

Strategic management

Business, Management



Michael E. Porter and Mark R. Kramer's "Creating Shared Value" (CSV) proposes a move from the common conception of capitalism and its stigma toward the need to incorporate shared value as a new way of doing business. The paper defines shared value as "policies and operating practices that enhance the competitiveness of a company while simultaneously advancing economic and social conditions in the communities in which it operates. Shared value creation focuses on identifying and expanding the connection between societal and economic progress" (Kramer and Porter 6).

This novel concept prioritizes removing the distinction between the categorization of businesses for profit from those which are essentially for benevolent purposes. This posits that for a company to have a competitive edge, it does not mean that it should lose grasp of social issues that prevail within the community. Rather than having substantial social functions as a distinct aspect of a corporation, shared value envisions a business enterprise that is founded upon it. The company's productivity has a direct connection with social issues which affects effectiveness. This mandates a need to invest in factors which have the strongest link to company productivity that include: environmental impact, supplier access and viability, employee skills, worker safety, employee health, water use, and energy (Kramer and Porter 8).

This is differentiated from corporate social responsibility (CSR) since CSV is not merely a reactionary measure of a corporation which is optional on its part. The CSR functions of business is usually an adjunct of the business which exists separate from its corporate goals and implemented as a manner of goodwill to improve its reputation. On the other hand, CSV is founded on

its own economic worth wherein social value is inherently a part of it. This is a direct deviation from capitalism where big business is equivalent to big profit. In this regard, it is not uncommon to ascribe the characteristic of a dog-eat-dog scenario in the name of profit to the prejudice of social and environmental concerns. The article dubs this as the new standard that veers away from capitalism which has acquired a notion of distrust.

What Kramer and Porter propose is an innovative change that will ultimately redefine business. The paper provides examples such as WaterHealth International which provides clean and inexpensive water to people in some parts of the Philippines, India and Ghana, Revolution Foods which provide healthy meals to students and Waste Concern which converts trash to organic fertilizer in Bangladesh (Kramer and Porter 7). These hybrid ventures are creating substantial profit without compromising its social participation toward sustainable development. The businesses previously mentioned are the best examples in proving that CSV does not mean a company has to operate at a loss. The position suggested by the article is definitely ideal but it is in no way an easy feat. This needs a new way that will have to transcend business models that have been in existence for decades. Ultimately, this needs a sort of paradigm shift where there has to be commitment on all sectors of society.

Work Cited

Kramer, Mark R. and Porter, Michael E. "Creating Shared Value." Harvard Business Review. (2011): 1-17. Web 23 Sept. 2014.