Institute of Medicine:
Forum on Public Private Partnerships for Global Health and Safety

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@LauraSLHerman, #sharedvalue
Shared Value
Evolution of Corporate Role in Society

Corporate Philanthropy

• Harvard Business Review, December 2002

Corporate Social Responsibility

• Winner of the 2006 McKinsey Award

Creating Shared Value

• Winner of the 2011 McKinsey Award
Evolution of Corporate Mindset

Evolving Perspectives on Corporate Social Engagement Approaches

“It is not a problem”
- Ignore it
- Minimize our responsibility
- Philanthropy is enough

“It is a problem”
- Focus on public relations
- Increase philanthropy
- Engage stakeholders

“Let’s solve the problem”
- Add costs to fix the problem
- Report transparently on our results
- Leverage corporate assets

“It is an opportunity!”
- Build social issues into corporate strategy to:
  - Lower costs
  - Grow revenues or
  - Differentiate our value proposition
Paradigm Shift

Sharing the Value Created ≠ Creating Shared Value
The Relevance of Shared Value

Pollution

Access to Affordable Medical Care

Poor Nutrition and Obesity

Access to Water

Shortage of Skills That Lead to Good Employment

Deforestation and Climate Change

Poverty
The Potential Scale of Shared Value

U.S. Size of Sectors in 2012

- Corporations
- Governments
- Nonprofits
- Foundations
**Shared Value: Core Concepts**

**Shared Value**: Corporate policies and practices that *enhance competitiveness* of the company while simultaneously *advancing social and economic conditions* in the communities in which it sells and operates.

- **Shared Value is:**
  - Creating **economic value** by creating **societal value**
  - Using **capitalism** to address social problems

- **Shared Value is NOT:**
  - Sharing the value already created (philanthropy)
  - Personal values
  - Balancing stakeholder interests

- **All profit is not equal.** Profit involving shared value enables society to advance and companies to grow faster
- **Incorporating societal issues into strategy and operations is the next major transformation** in management thinking
- **Shared value thinking represents the next evolution of capitalism itself**
Shared Value: A Virtuous Cycle

Shared value uses a virtuous cycle to maximize business and social impact:

By linking social and business impact, companies can unleash greater innovation, scale, and value creation.
Shared Value in Developed and Developing Markets

- 600M Kg of Trans-fats
- Hundreds of Millions of Fortified Food Servings
- 2,000+ Smart Cities
- 14M Reached with Mobile Banking
- $2B of Safety Engineered Device Sales
- 10M Teachers Trained
### Three Approaches to Shared Value

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#### 1. Reconceiving Needs, Products, and Customers
- R&D for drugs, vaccines, and devices that fill unmet health needs
- Adapt existing products to reduce cost or complexity
- Tailor products to meet local market conditions

#### 2. Redefining Productivity in the Value Chain
- Reduce production costs through efficient, local supply chains and manufacturing
- Adapt sales and distribution to penetrate new markets and better meet patient needs

#### 3. Enabling Local Cluster Development
- Increase demand for health care
- Strengthen healthcare systems to enable delivery
- Improve policy and regulatory environment
Case Study: Novo Nordisk in China

Reconceived Products and Markets
• Developed insulin products adapted for Chinese patients

Redefined Productivity in the Value Chain
• Opened local production facility in Tianjin, allowing Novo to gain production efficiencies and quicker response to market demand
• Established an R&D center in China

Strong Local Health Clusters
• Funded the creation of the World Diabetes Foundation to increase diabetes awareness
• Worked with Chinese government to develop national standard treatment guidelines
• Provided training and information on diabetes to physicians
Internal Factors for Shared Value

1. Focused and determined leadership at the CEO and/or country levels
2. A culture of innovation and learning reflected in structures and incentives
3. New approaches to measurement that track the link between business value and patient lives improved
4. New skills in identifying and acting on unmet health needs
5. New partnerships for shared value insights and implementation
But how can one company, even working with the power of the markets, tackle these 21st century challenges?

What role do governments and civil society play in righting society’s wrongs?
The Big 21st Century Challenges are Complex

Simple

**Baking a Cake**

Complicated

**Sending a Rocket to the Moon**

Complex

**Raising a Child**

*Social sector treats problems as simple or complicated*

Source: Adapted from “Getting to Maybe”
Collective Impact: Introduction

Collective Impact is the commitment of a group of important actors from different sectors to a common agenda for solving a specific social problem.
Collective Impact: A Fundamental Re-Alignment

• All working toward the same goal and measuring the same things

• Cross-sector alignment with government, nonprofit, philanthropic and corporate sectors as partners

• Organizations actively coordinating their action and sharing lessons learned

Isolated Impact

Collective Impact
Collective Impact Framework: 5 Elements

1. Common Agenda
   - Common understanding of the problem
   - Shared vision for success
   - Shared strategy for change

2. Shared Measurement
   - Collecting data and measuring results
   - Focus on performance management
   - Shared accountability

3. Mutually Reinforcing Activities
   - Differentiated approaches
   - Coordination through joint plan of action

4. Continuous Communication
   - Consistent and open communication
   - Focus on building trust

5. Backbone Support
   - Separate organization(s) with staff
   - Resources and skills to convene and coordinate participating organizations

Source: Channeling Change: Making Collective Impact Work, 2012; FSG Interviews and Analysis
Shared Value and Collective Impact: Mars

Trade Associations (Trade + Regulatory)

Funders
- Bill & Melinda Gates Foundation
- USAID
- giz
- The World Bank
- IFC

Cocoa Producing Governments
- Council for Coffee and Cocoa
- Ghana Cocoa Board
- Indonesian Government

Certifiers & Standards
- USDA Organic
- UTZ Certified
- CEN

NGOs
- WWF
- CARE
- ICCO
- UNEP

UN-Mandated Organizations
- ILO
- ILO

Chocolate & Cocoa Companies
Shared Value and Collective Impact: Strange New Bedfellows

Blending New Internal and External Talent

**NGOs**
- Educator of needs
- Field implementer
- NGO Leader
  - Co-Creator of Shared Value
- Outcome measurer

**Business**
- Head of R&D
  - Shared Value Experimenter
- Supply Chain Manager
  - Incubator of Cluster Development
- CEO
  - Steward of the Company’s Purpose
- CFO
  - Measurer of Shared Value Creation
- HR Director
  - Cultivator of Social Innovators & Long-Term Thinkers

**Government**
- Government Leader
  - Shared Value Context-Setter
- Cluster development partner
- Provider of conducive subsidies/tax incentives/anti-trust rules
- Standard-setter for innovation
Critical Mindset Shifts

- Technical Problem Solving
- Project a 1-3 Year Time Horizon
- Staff Operate in Risk-adverse Culture
- Competitors as Enemies

- Adaptive Problem Solving
- Commit to a 5+ Year Time Horizon
- Staff Operate in Entrepreneurial Culture
- Competitors as Potential Collaborators
Thank You

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