



Harnessing Innovation for Shared-Value Creation

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Introduction

In today's fast-paced and competitive world, businesses must continuously innovate to remain relevant, create meaningful value, and sustain their operations over the long term. Innovation has become a cornerstone for business success in a rapidly changing world. Companies that prioritize innovation are better equipped to adapt to market dynamics, meet evolving customer expectations, and maintain a competitive edge. According to a McKinsey survey, over 80% of executives agree that innovation is critical for growth, yet less than 10% are satisfied with their company's innovation performance (De Jong et al., 2022). Furthermore, the OECD highlights that innovative firms are more likely to achieve sustainable growth and profitability, as they can create unique value propositions and improve operational efficiency (OECD, 2018).

Innovation can act as a driving force for achieving business sustainability and securing a competitive advantage (Kalaij, 2024). Companies that embrace innovation are better equipped to adapt to changing market demands, differentiate themselves, and build resilience in the face of uncertainty. For businesses in Latin America, innovation is particularly relevant due to the region's diverse cultural and economic contexts that demand tailored and creative approaches to addressing societal challenges and seizing market opportunities.

Definition of Innovation

Innovation is often defined as the process of generating, developing, and implementing new ideas or methods that result in value creation. The Oslo Manual, a widely recognized guide for measuring innovation, defines it as "the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organizational method in business practices, workplace organization, or external relations" (OECD, 2018, p. 20). This definition highlights the multidimensional nature of innovation, encompassing technological advancements, process optimization, and organizational transformation. Schumpeter (1942) famously described innovation as the driving force of economic development, referring to it as "creative destruction," where new ideas disrupt existing markets to create growth opportunities.

The Role of Innovation in Creating Shared Value

Shared value, a concept introduced by Michael Porter and Mark Kramer, refers to the policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates (Porter & Kramer, 2011). This approach moves beyond mere corporate social responsibility (CSR) by integrating social improvement into the core business strategy. The premise is that businesses can generate economic value by identifying and addressing social problems that intersect with their business.

Technological Innovations for Environmental Sustainability

Environmental sustainability represents a significant area where innovation can create shared value. For instance, the development of renewable energy technologies not only helps in reducing greenhouse gas emissions but also opens new markets and reduces business costs in the long run. Denmark is a leading example of how a country can leverage innovation in renewable energy to create shared value.



The Danish government has invested heavily in wind energy technology, making Denmark a world leader in wind turbine production. This investment has not only reduced the country's carbon footprint but also created thousands of jobs and positioned Danish companies as global leaders in the renewable energy sector. According to the Danish Energy Agency, wind power accounted for 47% of Denmark's electricity consumption in 2019, where the country aims to be carbon-neutral by 2050 (Rathore, 2026).

Social Innovations in Healthcare

Social innovation in healthcare can lead to improved health outcomes and reduced healthcare costs, thereby creating shared value. Innovative approaches to healthcare delivery, such as telemedicine and mobile health applications, can extend the reach of medical services to underserved populations while reducing operational costs. In India, telemedicine has emerged as a crucial innovation for improving healthcare access in rural areas. Companies like Practo and DocOnline provide online consultation services, connecting patients with doctors through digital platforms. This innovation addresses the challenge of healthcare accessibility in remote areas, reduces travel costs for patients, and alleviates the pressure on urban healthcare facilities (Dixit, 2023).

Digital Innovation and Financial Inclusion

Digital innovation, particularly in financial services, can drive financial inclusion, enabling underserved populations to access banking services, credit, and insurance. This does not only foster economic development but also expands the customer base for financial institutions. M-Pesa, a mobile money service launched by Safaricom in Kenya, has revolutionized financial inclusion in the country. M-Pesa allows users to deposit, withdraw, transfer money, and pay for goods and services using their mobile phones. This innovation has provided financial services to millions of unbanked Kenyans, facilitated economic transactions, and stimulated small business growth (MIT Economics, 2026).

Creating Economic Opportunities Through Inclusive Business Models

Another way to innovate and create shared value is through inclusive business models that integrate low-income communities into the value chain as suppliers and distributors. These models not only improve the livelihoods of marginalized populations but also open new markets for businesses. Unilever's Project Shakti in India is a prime example of an inclusive business model. The project empowers rural women by training them to become direct-to-home distributors of Unilever products. This initiative has provided income-generating opportunities to over 80,000 women, improved the distribution reach of Unilever products in rural areas, and enhanced the company's market penetration. According to Unilever, Project Shakti has contributed to a 15% increase in rural sales (Unilever, 2025).

Challenges and Opportunities for Innovation

While the potential for innovation to create shared value is immense, it also presents several challenges. In operational terms, companies are increasingly trying to measure the business impact of new technologies: According to BCG (2025), in 2025, 44 percent of companies worldwide tracked AI value creation either financially or operationally, 24 percent of the companies already track both performances in value creation, and 32 percent have defined neither financial nor operational KPIs for tracking value creation from AI in their companies. This suggests that value creation is increasingly treated as something that must be measured, not just assumed.



Another challenge is the need for collaboration among multiple stakeholders (De Silva, Rossi & Paunov, 2026). Innovation often requires the combined efforts of businesses, governments, academic institutions, and non-profit organizations. Building and maintaining these partnerships can be complex as each stakeholder may have different priorities and objectives (De Silva et al., 2026). However, these challenges can be overcome by adopting a normative approach that intentionally designs collaboration towards justice, resilience, and thriving (Leixnering et al., 2026).

While the journey to innovation and shared value creation is fraught with challenges, the opportunities are equally compelling. Companies that successfully innovate can achieve substantial competitive advantages, such as enhanced operational efficiency, access to new markets, and improved brand reputation. Moreover, by addressing social and environmental issues, businesses can foster stronger relationships with their communities and stakeholders. Among surveyed private equity firms across selected European countries and the United States, over 30 percent of firms surveyed agreed that in most cases ESG value levers were a core part of the firm's value creation story, while 65 percent stated that ESG is always included as a core concept (PwC, 2024). This indicates that broader stakeholder-oriented value is being integrated into deal assessment.

Innovation is a critical driver of shared value, offering businesses the opportunity to address societal challenges while enhancing their competitiveness. By investing in technological advancements, pioneering social innovations, adopting inclusive business models, and leveraging digital solutions, companies can create shared value that benefits both their bottom line and society at large.

As the global landscape continues to evolve, the ability to innovate and create shared value will be a critical factor of long-term success and sustainability for businesses across all sectors (Porter & Kramer, 2011). Therefore, future leaders and innovators must determine how to effectively harness this power to build a sustainable and inclusive future. Achieving this requires businesses to balance their drive for progress with the necessity of creating shared value for all stakeholders. While companies may face distinct challenges when trying to integrate social improvement into their core business strategies, defining clear pathways to overcome these institutional hurdles remains the definitive requirement to build a better future.

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