



Social Impact Consultants

Discovering better ways  
to solve social problems

# Introduction to Shared Value

*prepared for*

## The Juneau Economic Development Council Innovation Summit

February 2013

# FSG Overview



- **Nonprofit consulting firm specializing in strategy, evaluation and research founded by Michael Porter and Mark Kramer**; offices in Boston, Seattle, San Francisco, DC, and Geneva



- Partner with **companies, foundations, nonprofits, and governments** to develop more effective solutions to the world's most challenging issues
- Recognized **thought leader in social impact, philanthropy and corporate social responsibility**



- Staff of **100 full-time professionals** with **passion and experience** to solve social problems
- **Advancing Shared Value** via consulting projects, convenings, speaking engagements, and publications

# FSG Offers Strategic Consulting Expertise and Thought Leadership to Create Social Change

## Advisory Services



### Strategy

Devise clear goals and effective strategies that apply resources to maximum potential



### Implementation

Develop and execute action plans that mesh strategy with organizational realities



### Organizational Change

Align organizations and operations in support of strategies to ensure maximum social impact



### Evaluation

Use evaluation to make strategic decisions and take informed action



### Coalition Building

Build cross-sector collaborations and unite stakeholders to achieve large-scale collective impact

## Ideas Leadership



## Client Organizations

### Corporations:



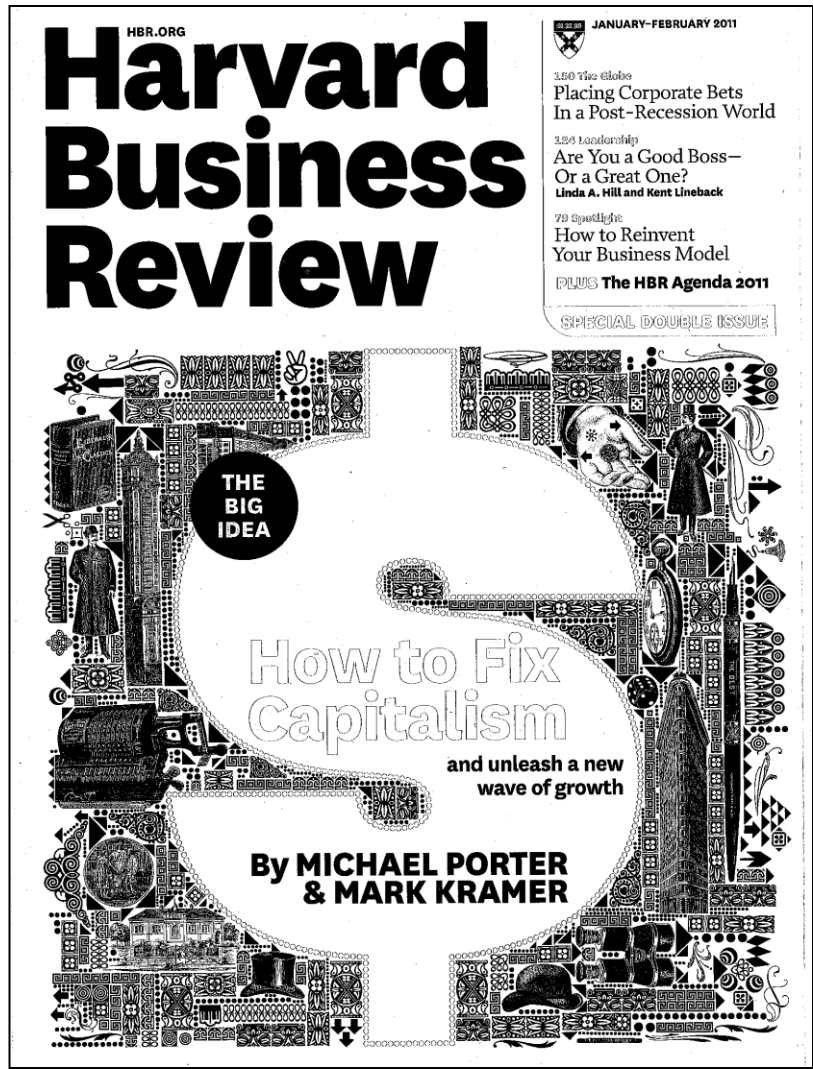
### Foundations:



### Governments & Multilaterals:



# Companies Can Increase Competitiveness and Profitability by Helping to Solve Social Problems

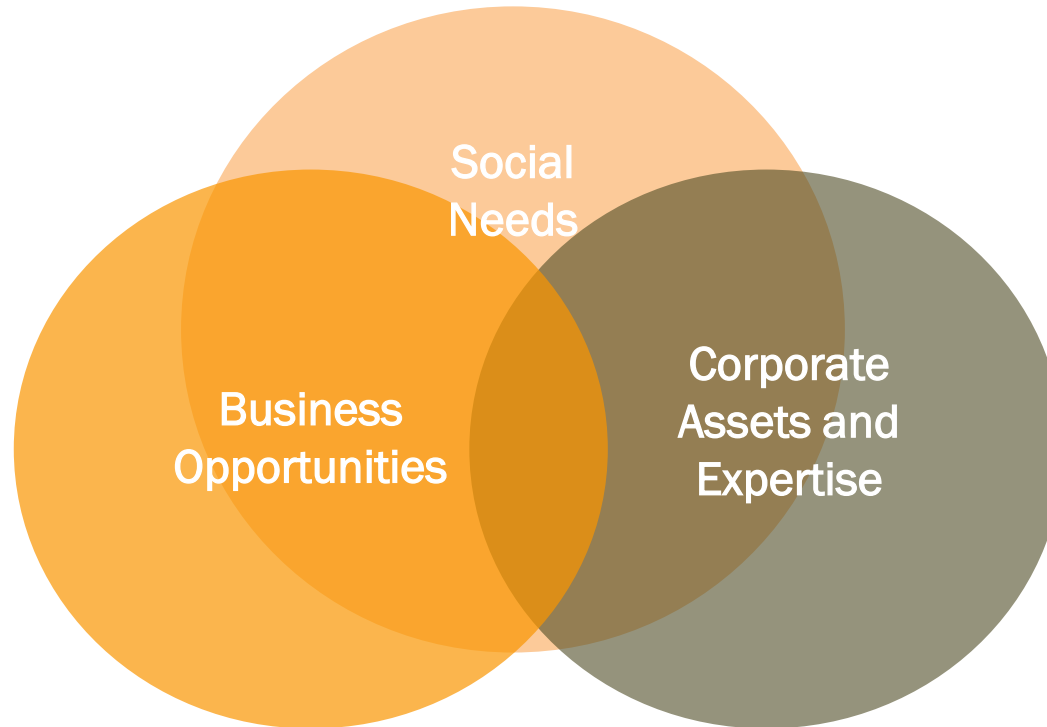


“ *Shared Value holds the key to unlocking the next wave of business innovation and growth.* ”

### Business has a unique role

- Only companies create prosperity
- Business legitimacy has decreased as companies are perceived to be prospering at the expense of the broader community,
- Companies can create sustainable and scalable solutions in ways that governments and NGOs often cannot

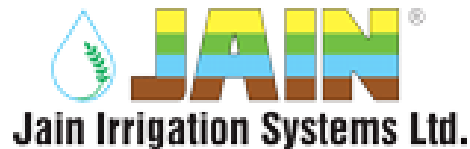
# “Exploring Societal Needs Will Lead Companies To Discover New Opportunities”



# Shared Value Is Going Global Because It Can Have A Powerful Impact on Business and Society!



**100+ products**  
**\$70b in 5Y revenues**  
**\$10b reinvested in R&D**



**\$800m+ in sales**  
**5Y CAGR 30%**  
**22% PBIDT**



**63% share of insulin in China**  
**Future NPV of \$30b**  
**140,000 life years saved to date**

# Thinking about Sustainability and CSR Has Evolved

***Blind Eye***

***Damage Control***

***CSR = Good PR***

***New Paradigm***

***“What problems?”***

*- Let's **ignore** the problems*

***“Problems could harm us”***

*- Let's **donate money** to minimize brand damage*

***“We should do something”***

*- Let's create **dedicated CSR efforts***

***“We see opportunity”***

*- Let's **strengthen our company** by solving societal problems relevant to our business*

# Shared Value Is Different from Traditional CSR

## Corporate Social Responsibility

- Motivation**
  - Corporate reputation
- Main Driver**
  - External stakeholders
- Approach**
  - Reactive
- Measurement**
  - Spending, standard ESG metrics
- Management**
  - CSR / Public Affairs
- Business Benefit**
  - Risk reduction and goodwill
- Social Benefit**
  - Successful projects

## Creating Shared Value

- Competitive advantage
- Corporate strategy
- Proactive
- Social and economic value created
- Across the whole firm
- New business opportunities
- Large scale sustainable change



# How do companies create Shared Value?

## Shared Value is:

Enhancing the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates

## Shared Value is NOT:

- Sharing the value already created (philanthropy)
- Personal values
- Balancing stakeholder interests

## Shared Value strategies:

Reconceiving Products and Markets

Redefining Productivity in the Value Chain

Enabling Local Cluster Development

# Business Has Been Anchored in a Philosophy of Trade-Offs: Shared Value Requires a Change of Mindset

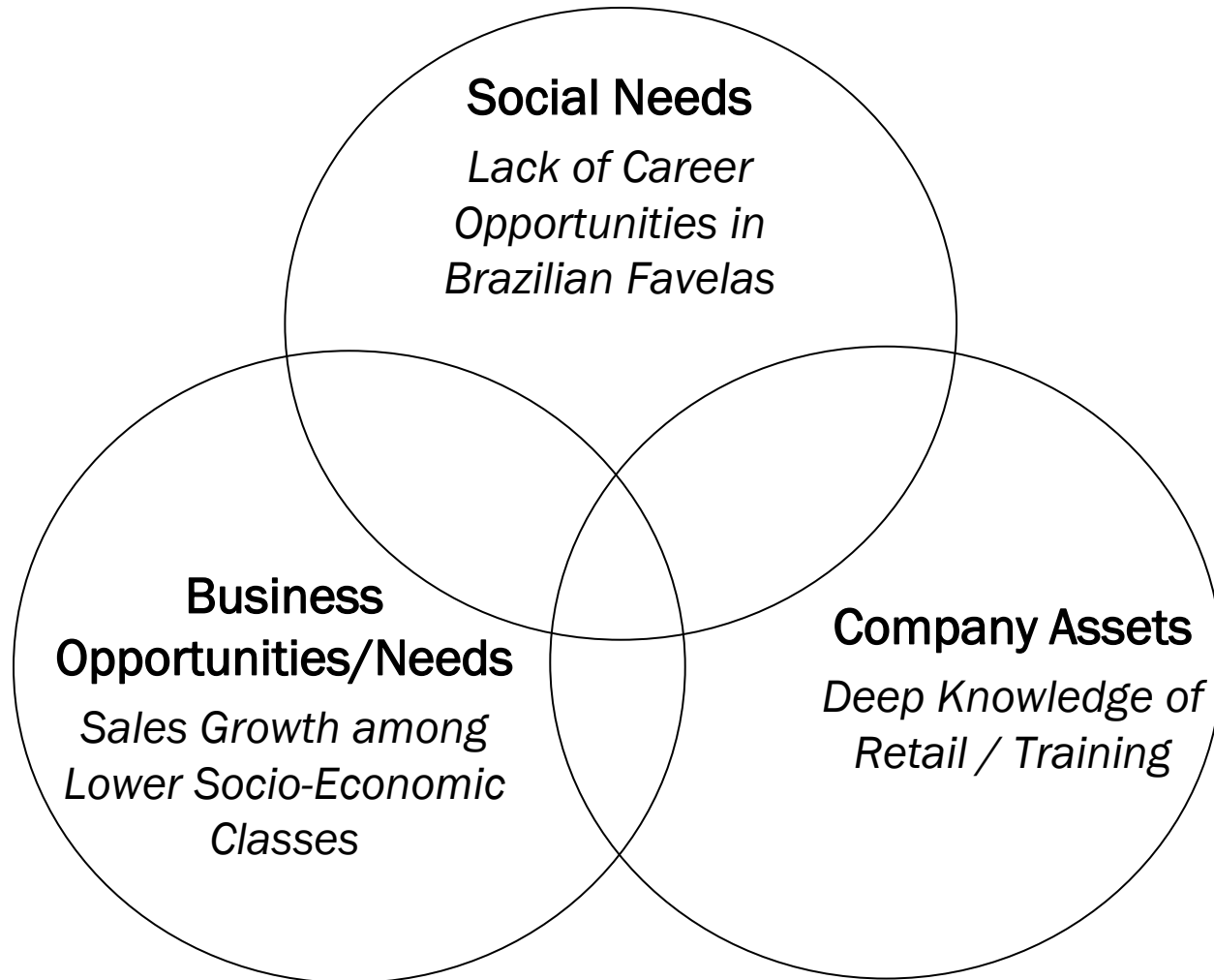


**Redistribute  
Value  
To Meet Social  
Needs**

**Companies “ought to” mitigate  
harm in their value chains,  
even if it increases cost**

**Companies “can” invest in  
social issues, giving up profits  
to do so**

# Coca-Cola Is Breaking Out of That Mindset



## Coca Cola Brasil Developed *Coletivos* to Create Retail Employment for Favela Youth



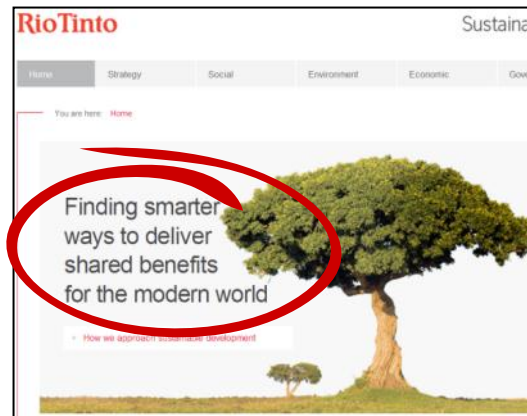
- 8 Week classes that teach merchandising and build self esteem
  - Managed by local NGOs and taught by local youth
- Graduates gain employment that raises household income an average of 50%
- Increases retail outlets and sales for Coca Cola
- After a pilot in 2009, Coca Cola has now established 160 *Coletivos* training 65,000 youth per year

# Extractive Companies Are Starting To Take Shared Value Seriously

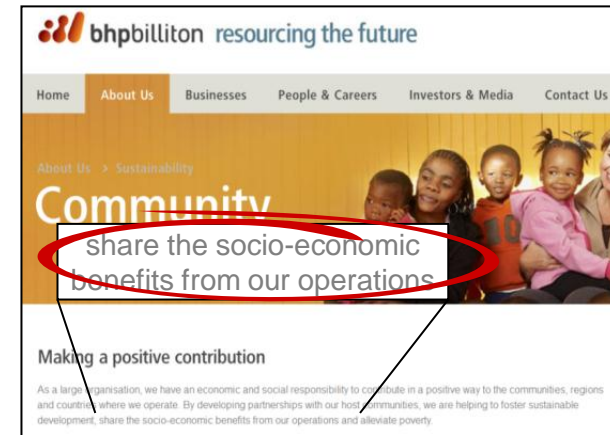
## XSTRATA



## RIO TINTO



## BHP BILLITON



# Northern Canada – Rio Tinto Invests in Capacity Building: Education, Worker Training, and Supplier Operations

1

## Education

- Promotes careers in diamond mining in youth
- Employs and trains students through apprenticeships

2

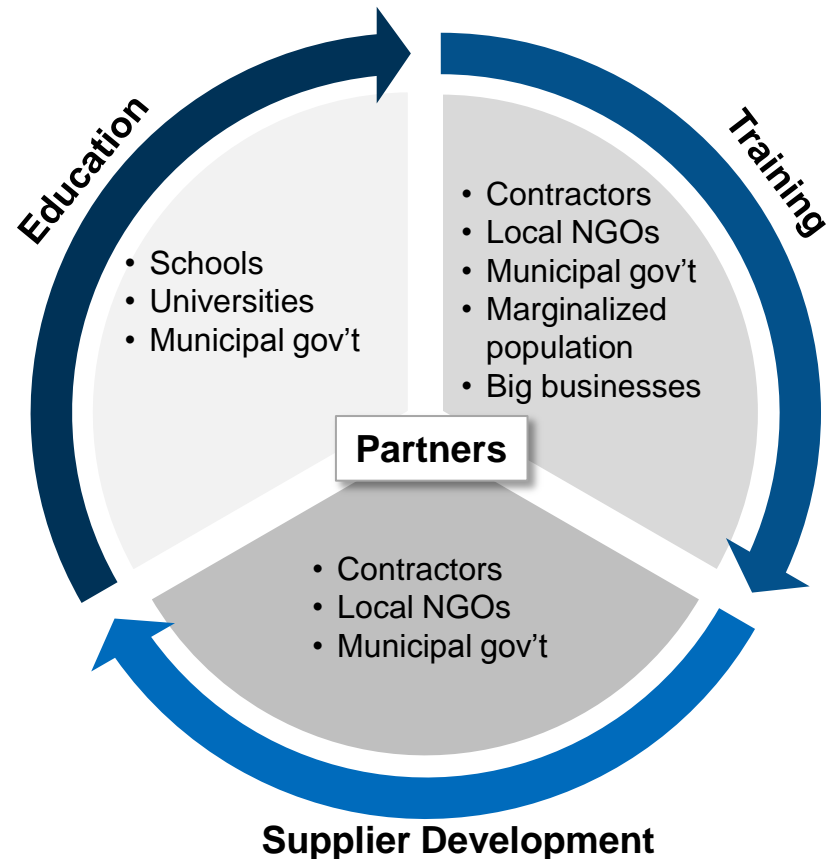
## Worker Training

- Partners with communities, educational institutions and government to train workers through infrastructure construction and mining activities

3

## Supplier Development

- Sources local inputs
- Supports capacity building for local businesses to grow into suppliers of goods and services for the mine, with a focus on aboriginal businesses



*\*\*Both the types of activities as well as the participating organizations were self-reinforcing*

# Creating Shared Value: An Integrated Approach



1

## Reconceiving Products and Services

Jain created new micro-irrigation products and agronomy services specifically designed for the smallholder Indian farmer

1

2

## Redefining Productivity in the Value Chain

Jain offered a suite of services to participating farmers including farm management training, soil sampling, and limited financing

2

3

## Building Clusters and Framework Conditions

Jain partnered with the Indian government to help secure access to financing for smallholder farmers seeking working capital and investment loans

3





### Business Impact:

- **Market expansion** – 1,800 new contracts due to lower barriers to entry (90% with smallholder farmers)
- **Improved supply chain security** – More than 35,000 tons of onions from contract farmers in the first year

### Social Impact:

- **Increased farmer incomes** by \$300-400 per acre for onion farmers
- **Increased farmer incomes** among irrigation users by \$100-\$1,000 due to efficiency gains
- **Reduced water use** by an estimated 500M cubic meters of water/year

## Shared Value Requires a Shift of Perspective from “Effort” to “Outcomes”

- Considering social problems as a community issue  • Seeing social problems as a **business priority**
- Focusing on reactive efforts to gain operational consent  • Focusing on **pro-active** social and economic development
- Investing in isolated projects  • Pursuing ongoing, **collective efforts** with multiple parties
- Tracking dollars spent  • Tracking business and social **outcomes** against a baseline



## Shared Value Offers Government the Opportunity to Leverage Private Sector Resources to Address Social Problems

*Government can pursue its social agenda and simultaneously support private sector competitiveness :*

- Developing a legal framework that encourages business strategies that create social value in the communities where they operate
- Facilitating collaboration within an industry to address sectoral challenges
- Acting as a neutral party to encourage dialogue between companies, communities and local and regional government
- Aligning public and private resources in shared value initiatives to achieve a better return on investment
- Sharing its social development expertise with the private sector so they can develop more effective strategies for social engagement

# Take Five Key Steps to Create Shared Value



**Consider social needs as business opportunities**



**Unleash targeted innovation**



**Rethink employees' roles**



**Measure to unlock shared value**



**Redefine company purpose**



# Consider Social Needs as Business Opportunities

*Failing Schools?*



Design for schools



Classmate PC



*Failing Supply of  
Cocoa?*



A technology and  
collaboration challenge!



Côte d'Ivoire Vision for  
Change



# Unleash Targeted Innovation



**Arogya Parivar**

A social business model to improve health in rural India

**Solutionism. The more we talk together, the more we solve together.**



<p><b>When Great Ideas Rise</b></p>	<p><b>The Lighter Side of Wind Power</b></p>
<p><b>The Power to Use Less Power</b></p>	<p><b>An Idea So Loud it Doesn't Make a Sound</b></p>
<p><b>Moving at the Speed of Small</b></p>	<p><b>Green Buildings from the Roof Down</b></p>



# Rethink Employee Roles

## The CEO

*Steward of the Company's Purpose*

## The CFO

*Measurer of Shared Value Creation*

## The HR Director

*Cultivator of Social Innovators and Long-Term Thinkers*

## The Supply Chain Manager

*Incubator of Cluster Development*

## The Head of R&D / Product Development

*Shared Value Experimenter*

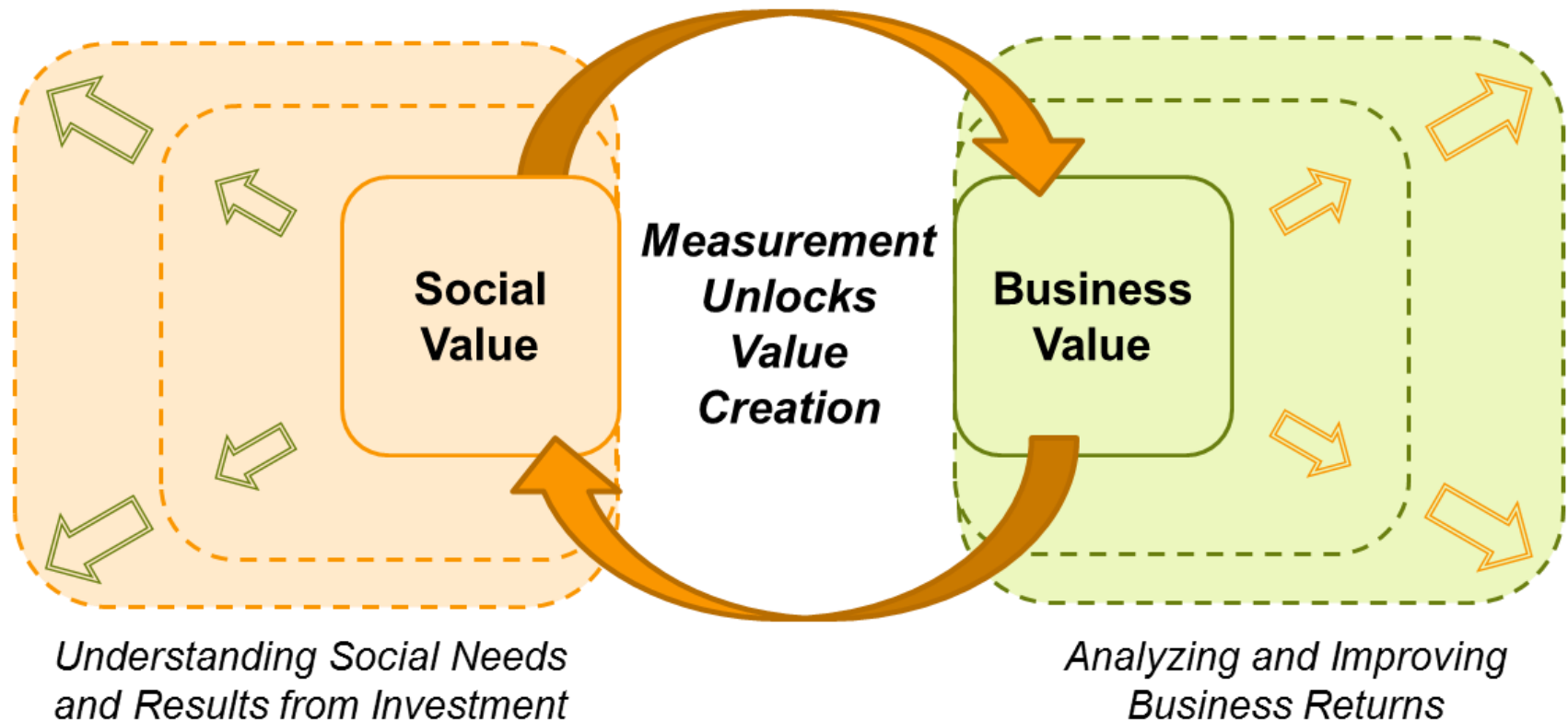
## The “CSR” Manager *The Shared Value Instigator*

- Teacher
- Business strategist
- Innovator
- Facilitator
- Collaborator
- Knowledge agent



# Measure to Unlock Shared Value

## Shared Value Strategy





# Redefine Company Purpose

**Food**



***Nutrition, Water,  
Rural Development***



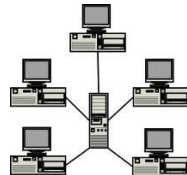
**Chemistry**



***Enabling Growth***



**Computing**



***Smarter Cities***



# Shared Value Transforms Stakeholder Roles and Relationships

## Companies

- Initiate and drive shared value programs

## NGOs

- Enable implementation of new shared value business models in their fields

## Governments

- Partner with companies and NGOs to enable and support shared value strategies

## Philanthropists

- Partner with companies and NGOs to drive shared value initiatives





## Why is Shared Value important to Alaska?

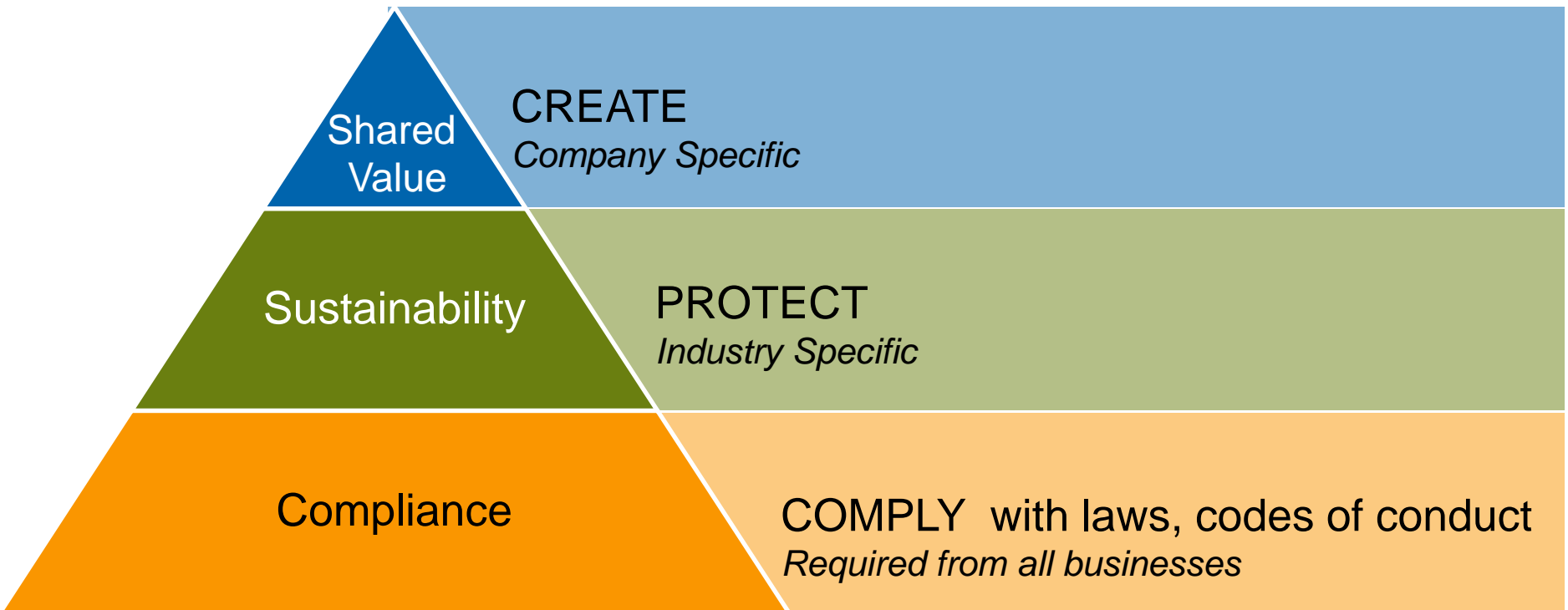
- Local companies will miss out on opportunities that MNCs are capturing
- Social problems will go unaddressed
- Shared Value represents a rare opportunity to close an ideological divide

# How can Alaska accelerate the adoption of Shared Value?

- Change mindset
- Accelerate learning
- Government and industry associations can champion
- Partnerships are critical

# Appendix

# Shared Value goes beyond compliance and sustainability



1

# Reconceiving Products and Markets



healthymagination

GE mobilizes assets across its business to **improve healthcare and grow the market for GE's products**. Expertise in R&D and venture funding is leveraged to develop new products (such as Vscan, a lower-cost handheld ultrasound machine, pictured below) while GE's marketing expertise is used to educate and engage consumers in healthcare improvement.



## Business Goals

- **Create 100 new products** by 2015. Forty-three products have been developed to date.
- **Realize revenues and enter new markets** with Healthymagination products\*

## Social Goals

- Products are designed to achieve three goals for healthcare by 2015:
- **Decrease costs** by 15%
  - **Increase access** by 15%
  - **Improve quality** by 15%

\* Sales targets not publically available

## 2

## Redefining Productivity in the Value Chain



Walmart is **reducing transportation costs and helping sustain the livelihoods of small-scale farmers** in the US and emerging markets by working to source produce for its stores locally and by providing training and support to farmers near store locations.



### Business Goals

- **Reduce transportation costs** –in the US Walmart has already cut 100 million miles from delivery routes saving the company \$200M in fuel costs
- **Reduce food waste** - goal of 15% in emerging markets and 10% in US by 2015

### Social Goals

- Increase income of small and medium farm suppliers by 10 – 15%
- Reduce waste and carbon emissions
- Provide low-cost, healthy food for Walmart customers – goal is to sell \$1B in locally-grown produce by 2015

3

## Enabling Local Cluster Development: Mars

The logo for Mars, consisting of the word "MARS" in white, bold, serif capital letters inside a dark blue rectangular box.

### CSV Investment

Mars is tackling a declining cocoa sector in Cote d'Ivoire by improving smallholder farmer livelihoods and cocoa sustainability.

### Business Impact

- Cote d'Ivoire produces **40% of the world's cocoa supply**
- Increased supply sustainability through **improved productivity and post-harvest processes**

### Social Impact

- Improved **farmer income**
- Access to healthcare and education
- Protection of **biodiversity, reduced deforestation and control of runoff**