



Social Impact Consultants

Discovering better ways
to solve social problems

Creating Shared Value: Making the Case in Your Company

A conversation with:

- **Mark Kramer**, Founder and Managing Director, *FSG*
- **Marc Pfitzer**, Managing Director, *FSG*
- **Paul Ellingstad**, Health Director, Office of Global Social Innovation, *HP*
- **Jessica Hubbard** (formerly Stannard-Friel), Senior Manager Corporate Social Responsibility, *Houghton Mifflin Harcourt*
- **Paul Snyder**, Vice President Corporate Responsibility, *InterContinental Hotels Group*

September 28, 2011

Today's Agenda

Introduction to Creating Shared Value

Mark Kramer and Marc Pfitzer, FSG

Making the Case for CSV at HP

Paul Ellingstad, HP

Making the Case for CSV at HMH

Jessica Hubbard (formerly Stannard-Friel), Houghton Mifflin Harcourt

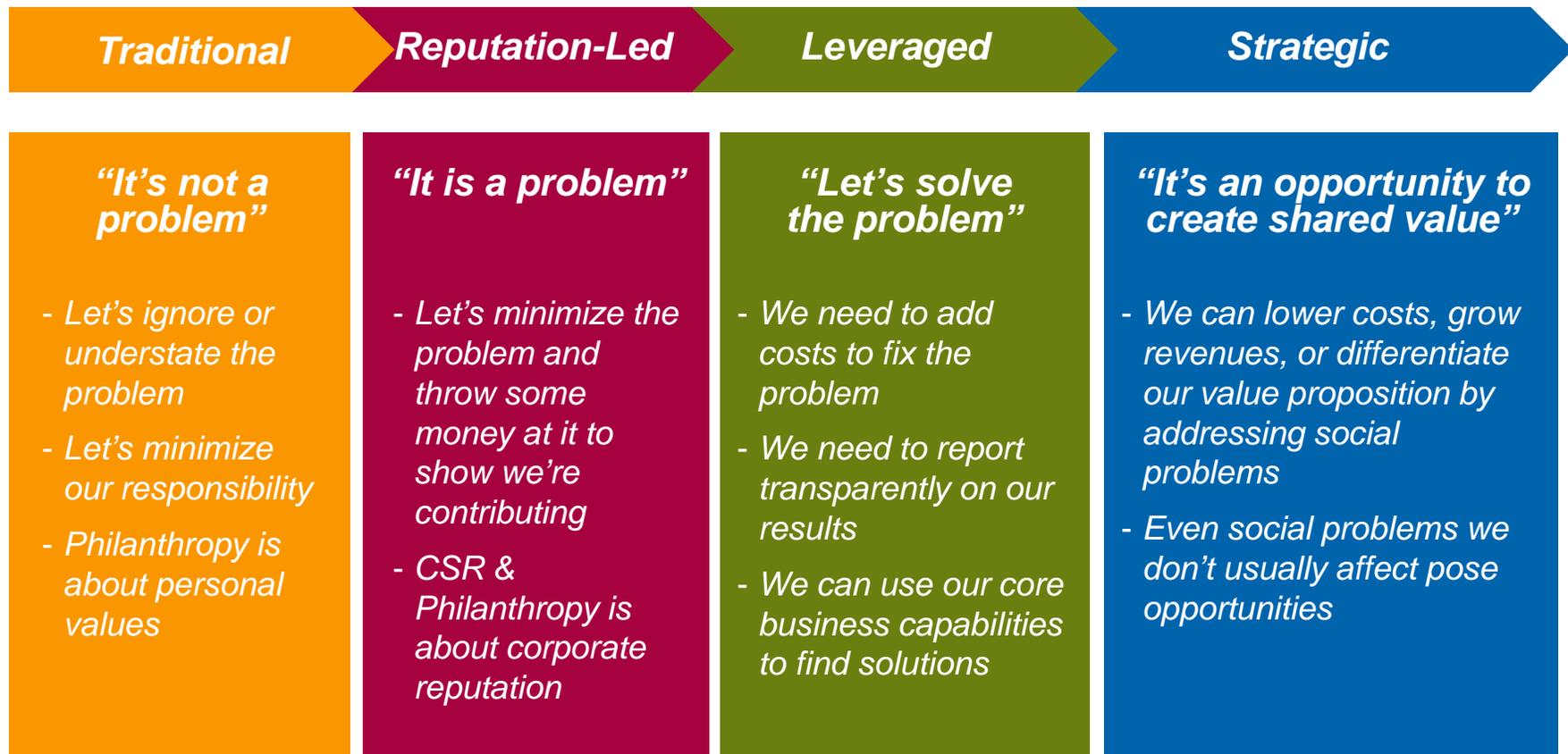
Making the Case for CSV at IHG

Paul Snyder, Intercontinental Hotels Group

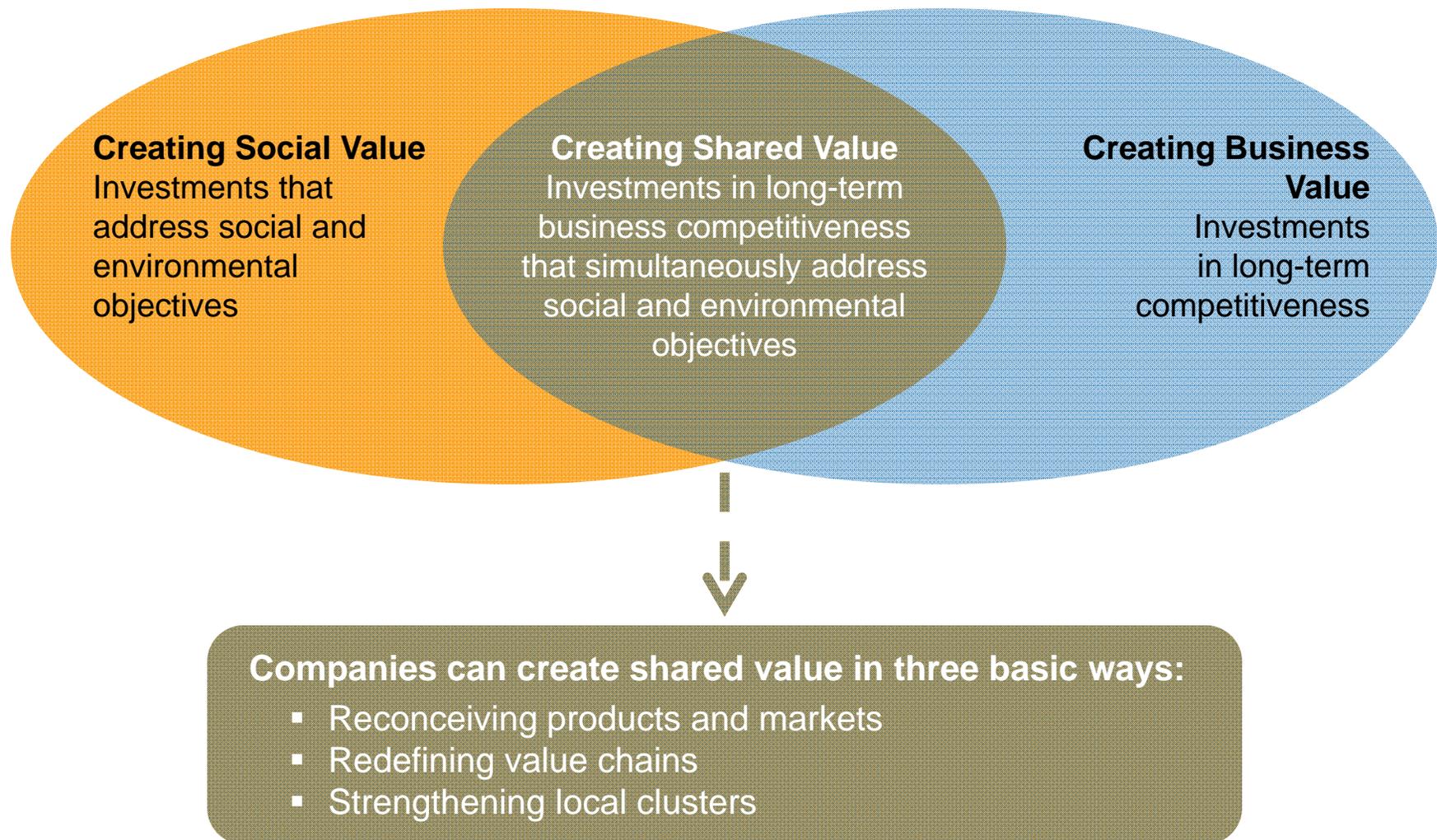
Audience Questions & Answers

Wrap-up

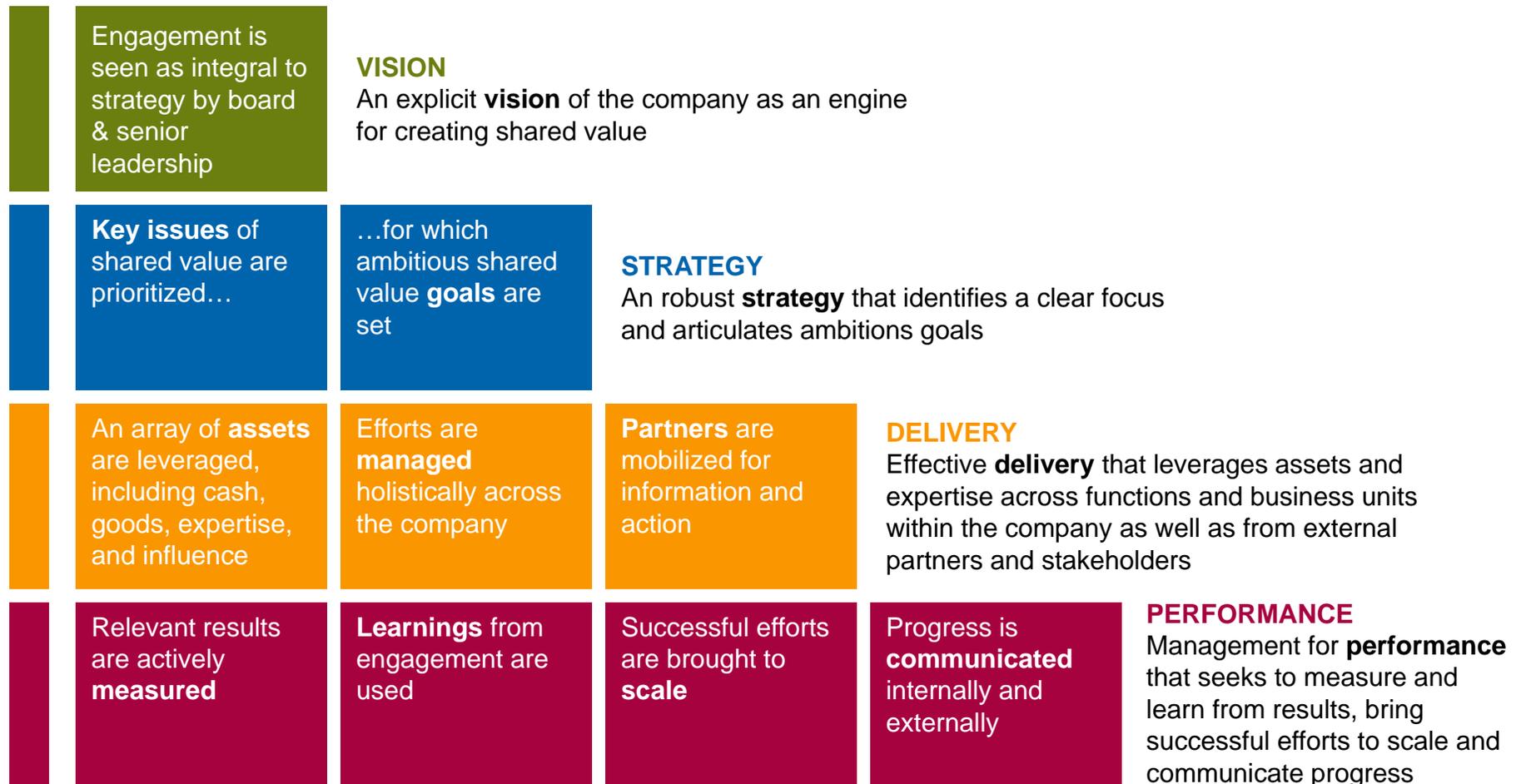
Companies' Approach to Engaging with Society Is Evolving



Shared Value Is Created When Both Social and Business Issues Are Addressed, Connecting a Company's Success with Social Progress



Creating Shared Value Can Be Broken Out Into Ten Key Building Blocks



Shared value strategies require buy-in from every part of the company – making the case to internal decision-makers is critical

FSG has drawn three main lessons from its work with clients on CSV implementation to date

1

Companies should work from the inside out and from the top down

- In any organization, **corporate leadership sets the tone** – win the hearts and minds of those at the top first
- Although led from the top, shared value is typically created at the business unit level. **Engaging managers from across the company** in CSV is therefore essential.

2

It takes time to embed a shared value approach

- **Identify and communicate early successes** to maintain momentum – such quick wins could be from “legacy” programs
- **Track progress against goals** to keep initiatives on track and to demonstrate progress
- Constantly **adapt and update your strategy** based on new information – treat shared value implementation as the launch of a new business unit

3

The process requires change managers more than program managers

- The primary emphasis of the team charged with implementing shared value should be **internal facilitation and change management** – not external relations (e.g. grant administration)
- The team will also require a **strong link with and oversight from the board** and sufficient managerial **authority to act**

Going beyond 'a theory': A solid plan, engagement, adaptability



About HP's CSV journey

- Founders Bill and Dave instilled CSV principles
 - Turning point in CSR strategy in 2H 2009; Board level engagement
 - Realize the potential of HP's 320K employees in 170+ countries
 - Focus on Global Health, Education, and Entrepreneurship
- Entering third year of CSV transformation
 - Vision, Strategy and Delivery largely in place but some refinement based on learning's and situational changes
 - Building and strengthening processes and support infrastructure to effectively and efficiently manage performance

T. Edison: "Vision without execution is hallucination."

Trust in the process and use it; adapt to the situation



- **Vision**
 - Defined a very clear vision and point of view, including rationale
 - Engagement at all levels of the company, and external views, too
 - A consultative approach to defining strategy; buy-in through participation
- **Strategy**
 - Resources will never meet demand
 - Transparency about choice models
- **Delivery**
 - Understand the ecosystem and its players
 - There is a cost to collaboration
 - Transparency re: roles & responsibilities and motivations & expectations
- **Performance**
 - Keep your clients and stakeholders informed
 - Essential to measure impact and outcomes; near-term and long-term

***Implementing CSV is a complex, change management challenge.
You can't "fake it"***

Realizing the potential of CSV will require long-term commitment



- Innovation (and problem solving) requires methodology and rigor
- The ecosystem matters. Embrace the talent of its players
- Transparency at all stages and in all facets of the transformation is essential

In 2011, HMH Launched a CSR Department Based on the Principles of CSV



About HMH's Approach

- Four pillars
 - Corporate Citizenship
 - School Turnaround
 - Global Teacher Effectiveness
 - Research & Evaluation
- Social Goals: Maximize educational outcomes
- Business rationale
 - Foster innovation
 - Develop customer relationships (open doors)
 - Maximize product effectiveness

- HMH's CSV Journey
 - Timeline
 - Started working with FSG on strategy in early 2010
 - SVP hired, department created in early 2011
 - Process started by CEO, Chief HR Officer after company reshaped by major mergers/acquisitions
 - Currently in process of turning strategy into reality – formalizing processes, developing partnerships, running pilots, etc.

HMH Has Sought to Co-Create CSV Programs with Business Units



- HMH's CSR group focuses on engaging senior leaders early and often
 - Engaged wide range of senior executives (34 internal interviews) during strategy development phase, with CEO as customer for recommendations
 - Working with individual business unit heads to flesh out and implement CSR pillars most aligned with particular groups – co-create our activities
- We treat our company's executives as our clients
 - Focus on developing one-on-one, in-person relationships
 - Lead with fit between CSR and their business needs
 - Act as service organization to other business units
- We recognize that building buy-in is a moving target; we must frequently recalibrate our approach



HMH's Top Tips for Making the Case for CSV

1. Appoint a **high-ranking executive** to lead your CSR department
2. **Invest time** in making the case; it's an iterative process
3. Work to **understand deeply what your business units do** and need
4. Focus on **what is important to your business units**, not you
5. Make your colleagues' lives easier; consider **focusing on under-resourced units**
6. Be comfortable **acting both strategically and tactically** – both have their place
7. **Tell the CSV story** coherently, frequently, and throughout the company
8. Focus on the good, not the perfect, to go after **quick wins**
9. Be clear that you are a **change agent**, not program manager, from the start
10. Develop a strong **network** within your company

CSV has been CR frame since 2006



About IHG's CSV

- A top down, progressive, and iterative approach
- Revealing alignment of CR activities to business priorities
- A belief in the fact that CR is “what’s next” in business innovation – “we are an innovation shop” – in Operations, in Brands, in most everything

- Our units and corporate offices were already practicing CSV in many ways (though they didn’t call it that – it is part of hospitality DNA), but efforts were disaggregated.
- Different stakeholders are at different levels of maturity.
- A constant drumbeat of messaging that CR and financial returns (or any traditional business priority).
 - Are not mutually exclusive
 - Are not zero-sum
 - Are fully interdependent and mutually empowering

By promoting CR with a CSV frame, CSV is increasingly becoming the frame of other parts of the business.



Start at the Top – but also constantly harken to rank-and-file

- The Top –CEO, Board, Senior Executive
 - They help deliver (and reinforce) the message
 - They allocate resources
 - They provide air-cover, focus, impetus ... you name it ...
 - Can't do it without them

... but don't forget and equally important partner ...
- The Rank and File: Employees and Guests
 - More mature in CSV-orientation than **most** senior leaders and **almost all** middle management
 - Constant examples of “leadership”
 - It's hard to lose when placing priority on guests and/or employees

The two hardest parts (for us):

1) being authentic to rank & file, and 2) activating middle management

A current example of making a CSV case



- Green Engage v2.0 – sustainability measurement and action platform
- Driving to double subscriptions in Americas region by year-end
 - a franchise environment (it's their business)
- We have provided our field consultants with four “Business Cases”
 - Generate Top Line Revenue
 - Lower cost
 - Engage employees
 - Harmony with environment
- “They only need one reason to sign-up” – but some need all four
- CEO – *“I don't know if I believe in all this environmental stuff – but I do know two things: 1. my customers and employees do and 2. I like more money.”*
 - Example: CFL change out from four years ago – we didn't even mention environmental benefits – just sold it on financials

Value may be shared, but it is not necessarily equal – we take care not to pretend otherwise.

Audience Questions



Paul Ellingstad
HP



Marc Pfitzer, FSG



Paul Snyder
InterContinental Hotels Group



Jessica Hubbard
(formerly Stannard-Friel),
Houghton Mifflin Harcourt

Thank You!

- Thank you for joining in the shared value 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, and to download the report, visit www.fsg.org and click on *Creating Shared Value* or contact us at *info@fsg.org*

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