Chapter 7
Creating Shared Value in the 21st Century:
The Case of Toyota Motor Company

Sorin-George Toma
University of Bucharest, Romania

Paul Marinescu
University of Bucharest, Romania

Cătălin Grădinaru
University of Bucharest, Romania

ABSTRACT

Companies benefit society by supplying products and services to customers, creating jobs for people, providing incomes for their employees, investing in knowledge or developing communities. The last decades have witnessed significant developments in re-conceptualizing the role of companies in society. By creating shared value, companies consider society as an integral part of their businesses and link economic performance with societal progress. In order to meet this challenge one of their most valuable options is the implementation of the lean management approach. The chapter aims to explore the theoretical foundation of the shared value concept and to exemplify the case of Toyota Motor Company. The research method is the case study. The study shows that there is a Toyota Way in creating shared value.

INTRODUCTION

Most economic activities today are organized around companies, either public or private. They are among the most important inventions in history that have successfully passed the test of time (Butler, 1989) and some of the dominant institutions in society. Companies benefit society by supplying products and services to customers, creating jobs for people, providing incomes for their employees, investing in knowledge or developing communities. Therefore, they act as change agents that contribute to economic growth and social development (Costa & Martí, 2012). As businesses constitute the economic basis of

DOI: 10.4018/978-1-5225-3147-0.ch007

our society and its cornerstone of prosperity, we should all have an interest in their goals and the rules they have to follow (Shaw & Barry, 2016, p. 14). Moreover, there is a continuing debate and a growing focus on the role of businesses in today's society.

Businesses and society are not separated parts but highly interdependent (Lawrence & Weber, 2008, pp. 4-5). There are two visages of business organizations within society as the two faces of Janus: the good and the bad company. Sometimes a company looks a good character (e.g., corporate donations), sometimes looks a bad character (e.g., corporate fraud). The plethora of testimonies on the rational and irrational behaviors exhibited by companies show that the starting point is the antagonism between the shareholder theory and the stakeholder theory. These theories reflect the character of two types of capitalism: the Anglo-Saxon market capitalism or the shareholder model and the Rhenish capitalism or the stakeholder model (Piketty, 2014, pp. 145-146). The United States of America (USA) and Great Britain epitomize the Anglo-Saxon capitalism whereas Germany and Japan portray the Rhenish capitalism (Albert, 1993).

On the one hand, there are scholars and practitioners who argue that a company represents a social organism comprising of a mixture of connected virtues and vices that exists to generate economic outcomes such as wealth, not to resolve societal issues (Devinney, 2009). The company serves the interests of whoever controls it: the shareholder (Dugger, 1989). According to shareholder theory companies aim at shareholder value maximization. Businesses use their resources in order to increase their profits and generate wealth (Friedman, 1970) because they are created to make money. The objective function of a company aims to maximize its total market value through profit maximization (Jensen, 2001). In other words, the purpose of a company is to obtain the highest profit as it operates for the welfare of its shareholders or value maximization.

On the other hand, corporations exist to benefit the whole society (Wallman, 1999). Since their emergence business organizations have brought much good to society. As society is a complex and dynamic organism the analysis of the role of business in society should take into account both the activities performed by companies and the social context within which they activate (Fitzgerald & Cormack, 2006). Most of great companies believe that businesses are an intrinsic part of society (Kanter, 2011) and are aware of the need to be socially responsible. Stakeholder theory asserts that companies should focus not only on their financial achievement but also on their social performance (Miles, 2012). This means that companies have to pay attention to build strong and positive relationships with their stakeholders.

However, many business organizations, especially multinational and transnational corporations, have been blamed for the negative impact their operations provoked all over the world. In recent times, the increased power of the corporations and the weakening of the state's authority over economic activities have led to "higher levels of private profit at the expense of society" as underlined by Mohammed (2013, p. 245). Several researches have pointed out that companies are seen as a major cause of social, environmental, and economic problems (Greenwood, 2007, pp. 315-316; Toma & Marinescu, 2013, pp. 109-110). Corporate greed and irresponsibility are two of the main factors that should be taken into consideration by businesses in order to address the sustainability challenges (Zadek, 2004).

More than ever companies have been undergoing increased scrutiny in the light of their bad behavior that led to business scandals (e.g., Enron collapse). Companies should not encourage and promote the development of unhealthy practices such as cheating and fraud (Friedland, 2009). This is why company accountability to its various stakeholders, such as employees and/or unions, consumers and consumers' associations (Craig-Smith, 1990), environmental groups, shareholders, government or society, reflects corporate responses to changes in today's society.

Related Content

Data Center Regions and Economic Development: Implications Derived From Economic Analysis
Murat Ali Yülek, hsan Bostancand Koray Göksal (2017). *International Journal of Social Ecology and Sustainable Development (pp. 32-47).*
www.irma-international.org/article/data-center-regions-and-economic-development/190867

Strategic Management of Innovation Focusing on Confluence of Continuity and Change
J. S. A. Bhat, Sushiland P. K. Jain (2011). *International Journal of Green Computing (pp. 106-126).*
www.irma-international.org/article/strategic-management-innovation-focusing-confluence/61378

COVID-19 Impact on National Tourism: Romania's Case Study
Lcrmioara Alina Drcea, Daniela Mrcine, Maria Giripand Iulia Alexandra Oprea (2021). *International Journal of Sustainable Economies Management (pp. 39-53).*
www.irma-international.org/article/covid-19-impact-on-national-tourism/298950

Interrelationship Between Pedagogy, Theories, Objectives, and Features: Mobile Learning Design
Mireilla Bikanga Ada (2018). *Marketing Initiatives for Sustainable Educational Development (pp. 119-145).*
www.irma-international.org/chapter/interrelationship-between-pedagogy-theories-objectives-and-features/206652

Constructed Wetlands: Description and Benefits of an Eco-Tech Water Treatment System
Alexandros I. Stefanakis (2020). *Waste Management: Concepts, Methodologies, Tools, and Applications (pp. 503-525).*
www.irma-international.org/chapter/constructed-wetlands/242726