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Corporate Responsibility: Friedman vs. Porter and the Trend Toward Shared Value

Seattle Business

Lane Powell Shareholder Frank Paganelli authored an article in *Seattle Business* magazine's November 2015 issue titled "Corporate Responsibility: Friedman vs. Porter and the Trend Toward Shared Value." In the article, Paganelli discussed a rising trend in socially conscious corporations that simultaneously advance the economic *and* social conditions of the communities in which they operate. This trend is a paradigm shift from past corporate beliefs that executives should work exclusively for the benefit of business owners, and that they should always elect the course most likely to create value for shareholders.

Those who espouse a more balanced approach to establishing corporate priorities argue that Friedman's theory ultimately fails to serve shareholders and nonshareholder stakeholders alike. They claim that when companies focus exclusively on the bottom line, they tend to underestimate and therefore under-invest in longer-term systemic risks such as climate change, corporate corruption, the sustainability of supply chains, worker safety, wage-gap disparities and the like. Failure to address latent but persistent risks serves as a type of corporate "deferred maintenance," artificially propping up the apparent value of a business at the risk of future volatility.