A case summary: creating shared value in economics

Literature, Russian Literature

A Case Summary: Creating Shared Value in Economics According to Michael Porter and Mark Cramer, capitalism is under siege. The two, in their paper titled “ Creating Shared Value,” argue that there is a need to reinvent capitalism to fire up innovation and growth in the industries. Unlike in the past when industries and businesses were viewed as the ships of salvation of the multitudes, the two say that businesses are today viewed as being environmentally, socially and economically problematic. The prevalent notion is that businesses prosper at the expense of the general public. This, is said to be a main threat to the wheel of capitalism, invention and innovation and indeed it is. The two thus suggest that the solution to this problem lies in shared value which involves creating economic value both for companies and the society around them (Porter & Kramer, 63). Unlike sustainability, social responsibility or philanthropy, shared value achieves economic success without requiring one party to sacrifice their gains be it in terms of profits or property and time. There is no economic trade-off that comes about when shared values are presented between business and the needs of society. What comes out of shared value is the benefit and progress that both parties shall accrue overtime. Economists have for long vouched for the idea that, to realize economic progress, businesses must trade-off gains in one way or the other. The authors’ purpose in relation to shared values is that they aim to ignite growth and progress by elimination of the trade-offs businesses have to make to progress (Porter & Kramer, 70). Given that they have identified the reason behind the imminent failure of capitalism, the two authors go ahead giving reasons as to why capitalism plays a vital part in the lives of every individual in society. Another purpose the two authors aim to put forth is to end the stirring war between business and society. They are of the opinion that progress needs to occur without one party having to sacrifice their gains. In creating shared value in a firm like Google, there are several benefits that are realized. Google Scholar, which provides texts of academic literature online, greatly reduces the wastage of such resources as paper and plastics. Google Scholar is a very popular service and, by meeting the requirements of the society and not merely its conventional economic needs, has defined a market of its own and reduced on social harms that could increase Google's operational costs. In this way, therefore, the aspect of shared values not only benefits both parties in terms of gains, it also reduces the impact of pollution resulting from some aspects such as the use of paper and plastics (Porter & Kramer, 73). In conclusion, creating shared value (CSV) yields more than corporate social responsibility (CSR) over the long term. While the latter benefits society more than the companies that carry it out, the former have benefits for both parties. According to value addition as an economic theory, the addition of value to a given item has benefits on many fronts. Adding value to the business operations and sharing the values with society reduces on the interruptions on the speed of innovation. The implementation of the shared values model of operation comes about as the salvation to the continuous friction between business and society observed since the Industrial Revolution. In this sense, it is the solution to trade-offs companies had to bear. Work CitedMichael Porter and Mark Kramer. Creating Shared Value. Harvard Business Review. January 2011.