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Woven Strategy approach and shared value creation

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Abstract

The Woven Strategy method is a top-middle-bottom-up operational approach for strategy making with a focus on gathering expert knowledge for the benefit of strategy makers. After collecting the basic information and data, the decision and strategy makers discuss the strategy proposals for knowledge creation before drawing up first the possible options and alternatives, after that making decisions, and finally creating a strategy that can be implemented. With this approach, the knowledge of experts from various business areas can be gathered and used as well as making it much easier to increase the commitment of the organization to the created strategy. Shared value, in turn, can be defined through basic principles in business activities where different policies and operating practices create and enhance the competitiveness of a company, while at the same time giving something to the communities in which the companyoperates. Shared value creation focuses therefore first onperceiving, understanding and enhancing the importance of the relationships between societal and economic development and progress.Subsequently, the idea is to develop the strategy accordingly.

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1. Introduction

There are many arguments on whether one should create value or share it and vice versa. Moreover, it is not clear how added value and competitive advantage are related. One big problem is how companies can understand their position on the markets. However, if a company is able to create enough added value, it has possibilities to feel confident to share it also with the surrounding society in which it is operating. At company level, there are many

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theories on how to create strategy and how to implement strategies. Some of them are very complicated and therefore difficult to apply in practice. With improved strategic thinking and acting through the Woven Strategy Approach and understanding the basic principles of shared value, it is possible to create a new methodology forstrategy making.

In our research we have made several test runs with international student groups so that students have first looked at the big picture of international problems like climate change, creating strategies for ecological companies, creating strategies that produce solar and wind energy, etc.

These test runs reveal that young people really do think differently and that they are eager to fight against climate change as well as thinking more inthe direction of shared value.

When using Woven Strategies all kinds of answers and proposals are obtained and it is up to the management to decide the direction of the company or society. However, getting too many ideas is better than having no ideasat all.When thinking of strategy, its creation is relatively “easy” compared to its implementation. The commitment of the organization can be achieved by involving the members of the organizationinall the strategic phases from planning to implementation. The results in many organizations depend on doing things correctly and efficiently. The tool already has a large database and has been demonstrated to give good results through many case studies.

Porter [20] introducedthetermshared value.“Shared value can be defined as policies and operating practices that enhance the competitiveness of a company, which at the same time advance the economic and social conditions in the communities where it operates. The main focus in shared value creation is on identifying and expanding the connections between societal and economic progress”. There are arguments whether one should create value or share it and vice versa [1,3,4,6,23]. However, if a company is able to create value, it is able to share it. Of course there are many opinions on how to share the profits and whether there is a need to share them. Depending on the company, the profit is shared as a dividend to shareholders or kept in the company for funding research and development, investments, operational development, etc.

2. Value creation

The success of a company can be understood in many ways. Kay [12] emphasizes how a corporation is able to add value for its stakeholders. Bennett Stewart also puts the focus on the EVAmethod [2].

Kolleret al.[15]regard value as a very good measure of performance as it takes into account the long-term interests of all stakeholders, and not only shareholders. They also state that their analysis and experience suggest that for most companies the creation of long-term shareholder value does not cause other stakeholders to suffer.

Porter et al.[20] criticize the short-term financial thinking in many companies nowadays. They propose to use a shared value concept. The concept rests on the premise that both economic and social progress must be addressed using value principles. Value is defined as benefits relative to costs, not just benefits alone. Value creation is an idea that has long been recognized in business, where profit is revenues earned from customers minus the costs incurred. However, businesses have rarely approached societal issues from a value perspective but have treated them as peripheral matters. This has obscured the connections between economic and social concerns.

In the social sector, thinking in value terms is even less common. Social organizations and government entities often see success only in terms of the benefits achieved or the money spent. When governments and NGOs begin to think more in value terms, it is obvious that their interest in collaborating with business will grow.

There is also criticism against creating shared value (CSV). Denning [5] states that CSV is valid only in old types of “capitalism” that he calls “capitalism 1.0” and “capitalism 2.0”. He thinks that in “capitalism 3.0” and “customer capitalism”, a new type of thinking is needed. According to Martin [16],“Capitalism 1.0” is “managerial capitalism” and “shareholder capitalism” can be described as “Capitalism 2.0”.

Crane et al.[4]point out four problems with CSV: it is unoriginal, it ignores the tensions between social and economic goals, it is naive about business compliance, and it is based on a shallow conception of the corporation's role in society. Furthermore, for instance Schumpeter [23] thinks that CSV still needs a lot of improvement and development and there are also other similar concepts like Jed Emerson's concept of blended value[3], in which firms seek simultaneously to pursue profit and social and environmental targets.Stuart Hart[6]also has his own opinion.