



Shared Value
Initiative

THE NEW ROLE OF **BUSINESS** IN GLOBAL **EDUCATION**

How companies can create shared value by improving education while driving shareholder returns

Foreword by Michael E. Porter

A report by





About the Shared Value Initiative

The Shared Value Initiative is a global community of practice to drive adoption and implementation of shared value strategies among leading companies, civil society, and government organizations. Operated by FSG with support from a network of funders, the Shared Value Initiative works with partners to curate sharedvalue.org, develops tools to guide shared value implementation, convenes practitioners to promote best practices, and expands the network of Affiliated Professional Services firms that aim to provide customized shared value strategy and support. Join the community at sharedvalue.org.



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About this paper

This paper articulates the case for a renewed role for business in global education through the lens of shared value. It is intended to help business leaders and their partners seize opportunities to create economic value while addressing unmet needs in education at scale. The concepts we describe apply across industries and to developed and emerging economies alike, although their implementation will naturally differ based on context.

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Education presents an immense opportunity for companies to create shared value

BY MICHAEL E. PORTER

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Major companies have long depended on governments to educate their future employees, but traditional education systems are no longer delivering the skilled graduates that companies want to hire. A new wave of companies is taking a far more active role by partnering with schools, nonprofits, and governments to improve educational outcomes directly. Through the concept of shared value, these companies are finding new ways to grow revenue and increase productivity by helping to raise levels of student and workforce achievement.

Shared value in education is not philanthropy or corporate responsibility. Instead, as this paper describes, it is a business approach that increases profits by improving the effectiveness of education systems at scale.

Shared value can be created at multiple levels. It starts with the product and the needs these products are designed to meet. For companies that sell products and services to educators, shared value opportunities are driven by a rapidly expanding global market that is increasingly rewarding products with the most cost-effective improvements in educational outcomes. The basis of competition in educational products and services is shifting to favor companies that create the greatest value for society, turning their R&D departments into laboratories for improving educational outcomes for citizens.

Shared value is also created by redefining productivity in the value chain and by improving the external business and institutional context in which companies operate. For companies in every industry that seek to hire and retain a skilled workforce, new opportunities in the value chain and in the surrounding cluster are transforming the available workforce. No longer are companies content to

wait at the end of the education pipeline for graduates with the right skills. Instead, they are becoming a part of the pipeline itself, taking on themselves many of the roles historically reserved for education institutions. And, doing so profitably.

In each instance, shared value reconnects company success with social progress. Taking a shared value approach to education recasts the debate about the private sector's role in education through a lens of mutual opportunity: an opportunity for companies to increase profitability and strengthen long-term competitiveness, and an opportunity for civil society to leverage the unique capabilities of business to solve education challenges. The private sector, guided by the pursuit of shared value, can and must take on a greater role in improving education at scale. In doing so, the rate and scope for innovation in business will be transformed.

This paper builds on the article "Creating Shared Value" in *Harvard Business Review*, as well as the fine work of the United Nations, the U.S. Competitiveness Project at Harvard Business School, the Brookings Institution, Accenture, and McKinsey & Company. It is an important step toward applying the lens of shared value to the education field — it explores the trends driving companies to engage in education and workforce development in new ways, highlights examples from leading companies, and offers practical recommendations for how companies can create greater value for business and society through a shared value approach. We hope it will lead to frank discussion, open up entrepreneurial and innovative solutions, and inspire more companies to realize opportunities to impact education through new thinking, new business models, and cross-sector collaboration.



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Introduction

A global crisis in education is threatening social stability and economic progress. Around the world, two hundred million people are unemployed, while nearly 60 percent of CEOs report that a shortage of skilled labor is holding back their company's growth. Not only are schools failing to equip students with the 21st century skills they need for employment, but, at the most basic level, 250 million primary school students worldwide cannot even read and write. While governments, nonprofits, and school leaders have long struggled to overcome these challenges, they have had limited success.

Shared value defines a new role for business in helping to overcome the global education crisis. Companies have the scale, human capital, financial resources, technologies, and political influence to help improve educational outcomes and cultivate the skills needed for successful careers. By aligning profit with purpose, companies can become essential partners for schools, nonprofits, and governments, while simultaneously discovering new ways to increase their productivity, strengthen industry clusters, and expand their markets.

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Taking a proactive role in improving educational outcomes will be a new endeavor for most companies. Business has long relied on government to prepare students for the workforce, limiting the role of companies to training their own employees in job-specific skills. Even companies directly involved in developing educational products and solutions have typically fallen short, rarely investing in the research needed to design products that optimize learning. And corporate philanthropy, while necessary and valuable, has been inadequate to address the magnitude of the global education challenge. As a result, most corporations have had minimal impact on the success of large-scale education systems.

Today, however, a handful of leading companies are taking a different approach. These companies are creating shared value by filling unmet educational needs, improving student outcomes, and overcoming workforce constraints in ways that bring economic benefits back to the company. They are transforming the education pipeline by reimagining education as a dynamic ecosystem in which companies are fully engaged from cradle to career.

All companies can create shared value in education, but their opportunities to do so depend on their specific needs and capabilities. Companies that face a lack of skilled workers can create shared value by engaging with education systems to foster the diverse skills that the labor market demands and that are essential for the development of human potential. While this imperative is strongest in industries of rapid growth or regions with weaker schools, every company has the ability to create shared value in this way.

Companies in the technology and education sectors have additional opportunities to create shared value. These companies face explosive growth in the demand for quality education. A growing global middle class is expanding the overall market for educational products and services by nearly 50 percent from \$4.4 trillion in 2012 to \$6.2 trillion by 2017. New technologies have created cost-effective ways to reach millions of students, while new ways of measuring achievement are being deployed, opening the door to competition among educational products and services based on their effectiveness. By developing new materials that raise levels of achievement, companies can gain market share, and shift the underlying basis of competition to student success.

The following two sections explore the different ways in which companies can create shared value in education. The first examines companies from diverse industries that are shrinking skills gaps by improving educational attainment. The second focuses on ways that technology and education companies are beginning to compete based on the success of the students they serve. We hope these ideas inspire more companies to embrace a shared value approach to education, overcoming the skills gap that holds back economic growth and providing millions of students with new opportunities for educational success.

Defining Shared Value in Education

Companies create shared value in education when they generate economic benefits for their businesses while simultaneously addressing unmet educational needs. Shared value is rooted in a company's strategy and competitive positioning in three ways: reconceiving products and markets, increasing productivity in the value chain, and strengthening the regional clusters that define competitive context.

Reconceiving products and markets is most relevant to companies that sell into the education market. All companies, however, can benefit from increasing productivity in their value chains and strengthening regional clusters by improving educational outcomes in the regions where they operate. In education, these last two forms of creating shared value are often intertwined, as education systems frequently affect not only the productivity of current employees but also the entire regional cluster of suppliers, customers, and future employees.

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Building the Workforce of the Future

Building a qualified workforce has historically been the responsibility of schools and governments. Students move through a pipeline to prepare them for the workforce and employers wait for them to graduate with the necessary skills. Companies have always supplemented this pipeline with job-specific training for their own employees, but they have rarely participated actively in the pipeline itself or influenced the success of broader education systems.

Yet more and more businesses are realizing that this pipeline is broken. Too many students drop out, while others graduate with gaps in hard or soft skills too deep for corporate training programs to bridge. Companies can compensate to some degree by shifting their operations around the globe to tap more qualified talent, but the constraints on their growth often come from the broader impact of inadequate education on their industry or region.

Companies that create shared value have a profoundly different mindset for engaging with education. Instead of waiting for the education system to produce trained talent, they become participants in designing and delivering education themselves. These companies take a broader view of their industry's workforce needs, tap unconventional sources of talent, build cross-sector regional collaboratives, and align curricula with the skills needed for employment. In doing so, they help create a dynamic education ecosystem that strengthens their businesses while simultaneously improving the education and career prospects for millions of people around the world. Consider the following examples.

Take a Broad View of Workforce Needs

Shared value companies expand their understanding of workforce needs by identifying the specific job and skill shortages that impede their business growth. While this is a basic step, few companies look beyond their employees to consider these shortages among their suppliers and customers. By defining the specific knowledge gaps that impede future growth across their value chain, companies can shape education to their needs while increasing the employability of graduates.

Consider the **Godrej Group**, a major Indian conglomerate with diverse holdings across real estate, consumer goods, appliances, and agricultural products. Godrej targets 15 to 20 percent annual growth, yet widespread skill shortages among India's youth present a serious threat to achieving its goal. Indians between ages 15 and 24 comprise the fastest growing segment of the population, representing 30 percent of the labor force, and yet they are three times more likely to be unemployed, often because they lack marketable skills. These issues are a problem not only for Godrej companies, but also for their suppliers and distributors.

In response, the Godrej Group set a goal of training one million urban and rural youth in employable skills by 2020. Each company has developed a portfolio of modular training programs that equip underemployed youth with skills relevant to its industry. These programs are intensive but short term, flexible in schedule, and offered across India. Godrej's consumer goods company, for instance, Godrej Consumer Products Limited (GCPL), provides thousands of rural youth with basic education in

By taking a broader view of employees' educational needs, Verizon Wireless has dramatically reduced costs associated with high employee turnover.

channel sales, as well as English, mathematics, work ethics, and other soft skills. The results have been impressive. Two-thirds of graduates have found placement in consumer goods and agriculture-related subsidiaries and distributors. Through these and similar programs, GCPL is expanding its distribution channels to reach more customers. It is also becoming an integral partner in training India's underemployed youth. Godrej has created a range of training programs for underemployed rural and urban youth that expand its distribution channels across India to reach more customers.

Godrej is not alone in creating large-scale skills building programs. **Cisco**, the leading provider of networking equipment, has created 10,000 networking academies in 165 countries that have graduated 4.75 million trained network administrators, improving students' employment prospects and increasing the demand for Cisco's equipment. In China, the software company **Neusoft** founded three technology institutes that have educated 27,000 students to meet the shortfall it projects in qualified workers. And **SAP**, the world's leader in enterprise software, is partnering with local universities and education providers to build certification programs in key countries such as Kenya and Brazil in order to expand the number of local consultants that support its customers. Shared value in education need not be limited to job-specific skills. **Verizon Wireless** partnered with a national university to deliver college courses, career coaching, and customized degrees on site for its employees. The company has discovered that employees in the program

are twice as likely to remain with the company and twice as likely to receive a promotion, dramatically reducing Verizon's costs associated with high employee turnover.

Tap Unconventional Sources of Talent

Companies that take a broad view of workforce needs also look for talent in unconventional places. While many companies compete for graduates from top universities, shared value companies find new ways to train and hire individuals that need jobs most. This could include young adults who are out of work and school, women who lack access to employment opportunities, or individuals with disabilities. **SAP**, for example, employs people with autism in technology-focused roles that concentrate on their unique strengths. In doing so, SAP has access to a huge pool of untapped talent that will help the company think creatively and spark innovation.

Consider also **CVS Caremark**, one of the largest pharmacy health care providers in the United States. In 1996, CVS's Government Programs department piloted a training program to move welfare recipients off of public assistance and into entry-level jobs in retail pharmacies. Two decades later, CVS has hired more than 80,000 entry-level workers from public assistance, and retention rates among this population are double those of other employees.

For CVS, the success of this program has hinged on partnerships with state and federal workforce agencies in communities with high unemployment. Each year, CVS works with

government partners to recruit and train talent via six Regional Learning Centers in key CVS geographies. While the government operates these centers, CVS covers the cost of training and ensures a job-aligned curriculum for 1,500 participants annually. By connecting these individuals to employment, CVS also benefits from federal Work Opportunity Tax Credits, which generate a 179 percent return on CVS's expenditures. Together, this financial incentive, coupled with increased retention, has built internal momentum for the program. Instead of viewing the needs of welfare recipients and the underemployed as a challenge solely for government, CVS has discovered a new avenue for attracting and retaining the employees that the company needs to grow.

Build Regional Collaboratives that Link Education to Employment

Businesses, schools, and governments all play essential roles in overcoming regional skills gaps, yet they rarely engage with each other in meaningful ways. Businesses that transcend these silos can make a profound impact on their own talent needs and the needs of the surrounding region by building regional collaboratives of education institutions, companies, governments, and nonprofits that address shared skills gaps at scale.

A good example of this type of collaborative is the New Employment Opportunities (NEO) Initiative. In 2012, five of Latin America's leading employers — **Walmart**, **Caterpillar**, **Microsoft**, **CEMEX**, and **McDonalds** — joined with the Inter-American Development Bank (IDB) and the International Youth Foundation (IYF) to train one million youth in Latin America and the Caribbean by 2022. Across the region today, 32 million young people (one in every five aged 15 to 29) are neither at work nor in school, while half of employers say they struggle to find qualified employees. By launching large-scale training programs that include technical and life skills, internships, and job placement services, NEO will help address these dual crises.

Collectively, NEO's founding partners have committed \$37 million in cash and in-kind resources; each company contributed \$5 million, as well as technical expertise on workforce needs, internships, and entry-level jobs for program graduates. The IDB and IYF have also been key brokers of the initiative, working with companies to define common job competencies and engaging more than 300 training partners. As a result of their collective effort, the companies will benefit from a new talent pool equipped to meet their labor force needs. By working together, NEO's partners are creating a far more robust and cost-effective training and placement program than any one actor could build alone.

Align Curricula and Standards with Workforce Needs

Creating new systems of education that better connect education to employment also requires standards and curricula that align with labor market needs. Companies that connect specific job needs to changes in policy and partner with educators to develop and deliver relevant curricula can extend their reach far beyond isolated workforce development programs.

Consider **Intel**. With business growth constrained by a chronic shortage of talent in science, technology, engineering, and math (STEM) disciplines across the United States,

Intel's investments in science, technology, engineering, and math education have affected millions of students across the U.S. and are fueling the company's talent pipeline, while increasing revenue.

Intel has embarked on a company-wide effort to transform STEM education nationwide. Today, Intel invests more than \$100 million annually in programs and partnerships that strengthen education globally, including STEM curricula and standards throughout the U.S. education pipeline. Through programs like Intel Math and Intel Teach, the company has delivered instructional materials, online resources, and professional development tools for hundreds of thousands of educators across the United States to enhance students' STEM and other 21st century skills, including critical thinking with data and scientific inquiry. By analyzing its own workforce needs, Intel uncovered specific skill gaps in areas like technology and engineering,

and the company has focused its investments accordingly. For example, it created higher education curricula in high-demand areas like microelectronics, nanotechnology, security systems, and entrepreneurship. Outside the classroom, Intel has developed a STEM policy toolkit and leverages its lobbying capabilities to encourage policies that promote a more globally competitive education in the United States. Together, these efforts have affected millions of students across the country and are fueling Intel's talent pipeline and innovations in science while simultaneously increasing the company's revenue.

The Interplay between Shared Value and Corporate Philanthropy

Shared value is not philanthropy. It is a management strategy that delivers measurable business returns. Yet companies can use philanthropy to unlock shared value in ways that increase both the social and business benefit of their contributions.

First, companies can employ philanthropy to complement their long-term shared value investments. Charitable giving is a particularly important tool for companies to use in education because it allows them to invest in high-need areas that may not have a clear or immediate return. For example, companies can strengthen their long-term workforce by investing in early childhood education or education reform efforts. In the United States, the GE Foundation has contributed \$200 million in philanthropic donations since 2005 to support systemic improvements in seven urban school districts that are home to significant GE businesses. These investments are helping close

regional achievement gaps while strengthening GE's long-term talent pipeline.

Second, companies can use philanthropy to incubate shared value opportunities, learn about unmet educational needs, and pave the way for future business. Philanthropic funds can reduce risk and provide the "patient capital" to explore innovative and unproven opportunities. The Intel Teach program, for instance, began as an Intel Foundation initiative to train teachers to use technology in the classroom to develop 21st century skills. As it expanded, corporate leaders realized its potential to improve product implementation and customer relationships, and they moved it from the foundation to the business. Intel Teach has now reached more than 10 million teachers, serving as a competitive differentiator that complements Intel's other education assets.

Recommendations

When corporations transform themselves from passive consumers of talent to catalysts for developing a skilled workforce, they create a long-term competitive advantage based on human capital. In turn, they contribute their substantial resources and insight to help increase employability and economic mobility in their communities. While each of

the companies profiled takes a different approach to workforce development, all play an integral role in tackling skills shortages at scale. The following recommendations, based on the practices of these companies, provide a starting point for others that decide to adopt a shared value approach.

- 1 **Reimagine education as a dynamic ecosystem** in which your company plays an integral part. Work with other institutions to develop the educational content and recruit the students necessary for your business to succeed.
- 2 **Look beyond your employees** to consider skills shortages among suppliers, customers, and other potential bottlenecks to business growth.
- 3 **Find new sources of talent.** Expand recruiting and build the education pathways necessary to open jobs to underrepresented or disadvantaged groups.
- 4 **Take a broader view of employees' educational needs** and their professional potential. Think beyond the skills needed for the job right now and consider the future needs of the business as well as opportunities for employees' personal and professional growth.
- 5 **Build industry-wide partnerships** to address skill gaps at scale within a sector and **regional partnerships** to strengthen cross-sector skills within key markets.
- 6 Engage with governments and education institutions to **develop education policies, curricula, and standards aligned with workforce needs.**

A GROWING GLOBAL MIDDLE CLASS IS EXPANDING THE OVERALL MARKET FOR EDUCATIONAL PRODUCTS AND SERVICES



BY NEARLY 50%

FROM \$4.4 TRILLION IN 2012 TO \$6.2 TRILLION BY 2017.

Competing on Student Success

Businesses that sell products and services in the education market have additional opportunities to create shared value through product and service innovations that drive educational success. The aspirations of a rising global middle class, combined with new technologies that create ubiquitous access, have created an immense economic opportunity, as the market for educational products is projected to grow by nearly 50 percent over the next five years. At the same time, growing demands for quality and accountability are leading companies to focus their competitive strategies on the strengths of their learning outcomes. These companies align their own incentives with improving learning, find business opportunities in unmet student needs, and take responsibility for the holistic factors students need to succeed. Companies that lead this shift will find a competitive advantage in a growing market, while those that do not risk losing market share. Consider the following examples.

Align Company Incentives with Student Success

Companies can best deliver on outcomes when they align their own incentives and processes with student success. By doing so, they move beyond good intentions for creating student achievement to embedding that objective into their business model. Take Pearson, the world's largest education company. While Pearson has always been driven by a social purpose — to improve people's lives through learning — the company faces rising customer demand for proven and measurable results in learning. Consequently, the company's growth strategy is grounded in ensuring that every action, decision,

process, and investment will be driven by a clear understanding of how Pearson will make a measurable impact on learning outcomes.

In 2011, Pearson launched an internal "efficacy framework" to evaluate and improve its entire portfolio of products and services. It now requires an efficacy review of every investment above \$1 million, enabling product comparisons and informing product iteration. The process is still in development, yet it has already resulted in improvements. For example, a recent efficacy review of Pearson's English language learning programs has led to more sophisticated use of data and learning analytics to drive far greater personalization.

By making efficacy its new measure of success, Pearson will deliver improved learning outcomes and strengthen its competitive advantage.

Putting efficacy at the core of every business decision has meant a major cultural shift for the company to take greater responsibility for learning outcomes — reinforced internally through efficacy targets and employee incentives and externally through engagement with and feedback from the education community. Ultimately, all new Pearson products and services will be expected to deliver against both financial and

learning metrics, and potential acquisitions will include an efficacy review alongside financial due diligence. At the same time, Pearson is developing a new global research network that will build a wider movement for efficacy across the field. Making efficacy the new measure of success will offer customers the quality they demand, driving Pearson's productivity and profitability by delivering greater social value.

Other companies are rethinking internal processes as well. **Discovery Education** and **Lego**, for example, engage teachers intensively in their innovation process to tailor their products to the needs of educators. A wide range of companies have begun to use data on learning outcomes as a new dimension of product development. With advances in technology, companies can more rapidly collect an array of metrics related to learning, creating feedback loops both during product design and after launch that enable them to improve their products much faster than previously possible. As a result, companies gain a deeper understanding of the impact of their products, become able to adapt those products to educator needs, and increase their ability to compete in a quickly shifting market.

Some have gone even further by linking their revenue to results. **McGraw-Hill**, for instance, has piloted pay-for-performance incentives with Western Governors University. When students earn a B or better in courses relying on McGraw-Hill materials, the company earns a premium. In turn, McGraw-Hill uses the data generated by online systems to better understand student performance and improve subsequent versions of its materials. While pay-for-performance models are not as widespread in education as they are in other sectors, the concept of greater rewards for greater results holds tremendous potential for innovative companies in the sector.

Find Opportunity in Unmet Educational Needs

The unmet educational needs that surround a company can be a new source of business innovation. We see this when **IBM** uses big data and predictive analytics capabilities to determine how individual students best learn, or when **Intel** sends researchers and anthropologists to observe students using technology in school in order to develop more culturally adaptive products.

The process of identifying specific social problems and crafting solutions to address them requires new capacities and often new partnerships for companies. Consider **Houghton Mifflin Harcourt** (HMH), a global learning company that reaches 50 million students worldwide. HMH's adult learning materials are used in a variety of settings, including correctional facilities in the United States. The State of Louisiana recently approached the company about turning its array of adult learning resources into a comprehensive curriculum for prisoners who are about to reenter society. HMH saw that addressing a vast social need — nine million individuals are released from incarceration each year and the rate of recidivism is high — could also open the door to a new market opportunity.

Over the course of a year, HMH product developers worked with the Louisiana Department of Safety and Corrections to craft a curriculum that delivers an array of academic and life skills while meeting state objectives for reentry education programs. The resulting Reentry Prerelease Program contains ten learning modules tailored to the needs and context of an ex-offender population. Topics range from personal development and anger management to employment skills. The curriculum's modularity makes it adaptable to the diverse needs of incarcerated adults, while its standardization is valuable for a highly mobile prison population as well as the prison volunteers who often deliver lessons.

While the Reentry Prerelease Program began in Louisiana, it has since spread to other states across the country. For HMH, serving even a modest share of the nine million individuals who exit prisons and jails annually will grow profit. At the same time, a stronger reentry curriculum will help reduce the \$50 billion spent each year on recidivism costs nationwide and make HMH a more trusted partner for federal, state, and local governments.

Think Holistically about Educational Needs

As companies begin to compete on educational efficacy, they encounter the complexity inherent in learning. Students' success depends on multiple supporting factors both inside and outside of school. Traditionally, companies in education have supplied one or two isolated components — a textbook, a program, a device, and so on. But when companies establish outcomes as their end goal, they begin to think more holistically about educational needs, developing new business models and building partnerships with educators to address them.

In Brazil, **Pearson's** *Sistemas* (school learning systems) business combines multiple products and services to address a wider set of learning needs and distinguish itself from the competition. *Sistemas* provides more than 2,000 schools serving more than 500,000 students with a subscription-based package of curricula, technology, analytics platforms, teacher professional development, and school management. The scope of the *Sistemas* solution creates significant efficiency by optimizing quality and lowering costs for schools relative to comparable services. In 2012, Pearson's *Sistemas* earned tens of millions of dollars in revenue, while 90 percent of students in *Sistemas* public schools tested at least 20 percent above the national standard.

This holistic way of thinking can also apply to companies that do not traditionally serve the

education market. **Western Union**, which drives social and economic growth by promoting financial inclusion, exemplifies this mode of thinking. In 2012, the company handled 28 transactions per second, moving more than \$160 billion, an amount that exceeds the GDP of 147 countries. Many of its money transfers are remittances — funds migrant workers send home to their families — which collectively outstrip all sources of foreign aid combined. When Hikmet Ersek took over as CEO in 2010, he formed a Social Ventures team and charged it with crafting a shared value innovation strategy for greater social and business impact.

Western Union will move over \$1 billion in principal for education in the next three years, providing a significant platform for innovation and business growth.

The team found that a full 30 percent of the company's consumer transfers were used for educational purposes such as tuition, revealing that Western Union had tremendous but unrealized connections to education worldwide. To chart a path forward, the company hosted a "shared value summit," bringing together senior corporate leaders with experts from academia, non-competitive companies, multi-lateral organizations, and NGOs to explore ways to create sustainable financial products that advance education. The event generated 20 new ideas to create value for the business and for society.

Partnerships with government help companies to strengthen enabling factors for educational success at even greater scale. **Microsoft's** Partners in Learning, for instance, is a

15-year, \$750 million initiative that uses government partnerships to support teacher and school leader professional development and strengthen technology sales in 134 countries. By helping address factors like teacher quality, 21st century skills development, and technology access at a national level, Microsoft builds

the conditions for student achievement and strengthens education systems. As a result of these investments, Microsoft has increased the number of Microsoft Office users in education to more than 110 million worldwide and has trained more than 12 million teachers to use technology effectively in the classroom.

Aligning Incentives: The Value of Partnership

Shared value creates a common framework that enables companies, governments, multilaterals, private foundations, and NGOs to combine their different strengths in mutually reinforcing ways. Yet just as shared value requires a mindset shift for companies, it also requires organizations that partner with companies to think differently.

Governments, as a major purchaser of educational products, can establish incentives that encourage companies to compete and be rewarded based on results. This requires that governments play a stronger role in defining quality, strengthen their assessment and data collection systems, and hold education providers accountable for their performance. Educational objectives will inevitably vary from region to region based on cultural and ideological factors, but there remains a core set of skills needed for human development, civic participation, and gainful employment in the 21st century. Global initiatives such as the Learning Metrics Task Force have taken promising steps to align learning measures across countries, but further effort is needed to create international standards for educational effectiveness.

Public and philanthropic funding can encourage more shared value investments by subsidizing the risk of new product development or by offering prizes, advance market commitments, and product development partnerships that incentivize or guarantee a viable market for new products that meet clear performance targets. These techniques, which have proven effective in the field of global health, could be applied equally in global education.

Philanthropic funders can also play a crucial role in bringing together businesses, educators, policymakers, and civil society organizations to develop common goals and better linkages between education and employment. In Africa, the Rockefeller Foundation has invested \$100 million in its Digital Jobs Africa initiative to connect one million disadvantaged youth with jobs in the growing technology sector. Equally important, the Foundation has acted as a neutral broker by convening the private sector and government to create long term partnerships and new pathways to employment.

NGOs themselves play an essential role in helping companies implement shared value initiatives. When companies enter new markets, NGOs can help them understand the local needs and context. NGOs can also help implement educational programs in circumstances where normal corporate profit margins are unattainable. In turn, NGOs that adopt a shared value approach can access the full range of business resources and expertise beyond philanthropy to better serve their constituents. Education for Employment (EFE), for example, has partnered with companies that face skills challenges in the Middle East and North Africa by providing job training and placement for more than 10,000 unemployed youth since 2006, nearly half of whom are women. By partnering with companies to help them fill their talent needs, EFE is also meeting its own mission more effectively than it could by working alone.

Recommendations

When companies begin to compete based on learning outcomes, they move away from imitating the competition or seeking incremental gains in the market. These companies take a fundamentally different position with their customers and uncover new business opportunities. They can also inspire employees, build their reputations in the market, and,

most importantly, create tremendous benefit for learners worldwide. This movement toward outcomes is still nascent, but it represents the future of competition in the education sector. The following recommendations, based on the examples profiled here, provide a starting point for other companies to make this shift.

1 Build a competitive advantage based on the effectiveness of your products, and communicate this to customers and shareholders.

4 Align external and internal incentives with student success as a way to create deeper value for your company and customers.

2 Evaluate products and services based on learning outcomes as well as financial return. Use both of these metrics to gauge the success of your future investments.

5 Take increasing responsibility for the factors outside your company that determine student success. Seek to influence these factors through partnerships, advocacy, and philanthropy.

3 Look at unmet educational needs as business opportunities. Tailor new solutions to specific underserved populations and subgroups, and combine solutions in new ways to better address the diverse needs of learners.

6 Work with government and other partners to set common standards for defining quality and measuring learning across different types of products and services.

COMPANIES THAT CREATE SHARED
VALUE IN EDUCATION CAN, OVER TIME,

REDEFINE THE ROLE OF BUSINESS IN EDUCATION

AS A HIGHER FORM OF CAPITALISM THAT
CREATES A VIRTUOUS CYCLE OF ECONOMIC GROWTH
AND IMPROVED LEARNING OUTCOMES.

Moving Forward

Creating shared value has only begun to take hold in the education sector, but this new paradigm will present tremendous opportunities in the coming years. When companies fully engage in education through shared value thinking, they will become essential, trusted partners for government and civil society. Companies will prove their value to education by delivering usable knowledge and skills at every stage of education from early childhood through the attainment of a meaningful career. By doing so, companies can rediscover their sense of purpose while creating value for themselves and society. More broadly, applying shared value to education can help spark opportunity for individuals and their communities while strengthening the links between school systems, jobs, and the revitalization of the global economy.

Creating shared value in education will not solve every problem facing our schools and workforce. Governments, funders, and nonprofits will continue to play foundational roles in extending opportunity for learners and job-seekers worldwide. But shared value can define a renewed and much more productive

way for business to contribute. When companies draw on their unique strengths as businesses, they can leverage resources and ingenuity that create a profound impact in the education sector. By creating smart incentives and partnerships, government and civil society can bring out the best abilities of business and encourage more companies to embrace shared value thinking.

Yet the greatest steps to realizing shared value will come from businesses themselves. Opportunities in education are emerging. Examples from forward-thinking companies already exist. What's needed is bold leadership from more companies willing to stake a claim on the close connection between their financial success and the success of their surrounding education ecosystem. Companies that do this can create unique positioning in the market and differentiate themselves from their competitors. Most importantly, companies that create shared value in education can, over time, redefine the role of business in education as a higher form of capitalism that creates a virtuous cycle of economic growth and improved learning outcomes across the globe.

Appendix A

List of Interviewees

This paper draws on the experiences and insights of corporate leaders and education experts from nonprofits, foundations, academia, and government. The individuals listed below were generous enough to share their time in interviews conducted between July and October 2013.

Alice Albright
CEO, Global Partnership
for Education

Sara Allan
Deputy Director, College
Ready Education, Bill &
Melinda Gates Foundation

James Applegate
Former Vice President of
Strategic Impact, Lumina
Foundation

Edith Asibey
Consultant, Global
Business Coalition
for Education

Teodora Berkova
International Affairs
Manager, Pearson

James Bernard
Global Director, Strategic
Partnerships, Education
Programs, Microsoft

Amy Black
Vice President, Growth
Strategy & Development,
Teach For All

Tony Bloome
Senior Education
Technology Specialist,
USAID

Talya Bosch
Vice President, Social
Ventures, Western Union

Marc Boxser
Group Director for
External Relations &
Strategic Initiatives, GEMS
Education

Nicholas Burnett
Managing Director, Results
for Development Institute

Kelli Campbell
Senior Vice President,
Discovery Education

Karen Cator
CEO, Digital Promise

Peter Cohen
President, McGraw-Hill
School Education Group,
McGraw-Hill Education

Heather Connelly
National Corrections and
Community Colleges
Strategic Senior Account
Executive, Houghton
Mifflin Harcourt

Mary Cullinane
Chief Content Officer and
Executive Vice President,
Houghton Mifflin Harcourt

Maggie DeMont
Senior Vice President,
Product Management and
Strategy, Houghton Mifflin
Harcourt

Sanna Eskelinen
Global Lead for Social
Investments, Nokia
Corporation

Suzanne Fallender
Director, Global Girls and
Women Initiative, Intel
Corporation

Eric Fingerhut
President and CEO of Hillel
International and former
Corporate Vice President
of Education and STEM
Learning, Battelle

Amanda Gardiner
Head of International
Affairs, Pearson

Chris Goodson
Senior Vice President,
Education Services
Innovation, Houghton
Mifflin Harcourt

Bill Goodwyn
President and CEO,
Discovery Education

Jessica Hubbard
Director, Corporate Social
Responsibility, Houghton
Mifflin Harcourt

Jesper Just Jensen
Senior Director, LEGO
Education

Eric Johnson
Technical Lead for
Youth and Workforce
Development, Office of
Education, USAID

Michael King
Vice President, IBM Global
Education Industry, IBM

Juan Lopez-Valcarcel
Chief Digital Officer,
Pearson

Brittany Lothe
Head of Global Corporate
Social Responsibility, SAP

Edward Mackle
Project Manager, UN-
Business Partnerships, UN
Global Compact

Dorothy Martin
LearningLINK National
Program Manager, Verizon
Wireless

Barbara McAllister
Director of Global
Strategic Initiatives,
Intel Foundation

Jamie McAuliffe
President and CEO,
Education for Employment

Branka Minic
Founder, Future Work
Consulting

Mona Mourshed
Director, Education
Practice, McKinsey &
Company

Tamela Noboa
Vice President,
Strategic Partnerships,
Discovery Communications

Mekler Nunes
Executive Director for
K–12 Brazil, Pearson

Bianca Olson
Vice President, Corporate
Communications,
Houghton Mifflin Harcourt

Shantanu Prakash
CEO, Educomp

Deborah Quazzo
Managing Partner, GSV
Advisors

Jan Rivkin
Bruce V. Rauner
Professor of Business
Administration, Harvard
Business School

Saad Rizvi
Senior Vice President,
Efficacy, Pearson

**Michael (Gus)
Schmedlen**
Vice President,
Worldwide Education,
Hewlett-Packard

Pfungwa Serima
CEO, SAP Africa

Jim Shelton
Assistant Deputy
Secretary for Innovation
and Improvement, U.S.
Department of Education

Jennifer Silberman
Vice President,
Corporate Responsibility,
Hilton Worldwide

Awais Sufi
Executive Vice President
of Programs, International
Youth Foundation

David Tole
Strategy and Content
Analyst, Safaricom

Cheryl Toto
Senior Vice President,
Content & Product
Innovation, Houghton
Mifflin Harcourt

Susan Traiman
President, edSIGHT

Christie Vilsack
Senior Advisor for
International Education,
USAID

Andrew Waititu
Managing Director for
Kenya, SAP Africa

Frazier Wilson
Manager, Social
Investment, Shell Oil
Company

Rebecca Winthrop
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