**Michael Porter Shared Value Theory and Value Chain Analysis**

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# Porter VCA Aim: Profit and Capitalization

As the world has become global, it has all come down to the company, how the company provides the value more efficiently. Porter's value chain analysis is one approach to create more value within business process and reduce the cause and thus making the businesses more profitable. As the competition is increasing day by day, company needs to compete with lower prices, loyalty from their customers and to provide exceptional products. The companies should continually evaluate their processes, tools, and strategies which can give them a competitive advantage and thus making the organization more profitable.

It is the responsibility of an organization to sustain and be profitable. The main aim of VCA is to provide the most value and incur the lowest cost possible. It focuses on the optimum utilization of resources. Each aspect of the business, be it primary activities or support activities should be analyzed deeply and the efficiencies within them should be created. This efficiency will lead to competitive advantage and thus the profitability of the company and then lead to the maximum capitalization of the resources.

There is just one disadvantage to this outlook and that would be the loss of overall vision and strategy of the company. That is losing the big picture when all are concentrating on the breaking of processes into segments to find out the efficiencies.

**Value Chain Analysis:-**

Value chain, a system, comprising of several sub-systems, is a series of activities giving a finish point to the initiation of the manufacturing process in an organization. The value chain is a process used for manufacturing and in turn, adding value to the product being manufactured. It is analyzed that an important part in supplying or manufacturing a good and adding value to that is CSR, i.e., Corporate Social Responsibility (Benito, Petersen, & Welch, 2019).

CSR is the concept which an organization is legally abided to follow while performing its operations and making strategies and decisions regarding its future ventures. According to CSR, an organization should take into consideration, the social and environmental expectations, and should put attention while taking decisions, to the social and environmental damage being done while executing its operations. This helps organization to deliver to the society better outcomes in the place of costing of operating the business in society.

CSR aims at sustainable development of the environment and the social well-being and growth along with the rise in the profits of a corporate. This shows that if proper CSR activities are undertaken by the organization then it could easily increase the brand image of company. It is required for the sustainable future of organization.

# Carroll’s Model

Before M. Porter came with his shared value theory, Carroll's model for CSR was the widely known model for the activities. It was said to bring the modern era into the CSR activities.

It is said that society expects the business to have economic, ethical, legal and philanthropic responsibilities. Economic responsibilities being businesses needs to be sustainable and profitable. It is expected of the companies by society. The Carroll model expects the organization to be profitable, to obey the law and be harmless, be ethical all the times and then be a good corporate citizen. But now the porter model has taken over Carroll's model or one can say that Carroll's model has to lead away to the Porter model. According to Porter the organization should strengthen their competitive position at the same time advance the society as well. It should make strategies as such that the competitive advantage being garnered along with the profits reaped and all of this should be done at the same time (Benito, Petersen, & Welch, 2019).

The main concept of both Carroll’s and porter is same, that is to provide the society and be profitable but the porter’s is the advanced version.

The concept of CSR originated in 1952 by Bowen. According to his book, HR social responsibilities of the businessman, he stated that while implementing strategies and making their decisions, organizations should act taking into consideration society's values.

In 1983, Carroll gave his CSR pyramid model which is a simple framework describing the reason and process of how a company should comply with its corporate social responsibilities.

According to Carroll, "corporate social responsibility involves the conduct of a business so that it is economically profitable, law-abiding, ethical and socially supportive. To be socially responsible then means that profitability and obedience to the law are foremost conditions when discussing the firm's ethics and the extent to which it supports the society in which it exists with contributions of money, time and talent".

In his CSR pyramid model, Carroll included 4 types of responsibilities. They’re:-

1. Economic responsibilities, concerning the continuous production of goods and services and generating sufficient profits to cope up with the costs. As profits are the base for the fulfillment of all other compliances.
2. Legal responsibilities, which state that the company should comply with the legal rules and laws imposed on them by the government or legal authorities.
3. Ethical responsibility, comprising of the social and environmental responsibilities of the company apart from economic and legal compliances (Prajogo, Oke, A., & Olhager, 2016).
4. Philanthropic responsibilities, being on the top of the pyramid focuses on the luxury side of the responsibilities such as the well-being of employees of the company, improving the living standards of the community, etc.

Below is the Carroll’s CSR pyramid model:-

 

Source:- (Bhargava, Bafna, & Shabarisha, 2018)

**Michael Porter’s VCA model:-**

In 1985, in the book, Competitive advantage written by M. Porter the concept and model of value chain analysis was introduced by him.

This system of value chain focuses on the inter-linkage of value-adding activities with the parties involved in the system such as suppliers, employees and customers, and the market as a whole (Simatupang, Piboonrungroj, & Williams, 2017).



Source- (Lincoln, & Andrew, 2018).

# Some Successful Companies with Porter Model

1. Nestle: Nestle required low cost but high-quality raw materials and then producing very high-quality dairy products. In Australia, they set their establishment in Sydney. It was found that most of the farmers who applied for the supplying, were not able to provide consistent quality. Only 180 farmers were there who were able to provide the best cost with the best quality (Horng, Chang., & Chen, 2016). Therefore, nestle worked with these local farmers to enhance their product Techniques and product qualities and entered in long term contracts with them to take the material at a fair price. It has resulted in the number of 75, 00 farmers who have qualified as per Nestle.
2. CISCO has built a networking academy throughout the globe which helps in providing training to the four million network administrators. It has reduced the stress on providing addressable server market around the globe because now the company does not have to send people everywhere because it already has trained professional there. Thus it has created the jobs as well as cut the overall costs (Aithal, 2017).

The porter’s model consists of 2 types of activities, which are:

1. Primary activities, further comprising of:
* **Inbound logistics**: the activities and process involved in receiving the raw material, storing it and its further distribution. The corporation has to maintain good relations with the supplier for compliance of this activity in the value addition process.
* **Production:** Through the assistance of the operational system, the product, in this activity, is converted into semi-finished or finished goods.
* **Outbound logistics:** The storage, distribution, and transportation of produces goods to the ultimate customer are included herein.
* **Marketing and sales:** The relationship with the customers to retain them and obtain competitive advantage is conducted in this activity by obtaining feedback about the sold product and being in touch with them.
* **Services:** The value created in the above process is maintained by keeping good relations with suppliers, customers and other mediators involved in the process of value addition (Simatupang, Piboonrungroj, & Williams, 2017).
1. Secondary activities, composing
* **Procurement:** The finding of raw material, negotiation of prices and quantity with the suppliers and acquiring the raw material are the main components of procurement.
* **Human Resource Management:** Employees, being an essential part of the company, are hired, valued and sustained in the organization. This assists the company in value addition process (Chou, 2015).
* **Technological development:** For converting input into output, knowledge, and development of technology to survive in a competitive market is essential for value addition.

**Infrastructure:** The Company’s overall infrastructure such as management of accounts, legal compliances, finance and assets possessed by the company (Horng, Chang, & Chen, 2016).

# Problem with the Porter Model and Solutions

1. The model is not new and is used from the longest possible time. Something that Porter has just relabeled and rebranded the whole CSR thing.
2. It has been found that it is possible to interface between social and business issue. But most of the time there is a conflict between social and business issue which is neglected by the Porter model (Nucciarelli, et al. 2017).
3. IN CSV, the firms are ignoring the harms they have caused to people and society. It does not fully accordance with business compliance.
4. Corporate Shared Value was supposed to reshape capitalism but in actual it's the same stuff with new labels. It gives the main focus to the self-interest of an organization. It solves some social problems but it is not saving capitalism (Ouzrout, Savino, Bouras, & Di Domenico, 2018).

The Solution could be acknowledging the nature of problems and the companies collaborate with other stakeholders to solve these problems.

The VCA model comes with some confusions such as there is no clear line of differences in between activities, and the works to be performed in one particular activity (Font, Guix, & Bonilla-Priego, 2016).

So, to suggest, it can be made more specific as to what sort of tasks are to be done in a particular activity, and with what economic, legal and social compliances the value should be added to the product being dealt with (Kehoe, & Mateer, 2015).

# Social Enterprise Example

The company “Starbucks” a famous coffee rendering company, applied the activities of porter’s VCA model and got success in its value addition process. This company has been taking good advantage of the implication of Porter's VCA model which resulted to strengthen the overall outcomes of the business. By using the porter's VCA model, Starbucks Company has aligned the interest of the employees and its inbound and outbound activities with organizational growth and development. In addition to this, porter's VCA model also helps the company to set the targets and goals for its business which strengthen its procedural work and helps in accomplishing the set goals and objectives (Font, Guix, & Bonilla-Priego, 2016). In addition to this, there are several other companies which are using the value chain analysis to strengthen the effectiveness of their inbound and outbound activities. However, other big companies are supporting their VCA model with the implementation of the advanced technologies and cyber computing system to set automation in their value chain activities.

# Recommendation

There are several other models which could be used by organizations to strengthen their overall business process and increasing the overall outcomes. It is analyzed that porter’s VCA model helps in maintaining and aligning its inbound and outbound activities with organizational growth. However, Nestle and Cisco are the two major companies which have developed core competency in its product differentiation strategy. However, both companies are facing strategic issues in their business process. The Nestle Company has been offering several products for very long time. Therefore, the company should focus on strategic development of business. The main reason of selecting this model is based on the fact that Nestle worked with these local farmers to enhance their product Techniques and product qualities and entered in long term contracts with them to take the material at a fair price. This could be done by the BCG matrix analysis. This is the unique method for the Nestle to tap the new market with the newly offered products. However, the Solution could be the acknowledging the nature of problems which are found while implementing the chain analysis model and the companies should collaborate with other stakeholders to solve these problems with the implication of better and effective models.

 This would help Nestle to grab new potential clients. Nestle should use BCG matrix analysis to strengthen its value chain and making its business more customized as per the client’s need and demand (Hernández, & Pedersen, 2017). In addition to this, Nestle would also be benefited by the BCG matrix while undertaking the strategic plans of product development, product diversification, and market development. This BCG matrix analysis would be helpful for the company to assess the market factors and customizing its value chain activities as per the market demand. In the case of another company named Cisco, there is a need to implement the stakeholder's analysis method for the growth of the business. It is analyzed that CISCO has built a networking academy throughout the globe which helps in providing training to the four million network administrators. This has resulted in the high complexities in its inbound and outbound activities. Therefore, to reduce the complexities and business issues, the company needs to take stakeholder analysis (Cui, Jiang, & Stening, 2011). This stakeholder analysis model will help Cisco company to align its business interest with the stakeholders. This will also be helpful for the company to strengthen its business process and deliver better outcomes for growth. Furthermore, these two above company should also focus on using the supply chain management analysis model, considering it as simulation approach of value chain operational references model which will further support the inbound and outbound activities of these companies with the advanced technologies and system process. After assessing the details on the available analysis model, it could be advised to the companies that the main concept of both Carroll’s and porter is same, that is to provide the society and be profitable but the porter’s is the advanced version. This helps in setting nexus in the stakeholder’s development with the organizational growth.

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