

Blending and sharing value « Acumen Fund Blog

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The face of capitalism is changing, and along with it is our conception of “value.” Value is the economic, social, or environmental worth of a good or service – and previously to companies and markets, these three forms of value were considered as separate entities in separate categories. However, modern markets are proving a much more inclusive concept of value, and the academic realm is providing frameworks that link social and financial outcomes more closely than ever before.

Last month, [Michael E. Porter](#) and [Mark R. Kramer](#) published a piece in Harvard Business Review that has been gaining much attention on [“Creating Shared Value.”](#) Porter and Kramer’s theory describes a “shared value” approach to business in which financial value is pursued in a way that simultaneously addresses society’s problems.



Jed Emerson, Acumen Fund advisor

These ideas build on [Jed Emerson’s](#) seminal writings from 2000 on [“Blended Value.”](#) Over the years, Jed has been a trusted [advisor](#) to Acumen Fund, and a luminary in terms of laying the conceptual infrastructure for our sector and mapping out the ways in which new enterprises are operating and creating social impact. Jed’s [“Blended Value Map”](#) (2003) charts the many types of organizations innovating along the social and profitable value chain – and connects the dots of common challenges we all are facing. For anyone interested in the ways in which value is becoming an increasingly inclusive and socially-conscious business concept, Jed’s work is also a must-read.



Porter and Kramer amplify Jed’s thinking in a few new ways. One of them is a discussion on the ways in which organizations across this landscape are pursuing “shared value:” re-conceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at companies’ locations. They also delve into the role that government plays in encouraging growth and stimulating this kind of innovation. Not surprisingly, the key word they focus on is standardization. They identify the importance of government in developing a common language and set of expectations for performance goals, metrics, and reporting standards.

While the government will inevitably play a critical role for many organizations pursuing shared/blended value, it is also important to remember that the impact investing sector has seen great strides in standardization in the past few years without government intervention. This is thanks in large part to non-profit groups like the [Global Impact Investing Network \(GIIN\)](#) and [Global Impact Investment Rating System \(GIIRS\)](#) and funders like [The Rockefeller Foundation](#).

Impact investors – and particularly those of us advocating for a [patient capital](#) approach – are at an interesting vantage point for examining the question of shared or blended value. Porter and Kramer suggest that shared value can be created by companies in the long-term without necessarily experiencing any trade-offs. This may be true – but for many companies, the long time horizon can mean a trade-off with short term return obligations. One of the chief lessons we have learned from creating

shared value through our portfolio is the need to extend the time horizon for both social change and financial return. That's the nature of patient capital – it's slow, it's incremental, and it requires a great deal of assistance to help investments along. We believe this is an important point for those attempting to blend economic and social value in meaningful ways, especially in the markets in which we work at the base of the economic pyramid.

We are excited that these ideas are gaining traction and evolving to new voices and audiences. It is certain that with the rapid rate of innovation and crossover in the private and social sectors today, these ideas will continue to be more relevant and important to our work here at Acumen Fund.

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