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TRANSFORMATION TOWARDS NEW FORMS OF ORGANIZING: A STUDY ON CHALLENGES AND MECHANISMS IN THE PURSUIT AND IMPLEMENTATION OF A SHARED VALUE STRATEGY WITHIN GERMAN SMES

“The Evolution from Corporate Social Responsibility to Creating Shared Value”

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Abstract

This study explores challenges faced by German small and medium-sized enterprises (SMEs) in implementing a Creating Shared Value (CSV) strategy. This concept goes beyond the standards of typical Corporate Social Responsibility (CSR), aiming to increase the connections between improvements in society and economic success. Amidst global pressures for sustainable business practices, the study emphasizes the unique role of SMEs in social and sustainability practices (SSPs). In the context of CSV, SMEs face distinct challenges, necessitating mechanisms for effective implementation. The paper outlines these challenges, proposes mechanisms derived from empirical insights, and contributes to literature with a guideline for future research.

Keywords

Creating Shared Value (CSV); Corporate Social Responsibility (CSR); Social and Sustainability Practices (SSPs); Small and Medium-Sized Enterprises (SMEs); CSV Challenges; CSV Mechanisms

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List of Abbreviation

CSR	Corporate Social Responsibility
CSV	Creating Shared Value
ESG	Environmental, Social and Governance
KPI	Key Performance Indicator
MNC	Multinational Corporation
SMEs	Small and Medium-sized Enterprises
SSPs	Social and Sustainability Practices
SV	Shared Value

1 Introduction

In light of advancing globalization, ongoing climate change, and escalating socio-economic disparities, society is confronted with pressing challenges. Concurrently, there is a growing pressure on businesses to acknowledge their responsibility for economic, societal, and ecological issues (Corazza, Scagnelli, and Mio 2017). In contemporary discourse surrounding business management and corporate strategy, integrating economic, societal, and environmental considerations has become increasingly paramount (Helmold 2023).

Various frameworks and concepts have emerged to navigate the complex interplay among these pillars, such as ESG (Environmental, Social, Governance), Triple Bottom Line, Corporate Social Responsibility (CSR), Social Innovation, Corporate Philanthropy, Stakeholder Theory, and many more. We summarize and define these together under the umbrella term social and sustainability practices (SSPs). These concepts collectively contribute to a broader understanding of responsible business practices and recognize the interplay between corporate actions and societal and environmental considerations (Chowdhury and Shumon 2020).

In 2006, Porter and Kramer (2006) introduced the term “Shared Value” (SV). It is defined as the “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates” (Porter and Kramer 2011, 6). The idea originated as a response to the diminishing societal trust in corporations. It intended to strengthen the connection between business and society by ensuring that societal advantages are in harmony with corporate profitability (Porter and Kramer 2011).

Creating Shared Value (CSV) has become critical for companies seeking sustainable growth and long-term success (Rubio-Andrés, del Mar Ramos-González, and Sastre-Castillo 2022). It is described as a novel paradigm of capitalism with the potential to “unleash the next

wave of global growth” (Porter and Kramer 2011, 5). Major corporations like Nestlé, IBM, Google, and Unilever already embrace CSV (Porter and Kramer 2011; Nestle 2014).

However, while some view CSV as a valuable concept (Bosch-Badia, Montllor-Serrats, and Tarrazon 2013), CSV is also criticized. Crane et al. (2014, 130) dispute that CSV shares common ground with alternative frameworks, such as CSR, and criticize it as “unoriginal”. In response, Porter and Kramer (2014, 149) emphasize that SV has transformed global corporate behavior, surpassing previous research on corporate philanthropy, CSR, and sustainability. They assert SV’s uniqueness and effectiveness, integral to corporations’ core purpose, countering respective claims. The SV approach posits that social commitment is central to all business activities, contrasting CSR’s view of social responsibility as an accessory rather than an essential component. The extended and long-term perspective on value creation within the CSV approach suggests that this concept aims to extend the CSR perspective.

Since academic research mainly focuses on CSV business cases of large multinational corporations (MNCs), a notable gap exists in the discourse surrounding small and medium-sized enterprises (SMEs). Despite MNCs’ huge global impact, it is essential to recognize that SMEs play a significant and sometimes undervalued role, constituting more than 99 percent of businesses in Europe (European Commission 2020a). They are commonly recognized as the backbone of the European economy, integrated into Europe’s economic and social structure. They make an important contribution to implementing innovative strategies to combat climate change, optimize the use of resources, and strengthen solidarity in communities. Their innovations are actively shared and disseminated across various European regions (European Commission 2023).

Our study focuses on the German market and its SME environment, where SMEs are primarily family-owned. In 2020, Germany accounted for almost half of the world’s hidden champions, 24 percent of them being SMEs (Federal Ministry for Economic Affairs and

Climate 2020). The “German Mittelstand” is exceptional internationally, known for its swift and flexible response to market demands (BVMW n.d.).

Within academic literature, a gap in the in-depth analysis of the conceptual framework of CSV is evident, particularly within the SME landscape. Although research on SSPs exists, the specific challenge of operationalizing CSV within SMEs, which requires sophisticated execution, has received little attention. This work addresses this gap by exploring challenges and mechanisms specific to CSV implementation through qualitative research. This research focuses on German SMEs, contributing to a deeper understanding of CSV within the unique dynamics of the German business landscape. It acknowledges the role of SMEs in the economic landscape and their potential to provide innovative approaches to challenges on a global scale. These fundamental factors align with the overarching themes of CSV.

The following research question arises: “What challenges do German SMEs face in the pursuit of a shared value strategy, and what are possible mechanisms to overcome these challenges?”

Assuming that decision-makers in SMEs hold a critical position in initiating business activities, German SME owners, managers, and subject matter experts were interviewed. The study involved 21 participants who were asked about the extent to which their business strategy aims to generate both social and economic added value. The focus of the interviews was on identifying the challenges they face in this context. Respondents also discussed the mechanisms they use to overcome these challenges. If no CSV approach was evident, they were asked about potential implementation strategies. Rooted in the experiences of decision-makers in German SMEs, this study aims to bridge the gap between theory and practice by exploring real-world challenges of implementing a CSV strategy.

This paper is organized as follows. It begins with a review of existing research on CSR and CSV theory. Next, the role of SMEs in social and sustainable business and their significance

in the German economy is explored. Particular attention is then devoted to understanding challenges faced by SMEs in implementing SSPs, with potential mechanisms examined.

Following, the research method is presented. Two models are derived based on the results of the semi-structured guided interviews. The initial model delineates the challenges encountered by German SMEs during the implementation of CSV. The subsequent model is dedicated to the examination of the mechanisms devised to address these CSV challenges.

Findings reveal challenges such as *Complexity in Managing Strategic Dimensions*, *Lack of KPIs, Measurability and Benchmarks*, *Insufficient Knowledge and Perception*, *Regulatory Hurdles*, *Lack of Stakeholder Acceptance and Involvement*, and *Lack of Resources*. Addressing these challenges, our study proposes practical mechanisms such as *Guiding Organizational Change through Value-Based Leadership*, *Focusing on Resource-Based Strategy Along the Entire Value Chain*, and *Balancing out Market Competition and Collaboration*.

These findings resulted in an analysis and discussion, offering implications for both theory and practice. Our comprehensive theoretical model synthesizes challenges across individual, organizational, and governmental levels. They address cognitive aspects, motivational factors, resource limitations, strategic management, and regulatory expectations. The paper concludes with limitations and suggestions for future research.

This analysis contributes significantly to the existing literature on CSV and SMEs by providing an orientation for future research and identifying crucial research gaps. After all, we anticipate that the study's findings can inspire SMEs and serve as a valuable guide for analyzing their challenges. The study proposes practical mechanisms offering actionable insights for SMEs and contributes to the broader discourse on effective CSV implementation.

2 Literature Review

2.1 The Evolution from Corporate Social Responsibility to Creating Shared Value

2.1.1 Definition and Evolution of CSR

Corporate Social Responsibility (CSR) describes the ethical obligation of businesses to recognize and address their influence on society and the broader political and societal environment in which they perform (Wang et al. 2016). It also encompasses the voluntary involvement of businesses in sustainable development, extending beyond what is legally mandated. Firms embracing CSR commit to ethical, social, and environmental principles in their dealings with employees, suppliers, and other stakeholders (McWilliams and Siegel 2001). CSR approaches also include the aspect of charity or philanthropy, where companies are involved and financially committed to good causes for the community or neglected groups of people. Companies following this CSR approach participate in CSR activities, not thinking about possible financial benefits (Żychlewicz 2015).

In general, the concept of CSR has evolved in the business world to reflect shifting societal norms and environmental concerns. Over time, it has brought various definitions (Latapi Agudelo, Jóhannsdóttir, and Davídsdóttir 2019). The first literature on CSR in modern times traces its origins to Howard Bowen's book entitled "Social Responsibility of the Businessman" (1953), which earned him the title "Father of CSR" (Carroll 1999). In 1953, Bowen articulated CSR as the duty of business people to embrace policies, formulate decisions, and implement measures that align with societal objectives and values (Bowen 1953). Thus, the 1950s marked the foundational era of CSR. Eels (1956) highlighted the connection between society and business, and Selekman (1959) underscored the importance of setting ethical standards for managers. However, during this time, the focus was solely on the social responsibilities of business people without considering the relationship with companies. CSR concepts have globally increased since the 1990s, driven by globalization, negative impacts, and global challenges such

as poverty, environmental changes, and limited access to medical and educational resources (McWilliams and Siegel 2001).

Consequently, in recent years, states and national governments have incorporated CSR into strategies addressing global challenges, promoting its practical implementation through various programs, regulations, and measures. The functions of business, politics, and civil society are undergoing a redistribution. Initially viewed as legitimizing corporate actions, CSR is now increasingly seen as companies being integrated into society's stakeholder network (Wirba 2023). Fundamentally, CSR is about responsibly shaping the business model. Companies acknowledge accountability for the consequences of their actions and adjust their business processes throughout the value chain (Valdez-Juárez, Gallardo-Vázquez, and Ramos-Escobar 2018).

The four-level model, developed by Carroll in 1979 and recast as a CSR pyramid in 1991, is one of the most significant explanatory frameworks in the CSR field (Calabretta, Durisin, and Ogliengo 2011). This framework proposes “that four kinds of social responsibilities constitute total CSR: economic, legal, ethical and philanthropic” (Carroll 1991, 40). According to the basis of the pyramid, companies must be economically successful, generating sustainable profits and creating added value for their shareholders. Legal responsibilities represent the second level. Companies must comply with applicable laws and regulations and act ethically. This includes compliance with environmental laws, labor laws, and other regulations. Ethical responsibilities constitute the third tier of the pyramid. It is about going beyond mere compliance with laws and making ethically correct decisions. Companies should behave in a morally acceptable manner and respect social norms. The top of the pyramid symbolizes philanthropic responsibilities. Businesses can voluntarily contribute to society by donating resources to charitable causes and social initiatives. This includes activities such as donations to charitable organizations and participation in social projects (Carroll 2016).

Overall, the CSR pyramid has significantly shaped corporate views on their societal and environmental roles. It serves as a guide for companies to fulfill specific responsibilities and priorities toward stakeholders and the broader community (Matten and Moon 2008).

In parallel with the increased understanding of CSR, international requirements also increased. In 2011, the UN Guiding Principles on Business and Human Rights (United Nations 2011) and the OECD's updated Guidelines for MNCs went into effect (OECD 2011). Following these principles, governments should guide businesses in respecting human rights and offer appropriate incentives. Organizations are urged to perform human rights due diligence and align with the EU's CSR definition, highlighting enterprise responsibility for societal impact (European Commission 2011). Firms should incorporate economic, ecological, and social considerations across their entire supply chain, align with stakeholders, and recognize CSR as the foundation for effective long-term initiatives.

The reasons are regulatory requirements related to corporate responsibility and pressure from stakeholders as well as the increasing consumer and investor interest in sustainability (Stoian and Gilman 2016). Thus, CSR has transformed into a corporate obligation rather than an option to stay competitive (Park 2020). CSR is an ethical duty and can offer customer loyalty and financial benefits. The adoption of a CSR approach offers numerous advantages for companies. Companies that act in a socially responsible manner can demand premium prices from customers, who attach more value to the companies' products (Sharma 2019). Additionally, investors are progressively incorporating ESG criteria, rewarding sustainable practices with higher valuations (Lütge 2021).

The involvement of companies in CSR has increased rapidly in recent years. Nevertheless, it is important to note that CSR also poses challenges for companies and has also been under criticism (Menghwar and Daood 2021). Companies were abused to act under the wrong motives and not thinking strategically. Critics argue that CSR initiatives often prioritize

reputation over a link to the core business, making authentication and long-term maintenance challenging (Latapí Agudelo, Jóhannsdóttir, and Davídsdóttir 2019). Moreover, companies are accused of primarily using CSR as a PR measure to foster a positive perception, attempting to enhance their economic prospects (Kim and Park 2011; Brink and Aßländer 2015).

In its essence, CSR has developed over the years from a matter of choice to a necessity. For companies to survive on the market in the long term, CSR activities are indispensable (Deloitte Germany n.d.).

2.1.2 Definition of CSV

Companies often face criticism for short-sighted actions and lack long-term strategic thinking. As corporate responsibility grew, so did the societal blame on businesses for various issues. Porter and Kramer (2011) attribute this criticism to companies' narrow perspective on value creation, favoring short-term financial outcomes over essential customer demands and broader factors affecting long-term success. In response to global challenges, they propose moving beyond CSR, advocating for a novel approach known as "Creating Shared Value" (CSV). This concept involves generating economic profit while simultaneously addressing societal needs, emphasizing the interconnectedness of business and society (Rubio-Andrés et al. 2022). In contrast to CSR, CSV encourages businesses to align economic and societal interests by utilizing resources to address social issues linked to their core business, resulting in a mutual benefit (Snell, Hong, and Leung 2023).

The foundational concept of CSV emphasizes the interconnectedness of business and society. It is grounded in the concept that the success of a company and the prosperity of the society in which it operates are mutually influential (Wójcik 2016). The research argues that integrating social responsibility into corporate practices can positively influence competitiveness when adequately implemented and focused on profitability (Mohtsham Saeed and Arshad 2012). Therefore, CSV aims to create economic value that simultaneously results in value for

society “by addressing its needs and challenges” (Porter and Kramer 2011, 4). Porter and Kramer (2011) define CSV as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates“ (Porter and Kramer 2011, 6). The concept emphasizes identifying and extending linkages between social progress and economic growth.

At the core of CSV lies the belief that value-based principles should guide economic and social progress. The fundamental concept of value creation has long been a topic in the business landscape, describing profit as the difference between revenues and costs. However, companies have rarely taken a value-based approach to societal concerns, often viewing them as side issues. The CSV approach, therefore, attempts to balance the perceived conflict between business and societal interests by demonstrating that companies have sufficient options (Wójcik 2016). According to Porter and Kramer (2011), value is defined as the relationship between benefits and costs rather than being solely based on benefits. They emphasize that the value perspective addressed does not include personal values or moral obligations. On this basis, SV can be divided into the following components: (a) economic value, (b) social value, and the SV resulting from the intersection of the two values (c) shared value (Schormair and Gilbert 2017).

Economic Value. The economic component refers to the generally accepted understanding in theory and practice that companies create value if they show positive profits on their balance sheets in the long term (Bowman and Ambrosini 2000). The term value thus refers to the highest possible numerical value in a company’s income statement.

Social Value. The social component refers to the satisfaction of needs through the core business activities of companies. Porter and Kramer focus on “societal needs, not just conventional economic needs”, “societal harms or weaknesses” and unresolved societal challenges that can be directly addressed by the operations of a company’s core business (Porter and Kramer 2011, 5).

Shared Value. Ultimately, the overlap of economic and social value signifies the fundamental essence of the concept. This zone illustrates a concurrent rise in both economic and social value. SV is thus created whenever a social improvement accompanies an increase in financial gain. Hence, the benefits additionally created for both businesses and society are shared, distinguishing from the redistribution of values already generated, exemplified by philanthropic measures (Porter and Kramer 2011).

Companies are encouraged to develop products or services that address societal needs and can help solve social problems while simultaneously creating competitive advantages for the company (Odia 2018). The goal of SV is not only to redistribute existing business value but rather to expand and enrich the overall reservoir of economic and social value (Schormair and Gilbert 2017).

2.1.3 How Shared Value is Created

Porter and Kramer (2011) foresee three distinct approaches to generating economic value by simultaneously creating societal value: 1) “reconceiving products and markets”, 2) “redefining productivity in the value chain”, and 3) “fostering supportive industry clusters at the company’s location” (Porter and Kramer 2011, 7). These three approaches are not mutually exclusive, they can be combined to create synergies.

Reconceiving Products and Markets. The CSV concept assumes that markets are shaped by both economic factors and societal needs. This perception arises from the recognition that thriving businesses are inherently connected to the well-being of the social environment and its surroundings (Porter and Kramer 2006). Until recently, businesses’ primary focus has been analyzing and generating demand and continuously increasing consumption, using it to their economic advantage. In pursuing profit, the essential question of whether the marketed product is good for the customer or the customer’s customer and whether their basic needs are satisfied has been neglected. Societal fundamental needs, such as healthy nutrition, clean drinking water,

financial security, and environmental protection, have not been sufficiently considered in value creation (Moon et al. 2011). Porter and Kramer (2011) argue that identifying social needs, benefits, and threats associated with a company's product offering could open new markets and opportunities for product innovation and societal progress. It allows the company to discover unmet needs and optimize opportunities for existing products or underserved markets. CSV prescribes selecting only those options whose potential to increase profit and at the same time the social benefits are the greatest in the long term (Menghwar and Daood 2021). Moreover, ongoing attention to societal needs offers companies new opportunities to stand out and reposition in traditional and overlooked markets, resulting in a competitive advantage (Daood and Menghwar 2017).

Redefining Productivity in the Value Chain. Porter and Kramer (2011) view the processes in the value chain as the foundation for identifying opportunities for CSV. The value chain includes all relevant business activities from product design to distribution, use of resources, and value generation (Welge, Al-Laham, and Eulerich 2017). It inevitably influences, and in turn, is influenced by various societal needs, including "health, better housing, improved nutrition, help for aging, greater financial security, less environmental damage" (Porter and Kramer 2011, 7). Porter and Kramer emphasize the significant alignment between societal progress and value chain productivity. Therefore, the second approach for CSV focuses on identifying and using productivity improvements within the value chain. CSV emerges from the cognition that societal problems can lead to economic costs for a company, even without considering government regulations or taxes. Excessive product packaging and greenhouse gas emissions are just two fundamental examples. By minimizing excessive packaging and greenhouse gas emissions, a company contributes to the benefit of the environment and increases financial and business performance (Porter and Kramer 2011). Optimizing resource use, procurement, and employee productivity at key points in the value chain can internally address social issues and reduce

external costs. Transforming the value chain comprehensively leads to cost savings, improved quality, reduced negative externalities, opening new markets and innovation opportunities, and ultimately creating SV in the long term (Lütge and Liel 2015). Within businesses, there is a growing agreement that enhanced environmental performance is attainable through improved technology at marginal additional costs, resulting in savings through improved resource utilization and process efficiency (Ahmad et al. 2021). Investments in social needs, such as enhancing a company's environmental impact, energy and water consumption, and the health and qualifications of employees, contribute to positive economic value creation. This positive economic impact is realized through improved productivity (Schormair and Gilbert 2017).

Fostering Supportive Industry Clusters at the Company's Location. Porter and Kramer (2011, 12) argue that "Productivity and innovation are strongly influenced by "clusters", or geographic concentrations of firms, related businesses, suppliers, service providers, and logistical infrastructure in a particular field". Clusters go beyond businesses, incorporating institutions such as academic programs and trade associations or broader public assets located in the nearby community like schools or clean water (Porter and Kramer 2011, 12). Common fields of activity complement each other along one or more value chains. Thus, strategies are inter-linked and contribute to a positive cycle of co-creation where improvements in one area create opportunities in others. Successful growing regional economies are all characterized by well-formed clusters that foster productivity, innovation, and competition. A good infrastructure supported by local providers promotes overall efficiency and cooperation between all local players and their economic viability and productivity. Conversely, deficiencies in these areas lead to higher internal costs and efforts, as the companies themselves must compensate for these effects such as poor education or poor transportation infrastructure (Moon et al. 2011). Firms can generate SV by establishing clusters that not only improve their internal productivity but also address shortcomings in their local environment. Porter and Kramer (2011) have identified

that the emphasis on clusters and their geographical positioning has been largely overlooked in the management theory. Creating open and transparent markets is a prerequisite for the formation of clusters and thus for the virtuous cycle of economic and social development.

To sum up, CSV is a key factor in a company's financial success and competitive standing. It utilizes distinctive resources and know-how to generate economic value by the creation of social value (Menghwar and Daood 2021).

2.1.4 Differentiation of CSR and CSV

Both CSR and CSV encourage businesses to meet social needs, abide by the law and moral principles, and lessen the negative effects of their operations (Nakayama 2016). While some authors doubt the revolutionary significance of the concept (Dembek, Singh, and Bhakoo 2016; Beschorner and Hajduk 2017; Crane et al. 2014), other researchers underline a clear distinction from CSV and emphasize the meaningful differences between the two concepts (Moon et al. 2011; Spitzbeck and Chapman 2012; Pfitzer, Bockstette, and Stamp 2013).

The main criticism of CSV focuses on its perceived lack of novelty in social responsibility and strategic business management. Critics argue that CSV is essentially a rebranded and cleverly marketed term, rather than a groundbreaking shift from pre-existing concepts (Crane et al. 2014; Dembek, Singh, and Bhakoo 2016). Porter and Kramer justify their position by highlighting the connection to corporate strategy as a central aspect of the conceptual differentiation of the two approaches. The SV approach posits that social responsibility is fundamental to every company's success, contrasting with CSR, which assumes that corporations perceive social responsibility as an adjunct.

In contrast to CSR and personal values, SV does not involve "sharing" pre-existing business-created values. It rather focuses on augmenting the collective stock of economic and social value (Porter and Kramer 2011). Therefore, making a fair profit from social purposes is justifiable.

CSV is interwoven into a company's core products, services, and business strategy, whereas CSR is more voluntary and unrelated to profitability and productivity. CSV is directly related to these factors. Hence, the more a social concern aligns with a firm's fundamental business activities, the more significant the chance to utilize the company's resources and capabilities, resulting in shared socio-economic advantages (Porter and Kramer 2006).

In the CSV approach, companies are proactive and internally driven, whereas, in the CSR perspective, firms are reactive to the environment and externally motivated (Yang and Yan 2020). Moreover, CSR measurement and influence are limited by the company's importance and CSR budget. Conversely, CSV emphasizes generating social value for both the company and society, advocating for a realignment of the overall company budget to achieve this broader social impact (Wójcik 2016). Table 1 shows the summarized differentiation between CSR and CSV.

Table 1: Differentiation between CSR and CSV

	CSR	CSV
Integration with Strategy	Voluntary initiative, not directly linked to profitability	Directly integrated into core business activities & strategy
Motivation	Philanthropy, sustainability, reputation	Joint value creation for company and society
Driver	Reactive to environmental factors, externally motivated	Proactive & internally driven
Economic Benefit	Public prosperity, marketing & PR effects	Competitive advantage, innovation
Value Definition	Value defined as doing good	Value defined as societal & economic benefits relative to costs
Measurement	Influence limited by importance of the company & CSR budget	Social value for companies & society, realignment of the overall company budget

(Source: own illustration based on Porter and Kramer 2011)

2.2 Gaps in Existing Literature

Porter and Kramer (2011) introduced CSV as a new paradigm in capitalism, highlighting its potential to spur economic growth and improve the alignment between business and society. Despite generating considerable interest in both business and academia, a notable gap remains in the existing literature.

Socially responsible business practices, such as CSR in corporations, have long been a focus in academic and practical discussions. However, the attention on CSV has mostly centered on large companies, with little consideration for SMEs. Our literature review focuses primarily on CSR and other sustainability initiatives. It reveals a research gap that highlights the need to analyze challenges faced by SMEs in implementing a CSV strategy and identify tailored mechanisms. Recognizing SMEs as potential drivers of SSPs and CSV underscores the urgency to shift focus in research and practice. Existing literature provides limited information on the challenges and mechanisms they encounter in implementing a CSV strategy.

As one of the leading global economies, Germany is an ideal case study for examining SV strategies within SMEs. Its thriving SME sector and commitment to sustainability transformation make it a noteworthy role model for other nations. By exploring the challenges experienced by German SMEs while implementing a SV strategy, this research aims not only to address the identified gaps. It also intends to provide insights that can benefit other SMEs and serve as a guide for countries looking to emulate Germany's success in this regard.

Therefore, this study aims to address the research question that emerges from these identified gaps: "What challenges do German SMEs face in the pursuit of a shared value strategy, and what are possible mechanisms to overcome these challenges?"

In addressing the aforementioned research gap, this study employed a robust research methodology that involved semi-structured interviews with German SMEs.

3 Methodology

3.1 Context

This study was set in the context of SMEs in Germany. As the largest economy in Europe and a significant global player, Germany features a substantial SME sector crucial for economic growth, employment, and innovation (Audretsch and Lehmann 2016). The country's widespread commitment to sustainability transformation and social responsibility across various industries made it an ideal setting for exploring the sustainable implementation of SV. Therefore, the analysis of the challenges faced by German SMEs in developing SV strategies could yield insights applicable to similar efforts in other countries and regions. To promote thorough and honest disclosure, companies were assured anonymity and confidentiality regarding their personal and company names (Appendix A). This approach aimed to establish a comfortable environment for respondents to openly share their experiences with CSV projects, including any challenges or unclarities.

3.2 Interview and Data Collection

In our qualitative study, we gathered data through semi-structured guided interviews and an inductive qualitative method (Gioia, Corley, and Hamilton 2013). This involved in-depth discussions with managers and experts to explore their perspectives on our research question and gain profound insights into the overall research topic.

The sample consisted of 18 entrepreneurs from top management of SMEs, representing a diverse range of industries. Companies selected based on SME classification were either actively involved in SV initiatives, in planning stages or yet to embark on them. The size categories were defined according to the European Commission, with up to 49 employees considered small and 50 to 249 employees as medium. The selection process prioritized a diverse representation of industries, which is crucial for capturing a broad spectrum of experiences and challenges. The managers held key organizational positions, responsible for strategic planning and

day-to-day operations. Additionally, three supplemental interviews with sustainability consulting experts enhanced the research by providing specific knowledge and proven approaches for SV implementation in SMEs.

Table 2: Interview Data

Interview Code	Size	Industry	Location	Position of Interviewee
INT 1	medium	Production & Manufacturing	Neu Kalibß	CEO
INT 2	small	Production & Manufacturing	Göttingen	CEO
INT 3	n.a.	Sustainability Consulting	Hannover	Expert
INT 4	medium	Renewable Energy	Hannover	CEO
INT 5	medium	Finance	Munich	CEO
INT 6	medium	Production & Manufacturing	Aschheim	Head of Sustainability
INT 7	medium	Craft	Hamburg	CEO
INT 8	medium	Craft	Wöllstein	CEO
INT 9	medium	Production & Manufacturing	Hannover	CEO
INT 10	n.a.	Sustainability Consulting	Hamburg	Expert
INT 11	medium	Production & Manufacturing	Harzburg	CEO
INT 12	medium	Retail	Hamburg	Strategy Development
INT 13	small	Electronics	Hannover	CEO
INT 14	small	Retail	Hamburg	Strategy Development
INT 15	medium	Production & Manufacturing	Hannover	CEO
INT 16	small	Retail	Dormagen	CEO
INT 17	n.a.	Sustainability Consulting	Munich	Expert
INT 18	small	Retail	Berlin	CEO
INT 19	small	Software Development	Berlin	Co-CEO
INT 20	small	HR-Technology	Munich	Co-CEO
INT 21	medium	Renewable Energy	Wildpoldsried	Director Strategy & Steering

Collaborating with diverse stakeholders from various industries enriched the research, fostering in-depth discussions and diverse perspectives. This multiplicity of viewpoints strengthened the study's quality and relevance, promoting a comprehensive analysis of SV challenges and potential for SMEs. Personal networks, industry associations, and online platforms were used to identify participants. We initiated contact via email or phone to request their participation. The interviews were conducted in German and took place in September and October of 2023, lasting 40 to 60 minutes each. The process was guided by a semi-structured interview guide (Appendix B) to ensure consistent data collection. Open-ended questions were designed to explore the presence of CSV strategies within their organizations and to delve into the

challenges they encountered in this context. Our discussions focused on the extent to which their business strategies aimed to simultaneously generate social and economic value, as well as the observed impact on their organizations. The interviewees shared insights on the advantages and disadvantages of these strategies, specifying concrete fields of action in which they are already engaged. Topics of discussion encompassed product innovation, environmental impact, supplier relationships, employee qualifications, occupational safety, employee well-being, water, and energy consumption, among other subjects. Our interviews focused on identifying key challenges companies face in pursuing strategies for both societal and economic benefits. We started the discussions by asking an open-ended question about perceived challenges, referring to academic sources. Subsequently, we posed questions on issues such as stakeholder awareness, commitment, resource limitations, measurability difficulties, and regulatory hurdles. Managers shared how challenges impact their organizations and offered insights into potential solutions. The recorded interviews were transcribed into 400 pages of notes. The data analysis was subjected to a qualitative content analysis in order to identify recurring themes, patterns, and key findings. Our primary goal was to acquire in-depth insights into the strategies, challenges, and potential solutions pursued by German SMEs in SV initiatives. This forms the basis for management recommendations and future research.

3.3 Data Analysis

The research methodology employed an interview-based inductive qualitative method for content analysis (Gioia, Corley, and Hamilton 2013). The process of collecting data and identifying patterns continued until saturation was achieved. Exemplary quotations from the interviews can be found in Appendix C. We applied critical thinking, as described by Seitanidi and Crane (2009), to analyze how actors made sense of CSV. Since our work focuses on the challenges and mechanisms for successfully implementing a CSV strategy, we have developed two different models. One relates to the challenges faced by the SMEs surveyed (Figure 1). The

other deals with the mechanisms and strategy on how emerging challenges can be overcome by the company and business stakeholders (Figure 2). Our analysis involved three steps, which were applied identically for both models.

Step 1: First-Order Analysis. To convey participants' ideas and meanings, we created first-level codes capturing the initial emerging themes. This involved breaking down interview transcripts into smaller segments to extract meaningful text units. The findings were then summarized into first-order concepts, reformulating extracted segments to capture their essence.

Step 2: Construction of Conceptual Themes. We employed axial coding to abstract empirical concepts into conceptual categories. Continuous cross-checking with academic publications and refining categories based on emerging conceptual themes was integral to this step.

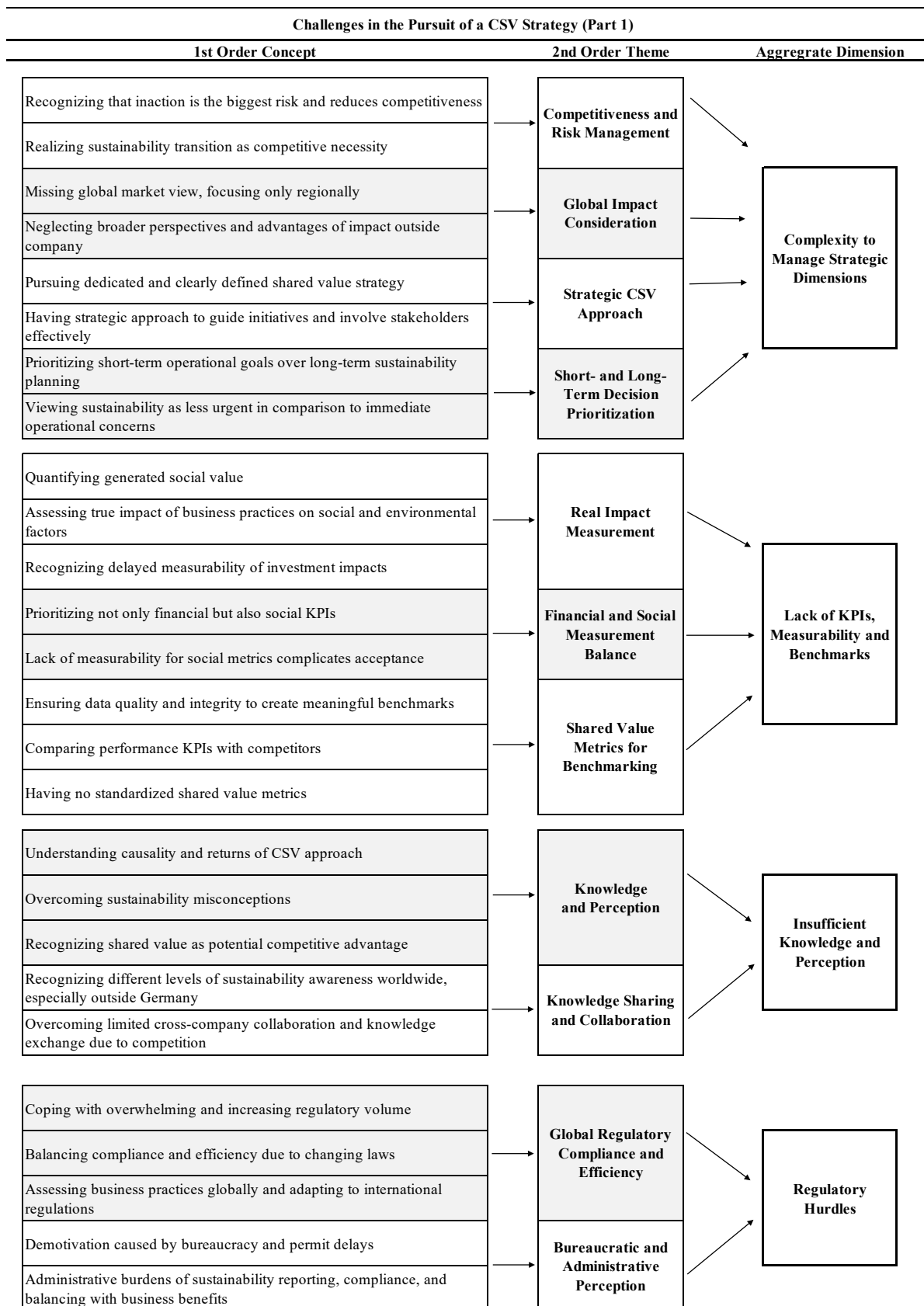
Step 3: Development of Aggregate Dimensions. In the last step, we produced six aggregate dimensions for the challenges (Figure 1) by continuously refining the concepts and their connections until reaching a point of saturation. Moreover, three aggregate dimensions for mechanisms (Figure 2) were developed similarly.

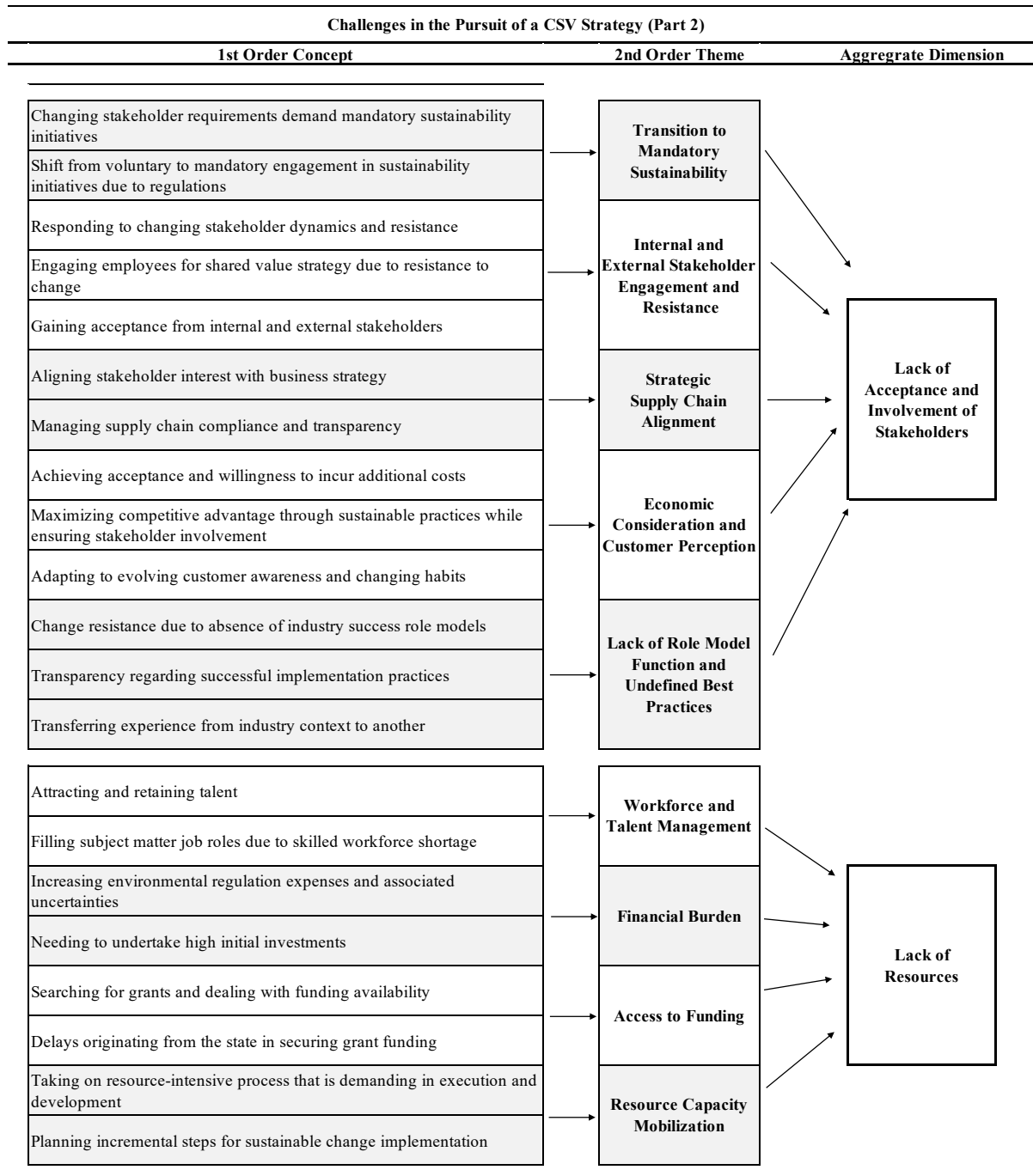
4 Empirical Findings

4.1 CSV Challenges for German SMEs

The analysis of the qualitative material has unveiled aggregate dimensions, each linked to distinct challenges. This is illustrated in Figure 1 below. The semi-structured interviews and the coding process revealed six different types of challenges that SMEs face in the context of organizational change within CSV implementation: (a) Complexity to Manage Strategic Dimensions, (b) Lack of KPIs, Measurability and Benchmarks (c) Insufficient Knowledge and Perception, (d) Regulatory Hurdles, (e) Lack of Acceptance and Involvement of Stakeholders, (f) Lack of Resources.

Figure 1: CSV Challenges for German SMEs





Complexity to Manage Strategic Dimensions. The most pressing challenge for SMEs was the complexity of managing different strategic dimensions when pursuing a CSV strategy. Emphasized by 50 percent of SMEs, the first theme highlights the *risk of competitive consequences* due to inaction, exposing SMEs to heightened competition and market forces. One interviewee mentioned, “in today’s competitive landscape, organizations that embrace sustainability can gain a competitive edge” (INT 17). According to the interviewees, once viewed as a “feel-good”

topic, sustainability has now become a competitive factor, and companies not addressing it face significant disadvantages. Moreover, they recognized that regulatory pressures demand action on sustainability, but taking proactive steps in this direction could bring a competitive advantage. During the interviews, it became apparent that “organizations that don’t act now could face risks like legal liabilities and financial instability” (INT 3). With *considering global impact* as a second challenge within the category, many interviewees emphasized that they tend to focus on regional considerations. This focus often leads to overlooking the broader global perspective and benefits that a SV strategy could offer. Their social responsibility efforts are primarily localized, limiting their potential impact on a global scale. One executive has disclosed that “while we excel in social responsibility and customer benefit, it’s primarily on a regional scale” (INT 4). They currently focus more on their own business, with less consideration for broader economic or global perspectives. Furthermore, it posed a striking challenge for them to pursue a dedicated and *clearly defined Shared Value strategy*. Many participants emphasized the importance of a well-defined SV strategy, highlighting that the absence may impede the assurance of stakeholder acceptance and engagement. For example, one executive underscored, “First, there must be a clear strategy developed from a high-level and bigger picture perspective to ultimately attain the acceptance and involvement of stakeholders” (INT 12). Also, for small enterprises whose business model is already oriented towards the CSV approach, one participant stated, “Our products are based on Shared Value, but even for us, it is challenging to uphold a clear strategy and vision due to constant changes in the market” (INT 20). The fourth outstanding challenge of SMEs laid in *short- and long-term decision prioritization*. Most participating SMEs often stated to prioritize daily business operations and short-term goals over long-term sustainability planning and initiatives. They showed the perception that sustainability and CSV may not be an immediate priority, given the focus on urgent day-to-day operational concerns: “In our daily operations, sustainability sometimes feels like a less pressing concern. It’s

only when we're in the thick of short-term challenges that we forget about the long-term sustainability aspects" (INT 3).

Lack of KPIs, Measurability and Benchmarks. This challenge was addressed by 52 percent of the participants. The first sub-theme, *measuring real impact*, explores the complexities of quantifying the societal value generated by SMEs committed to the SV paradigm. This endeavor presented a significant challenge as eight respondents questioned how to effectively measure social value or impact. According to one interviewee, "Evaluating the social and environmental impacts of products and services on both local and global scales is challenging" (INT 9). This, in turn, adds complexity to this dimension. Respondents emphasized the challenge of delayed measurement of societal and economic benefits, which often have long-term relevance despite being initially unquantifiable. "The lack of measurability of the social and economic impacts complicates acceptance" (INT 2) and injects uncertainty into using data for strategic decision-making, posing a fundamental challenge for the respondents. One small enterprise added, "Convincing customers can be tricky as it's sometimes challenging to clearly present measurable benefits and the impact of our product" (INT 21). The second sub-theme, *balancing financial and social measurements*, underscores the intricate challenge of harmonizing financial and social metrics within the context of SV initiatives as stated by four respondents. An expert reported that SMEs find themselves "walking a fine line" (INT 3), trying to strike an equilibrium between conventional financial Key Performance Indicators (KPIs) and the more holistic approach required by SV. The absence of easily quantifiable social metrics complicates embracing a balanced measurement approach. One participant noted, "The qualitative nature of SV makes it challenging to measure" (INT 15), requiring evaluation of both quantitative and qualitative contributions to society, where "quantitative data is more straightforward" (INT 15). In the context of *benchmarking*, respondents frequently expressed the challenge of ensuring data quality and integrity for meaningful benchmarks. As they strive to

compare their KPIs with competitors, the absence of standardized SV metrics becomes very apparent for the interviewees. The quest to “ensure the meaningfulness of reported data” (INT 9) is a crucial reported concern, given the lack of universally accepted metrics for assessing SV.

Insufficient Knowledge and Perception. This dimension was addressed by 57 percent of the participants. The first sub-theme delves into the depth of adequate *knowledge and perception* required to navigate the complexities of CSV strategies. Implementing CSV demands more than just theoretical comprehension, as one interviewee said: “Recognizing the societal responsibility tied to our environmental practices is crucial. Our reputation and even our survival in the market depend on it” (INT 14). While some companies were well-informed, others failed to grasp the benefits due to unfamiliarity with sustainability concepts and potential competitive advantages (INT 3). A participant highlighted a lack of understanding when stating that their company was unfamiliar with and did not implement SV. However, the same company was showcasing products that delivered both social and economic value. For five respondents, the complexity of linking SV initiatives to tangible returns often hinders their dissemination and adoption of CSV strategies. This was underlined by a participant who stated a key obstacle is the lack of clarity and understanding, particularly regarding the causality between this approach and returns (INT 17). Sustainability misconceptions often result from a lack of awareness or understanding. Convincing external partners about the merits of CSV can be challenging, namely that, “Overcoming these misconceptions requires a nuanced approach that aligns with the expertise acquired in the CSV journey” (INT 11). Another participant pointed out that “Many still lack the expertise and awareness needed for sustainability, viewing it as excessive bureaucracy rather than recognizing its benefits” (INT 17). The challenge of *knowledge sharing and collaboration* underscores limited cross-company collaboration and knowledge exchange within the SME sector. Three respondents underlined hesitating to collaborate and share knowledge, primarily due to competitive concerns. As one interviewee said, “What doesn’t

work so well is that we do certain things together or even share them with other companies” (INT 8). This hesitancy to collaborate hinders their progress, even on shared sustainability initiatives. Furthermore, competitive thinking between family-owned businesses and partners impedes collaboration, with some owners resisting partnerships with potential competitors, as noted by interviewees. They underlined that trust in potential partners can be an obstacle. Three family-run companies stated to be skeptical about whether they can trust their competitors and whether the collaboration is beneficial. However, they recognized that overcoming these internal and external obstacles to collaboration is critical to addressing the lack of expertise and awareness. Beyond the boundaries of Germany, acknowledging the global diversity in sustainability awareness presented a noteworthy challenge as highlighted by many of the respondents. As global markets become increasingly integral to their operations, adapting to diverse sustainability perceptions beyond Germany is crucial. However, they recognized that global awareness and expectations around sustainability can vary widely, requiring a nuanced understanding to engage effectively with diverse stakeholders worldwide.

Regulatory Hurdles. Firstly, the challenge of *global regulatory compliance and efficiency* was emphasized by 76 percent of interviewed SMEs. Navigating regulatory compliance, both nationally and internationally, posed a significant challenge for participants implementing SV strategies. One participant claimed that frequent changes and revisions to regulations lead to hesitant investments and potential misinvestments (INT 2). This uncertainty hinders their effective implementation of sustainability initiatives and long-term planning. Another interviewed executive accordingly captured the point: “Dealing with an overwhelming number of regulations can be a significant challenge. It requires a lot of manpower to stay informed about and implement new regulations. Regulations are often changed or revoked, making it difficult to adapt” (INT 6). Interviews revealed that manufacturers find it almost impossible to comply with legal regulations while producing high-quality, economical products. The second theme

deals with the *perception of regulatory compliance being a complex bureaucracy and administrative task*, which pulls down the motivation for pursuing a sustainability initiative. This challenge weighs heavily on the interviewed SMEs, slowing down their processes and weakening their motivation. Growing administrative burdens in sustainability reporting and compliance hindered them from achieving a meaningful balance between regulatory requirements and SV initiative benefits. This trade-off was emphasized by one interviewee, who argued that the right goals are overloaded with disproportionate bureaucracy (INT 7). A small enterprise also expressed this challenge, stating, “The state’s heavy regulation hinders rather than supports development, making it difficult to implement new technologies that could help address social issues more efficiently” (INT 21). In this complex bureaucratic landscape, respondents had to maintain motivation and operational efficiency despite administrative burdens.

Lack of Acceptance and Involvement of Stakeholders. As most participants underscored, the *transition from voluntary sustainability to mandatory* reflects the evolving landscape of stakeholder expectations. For the interviewees, it became clear that stakeholders increasingly demand proof of sustainability, emphasizing the shift from voluntary to legally required sustainability practices (INT 17). One interviewee noted that over the past 10 years, stakeholder interest in sustainability and social aspects has evolved exponentially. This transition underlines the significant regulatory changes that have left companies with no option but to embrace sustainability measures, marking a notable challenge. Many executives stressed that sustainable initiatives are now a necessity rather than a choice for competitiveness. The challenge of *engaging internal and external stakeholders and addressing resistance* within organizations was significant. As 66 percent of the participants indicated, SMEs must navigate the evolving landscape of stakeholder dynamics and resistance. Overcoming resistance is particularly challenging when employees exhibit reservations, possibly due to ingrained habits and attitudes. One interviewee highlighted this: “Employees have various reservations, particularly concerning

social issues” (INT 7). Apart from inspiring employees, all three small enterprises already offering SV products and services faced particular difficulty on the customer side: the disconnect between decision-makers and end-users complicates sales due to the unclear impact of their products. According to a participant, “Decision-makers and end-users often operate in different realities. While a Chief Product Officer may not grasp the problem, engaging with product managers reveals a complete understanding” (INT 19). Closing this awareness gap and inspiring people is perceived as the most significant hurdle of the transformation. Moreover, *aligning strategic supply chain practices* is challenging for stakeholder engagement. Some participants highlighted the imperative for SMEs to enforce specific standards throughout their supply chain. The implementation of the Supply Chain Protection Act has further intensified this requirement, necessitating comprehensive supplier assessments. Interviewees emphasized the challenge of ensuring adherence to specific production standards at every link in their supply chain. According to the interviewees, the challenge is to balance the cost concerns raised by stakeholders and the essential drive for sustainability within the fundamental operations of the business. Furthermore, stakeholder involvement is significantly influenced by *economic consideration and customer perception*. Many informants highlighted that they face the challenge of assessing customer willingness to invest and pay a premium for sustainability. Participants recognized a change in customer awareness toward sustainability and social responsibility. Nevertheless, the majority stressed that customer preference for low costs remains paramount. “We have great sustainable solutions, and the stakeholders are excited about them at first, but as soon as they realize that they will incur additional costs, they are no longer interested” (INT 18). The interviews indicate that the acceptance of sustainable solutions is heavily contingent on financial considerations and costs, such as the customers’ willingness to pay for them. This dynamic poses a challenge for companies as they need to strike a balance between sustainable solutions and the financial concerns of their stakeholders. Several interviewees clarified that

the *lack of role models and undefined best practices* posed a significant challenge to fostering change and innovation within their industry. According to most participants, the absence of industry role models often leads to resistance to change, as “Stakeholders are hesitant to embrace new approaches without clear examples of success. People are more likely to support initiatives they have seen succeed elsewhere” (INT 2). Furthermore, participants cited a lack of transparency in successful implementation practices, posing challenges for transferring valuable experiences between industry contexts.

Lack of Resources. A total of 47 percent of the respondents considered *talent attraction and retention* within human capital as the most pressing challenges: “A lack of skilled workers hampers the successful implementation of sustainable initiatives; without them, I can’t properly realize my ideas.” (INT 2). Simultaneously, interviewees pointed out that in today’s landscape, employees actively seek employers with robust shared value orientation. For instance, a respondent commented, “Employees express their motivation to join us because of our commitment to social responsibility in our business strategy” (INT 8). This underscores the challenge faced by participating companies in attracting new employees and cultivating a positive employer brand. Additionally, participants emphasized the complexities of securing a skilled workforce for roles central to CSV objectives. They observed the competitive labor market for these positions, finding it “extremely challenging to find employees for the specific job roles needed in our sustainability initiatives” (INT 15). This shortage directly affects resource allocation and the efficient execution of sustainability projects. As a respondent noted, the current focus is on “attracting and employing well-educated, young individuals to drive sustainability initiatives and meet future resource needs” (INT 14). Under the theme of *financial burden*, seven interviewees voiced concerns about mounting costs due to evolving environmental regulations. This echoes an informant who stated, “Changing regulations make it challenging to predict and manage our expenses” (INT 2). Additionally, it was often mentioned that the

significant initial investment for sustainability initiatives acts as a barrier for contributors, even with promised state incentives or funding opportunities. One participant acknowledged that transitioning to environmentally friendly technologies can be costly but pointed out that “future technologies may offer more cost-effective solutions” (INT 2). However, the interviewed energy-intensive companies expressed their frustration, stating, “Sustainable and socially compatible solutions for our operations do not even exist yet” (INT 8). This makes compliance with the imposed regulations impossible in the first place. On the other side, small businesses working on innovative solutions in this context faced the challenge of ensuring economy efficiency, as (INT 19) stated: “As a small business, efficiently managing finances for tangible customer value in SV initiatives and optimizing cash flow with smart fund usage is a ongoing challenge.”

The following theme focuses on the difficulty of *accessing funding and subsidies*. It can be deduced from eight interviews that SMEs have difficulties with “navigating the complex landscape of subsidies and funding” (INT 15). Participants voiced concerns about securing funding for sustainability initiatives, as highlighted by one of them: “Accessing it is difficult due to complex requirements, and availability can be unpredictable” (INT 8). The perceived complexity of grant searching demands significant time and resources from the companies of the informants. Some interviewed companies tackled this challenge due to fund dependency, while others have canceled funding inquiries. Participants expressed concerns about grant availability and delays, often attributing them to bureaucratic processes. Moreover, the *mobilization of resource capacity* represented a significant aspect within the aggregate dimension. Almost 57 percent of the candidates mentioned the resource-intensive nature of the sustainability journey, emphasizing the demanding nature of executing and developing sustainable initiatives. One interviewee declared that their “journey towards CSV is resource-intensive, and implementing substantial changes is demanding” (INT 5). Participants recognize the importance of identifying and allocating resources internally, mobilizing them incrementally to achieve desired

objectives. This poses a challenge for most companies, necessitating a long-term and strategically sustainable perspective.

4.2 CSV Mechanisms for German SMEs

Participant insights in this research reveal mechanisms for addressing CSV challenges, with three overarching dimensions identified (Figure 2). They offer valuable guidance for organizations navigating stakeholder engagement complexities and prioritizing SV.

Figure 2: CSV Mechanisms for German SMEs



Guiding Organizational Change through Value-Based Leadership. The first theme highlights the critical necessity of *defining a value statement* that aligns the entire value chain with the company's strategy, vision, and values. This essential measure has been emphasized by an expert, who noted that "Shared values must be embedded within the overall value statement" (INT 10). Ten informants underscored the importance of a value statement, explaining that its absence leads to a disconnect from the company's core strategy, vision, and values, impacting not only employees but the entire value chain. Almost ten participants also anticipated that this strategic alignment ensures that SV becomes integral to the organization's culture, inspiring intrinsic motivation among employees and stakeholders across the value chain. Furthermore, the significance of fostering an environment where change is embraced, extending beyond traditional leadership, was consistently highlighted. An interviewee provided an example, stating, "We need a culture of change that includes everyone, promoting continuous learning and motivating individuals at all levels to embrace new shared value initiatives" (INT 13). Additionally, companies operating internationally must ensure they have a global understanding of SV and its benefits. To achieve this, interviewees identified the need to sensitize all international stakeholders, especially the leadership level of global companies, to recognize the value statement as a guiding principle in every decision (INT 6). This underscores the importance of international alignment in promoting SV across diverse contexts. During the interviews, the *critical role of leadership* in promoting SV within an organization emerged as a prominent theme. Several participants expressed a preference for a top-down approach, where managers actively prioritize SV as a fundamental concern. According to nine interviewees, leaders at the highest levels of the organization must fully embrace sustainability and shared values, serving as powerful examples for the entire organization. As one manager emphasized, "CSV is a top-level concern, and if leaders wholeheartedly embrace it, owners and management should naturally follow suit" (INT 17). Furthermore, the *roles and responsibilities of leadership* in shaping

the company's direction and engaging with stakeholders were recognized as crucial. It was often emphasized that leaders possess the authority to set the tone and guide the organization's sustainability efforts. One interviewee highlighted this by stating, "If I want to make my company particularly valuable, I should ensure that I motivate my employees to actively participate in shared value creation" (INT 1). Another interviewee succinctly summarized this perspective, saying, "I believe it's a matter of mindset. We, as leaders, play a significant role. If there's a lack of acceptance, it's our responsibility to guide regardless of the issue. It's on us to lead the way" (INT 7). Additionally, fostering transparent company-wide conversations and strategic meetings within the leadership board was recognized as a valuable practice to effectively prioritize SV initiatives (INT 3). This underscores the importance of leadership in not only setting the direction but also facilitating open dialogue and strategic planning for SV efforts.

Focusing on Resource-Based Strategy along the Entire Value Chain. Experts encourage SMEs to *proactively embrace innovation and technology*, considering them vital components of their holistic value chain approach. Many respondents considered comprehensive sustainability and social impact considerations across the entire value chain to be a strategic necessity. They emphasized the importance of addressing factors such as safety or health, and environmental impact throughout the value chain, extending beyond internal aspects. Moreover, adopting an innovation-driven approach and integrating technology throughout the entire value chain was named as essential for achieving SV success. One interviewee emphasized that, for a company, the primary aim should be to create genuine value for society, the economy, and the environment, placing a strong emphasis on product innovation (INT 17). According to another informant, the most successful companies are those capable of enabling their customers to adopt more sustainable business practices through innovative products, novel solutions, and innovative business models. In essence, they highlighted that it's about optimizing the company's own operations as well as about providing products and solutions that empower others to operate

sustainably. Furthermore, companies have declared that *shifting the perspective on resources from mere expenses to strategic investments* is crucial. Six companies noted, that resources must be carefully allocated to enhance SV initiatives, supported by clear strategies and structured approaches. One informant emphasized this perspective by stating, “Resources should be seen as investments in the company’s future. Those who perceive them as investments are ready to allocate funds. Those who only see expenses face challenges” (INT 17). This shift in mindset underscores the imperative to achieve SV goals. The last second-order theme discusses the importance of *investing in human capital and expertise for workforce development* as a key measure for overcoming challenges in pursuing the SV strategy. Investing in human capital and nurturing internal expertise represents a forward-thinking strategy according to statements of the experts. Engaging employees in SV initiatives not only leverages their knowledge but also fosters trust, a deeper understanding, and acceptance of sustainability objectives. One expert highlighted this approach: “Companies are more successful when they involve their employees in sustainability initiatives, leveraging their expertise, rather than hiring external staff who may face challenges gaining acceptance” (INT 17). According to the expert, this approach ensures long-term sustainability in a competitive market. Another interviewee argued that their goal is to establish a dedicated department staffed with well-trained professionals to fully manage workforce development (INT 14). Overall, five participants observed a growing need to attract and retain employees, making it a top priority. This involves hiring professionals with the right academic backgrounds while nurturing and developing existing talent.

Balancing out Market Competition and Collaboration. In the context of a CSV strategy *fostering network collaboration* is crucial for acquiring valuable insights and problem-solving. As described by six informants, the development of strategic network partnerships is essential to enhance their expertise and drive innovation. One respondent encapsulated this concept, stating, “We need a collaboration network in order to learn from each other’s experiences which

can lead to more innovative business approaches” (INT 18). Some companies are already engaged in dialogue with their local industry networks, others encounter challenges in finding suitable networks and partners with whom they can discuss future trends and solutions. Competition and concerns about trade secrets are cited as reasons for these challenges. However, it is generally observed from the interviewees that there is a desire and positive experience with network exchanges and partnerships. They enable organizations to collaborate on the path toward a SV economy. In this context, one interviewee explained that they “actively join forces with peers and engage with political and regulatory stakeholders to influence policies in the right direction. This includes participating in discussions and advocating for transparent interactions to understand complexities of regulatory environment” (INT 21). The central theme of discussion among executives revolved around the critical importance of *positioning in a competitive market*. Many respondents strongly emphasized that market transparency, facilitated by ratings and certifications, serves as a catalyst for intensified competition. The recognition of SV as a competitive imperative, driven by market dynamics rather than solely regulatory mandates, stands as the foundational premise, as stated by several informants. One statement that underscored this is: “I believe that the extrinsic market motivation will play a significantly larger role. Many companies are realizing that their competitors are embracing this issue, and these market forces will accelerate the transformation” (INT 17). In this context, for some interviewed companies of larger size, ratings, and certifications play a crucial role in creating market transparency. Platforms, such as *Ecovadis*, can be used for evaluation and monitoring of sustainability performance. It signifies adherence to certain standards and practices. This transparency, in turn, spurs competition. Companies get motivated to meet and exceed SV expectations to maintain a competitive edge. Small enterprises stated that they are “making customers aware of the opportunities available by transparently communicating the advantages of the products, which helps to enhance customer receptiveness” (INT 21).

These insights reveal the complexities and challenges that SMEs face when it comes to CSV implementation. Moreover, examples of potential mechanisms are provided to highlight possibilities for overcoming these challenges. It becomes clear that various steps may be taken to facilitate the transition to a business world capable of creating SV.

5 Discussion

5.1 Implications for Theory

Porter and Kramer's concept of CSV seeks to align corporate interests with societal benefits. Despite its acclaim, critics argue that CSV overlaps with CSR and lacks depth (Menghwar and Daood 2021; Dembek, Singh, and Bhakoo 2016). CSR and ESG involve sharing economic value to build social value. CSV represents a transformative process that changes the relationship between a firm's inputs and outcomes, generating social value through economic value creation (Wójcik 2016).

Our findings indicate an overlap between the challenges associated with SSPs and CSV in SMEs. Several factors contribute to this finding. It appears that surveyed participants, to some extent, did not recognize the distinction between these concepts and inadvertently referred to SSPs in their responses. The findings confirm that CEOs often struggle to differentiate these concepts or terms due to their limited knowledge and awareness. Despite providing information about the CSV approach beforehand, some clarification was needed during the interviews, leading to modifications in managers' responses. Our research suggests that this confusion is due to the limited attention given to the CSV approach and its application in SMEs. This in turn can be attributed to a CSV awareness gap at the management level in SMEs.

This insight into how CSV has been interpreted and disclosed within SMEs significantly contributes to the ongoing academic debate, taking the German market as an example. Existing debates, primarily focused on Porter and Kramer's work, lack a comprehensive exploration of CSV's theoretical groundwork in literature, particularly within the SME landscape. As a

disconnection between theory and practice appears, our study intends to offer insights into the practical implementation of CSV in SMEs. Building on this, our work then contributes to the literary investigation of the understanding and implementation of CSV. Our research qualitatively examines the challenges and mechanisms employed by SMEs in pursuing SV and therefore seeks to close the existing gap in research. In addition, we propose to minimize the awareness gap at the SME management level.

Drawing from existing literature and expanding upon it, we consider SMEs a comprehensive example for CSV implementation. As highlighted by Langenscheidt and Venohr (2015), their flexible and innovation-driven structure enables effective contributions to reshaping products and markets, in line with Porter and Kramer's advocacy (2011). Moreover, adaptability and entrepreneurial decision-making in SMEs promote a focus on the efficient use of resources and productive processes throughout the value chain. As Porter and Kramer dedicate, increased productivity and more sustainable use of resources create SV. In the case of Germany, SMEs, often being hidden champions, act as key partners for large companies with global influence (Berlemann, Jahn, and Lehmann 2022). For this reason, German SMEs are well positioned to achieve a significant positive impact through a CSV strategy, achieving economic and social benefits at the same time. However, this requires the CSV awareness gap on SME management level to be reduced.

In this work, we acknowledge the characteristics of SMEs and point out the importance of SMEs in society and in the global marketplace (Haddad et al. 2019). We aim to give a holistic answer to challenges and mechanisms when implementing CSV and recognize the potential for generalization to SMEs, beyond the German context.

In the following, we attempt to investigate the overlaps and differences between the perceived challenges of SSPs identified in the literature and CSV implementation in practice. Based on the interview results and our analysis, Figure 3 was developed.

Figure 3: Three Level – Theoretical Model

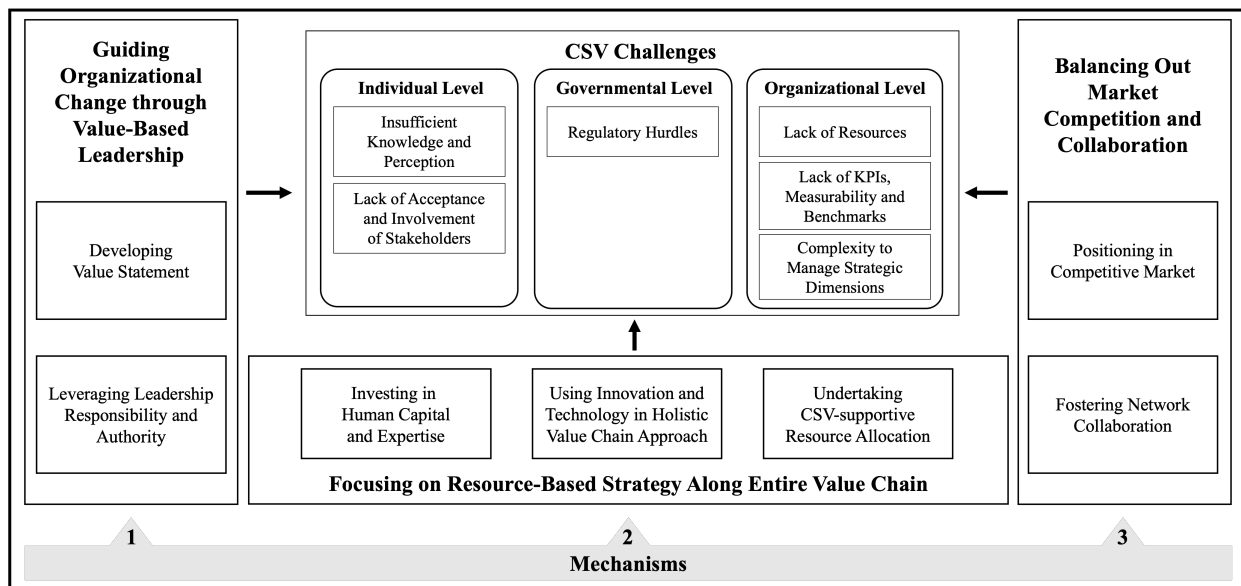


Figure 3 illustrates the different types of challenges across three levels of influence: the individual, the organizational, and the governmental level. The individual level encompasses challenges rooted in cognitive factors, such as the knowledge and perception competencies of an individual. The second aspect at the individual level covers motivational factors related to CSV implementation, such as acceptance and involvement. The governmental level addresses challenges SMEs face within the broader governmental landscape, focusing on regulatory expectations set by the government for organizations. Lastly, the organizational level encompasses all hurdles from the entire organizational system. This includes resource limitations and obstacles faced by SMEs in terms of KPIs, measurability, and benchmarks, and also the complexity of managing strategic dimensions throughout the entire organization.

Individual Level. Challenges on the individual level exhibit similarities to those encountered in CSR implementations on one hand, while concurrently introducing entirely novel challenges for SMEs on the other. The findings uncover the *Insufficient Knowledge and Perception* of CSV as a challenge, which refers to the limited awareness of the term CSV among SMEs (Jenkins 2009). This is also confirmed by the findings of Wójcik (2016) that the CSV concept has already achieved a great deal of recognition from scholars, but not regarding

operationalization and conceptualization. In connection with the lack of knowledge of the term, it becomes apparent that some German SMEs engage in CSV without explicit awareness or deliberate emphasis on business strategy. Some respondents described business activities falling into the CSV category without being aware of it. This suggests a scenario where companies might be unknowingly reaping CSV's benefits, an intriguing finding that adds a new perspective to the existing literature. It is attributed to managers' lack of comprehension concerning the causality and returns of the CSV approach, marked by general misconceptions. This implies an awareness gap on the individual level. This aligns with observations made by Menghwar and Daood (2021) in relation to SSPs.

Moreover, we have noticed that some of the interviewed SMEs do not realize the opportunity for improved competitiveness through the pursuit of a SV strategy. Another notable hurdle emerges in the hesitancy of SMEs to collaborate and share knowledge across companies or industries, which goes against our findings in the existing literature (Hammann, Habisch, and Pechlaner 2009). This is explained by the managers' fear of increased competition and trade secrecy, which poses a risk to their current strong market position. SME managers emphasize that they would like to have more exchanges with their peers to jointly develop and share valuable knowledge about industry advances in CSV. However, the interviews also revealed that the inhibition to do so exists but is not supported by the market. The limited exchange can also relate to collaborations between international company units, where different levels of willingness for social and sustainable engagement can be seen (i.e., USA versus Germany). This poses the challenge of recognizing and addressing different levels of sustainability awareness on a global scale. The literature has overlooked this finding in the CSV context.

The central challenge of the *Lack of Stakeholder Acceptance and Involvement* is a present issue observed within the individual context and also surfaced prominently in our results on CSV. Convincing and engaging both external and internal stakeholders in SSPs represents a

major challenge (Brandi et al. 2015; Bikefe et al. 2020). Due to market forces and regulations, some stakeholders are already very progressive and have changed the requirements and standards for companies' SSPs (Bikefe et al. 2020). Nevertheless, there exists a substantial number of stakeholders, as described in the literature (Sommer 2017), who have not yet been convinced or educated about this development. However, a clear long-term shift from voluntary to mandatory SSPs is experienced by SMEs. This is challenging due to the need to navigate changing stakeholder dynamics and overcome resistance, even if SMEs in general tend to be closely engaged with their stakeholder groups (Hammann, Habisch, and Pechlaner 2009). It includes engaging employees in a SV strategy, where resistance to change may impede the successful implementation. Gaining acceptance from both internal and external stakeholders complicates the transition, requiring careful management of perceptions and expectations. A phenomenon not exclusive to CSR but one that, according to our interview findings, extends into the CSV area. However, the distinction between the challenges within the two concepts lies in the fact that CSV necessitates a fundamental transformation in a company's DNA. It requires the alignment of stakeholder interests with the entire business strategy and managing the supply chain compliance and transparency at the same time. According to the interviews, this transformation is often associated with resistance to change by diverse stakeholders. Moreover, achieving stakeholder acceptance and willingness to incur additional costs is a unique challenge in the CSV context. Simultaneously realizing the potential for maximizing competitive advantage through sustainable practices and stakeholder investment further complicates this challenge. All of this must be considered in the light of evolving customer awareness and changing habits. Small enterprises within the interviews that offer innovative product solutions that enhance company productivity have highlighted challenges specifically on the customer side. They recognized a stakeholder awareness gap whereby a distinction must be made between beneficiaries and the individuals who decide on the product implementation. The product innovation

significantly would enhance the end user's efficiency within the company. However, the manager, unaffected by it, fails to recognize the added value. Moreover, a cultural shift resistance on the customer side prevents smaller companies from selling the product or implementing it properly. Another unique interview insight revealed a notable absence of best practices and SME role models in CSV implementation. This scarcity significantly hinders the willingness of German SMEs to embrace CSV. Due to the perceived novelty of CSV, there is a lack of established examples or role models for companies to follow. This absence leads to heightened concerns and fear of making incorrect decisions. This stands in stark contrast to the challenges associated with CSR, where a presumed higher level of awareness and experience exists. In addition, the lack of stakeholder acceptance and involvement may pose a substantial barrier to cluster development according to Porter and Kramer's ways to create CSV. Cluster formation depends significantly on the active participation and support of diverse stakeholders, both within and outside the company. Ongoing challenges in incorporating CSV practices and involving stakeholders could pose obstacles to the successful development of clusters. This hindrance undermines collaborative efforts to create SV within a specific region.

Governmental Level. Governmental regulations significantly influence the adoption of SSPs in SMEs. They shape the legal and economic landscape, either incentivizing or hindering businesses in aligning social and economic goals (Fassin 2008). Clear regulatory frameworks can provide SMEs with guidance and support to integrate SSPs. Ambiguous or restrictive regulations on the other side may create barriers and deter SMEs from pursuing socially beneficial practices, which refers to the challenge of *Regulatory Hurdles*. The results of our work support this assumption. It is very noticeable that the government and the EU are developing numerous programs to support SMEs in the economy, such as the "SME Strategy" (European Commission 2020b). Nevertheless, the regulations imposed in the sustainability transformation come with several hurdles for SMEs, constituting conflicting aspects of those programs: One present

challenge that the companies complained about is complying with many changing laws, dealing with them efficiently, and sustaining these efforts in the long term within the company. While the examined literature focuses on the challenges of pursuing CSR (PricewaterhouseCoopers n.d.), these challenges also apply to the interviewed companies that strive for CSV, but to a different extent. Regulatory influences pose a more complex challenge in pursuing a CSV approach in SMEs than engaging in CSR activities. According to CSV principles, economic and social perspectives are closely intertwined which is not the case for CSR. In the CSV framework, economic value creation is intricately linked to social value creation, making the impact of governmental regulation on CSV much more extensive. In the interviews, the executives highlighted that regulation affects their companies' economic viability and the pursuit of truly correct and essential goals within a CSV strategy. The resulting demotivation plays a significant role in CSV aspiration and discourages entrepreneurs from linking social and economic value creation. This finding goes beyond research in the literature, which has not yet investigated emotional attitudes towards regulatory measures in the context of CSV. From the small enterprise perspective, legislation slows down the introduction of innovative technologies that would create SV. Effectively navigating and shaping the regulatory framework in line with business objectives is crucial for the success of a company dedicated to innovative and renewable energy generation for society.

Organizational Level. Some of these challenges on the organizational level align with those seen in theory that deal with SSPs implementation, such as workforce and talent management (Johnson and Schaltegger 2016). However, they also introduce new complexities. The *Lack of Resources* challenge from the literature was confirmed by the empirical results and can be applied to CSV. Nevertheless, in the context of SV, these resource challenges are further pronounced, with a clear emphasis on financial resources. This nuanced aspect significantly contributes to the existing literature on CSV. What distinctly emerged through the interviews

was the unique financial burden placed on SMEs pursuing CSV initiatives. Unlike CSR, where resources are allocated alongside the core operations, CSV is inherently embedded into the underlying business model (Porter and Kramer 2011). The interviewed SMEs acknowledged that pursuing CSV initiatives involves a fundamental transformation of their business model. This transformation requires products, services, and processes to be aligned with SV objectives. This shift incurs substantial costs, encompassing research and development, operational restructuring, and internal capacity mobilization. The upfront financial investment during the initial transition presents a financial obstacle to realizing long-term social and economic benefits. Financial expenses on SSPs are often limited in comparison to the overall budget of the company (Porter and Kramer 2011). In contrast, CSV represents a considerable financial burden for SMEs, as extensive changes are required directly in the core business processes. Existing literature has primarily focused on the challenges of resource allocation in SSPs. This research extends our understanding by emphasizing the exceptional financial complexities that arise within the CSV framework. For small enterprises, efficient financing and targeted use of financial resources are crucial. The challenge lies in finding a balance that increases benefits for the company and also for the customer when money is spent on SV solutions.

Additionally, on the organizational level, our research unveiled another challenge: *Lack of KPIs, Measurability, and Benchmarks*. This challenge is similar to the theoretical *Lack of Measurability* and can, therefore, be confirmed by the empirical findings (Lütge and Liel 2015; Dembek, Singh, and Bhakoo 2016). However, the interview results also reveal distinct nuances that set it apart from general SSPs. The intricacies of measuring CSV arise from its inherent complexity, as it is deeply ingrained in core business operations. This integration often implies extended time horizons for impact realization, diverse metrics, and the need to consider multiple stakeholder perspectives. Robust measurement methods are essential to comprehensively capture the multifaceted consequences of operations on both social and environmental factors. The

challenge for small companies that develop SV products is to convince the customer of their product with clear KPIs and measurable improvements. The generated impact is not always easy to measure due to the inherent nature of the product, which makes it difficult to fully inform the customer about the product use case. Furthermore, SMEs have particularly referred to the comparison and benchmarking with competitors for which no standardized metrics yet exist. It is crucial for them to ensure their own data quality and integrity to conduct truly meaningful benchmarking. Another significant aspect that differentiates the challenge in CSV from theory is the struggle to balance financial and social metrics. This balance is particularly associated with the holistic nature of CSV, where financial and social dimensions are interwoven and equally important. In CSV, achieving balance involves evaluating quantitative data, which is relatively straightforward. Additionally, it requires measuring the qualitative aspects of generated social value, which is more challenging. The lack of meaningful measurement data in turn makes the acceptance of SV implementation approaches more difficult within different stakeholder groups of SMEs. Quantitative and data-driven decisions are preferred. However, the challenge of the measurability of CSV activities and impact is not new to the academic research (Dembek, Singh, and Bhakoo 2016). The interview results highlight that implementing Porter and Kramer's approach to reconceive products and markets for CSV becomes challenging. This challenge persists as long as concerns about measurability remain.

While evaluating the interviews, in particular, one challenge emerged that was not addressed in the literature: *Complexity to Manage Strategic Dimensions*. Interviewed companies mentioned complex challenges on various strategic dimensions that they face, and which present them with the biggest hurdle. In comparison, SSPs are less complex to implement due to a weaker connection with the core business performance (Porter and Kramer 2011). Linking these individual dimensions requires a strategic and holistic approach to CSV and the right and future-oriented competitive positioning that is determined by the management. The interlinked

consideration of these different strategic dimensions is essential for the successful implementation of the CSV but at the same time represents a complex challenge for SMEs. Dimensions entail competitiveness and risk management. They also involve adopting a global market perspective and giving priority to long-term strategies in a sustainable manner rather than short-term operational goals. Overall, it means having a strategic organizational approach to CSV. What became apparent during the interviews is that some companies are already adopting CSV approaches. However, this is often done unconsciously and without an overarching CSV strategy that encompasses all the company's core activities. A lack of CSV expertise and awareness on an organizational level may explain this. However, even when already pursuing a CSV strategy, such as the small enterprises we interviewed, the key challenge is maintaining clarity in their strategy and vision. This challenge is particularly pronounced in a dynamic market with changing needs and expectations. To sum up, the challenge of pursuing a strategic CSV approach is influenced by several dimensions and challenges mentioned in the results. Their successful implementation represents the most complex aspect of our research.

The mechanisms derived from the research findings are multi-layered and affect all levels: individual, organizational, and governmental. The challenges that German SMEs face in implementing a SV strategy are closely interlinked and cannot be seen as separated as one challenge influences the other. For example, there is the assumption that insufficient knowledge about CSV could automatically lead to a lack of acceptance. The proposed mechanisms aim to address these challenges at the different levels. The results of our research show that the challenges German SMEs face in implementing a SV strategy require specific mechanisms that differ from established approaches in the field of SSPs. Figure 3 also illustrates different mechanisms at individual, organizational, and governmental levels that can support SMEs.

Guiding Organizational Change Through Value-based Leadership. A notable research finding suggests that introducing organizational change for CSV implementation is best

accomplished through adopting a value-based leadership concept. This finding emphasizes the importance of developing a strong value statement, which serves as the basis for SV and provides a clear direction. A well-crafted value statement contributes to a common understanding and acceptance of SV initiatives. It should be aligned with the entire value chain and the company's strategy, vision, and values. This extends the literature, that emphasizes the general importance of leadership and culture in the SSPs context (Elford and Daub 2019). However, it does not make specific statements about the exact steps needed to reach the respective culture. Another finding underscores the importance of sensitizing stakeholders, especially at the management level, by disseminating the value statement at all levels of stakeholder engagement. The value statement forms the basis for all entrepreneurial activities, but local circumstances and levels of development must be considered to harmonize CSV awareness and practicability.

Our research underscores the important role of leadership responsibility and authority in prioritizing SV initiatives within an organization. Structure and strategy depend on the disposition, commitments, and decisions of the manager or owner of the company (Fust and Fueglistaller 2016; Battaglia et al. 2010). Notably, internal transparency and strategic meetings at the executive and board level emerge as key factors for effectively implementing SV strategies. While external transparency is often emphasized in literature to secure stakeholder buy-in, our findings highlight the unique dynamic created by internal transparency. This is especially evident when coupled with strategic executive-level discussions. Moreover, findings propose the introduction of moderated conversations to enhance stakeholder participation. This approach involves transparent communication and dialogue, ensuring collective efforts towards a shared goal and increasing expertise and awareness. In the interviews, regulation is often perceived as a primary challenge, but according to our mechanisms, it runs as a side thread. A recommended course of action is to make strategic decisions, viewing regulation as a tool for measurability and optimal resource allocation. Emphasis is placed on not solely anchoring the

topic of governmental regulation within the CFO role. Instead, recognizing its cross-functional nature is essential, as it can dynamically influence both employees and customers. Proactively addressing regulatory matters is crucial for achieving positive outcomes that generate SV. A positive attitude towards governmental regulation will help SMEs on their way to success.

Focusing on Resource-Based Strategy along the Entire Value Chain. Another mechanism that emerges from the findings in the context of CSV is to focus on a resource-based strategy along the entire value chain. This reveals differences from the theoretical landscape and effectively addresses the existing research gap. From the theoretical perspective, the emphasis has been on addressing resource constraints for SMEs through enhanced finance access, such as green finance promotion and central bank mandates for sustainable lending (Sommer 2017). The theory suggests that such approaches can provide the necessary financial support for sustainability efforts. However, the empirical results specific to CSV indicate that the challenge to overcome resource constraints requires a more comprehensive approach in practice. Adopting an integrated perspective on resource allocation that pursues social and economic goals and is sustainable ensures long-term competitiveness. Their adaptability and flexibility (Jenkins 2009), combined with flat hierarchies and structural flexibility, enable the rapid alignment along the value chain. Strategic resource allocation implies identifying key areas within the value chain where sustainability measures can have the most significant impact (Porter and Kramer 2011). This includes clear sustainability strategies that outline how these resources will be utilized to achieve specific environmental, social, or economic goals. Moreover, ensuring financial resilience is integral. It allows SMEs to navigate the potential challenges associated with the initial stages of resource allocation. This provides a stable foundation to support their strategic imperatives for sustainable development. The practical results underline a shift towards a strategic allocation of resources, especially human capital, and expertise, which is not sufficiently discussed in literature. Since the usual principal-agent problem does not occur in

SMEs (Kechiche and Soparnot 2012), it is easier to implement a CSV-supported resource allocation without resistance from shareholders. Prioritizing people's development is critical to future success and is viewed as a forward-looking strategy rather than a cost factor. This approach includes targeted compliance training and establishing cross-resource teams that promote successful implementation and build trust within the organization.

Balancing out Market Competition and Collaboration. This mechanism revealed in the empirical findings presents a nuanced perspective, offering valuable insights that bridge the gap in the existing literature. The theoretical perspective emphasizes the importance of collaboration within local industry networks for SMEs to enhance awareness and effectiveness of SSPs (Baumann-Pauly et al. 2013). Collaboration and strategic networking are indeed recognized as essential in theory for SSPs and CSV (Baumann-Pauly et al. 2013; Porter and Kramer 2011). To overcome the fear of increased competition and trade secrecy within the competition when pursuing a SV strategy, it is highly advisable to foster a transparent and collaborative market approach. In fact, according to Porter and Kramer (2011) it is even a prerequisite for the formation of clusters and thus for the virtuous cycle of economic and social development. Given SMEs' focus on their stakeholder relationships (Hammann, Habisch, and Pechlaner 2009), it seems advantageous to utilize these relationships and actively integrate them into the development and implementation of their CSV strategy. A close relationship with its stakeholders supports a strong and long-term positioning in the market. Taking advantage of this fact and contributing to the development of an industrial cluster with the insights gained is essential. It ensures that SMEs can share similar social and environmental impacts, interactions with local actors, and joint pressure from stakeholders (European Commission 2007). Moreover, SMEs can overcome hurdles in regulatory aspects by joining forces and actively engaging with political and regulatory stakeholders to influence policies in the right direction. This involves participating in discussions, advocating for transparent interactions, and understanding the

complexities of the regulatory environment. Therefore, balancing market competition and collaboration is crucial for organizational success, necessitating further academic research. In the competitive market landscape, maintaining transparency is essential to accelerate healthy competition. Recognizing SV as a business strategy and also as a competitive necessity is imperative, shaped by the influences of market forces. Rating platforms like *Ecovadis* or certificates should be used more widely to create a transparent market and accelerate competition. Moreover, it is relevant to transparently communicate and inform customers about potential business opportunities or values created by using their product or service. The clear illustration of potential benefits and added values enhances customer receptiveness and the company's competitive positioning within the marketplace. The traditional CSV framework by Porter and Kramer (2011) emphasizes the synchronization of corporate objectives with societal needs. However, there is a need to explore how organizations can effectively balance competition and collaboration to achieve sustainable CSV.

Overall, these findings show that the specific challenges of German SMEs in SV implementation require differentiated mechanisms that go beyond the existing literature referring to SSPs. Identifying and analyzing these challenges exposed a complex interdependence at various influential levels - from the individual and organizational to the governmental level. Despite the interest in SSPs within SMEs, prior research has often focused on mechanisms associated with occurring challenges in isolation. Our findings highlight a central mechanism, *Guiding Organisational Change Through Value-Based Leadership*. It has proven itself, especially for successful CSV implementation in SMEs, and stands out from the usual SSPs measures. Adopting this mechanism minimizes the awareness gap as it shapes individual attitudes and perceptions of CSV. It impacts organizational cultures and how to deal with governmental regulation.

5.2 Implications for Practice

The results indicate that a multitude of challenges at individual, organizational, and governmental levels significantly impact the implementation of a SV strategy for German SMEs. As depicted in Figure 3 this paper's foundations lie in illustrating the challenges across individual, organizational, and governmental influential spheres that must be overcome. By categorizing challenges and presenting the three main mechanisms with their subgroups, the model provides a comprehensive overview of the most influential factors impacting SMEs engaged in SV implementation. It also highlights the potential measures for overcoming these factors, serving a practical and actionable guide for those contemplating SV implementation.

As evident, prior research has predominantly focused on SSPs such as CSR, often overlooking the nuanced challenges associated with implementing a SV strategy at different levels. By clustering challenges on individual, organizational, and governmental levels, this paper offers a comprehensive insight into SV implementation for German SMEs. The interconnectivity of the identified mechanisms underscores the complex nature of challenges for German SMEs and emphasizes the need for a holistic and integrated approach. Our findings stress the crucial role of organizational change guided by value-based leadership in practice - a mechanism that has been overlooked in existing research. In particular, the paper argues for a more nuanced examination of how value-based leadership can drive organizational change and enhance the adoption of SV practices. The value statement that aligns societal and economic intentions within the SME, is the essential aggregate dimension for CSV practice. Further steps can support successfully realizing a CSV strategy. Continuous learning emerges as a cornerstone emphasizing SMEs' need to proactively stay informed about new trends and requirements in SV propositions. By fostering a culture of curiosity and adaptability, SMEs can ensure that their SV strategies remain dynamic and responsive to emerging societal and market demands. Simultaneously, communication with stakeholders, driven by top management, is an essential point

that underlines the importance of transparent and open dialog with all relevant parties. Clear and authentic communication about SV initiatives at all levels builds trust and ensures that stakeholders are actively involved in the company's social impact efforts. Moreover, inducing intrinsic motivation in internal stakeholders constitutes a success that has a positive impact on the CSV strategy. Honing leadership skills and fostering a culture of social responsibility are vital for successfully managing a CSV strategy. Equipping employees with the tools to enact positive change is a powerful and necessary component of this comprehensive approach.

Value-based leadership serves as a unifying force, connecting internal and external efforts in the pursuit of CSV practices, referring to the other aggregate dimensions. Internally, strategic choices for SV adaptation along the value chain, proactive innovation, resource allocation, and a clear CSV approach are emblematic of a leadership approach. This approach fosters a strategic, forward-thinking vision and emphasizes financial resilience. Investments in human capital and specified workforce training reflect a commitment to employee development and regulatory compliance. Cross-team exchange and leveraging internal expertise underscore a leadership that encourages collaboration and knowledge-sharing. Externally, strategic network partnerships and collaboration draw on leadership's recognition of the value of external collaborations for improved growth. This integrated approach, guided by value-based leadership, positions the organization for a sustainable and competitive future.

In summary, this work offers a preliminary reference point for SMEs to identify challenges influencing CSV implementation and gives mechanisms and practical recommendations to hand for overcoming them. We believe that a well-executed CSV strategy, coupled with a thorough understanding of challenges and adherence to corresponding mechanisms, forms the basis for business success in CSV. Strong owners' influence, active involvement in local communities, and enduring commitment to securing competitive advantage and long-term existence provide the best evidence for achieving this impact. Overall, they are well-positioned to adopt

and embrace the CSV approach. The study's findings extend beyond German SMEs, offering broader implications for SMEs in diverse international markets.

5.3 Limitations and Future Research

Future research should take into account certain limitations inherent in this study. A notable limitation of this study is its geographical focus on Germany. To diversify the dataset, it may be essential to extend the study to a European level, considering the significance of SMEs across Europe. Another significant constraint pertains to the nature of the interviews conducted with SMEs. As the majority of interviewees were CEOs, their perspectives and experiences as organizational leaders might have influenced responses, potentially introducing biases. The prevalence of CEOs as interviewees also raises the possibility that our findings predominantly reflect the viewpoint of top-level management, possibly neglecting their own responsibility in this regard. Shaping the strategic orientation of their companies, these leaders hold a vital role. However, the perspectives of other organizational members, who may have different roles and responsibilities, were not as extensively represented in our study. Therefore, a more comprehensive examination of diverse organizational perspectives may provide a broader understanding of the challenges and opportunities related to SV initiatives in SMEs. Future research could explore the views of middle management, employees, and other stakeholders to gain a more holistic understanding. In addition, while in theory, CSV is often exclusively compared to CSR, it is crucial to acknowledge this limitation. Recognizing the demand to broaden the range of comparisons to include other sustainability approaches, such as the Triple Bottom Line framework, is essential for a comprehensive understanding.

By addressing these limitations and investigating future research directions, researchers can enhance the broader comprehension of SV strategies in the context of SMEs in Germany, extending to an international scope. This, in turn, contributes to a better understanding of their broader implications for sustainable and responsible business practices.

6 Conclusion

CSV in global organizations has become a prominent topic in management and business ethics research over the past years. The objective of this study was to enhance insight into the challenges that German SMEs encounter when implementing CSV and the mechanisms to overcome them. The literature review identified overarching constraints and mechanisms for SSPs. Empirical findings specifically focused on the hurdles and mechanisms in CSV implementation, partially confirming and extending these challenges and mechanisms. To advance the CSV literature, a model was presented to map the multilevel challenges that German SMEs face when implementing CSV and potential mechanisms to overcome those.

The challenges revealed in this study encompass a range of factors, including the *Complexity to Manage Strategic Dimensions*, *Lack of KPIs, Measurability and Benchmarks*, *Insufficient Knowledge and Perception*, *Regulatory Hurdles*, *Lack of Acceptance and Involvement of Stakeholders*, and *Lack of Resources*. Moreover, this research has highlighted the obstacles and explored potential mechanisms to overcome these challenges. The proposed mechanisms include *Guiding Organizational Change through Value-Based Leadership*, *Focusing on Resource-Based Strategy Along the Entire Value Chain*, and *Balancing out Market Competition and Collaboration*. The identified mechanisms provide practical insights for SMEs also contributing valuable knowledge to the broader field.

This aligns with the imperative to shift the focus of research and practical advice towards understanding and supporting the distinctive needs of SMEs in their pursuit of CSV. Considering the evolving business and societal landscape, with SMEs facing a continual need for adaptation, the effective management of CSV implementation holds unprecedented significance. An essential requirement for the successful implementation of CSV in SMEs is minimizing the CSV awareness gap at the management level, which we propose as a subject for future practical and academic work.

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