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

Traditional | Reputation-Led | Leveraged | Strategic
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“It’s not a problem” | “It is a problem” | “Let’s solve the problem” | “It’s an opportunity to create shared value”
- Let’s ignore or understate the problem
- Let’s minimize our responsibility
- Philanthropy is about personal values
- Let’s minimize the problem and throw some money at it to show we’re contributing
- CSR & Philanthropy is about corporate reputation
- We need to add costs to fix the problem
- We need to report transparently on our results
- We can use our core business capabilities to find solutions
- We can lower costs, grow revenues, or differentiate our value proposition by addressing social problems
- Even social problems we don’t usually affect pose opportunities
Shared Value Is Created When Both Social and Business Issues Are Addressed, Connecting a Company’s Success with Social Progress

Creating Social Value
Investments that address social and environmental objectives

Creating Shared Value
Investments in long-term business competitiveness that simultaneously address social and environmental objectives

Creating Business Value
Investments in long-term competitiveness

Companies can create shared value in three basic ways:

- Reconceiving products and markets
- Redefining value chains
- Strengthening local clusters
Creating Shared Value Can Be Broken Out Into Ten Key Building Blocks

**VISION**
An explicit vision of the company as an engine for creating shared value

**STRATEGY**
An robust strategy that identifies a clear focus and articulates ambitions goals

**DELIVERY**
Effective delivery that leverages assets and expertise across functions and business units within the company as well as from external partners and stakeholders

**PERFORMANCE**
Management for performance that seeks to measure and learn from results, bring successful efforts to scale and communicate progress

**Key issues of shared value are prioritized...**

**An array of assets are leveraged, including cash, goods, expertise, and influence**

**Efforts are managed holistically across the company**

**Partners are mobilized for information and action**

**Relevant results are actively measured**

**Learnings from engagement are used**

**Successful efforts are brought to scale**

**Progress is communicated internally and externally**

*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

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

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

- The Top – CEO, Board, Senior Executive
  - The 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

Marc Pfitzer, FSG

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

Paul Ellingstad
HP

Paul Snyder
InterContinental Hotels Group
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

Today’s webinar presented with the generous support of Hewlett-Packard. And with thanks to the Committee Encouraging Corporate Philanthropy.