

# How to reinvent capitalism and unleash a wave of innovation and growth by porter ...

[Business](#)



The paper "How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth by Porter and Kramer" is a delightful example of an article on business. The article entitled, "How to reinvent capitalism- and unleash a wave of innovation and growth" by Porter and Kramer start by mentioning the ills of capitalism that continue to bedevil the society. Recently business world that employs the capitalist system causes different problems in society. Companies maximize their profit margins to the detriment of the community.

Porter & Kramer (2011) elucidate that business collaborates with the political elite to set policies that tend to undermine healthy competition in the market. Businesses view value creation as a short-term financial performance while they ignore the wellness of customers. The government and the civil society attempts to mediate the issues using a tradeoff between economic policy and social progress. Companies must take a lead role to redefine creating shared value that entails the creation of economic value that addresses the needs of the society. A neoclassical school of thought asserts that businesses must move beyond tradeoffs and legitimize the provision of social benefits such as employing disabled in society.

#### Background Information

Concerning the issues of externalities, a society should impose taxes and penalties to firms that fail to meet pollution costs. Corporate social responsibility comes after pressure from the government and NGOs where firms use it to increase own reputations while they treat monies used as ordinary expenses. Governments make shared value difficult to achieve since it pursues own goal. According to Porter & Kramer (2011), the concept

of shared value identifies needs in society other than economical needs that can define markets. Additionally, the shared value identifies social weaknesses and addresses them without raising costs for a firm. A firm that adopts shared value in the right way employs a redistribution approach to expand the total pool of economic and social value. Fairtrade is a good example of social value since it pays poor farmers from its proportion of revenue so that they can achieve a higher output in their activities.

### Summary

There is a thin line between the competitiveness of a firm and the health of the society as a firm derives success from the community that purchases its products and provides a supportive environment. The government and NGOs appreciate the connection between businesses and the public. A capitalistic business model will ensure a firm achieves high-profit levels to support employment and payment of taxes to the government. Capitalism perspective focuses on enticing customers to purchase the firm's products amidst burgeoning competition from rivals in the industry. That, in turn, leads a company to minimize the cost of operations such as reducing the number of staff, leveraging of the balance sheet, and operating at low-cost regions. An environment of competition has little benefit to the society as firms continue to receive high-profit levels. The authors do not see the importance of profitable firms in times of recession since they have done little to reduce societal weaknesses and create shared value.

Prior to capitalistic business models, best firms applied the concept of shared value where they met the needs of the communities to support businesses.

As social institutions appeared on the scene and vertical integration of firms employed concepts such as outsourcing and offshoring that weakened the connection of the firms to the communities.

Companies can create economic value by them creating societal value. The author depicts three different ways of a firm to create shared value that includes reconceiving products and markets, building supportive industry clusters at the company's locations, and redefining productivity in the value chain (Porter & Kramer, 2011). The objective of creating shared value is to connect the success of the company to societal improvement. Every firm in different region has the opportunity of creating shared value in the range and scope of the community. In reconceiving products and markets, a firm can meet basic needs for the customers in the global economy. For instance, Wells Fargo develops products and tools that can help customers to manage credit and debt. A firm in the era of globalization can create societal benefits through the production of environmentally healthy products.

### Evaluation

In redefining productivity in the value chain, a company can avoid externalities by reducing wastages and environmental problems to foster better societal progress and production in the value chain. A firm in this decade can employ energy utilization, cogeneration, technology, and recycling practices that will help it to create value.

In enabling local cluster development, geographic concentrations of firms can promote productivity and innovation. Clusters play a crucial role in the growth of regional economies to drive productivity, competition, and

innovation. Failure to support cluster leads to low production. The principles of shared value from a government, business, or Ngo level will cut across society. Society does not gauge the organization that creates value what matters is the benefits provided to it.

### Conclusion

In conclusion, creating shared value requires a concrete metric for every tailored unit. Shared value creation entails new and heightened forms of collaboration. Companies will not obtain societal value when they tend to work alone. Alternatively, successful collaboration applies necessary data, clear links to defined outcomes, well-connected goals of stakeholders, and clear metrics. The shared value will foster innovation and growth while creating societal benefits.