A Theoretical Exploration to Achieve Porter and Kramer’s Shared Value Creation in the Perspectives of Design

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The design has received a spotlight as a competitive strategy for businesses. However, despite the widely accepted impact of design, the value of design is often implicit and unexpressed yet. This paper aims to communicate the qualitative value of design in the business context, especially when a business seeks to find a win-win solution, called a ‘shared value,’ that aims to fulfil both interests of business and society. The paper begins with a review of six international design awards’ judging criteria to identify the qualitative components of a good design. The components include form, function, innovation, society, and business. Three components, form, function, and innovation are found the unique elements; therefore, they are further explored through the review of scholarly work. The relationship between form and function and theories on innovation that creates qualitative value are investigated. Finally, the theoretical review leads to the conclusion that all five components have to be considered jointly as a system in order to create shared value that ignites innovation for growth and that enables an optimistic shift from the current capitalist system and stagnation.

Keywords: shared value; competitive strategy; design strategy; qualitative value

1 Introduction

In 2011, business professors Michael Porter and Mark Kramer introduced ‘shared value’ to the world as a new competitive strategy for strengthening social responsibility in the conventional capitalist system. At the heart of the concept, shared value aims for a win-win strategy (De los Reyes Jr., Scholz, & Smith, 2017) that can achieve benefits for both society and business. Many advocates support the concept and widely practice shared value, especially for its cost efficiency in creating strategic social responsibility as an inherent part of the corporate strategy (Lee, Moon, Cho, Kang, & Jeong, 2014). Shared value is also widely accepted for its purpose in long-term sustainability (Pirson, 2012). Moreover, many supporters admire shared value’s capability to generate fundamental innovation for economic growth and competitiveness (Michelini, 2012; Spitzech & Chapman, 2012).

Despite its immediate success relating to its idealistic purpose, shared value has been criticized for its viability to realize the concept in real practice (Fürst, 2017). One reason for the sharp criticism is that reviewers have found shared value to be naïve (Crane, Palazzo,
Spence, & Matten 2014) for achieving a long-lasting positive-sum (De Los Reyes et al., 2017) in real complex situations. When shared value aims for value creation beyond “trading-off” economic value for a social benefit or social goods for profit maximization, it is unrealistic that it will simultaneously achieve both in the capitalist system (Schramm, 2017).

To create a successful shared value, there is the obvious and critical issue of finding a solution in the midst of all the complex needs of society and business. Meanwhile, design has been known as a competitive strategy in business that has the ability to address and solve complex problems (Koo & Cooper, 2011; Liedka, 2015; Manzini, 2014; Thrope & Gamman, 2011). Such complex problems are often illustrated as “wicked” (Rittel & Weber, 1973) and “ill-structured” (Simon, 1973) problems. Design offers an efficient approach that is a new, unconventional learning process toward a solution (Dorst, 2006). Both design scholars and advocates of design in business management endorse the efficiency of adopting design to solve wicked problems (Buchanan, 1992; Heskett, 2016; Johansson-Sköldberg et al., 2013; Kolko, 2009; Liedka, 2018).

Buchanan, a design scholar, (1992) interpreted five characteristics of the wickedness of problems. He explained that there is often difficulty in proposing a universal and durable solution, inconceivability in defining problems’ root causes, unpredictability in understanding the nature of a problem, incomparability to existing scenarios, and uncertainty in foreseeing the feasibility of a resolution. Describing such complexity concerning wicked problems, shared value seems to address a similar type of problems. For example, shared value creators seek to find new, breakthrough means of innovation that enable the creation of a competitive strategy for delivering economic growth and profit maximization to a firm. This is solely a complex enough task to deserve the label of a ‘wicked problem.’ In addition to this task, many companies experiencing economic stagnation and impasse because of the conventional means of innovation are not competitive enough to create any significant economic growth for the company (Rifkin, 2015). Therefore, companies start to find business opportunities from the context of society (Porter & Kramer, 2011), meaningful innovation (Brand & Rocchi, 2011; Den Oudene, 2012), social innovation (Manzini, 2013), and sustainability (Pohl & Tolhurst, 2010). If design is trusted for its power to address complex problems, and there is a need for strengthening shared value’s practicality by providing operational guidelines to address the complex problems between the interests of society and business, a researcher may question if design could enhance shared value’s practicality by elaborating on the merits of design for practicing shared value.

With such an inquiry, this paper aims to communicate the values of design when one seeks to address a wicked problem and to find a win-win solution, called a ‘shared value’, that aims to fulfill all interests of business and society. To explore the roles of design, key-value factors of design are investigated in two ways. As a first step, to identify the general perception of the value of design, the present paper reviews various judgment criteria and value factors of design in six international awards. Second, the study reviews scholarly works that define the various roles of design in business. Particularly, two conceptual frameworks in design are investigated in the context of shared value creation.

2 Five Value Components of Design
While design has received a spotlight as a competitive strategy for businesses (Martin, 2009; Muratovski, 2015; Yoo & Kim, 2015; Zec, 2010), the value of design often remains unexpressed for being tacit and unquantifiable (De Mozota, 2006; Heskett, 2017). When
design value is expressed only in quantitative terms, its value is often too simplistic (Dilnot, 1982), and it omits the original, sophisticated quality beyond the monetary dimension (Heskett, 2009). With this research gap, this paper first investigates the general perception of the qualitative value of design through a review of how design is judged in the general public and how its value is accepted in many other disciplines. We review various judgment criteria of design in six renowned international awards, which are often used as a common indication of the success of a design in commercial, governmental, and educational organizations.

Six design awards were selected for their global popularity, especially within public, corporate, and governmental recognition. Internationally, competitive design awards include the Red Dot Design Award (Germany), Design for Asia Awards (DFA Awards, Hong Kong), International Design Excellence Awards (IDEA, USA), International Forum Design Awards (iF Design Awards, Germany), the Index Award (Denmark), and the Good Design Award (Japan). They aim to recognize a design’s value and to distinguish: a good design in the context of business (Red Dot, DFA, iF); the designated purpose of industrial society (IDEA); social, environmental, and economic sustainability (Index Award); and humanity (Good Design). Table 1 provides a complete list of the six awards’ objectives and their judging criteria.

There were five keywords extracted as a common groundwork: form, business, innovation, society, and function. All six awards’ judging criteria seek for excellence in the aesthetic and formal quality of the candidate. Second, all of them seek the commerciality, the economic impact, or the design’s value for the business. As a third common criteria, five design awards emphasize an applicant’s innovation and originality. Moreover, five awards’ judging guidelines state that social and ethical responsibility is another important factor of excellent design. Finally, four awards elaborate a design’s functional quality and usability as a key driver of a successful design.

Table 1 A list of international design awards: their objectives and judging criteria

<table>
<thead>
<tr>
<th>Design awards (origins of the organization)</th>
<th>Objectives of the award</th>
<th>Judging criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Red Dot (Germany)</td>
<td>To distinguish excellent products, communication designs, and design concepts in the context of business</td>
<td>Degree of innovation, aesthetic quality, realization possibility, functionality, emotional content, impact, and differentiation</td>
</tr>
<tr>
<td>2. DFA Awards (Hong Kong)</td>
<td>To recognize good designs that create social and economic impact in Asia as role models for other businesses</td>
<td>Creativity, innovation, originality, usability, aesthetics, and sustainability</td>
</tr>
<tr>
<td>3. IDEA Awards (USA)</td>
<td>To recognize excellence in design as a ‘benchmark’ in the context of industry with 19 professional foci</td>
<td>Design innovation, user experience, benefits to the client, benefit to society, and appropriate aesthetics</td>
</tr>
<tr>
<td>4. iF Design (Germany)</td>
<td>To celebrate and recognize companies’ design excellence and bestow a symbol of design excellence</td>
<td>Innovation and elaboration, functionality, aesthetics, responsibility, and positioning</td>
</tr>
<tr>
<td>5. Index Award (Denmark)</td>
<td>To acknowledge new tangible and intangible designs that improve life and offer sustainable solutions according to the UN’s sustainability goals</td>
<td>Form, social and economic impact, and context</td>
</tr>
</tbody>
</table>
The review of the judging criteria shows that a design’s value can be specified by five common factors: form, function, innovation, society, and business. It is not surprising that there are many value factors that constitute a ‘good design.’ Rather, it is an interesting outcome when we recall and compare it with the agenda for shared value creation. As shared value creation seeks to create a win-win value creation for society and business, a good design also seeks for a win-win value creation for society and business that is also innovative, functional, and aesthetically appropriate. The study results reveal that at the heart of design practice, design seeks for a shared value creation that synthesizes complex value considerations (Figure 1).

Figure 1. The five value components of design (the author’s own illustration).

Design educators and scholars have already emphasized design’s capability to connect one value to another. Dilnot (1982) defined the role of design as a ‘synthesizer’ of diverse practices, and Manzini (2004) expressed it as a ‘mediator’ between various interests. If we surmise Porter and Kramer’s (2011) shared value, an intersection value of commercial value and social value can be connected and realized with consideration of the other three components of design. Following, form, function, and innovation, as three value components of design, will be reviewed in relation to shared value creation. Therefore, this paper will focus on how these three values theoretically strengthen the concept of shared value in design. Two particular concepts in shared value will be focused on from the standpoint of design. One is shared value’s ability to create competitiveness “beyond trade-off” (Porter & Kramer, 2011, p. 64), and the other is its power to “unleash a wave of innovation” (p. 63).

3 Contemplating ‘beyond Trade-Off’ in the Lens of Design
A key criticism of shared value is that the concept might be too naïve (Crane et al., 2014) and unrealistic for its intent to create business value beyond trading off social or environmental cost. For example, because conventional belief is that most industrial development and economic growth are realized through the unethical use of labors and the destruction of the environment, shared value seeks for profit maximization without causing any social or environmental problems but with creating social or economic benefits with the
same means of economic growth. Then, it is a question of how to solve the wicked problem beyond prioritizing one value over another.

The review of the six awards' judging criteria does not indicate how jury members assess and decide upon a candidate design’s form, function, innovativeness, value to society, and commercial qualities (Figure 1). We also do not know how to understand the relationships of each value or if there is a hierarchy, linkage, standard, or various levels within and between these five value factors. Regarding the relationships, one question can be surmised: do values have a hierarchy?

We can reflect on the ranking of values by recalling a famous design dogma, ‘form follows function.’ This statement was suggested by architect and design educator Louis Sullivan (Buitenhuis, 1957). Sullivan supposed that all natural and artificial things are evolved, and forms are developed due to changes in functional demands. Therefore, function changes prior to form, and function may be a primary concern before any formal consideration.

Despite the belief of functionalists, some scholars propose the contradistinctive annotations on form-follow-function statement. For instance, Sullivan and many modernist designers’ dogma was rephrased by a student of Sullivan, Frank Lloyd Wright, who stated, “form follows function – that has been misunderstood. Form and function should be one, joined in a spiritual union” (Cheng & Blumenthal, 2008). Wright’s statement has been re-emphasized for over the century. Victor Papanek (1972), a pioneer of social design, also mentioned that form has to be jointly considered with function where the system of function is a complex (Figure 2).

Anthony Crabbe (2013) further proved Sullivan’s natural evolution theoretical perspective of form follows function to be wrong; he found there is no clear evidence to support that form is a subsidiary part of function. Moreover, Crabbe articulated that there was a critical reason why the functionalists disdained style. Functionalists, including Sullivan, perhaps considered style, image, and decoration as meaningless (Foster, 2003) and only a means of provoking conspicuous consumption of illusive images, as Baudrillard (1970) would explain in The Consumer Society: Myths and Structures. Even though he was aware of the criticisms on the misuse of form in design practice, Crabbe underlined that there is the necessity for the joint consideration of users’ needs that includes all value, whether it is regarding form or function.
To summarize, Wright (Cheng & Blumenthal, 2008), Papanek (1973), and Crabbe’s (2013) redefinition of ‘form follows function’ indicates two implications. First, design is about considering all value components as inherent parts of the whole system. It also implies that design is not about trading-off one value for the other or disregarding a subordinate value for a superimposing primary value. We can find a clue as to how to link design to shared value; design is about dealing with various values beyond trading off or ranking them. Shared value is able to be realized where formal, functional, and other value elements are collectively considered and aligned as a solution.

Secondly, the study of ‘form follows function’ suggests that style is not the only role of design. There have been concerned voices of design scholars that design education tends to restrict its role in style although it is evident that design is suitable for a larger scope, such as user-centered thinking or brand-driven innovation (Tonkinwise, 2011). Roberto Verganti (2009), a scholar known for design-driven innovation, even acknowledges both form and function as integrated components of innovation that fulfill users’ needs. On the other hand, the Danish Design Ladder (Kretzschmar, 2003), or the four powers of design (De Mozota, 2006), implies that style is only one of many capabilities of design that assists businesses’ competitiveness.

4 Contemplating Shared Value as a ‘Wave of Innovation’ in the Lens of Design

The previous section explored two value components of design (Figure 1), ‘form’ and ‘function.’ The analogy of the form-function relationship helps us to understand that all value components in the creation of shared value need to be considered jointly without any hierarchical relationship in order to create a value ‘beyond trading off.’ This section aims to explore another value component of design (Figure 1), ‘innovation’, in the context of shared value.

When Porter and Kramer coined ‘shared value,’ they persuaded readers that it has the ability to innovate and yield economic growth. In particular, they offered three ways of achieving innovation in the context of shared value:

1. Product, service and market innovation,
2. Process innovation with improved productivity, and
3. Local cluster innovation. (Porter & Kramer, 2011, p. 65)

Porter and Kramer (2011) presumed that innovation leads to economic growth. Their three methods of innovation can be deeply rooted in Schumpeter’s (1934) economic perspective that innovation is the central vehicle toward economic growth in capitalism (Baumol, 1996; Hebert & Link, 2006; Heskett, 2009; Organization for Economic Co-operation and Development, 2005, p. 16). The historical background of Porter and Kramer’s (2011) logic can be further explored through comparison with other scholars’ innovation theories.

Table 2 provides a list of various categorizations of innovation theories as early as Schumpeter’s (1934) two types of innovation, competence-enhancing discontinuity, and competence-destroying discontinuity. Schumpeter was an Austrian-American economist who favored ‘entrepreneurial innovation’ that aims for fundamental and interrelated change in industry, technology, organization, and society as long-term economic growth in business (Autio, Kenney, Mustar, Siegel, & Wright, 2014, p. 1106). Schumpeter explained that the degree of change in ‘competence-enhancing discontinuity’ is ‘incremental’ (OECD, 2005). It
improves style, function, technology, or the market (Tidd, Bessant, & Pavitt, 2001). The second type, ‘competence-enhancing discontinuity,’ was depicted as a level of changes is beyond improvement that is ‘radical’ (OECD, 2005) or ‘disruptive’ (McDonald, Raynor, & Christensen, 2015) enough to destroy the existing things and replace them with a new style, function, technology, or market system. Schumpeter insisted that ‘competence-destroying discontinuity’ innovation largely drives economic growth (Von Stamm, 2003). Most innovation theory stems from this ‘creative destruction’ mechanism of Schumpeter, and Schumpeter’s theory on innovation elaborates on the levels of innovation, whether they are incremental or a drastic change.

**Table 2 Various types of innovation**

<table>
<thead>
<tr>
<th>Author (year)</th>
<th>Labels of Categorization</th>
<th>Categorization Standards</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schumpeter (1934)</td>
<td>competence-enhancing discontinuity and competence-destroying discontinuity</td>
<td>Level (impact and degree) of innovation in the market</td>
</tr>
<tr>
<td>Heany (1983)</td>
<td>Style change, product line extension, product improvement, new product for an established market, start-up business (new market with known functions), major innovation (new product with new functions for markets and industries yet to be defined)</td>
<td>Methods and level of product innovation</td>
</tr>
<tr>
<td>Abernathy &amp; Clark (1985)</td>
<td>Architectural innovation (re-configuration), market niche innovation (need finding), regular innovation (reflecting technological development), and revolutionary innovation (new radical market development with a new product and technology)</td>
<td>Methods of innovation</td>
</tr>
<tr>
<td>Tidd et al. (2001)</td>
<td>Product innovation, service innovation, process innovation, and business model innovation</td>
<td>Subjects of innovation</td>
</tr>
<tr>
<td>Tidd et al. (2001)</td>
<td>Incremental, radical, and transformation innovation</td>
<td>Levels of innovation</td>
</tr>
<tr>
<td>Oslo Manual (OECD, 2005)</td>
<td>Incremental innovation and radical innovation</td>
<td>Levels of innovation</td>
</tr>
<tr>
<td>Oslo Manual (OECD, 2005)</td>
<td>New product and quality change, process innovation, opening a new market, development of a new source of supply for raw material, and industrial organization change</td>
<td>Subjects of innovation</td>
</tr>
<tr>
<td>Verganti (2011)</td>
<td>Technology epiphanies, design-driven innovation (radical innovation), market-pull innovation, and technology-driven innovation</td>
<td>Functions (technology) and meanings of innovation</td>
</tr>
<tr>
<td>Porter &amp; Kramer (2011)</td>
<td>Product, service, and market innovation; process innovation that improves productivity by redefining the value chain; and innovation that creates impact at the local cluster</td>
<td>Methods and levels of innovation in a shared value approach</td>
</tr>
<tr>
<td>Kumar &amp; Puranam (2012)</td>
<td>Visible and invisible innovation</td>
<td>Visibility of innovation to the end users</td>
</tr>
<tr>
<td>McDonald, Raynor, &amp; Christensen (2015)</td>
<td>Disruptive innovation and sustaining innovation</td>
<td>Competitiveness and market share due to the innovation</td>
</tr>
<tr>
<td>Heskett (Heskett et al., 2017)</td>
<td>Inching-up, product covering, product churning, and scaling-down</td>
<td>Methods of product innovation in an existing market</td>
</tr>
<tr>
<td>Heskett (Heskett</td>
<td>Technology-centered, marketing-centered,</td>
<td>Driver of innovation</td>
</tr>
</tbody>
</table>
More contemporary scholars have expanded the research on innovation. For example, there are more innovation theories that explain the methods (Abernathy & Clark, 1985), subjects (Tidd et al., 2001), or the driver (Heskett, Dilnot, Boztepe, & Poggenpohl, 2017) of innovation. Porter and Kramer (2011) have suggested that product, service, market, process, and cluster innovation are the various methods of reaching shared value creation and innovation. Similarly, Tidd et al. (2001) has offered a means of approaching innovation as product, service, process, and business model innovation.

John Heskett, an economist and design scholar, has reflected upon Schumpeter's perspective of innovation and has explored the roles of design as the 'how' element in driving innovation for economic growth (Heskett et al., 2017). In Heskett's (2009) opinion, design is comprised of qualitative factors that ignite innovation for businesses. Design is an operational tool to add and create (Heskett et al., 2017, p. 45) qualitative value (Heskett, 2009, pp. 78, 83) in the business activities. Heskett first articulated that incremental innovation is achieved by adding value through design (Heskett et al., 2017). Design can often add value to the existing elements by improving form and function. He specified four ways of reaching incremental innovation: 'inching-up' (expanding product variation from a low quality to a high quality sequence), product covering (expanding product variation by covering all possible functions in a particular industry), product churning (expanding product variation by developing various styles), and scaling down (expanding product variation from a high quality to a low quality sequence).

Furthermore, Heskett investigated that design not only adds but also creates qualitative value (Heskett et al., 2017). He implied that radical change in basic concepts or fundamental innovation is realized through design that enables strategic planning. Figure 3 depicts the roles of design management in the general context of business. At the bottom of the triangle, design practice adds value that creates an alteration of the product, service, and process. Meanwhile, in order to create a fundamental change, there is a need for a "long-term strategy" that “combines all elements of design in a company” (Heskett et al., 2017, p. 162). Therefore, Figure 3 illustrates strategy positions at the top that affect both design management and design practice. According to Heskett’s theory, design can be employed as business management and as a strategy to implement innovation in the firm.

Heskett’s four ways of adding value for incremental product innovation have many similarities to Heany’s (1983) style change, product line extension, and product improvement. Moreover, Heany’s other types of innovation, such as a new product for an established market, a start-up business (a new market with known functions), a major innovation (a new product with a new function for markets and industries yet to be defined), have many aspects in common with Heskett’s terms, strategy design, and design as creating value for fundamental innovation.
Like Heskett’s framework that illustrates the fundamental need for strategy, other design scholars have emphasized the significance of strategic design for innovation. Manzini and Vezzoli (2002) emphasize that strategy design is capable of creating both tangible and intangible innovation in sustainable ways. Meanwhile, Morelli (2002) also articulated that a key advantage of system-level design is that it can fulfill the various needs of users. When shared value creation aims to remodel the capitalist system toward a sustainable version of capitalism (Porter & Kramer, 2011), it requires a systematic and strategic approach. A system-level approach can ignite fundamental innovation that leads to tangible changes, such as stylistic improvement, and intangible changes, such as ‘business model innovation’ (Tidd et al., 2001).

These elucidations coincide with the earlier exploration of the form follows function analogy. Strategy design or system-level design enables shared value creators to jointly consider all components (Figure 1) to meet the interests of society and business. In other words, when Porter and Kramer (2011) emphasized how shared value ultimately aims to make fundamental improvement in the capitalist system, the methods of shared value creation have to be seen as a strategic-level design that is beyond incremental product, service, and market innovation. When design is adopted as leadership and a strategy, shared value seems to have a promising future for solving wicked problems and creating a win-win solution for both society and business.

5 Conclusion
As a researcher who explored the role of design in the commercial world, Heskett stated that design provides operational tools to add and create qualitative values that generate profitable concepts and goods to enhance business competitiveness (Heskett & Dilnot, 2016). Furthermore, we discovered that shared value is ideal but a weak concept in practice because the task often deals with unrealistic or wicked problems that seek for innovation solutions beyond ‘trading-off’ commercial and societal value.

With this underlying background, the purpose of this paper was to theoretically investigate shared value’s practical legitimacy in the perspective of design. We theoretically questioned what roles in design should be elaborated on to enhance the practicality of shared value. As a starting point, we reviewed the judging guidelines of six international design awards to identify elements that comprise quality in design, of which there are five value components:
form, function, innovation, society, and business. Through the review of literature concerning the relationship between these values and theories on innovation that creates value, our study leads to the conclusion that all five components have been considered jointly as a system and a strategy.

This paper aims to theoretically explore the implications of design in relation to shared value as a preliminary desk study for further doctoral research. The study was conducted using only theoretical analysis of academic works and secondary data. Two conceptual frameworks (Figure 1 and Figure 3) were illustrated as significant and relevant starting points to expand further research in real industry settings. Porter and Kramer's (2011) shared value has not been extensively explored in the field of design (Kim, 2018), yet the present article has reviewed theoretical clues as to how to connect shared value from the standpoint of design. Further research questions have been formulated, including: what are the key challenges and practical tools of design practitioners who have the experience to create shared value (as fundamental innovation) at a strategic level? Learning from the finding in this paper, further research shall examine process of shared value that contains practical challenges and solutions how practitioners reach at real business strategies that align social and business purposes.

6 References


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