the survey, as it is natural to assume that if the private sector firm is benefitting the local economy, this might take the pressure of the public sector in some way by providing a product or service that the public sector would otherwise provide. For example, one of the firms interviewed supplied fresh water to remote villages, which is a service that would otherwise be primarily the realm of the public sector to provide. A total of 35.9 percent considered that they were freeing up public services in some way and 36.8 percent felt that they were contributing to reductions in public expenditure. This impact on public policy is another dimension to the concept of shared value.

Similarly, contributions to public policy objectives are a direct reference to social need. A total of 35.9 percent considered that they were contributing to the public policy objective of employment, 17.9 percent to health of the nation, 17.9 percent to economic development, with a small number considering that they were contributing to education, and art and culture. Although this was a small survey, it is clear that there is ground to be explored in larger surveys as to the public sector policy impact of shared value strategies, even if the contribution of firms is small, it may provide models for future development of public service provision through shared value concepts.

Finally, the survey asked respondents if they considered that they were contributing to any of the components of social progress. The components of social progress are taken directly from the Social Progress Imperative (www.socialprogress.org). The components of the Social Progress Index comprise Basic Needs, Wellbeing and Opportunity. The survey asked about contribution to basic needs. A total of 15.4 percent considered that they were contributing to basic nutrition, 15.4 percent to basic medical care, 15.4 percent to water and sanitation, and 17.9 percent to personal safety. Again, this is an area for further research based on the view that shared value should include reference to aspects of wellbeing (Dembek *et al.*, 2016).

CONCLUSION

The results of the survey were supportive of the shared value concepts and demonstrated a significant awareness and intention of firm' owners to contribute to social needs. This was only a small survey but there is evidence which needs to be explored further that firms in Cambodia are contributing to social needs and to the principles of shared value. Many have stated that they are only expecting average profits, so financial intentions are also consistent with an intention to serve social needs. However, this was just a first time that this survey was carried out and much more rigorous work needs to be done.

The next steps could include a wider range of respondents and could build local case studies using a template based on this survey. Future surveys could include reference to economic measures of shared value as well as public policy impact, and wellbeing and opportunity. Recent mainstream concepts such as happiness and stress could also be included. This survey represents a minor contribution as a first survey but it is also possible that it is significant in pointing to similar or complementary surveys in the future. Contributions to shared value in terms of exploratory surveys such as this can point the way to fuller definition and interpretation of the meaning of shared value and also to the ways in which shared value can best be measured.

Undertaking the survey in 2020 in the middle of the COVID-19 pandemic was timely, although the survey did not refer to COVID-19. It is likely that the results of

this and other such surveys will be given more attention because of their contribution of business to social needs which have resulted from the COVID-19 pandemic. For example, food delivery services have become a social need due to the need for people to self-isolate. Logistics is seen as a necessary business to serve distribution of products to communities rather than just a growth sector. Internet payment services are seen as important to keep the economy working as more people tend to work at home. These businesses are now perceived as providing social needs, the very criteria required for creating shared value.

This timely opportunity to undertake a survey exploring the intentions and strategies of firms to address social needs can further progress in understanding the role of business in society and can also be used to develop the concept of creating shared value. The results and recommendations from this survey will be further processed and the survey repeated and expanded using the MOC Network to gain examples from different countries and regions. COVID-19 has focused attention on business and social need and the concepts of creating shared value are very consistent with business and social need, recognizing that businesses need to make profits, but social needs are fundamental and in the age of the COVID-19 pandemic it is appropriate to consider both.

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