

Porter and kramer



Porter and Kramer (2002) describe shared value as all principles, policies and operational procedures aimed at enhancing competition, economic growth and societal needs. Shared value incorporates corporate responsibility with guidelines and restrictions that ensure societal needs are not degraded. The early notion of corporate responsibility as something that erodes societal needs does not hold water in the current system of shared value. On the contrary, it ensures non-interference in the economic performance of a business or organization that takes all societal needs into considerations. This paper analyzes how shared value ensures sustainability, opportunity and integrity as possible aspects that will trigger the next wave of growth. This review will be based on articles by Porter and Kramer (2002) that focus on shared value, as well as other articles and research materials that expound similar views.

Introduction

Charles Handy sets the debate rolling when he publishes the article, “What’s a Business for?” Handy ascertains that the virtue of a capitalist or an ideal organization is to provide savings for a society that would be used to develop and create wealth in the same society (Handy, 2002). His remarks assume the origin of shared value as a biological symbiotic relationship that exists between various organisms. Just as organisms need each other to survive in the current competitive world, businesses and organizations need the same relationship in terms of shared value. This is an inevitable relationship between the business and community or society, since businesses and organizations depend on community members for manpower, demand for their goods, as well as a viable and safe environment to perform their

activities in without any form of distraction. The community and its members also need the organization as a source of jobs, and wealth for their personal growth and sustainability. They also need the organization to use its revenue to improve social amenities, such as infrastructure and technology, for their personal benefit. Therefore, it is evident that shared value between such business organizations and communities in which they exist is to be established and enriched for the betterment of the two parties involved (Porter and Kramer, 2002).

In the past, business organizations performed and excelled without taking into account the societal needs that are deemed to be important at this stage. This poses a possible challenge as to whether there exists a dire need to embrace societal needs in business organizations, and whether the same businesses have been in successful operation without the enforcement of such needs. The fact that some businesses have excelled without the incorporation of the principles of shared value does not mean that the current generation can avoid such an important aspect in the business world. First, it is notable that business organizations are open systems, which cannot escape the intrusion and relationship with the society within which they operate. In the past, organizations, that did not embrace the shared value system, exploited the societies by benefiting from the members of the society who did not enjoy any benefits from such companies. On the contrary, the same business organizations and companies made the society worse by polluting the environment and exhausting resources. It is, therefore, imperative that such organizations be sensible to the needs of the society through a shared value system. What is noteworthy is that

organizations are similar to societies, since they are made up of individuals living in the communities and societies surrounding the organizations. This calls for a need to establish a relationship between the organizations and society, which are the two environments that harbour the same types of members.

Employees cannot do without organizations either, thus forming the second perspective that makes the principle of shared value unavoidable. As discussed earlier, the society depends on an organization on a scale far beyond the pay they get from their manpower. This makes the idea of shared value important in ensuring economic growth of the organizations and development of the society.

In a general perspective, shared value involves identification of connections and expanding such links for economic gain. The procedure must ensure that the value of the services or products that it gives to the society is kept regardless of the costs involved. Keeping of value protects the society from any erosion and exploitation, thus ensuring mutual trust that the society shares with the company. Several firms uphold the principle of shared value by focusing on customer satisfaction, which promotes the image of the company, thus leading to economic gain. An example of a company that embraced such a move is Nordstrom Company that built its image on after sale services, which helped it attain a reputation and increase sales over a long period.