



Social Impact Consultants

Discovering better ways
to solve social problems

Measuring Shared Value

A conversation with:

- **Greg Hills**, Managing Director, *FSG*
- **Suzanne Fallender**, Director of CSR Strategy and Communications, *Intel*
- **Janet Voûte**, Global Head of Public Affairs, *Nestlé*
- **Paul Snyder**, Global Head of Environmental Sustainability, *InterContinental Hotels Group*
- **Claudia Lorenzo**, Social Business Director, *Coca-Cola Brasil*

February 6, 2013

Today's Agenda

- ❖ **Welcome and Agenda**
Suzanne Fallender (Moderator), Intel
- ❖ **Overview of Measuring Shared Value**
Greg Hills, FSG
- ❖ **Case Example: Nestlé and Rural Development**
Janet Voûte, Nestlé
- ❖ **Case Example: InterContinental Hotels Group and Environment**
Paul Snyder, InterContinental Hotels Group
- ❖ **Case Example: Coca-Cola and Youth Employment**
Claudia Lorenzo, Coca-Cola Brasil
- ❖ **Audience Q&A and Wrap-up**

About FSG and Measuring Shared Value

- **FSG**

- Nonprofit consulting and research firm founded in 2000 by HBS Prof. Michael Porter and Mark Kramer
- Staff of over 100 in Boston, Geneva, Mumbai, San Francisco, Seattle, and Washington DC
- Recognized thought leader and advisor in strategic planning and evaluation to over 400 foundations, corporations, and nonprofits

- **Measuring Shared Value Report**

- Published in Oct. 2012 by Porter and FSG
- Builds on “Creating Shared Value” published in *HBR* in 2011 by FSG founders Porter and Kramer
- How to understand and track the connection between social and business results to drive shared value creation
- Sponsored by Nestlé, Intel, InterContinental Hotels Group, and the Rockefeller Foundation

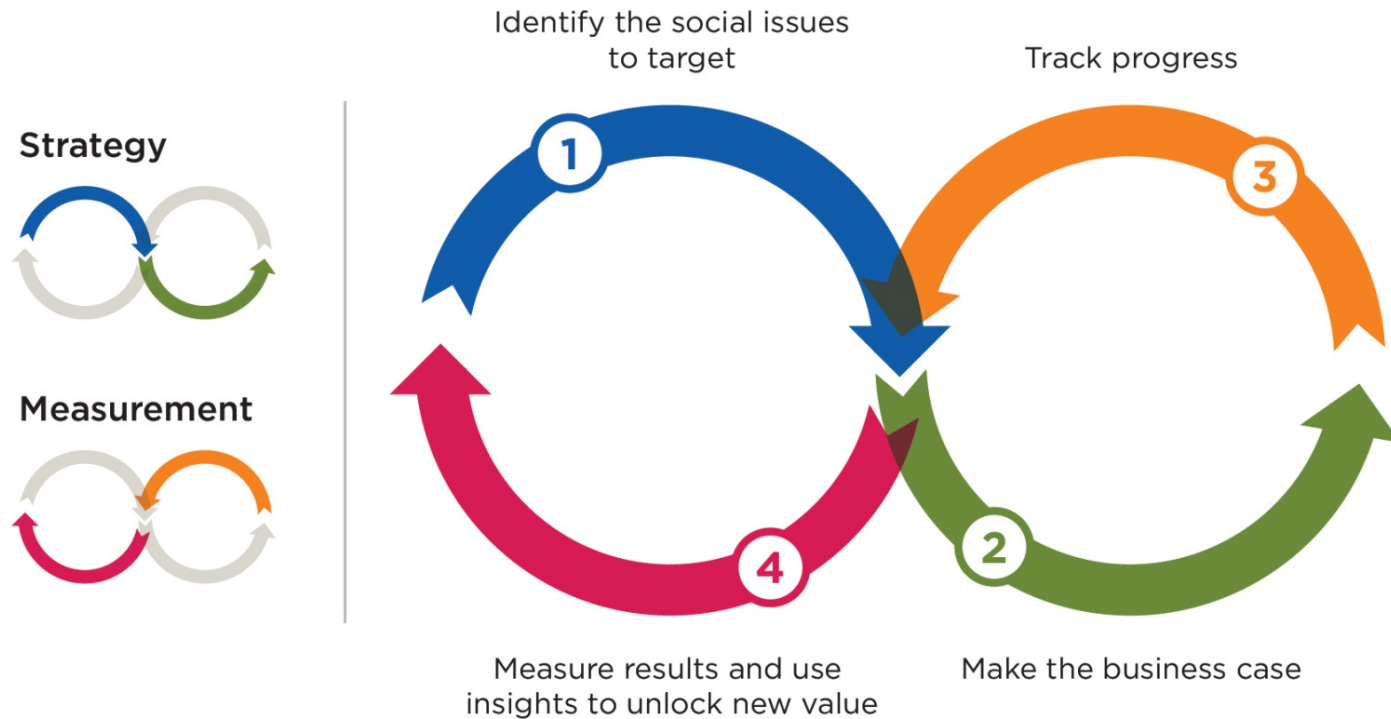


Effective Measurement Is a Lynchpin for Shared Value Adoption

Why is Measuring Shared Value important?

- Executives and managers **need actionable data** to make a business case and inform improved business decisions
- **Conflation and confusion** with other measurement approaches, e.g., impact assessments and sustainability metrics
- **Limited expertise** linking social results to business results
- Businesses are **leaving value on the table**
- Creating a **line of sight for investors**

Shared Value Measurement Requires an Iterative Process That Is Integrated with Business Strategy



Strategic priorities inform the focus and extent of shared value measurement and the data and insights from shared value measurement inform refinement of the shared value strategy

Shared Value Measurement Systematically Links Business and Social Results

Levels of Shared Value	Business Results	Social Results
1 Reconceiving products and markets <i>How targeting unmet needs drives incremental revenue and profits</i>	<ul style="list-style-type: none"> • Increased revenue • Increased market share • Increased market growth • Improved profitability 	<ul style="list-style-type: none"> • Improved patient care • Reduced carbon footprint • Improved nutrition • Improved education
2 Redefining productivity in the value chain <i>How better management of internal operations increases productivity and reduces risks</i>	<ul style="list-style-type: none"> • Improved productivity • Reduced operating costs • Secured supply • Improved quality • Improved profitability 	<ul style="list-style-type: none"> • Reduced energy use • Reduced water use • Reduced raw materials • Improved job skills • Improved employee incomes
3 Enabling cluster development <i>How changing societal conditions outside the company unleashes new growth and productivity gains</i>	<ul style="list-style-type: none"> • Reduced costs • Secured supply • Improved distribution infrastructure • Improved workforce access • Improved profitability 	<ul style="list-style-type: none"> • Improved education • Increased job creation • Improved health • Improved incomes

Five Key Findings from the Measuring Shared Value Report

- 1 Anchor shared value measurement in **strategy**
- 2 Establish a **direct link** between meeting social needs and improving the business
- 3 Assess the **extent of value creation** – tracking social and business results *relative to costs*
- 4 **Distinguish** between shared value measurement and other important forms of measurement
- 5 Adopt **pragmatic approaches** to navigate measurement challenges

Today's discussion will focus on our panelists' experiences with applying these principles to measure shared value around the world

Evolution of Creating Shared Value at Nestlé



Nestlé Creates Shared Value across Three Focus Areas



Nutrition



Water



Rural Development



Nestlé's Rural Development Framework



CSV Goal

Farmers are business-orientated and farming by choice

Business Value

Societal Value

Outcomes

Crop supply is increasing

Farmer productivity is increasing

Crop quality is increasing

Farmers are resilient to external shocks

Transparency within supply chains

Farmer net incomes are increasing

Farmers are responsible stewards of natural & human resources (including workers)

Activities

Provision of elite planting and other materials

Training (technical & business) to farmers & women on costs, quality, productivity

RSG process, supply chain maps

Facilitate provision of financial services

RSGs on water, deforestation, human rights, biodiversity, soil

Training on water, deforestation, human rights, biodiversity, soil

Strengthen farmer groups

Allocation of price premiums

Measuring Progress

Business Outcomes

Societal Outcomes

Business Activities

Societal Activities

Key Enablers

Cocoa Plan, Nescafé Plan, Nespresso AAA, Dairy Platform, Local Sourcing Plans, Trade Partner Programmes, RSG Programme, SAIN, SMETA Audits, Supplier Code

IHG's Green Engage Approach Reduces Its Environmental Footprint and Drives System-Wide Cost Reductions



InterContinental Hotels Group's Green Engage

- Prioritized environmental impact efforts based on anticipated impact and economic returns
- Modeled dozens of options for reducing energy, water, and waste
- Rolled out to 2,250 hotels with up to 25% energy savings in hotels

Measurement Lessons and Insights:

- Illuminates the *relative* shared value potential of a wide range of practices
- On-line tool provides real-time data on energy savings from all participating hotels
- Measurement allows for testing theories and leads to real refinements in how IHG runs its business

Measurement provides the necessary data to improve IHG's SV strategy

Shared Value Measurement Improves Coca-Cola Brasil's Value Chain Performance and Youth Employability



Measurement Lessons and Insights:

Coca-Cola Brasil's



- Train local youth in retailing, business development, and entrepreneurship
- *Social goals:* Increase youth skills, self-esteem, employability, and income
- *Business goals:* Increase value chain efficiency through incremental sales and reduced selling costs

- **Tracking Progress**
 - Same process and discipline as other business approaches, using real-time data
 - Linkage between social and business goals
- **Benefits of Measurement**
 - Engage current culture in a fact-based mode
 - Essential to refine business strategy
 - Market segmentation
 - Allows organized dialogue and partnership with key stakeholders
- **Key Learnings**
 - Integral to long-term vision and commitments
 - Innovation in methodology
 - Partnerships

Innovation, partnership, and discipline are key ingredients

Audience Questions



Suzanne Fallender
Intel



Greg Hills
FSG



Janet Voûte
Nestlé



Paul Snyder
InterContinental Hotels Group



Claudia Lorenzo
Coca-Cola Brasil

The Shared Value Initiative Was Launched in September 2012 to Advance Shared Value Globally



- A multi-stakeholder effort that aims **to drive adoption and improve implementation of shared value** strategies among leading companies, civil society, and government organizations
- **Shared Value Leadership Summit**, including Professor Michael Porter, on May 23, 2013 in Cambridge, MA
- If you are interested in **joining the Shared Value Initiative**, please contact Justin Bakule at justin.bakule@fsg.org

Leadership Council



Supporters



Associates



Thank You!

- **Thank you** for joining in the conversation today
- Please fill in the **brief electronic survey** that you'll receive after today's event to share your feedback with us
- For more information on **Shared Value**, visit <http://www.fsg.org/OurApproach/SharedValue.aspx>
- To access the **recording** and to **download the slides** from today's webinar, and the ***Measuring Shared Value*** article, visit <http://www.fsg.org/measuringsharedvalue>