Confronting Shared Value:
Exploring the Opportunities and Challenges
in the New Paradigm to Social and Business Value Creation

With generous support from SFU BEEDIE SCHOOL OF BUSINESS SIMON FRASER UNIVERSITY

Symposium Report

December 3-4, 2014

Toronto, Canada

Background

In 2013, the Devonshire Initiative, Deloitte, and Norton Rose Fulbright Canada embarked on a unique partnership to develop and deliver a learning and dialogue event that would allow Canadian businesses, international NGOs, and other stakeholders to come together around shared challenges and opportunities confronting them in their international work. This two-day event brought together senior leaders to examine the collaboration and innovation imperative facing organizations working in emerging markets / developing countries.

In 2014, the Devonshire Initiative, Deloitte and Norton Rose Fulbright Canada returned to this successful partnership to revisit some of the challenges and themes that emerged central to the discussions of the first symposium, and to confront front-line issues in the social and environmental realm. There was a broad mandate from the three partners' constituents to take up the concept of Shared Value and to test its applicability, viability, and feasibility, with a cross-section group of businesses, NGOs, government and academia. The two-day symposium took up the following as its guiding lines of enquiry:

- Does creating Shared Value reflect a **sustainable, impactful and appropriate way for the private sector to engage** with the international development agenda?
- How are Canadian companies applying **Shared Value concepts in innovative ways** to solving social and economic challenges, **while also creating a benefit to their business**? How are they **measuring** this?
- Can a shared value approach enhance the usefulness of **multi-stakeholder collaboration**? Does it create new opportunities for cross-sector partnering, or does the shift lead to a lack of common ground?
- Can a shared value approach co-exist in a company with an advanced and mature **approach to CSR**? When put in practice, are these approaches complimentary, contradictory, or just a synonym?
- Can **NGOs advance their own missions through shared value partnerships** with companies and other stakeholders?
- Can a shared value approach help **deliver on improved social and development** outcomes in communities of interest?

Despite at times lively debate about some of the theoretical and operational implications of shared value thinking, the general feeling from participants at the end of two days was that SV is an important and influential concept, one that may win over boardrooms and be fertile ground for new cross-sector collaborations. Along the way, this two-day symposium was widely felt by participants to be a useful and engaging way for a diverse cross-section of companies, NGOs, government representatives, and academics, to come together to wrestle with mutual interests and challenges around the shared value paradigm. By way of the symposium design – emphasizing dialogue, small group interaction, and debate and divergence alongside agreement and convergence – a number of important themes, issues and observations emerged, which are captured in the report that follows.

Going forward from the symposium, it was generally agreed that what remains for shared value is to sharpen its common meaning, identify its boundaries and risks, better define the metrics by which it will be measured, and start to develop a solid body of evidence and practice around the SV domain. In particular, this will include attention on the issues of semantics (SV versus CSR), metrics, and the relationship between SV and human rights.

Shared Value: Setting the Stage

Prior to the symposium, participants were given a read-in document examining some of the leading thinking around the Shard Value paradigm. Two noteworthy pre-reads were the paper that kick-started the Shared Value movement (*Creating Shared Value, 2010*) and a paper challenging this paradigm (*Contesting the Value of the Shared Value Concept, 2014*).

Creating Shared Value (2010). The seminal piece in Harvard Business Review by Michael Porter and Mark Kramer, challenging companies to come in from the cold and take responsibility for bringing business and society back together. Porter and Kramer present Shared Value as a solution to companies that are stuck in a mindset where social issues addressed through CSR sits at the periphery of the firm, and reflects a response to external pressure, rather than being at the core of the business**.** Shifting from this narrow or 'traditional CSR' interpretation will require managers to move away from treating business imperatives and social issues as being trade-offs of one another (or as existing in separate realms). To Porter and Kramer, it is not about redistribution of fixed resources, but about finding ways to create an even larger pool of resources which benefit all stakeholders, including business and society alike. They suggest that Shared Value can be created in one of three ways:

1. **Reconceiving products and markets** (e.g. tapping into and better serving disadvantaged communities and developing countries);
2. **Redefining productivity in the value chain** (e.g. procurement; energy use and logistics; or resource inputs); and,
3. **Enabling local cluster development**.

Contesting the Value of the Shared Value Concept (2014)**.** Schulich Professor Andrew Crane, along with global colleagues, offers a counter-argument. They challenge Shared Value thinking, cautioning that it is misleading business managers as to the reality of (societal) challenges confronting companies. In an article appearing in California Management Review, three critical challenges to Shared Value are identified. First, contrary to the dismissive way that Shared Value thinking treats societal-vs.-business trade-offs, Prof. Crane and his co-authors suggest that "trade-offs cannot simply be ignored." Second, skeptics warn that ignoring issues of compliance with legal and ethical norms – as they believe Shared Value thinking encourages – risks being an opportunity for managers to avoid the true source of society's present discontent with business. Finally, Prof. Crane and his co-authors challenge the Shared Value thinking for leading to a way of thinking that privileges the role of business – and the need for a sound business case to address most societal challenges – at the expense of 'collaborative mindsets' required to bring together business, government, and civil society to tackle the 'big' problems.

Sustainable Development, Value Creation, and the Role of the Corporation

The symposium opened with discussion on the current state of engagement by corporations with the social, economic and environmental agenda around sustainable development. By now, the language of sustainable development has unequivocally infiltrated all industry sectors, though the response by companies has varied widely. There was some concern that Canadian companies have taken a step back from leaders and innovators in the application of CSR, sustainable development and shared value concepts to addressing social challenges. Through the 1980s and 1990s, a number of Canadian companies (examples described included Noranda, Placer Dome and Falconbridge) set a high benchmark globally for their engagement with the communities in which they operate, on a variety of socioeconomic issues. Since then, however, most companies have become entrenched in a largely environmental approach to sustainable development: environmental issues management has become the "default comfort zone" for many companies, to the exclusion of social and economic agenda items.

The problem today is that business as a whole is facing a 'crisis of credibility,' as well noted in the annual trust and integrity barometers produced by Edelman, Globescan, and the like.[1] For many companies, it has been an emphasis largely on risk and reputation management which has shaped their engagement with the sustainable development agenda. Reinforcing this predominantly risk-oriented approach, a growing body of now widely referenced research has demonstrated the potential adverse effect of social responsibility issues on a company's bottom line.

"only half of Canadian corporations' social initiatives should get passing marks."

With the sustainable development agenda framed so narrowly around risk and reputation, it is not surprising that Canadian companies have stalled in their social and environmental performance. For managers to overcome this, they will need to confront a handful of persistent challenges:

1. The inability to articulate a business case for sustainable development (in other words, the need to better link sustainable development / CSR initiatives as being centres of *value creation* – not just risk mitigation)
2. The challenge of demonstrating and measuring success (e.g. answering the question, "are we getting better or worse at sustainable development over time?")
3. The disconnect between traditional sustainability reporting and its *actual* value to key external stakeholders, namely investors
4. The lack of resonance of sustainable development language in the boardroom (e.g. the complexity of the sustainability lexicon is potentially inhibiting communication between CSR managers and key decision-makers)

"CSR, sustainable development, shared value, triple bottom line, and other related concepts have been used so recklessly that they have started to lose meaning"

What does success look like for firms that begin to address these challenges? One presenter offered one answer to this by examining the idea of the "sustainability aura." There is a growing belief (particularly amongst investors) that a firm's management of non-traditional (social, environmental) business risks is indicative of the ability to manage more traditional business issues. Even with near-perfect social and environmental management systems, environmental or social issues can (and likely will) go wrong at some point. The question for managers is what starting point they want their company to be at when it is judged by shareholders and the

[1] For example, see http://www.edelman.com/insights/intellectual-property/2014-edelman-trust-barometer/ and http://www.globescan.com/news-and-analysis/blog/tags/tag/trust-in-institutions.html

public; this latent pool of social capital and goodwill is represented by the idea of the "**sustainability aura**."

Tensions in the Shared Value Paradigm

"Shared value is about business creating value for the firm in a smart way."

"Shared value is about creating economic value for a business while also creating social value for communities and stakeholders connected to the business."

Following the initial discussion on the state of the sustainability agenda within Canadian business, a cross-section of managers and scholars offered varying perspectives on the current application of the 'shared value' approach. It was clear that despite the intuitive nature and general popularity surrounding the shared value paradigm, serious tensions and divergence of opinion continue to challenge both its theoretical foundation and its operational application.

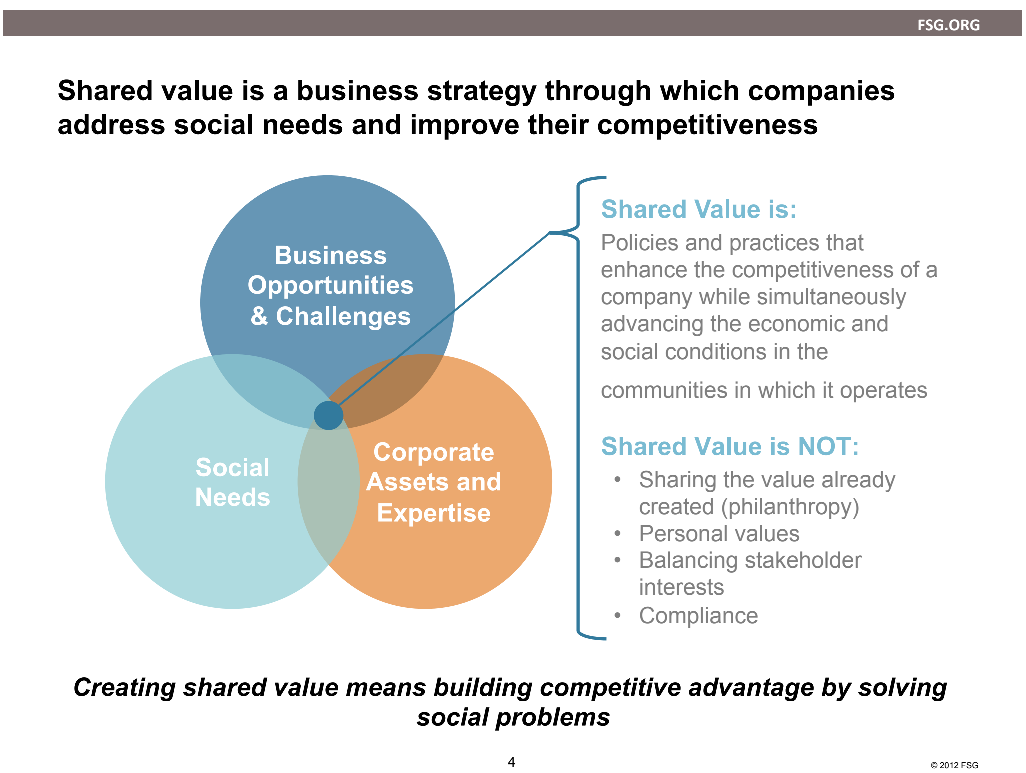

Figure 1. The Shared Value model. From symposium presentation by FSG.

It was widely agreed that shared value is not a one-size-fits-all solution to social issues nor a one-stop principle of business management. Firms should **adopt a 'portfolio' approach** to engaging with social and environmental issues, in which shared value approaches compliment traditional philanthropic contributions, more innovative 'corporate social responsibility' initiatives, and broad corporate commitments around principles of sustainable development. Arguably, such portfolio thinking may lend itself well to some industries (e.g. the extractives and natural resources sectors) more than others; though this statement was challenged by some participants who said that it was a failure of imagination more than anything that was holding back many Canadian industries and businesses from adopting more complex approaches to the social and environmental agenda. As a useful jumpstart for imaginative thinking, one presentation offered a side-by-side comparison of how traditional CSR and shared value concepts may co-exist in a portfolio approach, described in Figure 2.

FSG.ORG

Shared value is different from traditional CSR or philanthropy, but they can work together to create a stronger portfolio

Area	*CSR approach*	*Shared value approach*
Infrastructure	Set up drinking wells for local communities	Develop sustainable water utility leveraging business processes
Technical Training	Provide broad-based skills training with no link to employment opportunities	Create training program based on business and supplier needs and link it to jobs
Health care	Fund construction of local clinic	Develop program to reduce disease burden among population living in mine catchment area

5

© 2012 FSG

Figure 2. Portfolio approach incorporating SV. From symposium presentation by FSG.

Whether shared value represents something unique from existing sustainability practices was a source of contention. A number of commentators suggested this is more than just a 're-labeling' of old approaches; others suggested that this was "an old dog by a new name." Nevertheless, it was agreed that shared value thinking does help to **give strategic direction and framing** to business managers looking to identify new opportunities to link their core business to societal objectives. In the Canadian context, such strategic focus will be paramount in the coming years; one presentation noted that there are more than $750 bn of infrastructure and natural resources projects on the drawing board, all within 200 km of First Nations communities. For business to fully participate in the social fabric of these communities, it will be imperative to bring a "shared value approach integrated into a multi-faceted approach to value creation," noted one presenter.

One business manager stressed that in all the discussion of shared value, CSR, and their counterpart ideas, managers were increasingly under pressure to not lose sight of the core issues they need to manage; for example, **shared value thinking should not be allowed to distract from compliance obligations and regulatory duties**.

"There are some trees that should never be cut."

An important cautionary note around the shared value paradigm relates to its framing on the issue of **distribution of benefits** to the firm and to society. The shared value argues for a focus on creating *new* value shared by all, rather than attention on the ratio of *existing* forms of value distribution between the firm and its stakeholders. In its purest form, shared value thinking may encourage business managers to not think about how to find the right balance between sharing the benefits of business activity with society and the firm, and instead encourages a focus on creating greater levels of value on the assumption that all stakeholders will therefore enjoy greater benefits (that is, making the pie bigger overall). The problem with this thinking, as participants noted, is that it ignores the critical issue of balancing trade-offs (e.g. not every decision is *net positive* to all stakeholders) as well as striking the right ratio of benefits sharing. Many participants argued that at some point, the 'pie' cannot get any larger – ultimately, resources are limited and insufficient to meet all wants, and thus tough questions about distribution and trade-offs need to be addressed. Related to this, along with sharing benefits, there also needs to be hard decisions between business and social stakeholders as to the distribution of responsibilities, impacts, and opportunity costs.

"The Creating Shared Value approach suggests a shift in the strategic paradigm of partnerships."

It may be that shared value thinking is **shifting the paradigm of the cross-sector collaboration**. For some participants, this was a good thing, as it led to more complex systems-level thinking and a desire by different actors to collectively tackle complex social challenges. Such collaboration is necessary to ensure a (near-)optimal and equitable distribution of benefits, while at the same time appreciating that collaboration is complex and that complete alignment between the objectives of all stakeholders is not always (if ever fully) possible. Furthermore, even where partnerships have been successfully created in the shared value space, it is important to recognize these are not universal endorsements of one another's organizations, but rather more narrowly reflect the points at which values are aligned or overlap.

For other participants, however, there was concern that shared value thinking was 'crowding out' space for government, civil society, and other interest groups. By this logic, it was argued that shared value is too focused on the role of the firm and on principles of *business* management, at the expense of respecting the expertise, assets, and legitimacy offered by civil society, government, and other stakeholders. This 'crowding out' effect is of concern given, for example, the critical but still not fully understood role of public policy in enabling (or dis-enabling) a greater flow of value creation between business and society. Indeed, the lack of alignment between government actors and corporate shared value initiatives, as well as the lack of incentives for collaboration, were highlighted as two the most common challenges confronting managers implementing the SV model. Equally, there is some worry a shared value approach may circumvent local ownership, capacity, and governance, a concern particularly relevant amongst an audience of international development practitioners. One participant summed up this challenge neatly when observing that, "irrespective of the labels we give the problem, the issue is about focusing on how business, government and society can 'get it right' together!" Many organizations at the symposium felt that shared value initiatives would benefit from greater attention on cross-sector collaboration.

Issues in Operationalizing Shared Value

Reporting on shared value

A number of discussions touched on the challenges of, and opportunities for, corporations reporting on their shared value initiatives. The existing field of reporting, related to CSR, sustainability and ESG (environmental, social and governance) performance, offers a number of insights into this issue.

Whereas much of the ESG, CSR and sustainability reporting is 'pull' (demand) driven, at the moment reporting on shared value is largely 'pushed' by those companies practicing this approach. That said, even the demand driven reporting tends to be generated in response to the interests of specific groups (e.g. industry associations and best-practice-frameworks that promote reporting; watchdog and advocacy groups; or SRI / ethical investors). As more and more stakeholders adopt the shared value language alongside existing CSR/sustainability paradigms, it may be that we see more demand for reporting that speaks to how businesses are innovating to create jointly firm and social value. As such, companies should be increasingly thinking about reporting on shared value. There may be a premium on being first-movers in communicating on shared value (as firms like Nestle, Unilever and GE have discovered); at the same time, lessons from the sustainability reporting field have cautioned that (particularly for smaller firms), there may not be a risk of not 'following the herd,' for a time at least.

As the trend in sustainability reporting has shifted toward audit and assurance, one discussion focused on whether shared value would ever comfortably fit into a space appropriate for audit or assurance functions. Equally, there was some interest as to whether the move toward integrated reporting could leave space open for shared value to be incorporated. No definitive answers were reached, and these two themes will remain key considerations for managers as they look to increase the transparency, disclosure, and communication around the shared value-type initiatives underway in their companies. Whatever answers companies reach – be it dual (ESG and CSR) reporting, integrated reporting, or something else – it was widely agreed that there is a need for better forms of communications to a diverse public audience, including simplifying the language as well as moving away from anecdotal story-telling alone toward better communication of impacts.

Business, human rights, and shared value

With the UN Guiding Principles on Business and Human Rights (the "Ruggie Principles") now increasingly familiar in the corporate world, attention has shifted toward better understanding how firms can uphold their duty to respect human rights and to ensure access to remedy wherever the operations may run into aggrieved parties. As in the broader CSR and sustainability space, some companies are looking toward identifying new and often innovative ways of promoting opportunities around human rights as a way of managing and preventing risks. Naturally, the shared value paradigm is of interest in this conversation, and received some attention amongst participants at the workshop.

Not surprisingly, a challenge faced by companies in the human rights domain is to identify the appropriate 'sources' of rights: there is a broad spectrum of rights that could fall under the human rights label. Equally, there is the accompanying risk of 'creeping rights': of including so many different considerations that the meaning behind the respect for human rights is watered down to irrelevance. This struggle with 'sources' and language presents an initial operational challenge for shared value thinking in the human rights domain. Above all this, however, the greatest challenge to the marriage of business respect for human rights and promotion of shared value is that "there can be no trade-offs with human rights, which shared value requires," as one participant noted.

"Human rights language can be helpful to understand baseline rights, but can get in the way of win-win outcomes"

There are early signs of promise for bringing shared value thinking into this space through the application of human rights impact assessments (HRIAs). In recent years, best practice in HRIAs has recognized the need to move from one-off exercises toward ongoing processes of monitoring, evaluating, and responding to human rights issues. Robust HRIAs and due diligence are critical for identifying 'sleeper issues'; traditionally, such issues trigged a planning-and-management response by the company. Increasingly, however, such issues may also present opportunities in line with shared value thinking, with the firm and other stakeholders working to jointly address the human rights issue (thereby creating social value) which in turn protects the firm from human rights-related risk (thereby protecting business value). As well, the focus on shared value in human rights opens the discussion to platform- and coalition-type approaches, with a number of stakeholders co-habiting a shared social and economic space coming together to jointly identify and manage such issues.

On balance, then, discussion around shared value and human rights recognized that while managing the thorny issue of trade-offs would be critical, it could still be possible for leading innovative companies to pursue approaches that shifted their engagement with human rights issues from a "do no harm" approach toward one that saw the creation of positive impacts on human rights through social and economic initiatives that were undertaken with a rights-based approach. In the same manner, shared value concepts may be useful ways to facilitate cooperation between parties on human rights matters, though again recognizing the inherent challenge that arises around trade-offs and zero-sum decisions.

Putting shared value into practice via supply chains

For one group of participants in the symposium, the breakout discussion focused on how to operationalize shared value concepts in a meaningful way; in this instance, with a focus on the supply chain and opportunities through local procurement schemes. Joined by facilitators via videoconference from South Africa, the group discussed a number of common issues related to share value in procurement, including:

- The need to make strong internal business cases for 'localization' and the related need to get suppliers and contractors (the upstream element) to join the parent company in thinking about shared value opportunities and footprint;
- The many missed opportunities for local involvement in the supply chain during various parts of a project lifecycle (in the mining sector, for example, this is often overlooked during the closure phase);
- Connected to the earlier discussion around tensions with shared value, it was acknowledged that successful local procurement schemes often must engage with government policy and public incentives to encourage MSME integration in the supply chain – yet at the same time acknowledging that a regulatory approach to shared value (e.g. local procurement laws) are suboptimal in their effect;
- A new challenge for shared value thinking arose around the need to look at ways to work collaboratively within the industry sector, for 'aggregated coordination' between peer (competitor) companies, and for partnerships that transcend the involvement of only one corporate (or NGO) actor – all of this being quite challenging if shared value is largely about creating a more competitive business model;
- The recognition was made that shared value may lead managers to look for easy wins, and to avoid the tough challenges – it is important to "resist the temptation to tweak numbers and take shortcuts when developing sound … approaches" to local development; and,
- Related to the discussion on the need for a portfolio approach in shared value management, it is important to build sound linkages amongst the various initiatives that a company is undertaking, be they under the rubric of SV, CSR, SD, or elsewhere.

Driving change within organizations

A common theme throughout the symposium was the need felt by managers to affect change within their own organizations, in order to more fully realize the ambitions of jointly creating new business and social value through the SV paradigm. Discussions around this theme highlighted a wide-ranging number of useful considerations for managers embarking on the SV approach, as well as for those focused more conventionally on CSR and sustainable development issues. These included:

- Observations around the changing nature of other actors in society, including the fast evolving nature of the modern INGO;
- The recognition that partnerships are not always silver bullets to old problems;
- A spirited discussion on success stories of organizational change, with respect to the sustainable development / 'social performance' agenda – lessons learnt focused on building common ground and consensus internally;
- The recognition that 'quick wins' are fragile, and that something that seems too good to be true may well be that – a cautionary note for those appealing to the SV paradigm as an easy way to manage reputation and stakeholder relations;
- The challenge of replicability with respect both to organizational change and to models of SV; and,
- An appreciation that greater discussion around the SV space needs to incorporate the perspectives of investors – perhaps toward building a 'compact' with their institutions – if organizational change on the company side is truly going to take place.

This theme wrapped up on an interesting note by one participant: "the conversation around shared value models for business and society is as much an internal discussion as it is an external-facing matter for businesses."

Opportunities to create shared value with Indigenous Peoples

This thematic focus began with a discussion that highlighted how through robust shared value problems with indigenous groups, mining, oil, and gas companies ought to see the opportunities to increase profits, stay on schedule and ameliorate external stakeholders. However, the experiences presented during this discussion suggest most firms are content with the status quo, prefer to wait for regulatory direction and are uncomfortable putting resources into creating shared value with indigenous peoples.

This creates interesting space to apply "**positive deviance**": to seek out the outliers who are creating shared value and have them share their stories with their peers to influence change in the extractives sector.

During the breakout, a number of questions were raised by discussants:

- What are the real internal and external obstacles that prevent firms from venturing down the CSV path? Issues raised include ignorance / lack of awareness of political structures, reliance on legal compliance versus more diffuse understandings of social license, and fixation on specific CSR/sustainability paradigms or tools/frameworks.
- Where are you seeing examples of success in creating shared value, and where is this with indigenous peoples? Responses included the White Ribbon / Barrick Gold partnership addressing GBV in indigenous communities.
- What are conditioning factors needed for success in shared value initiatives with indigenous groups? Suggestions emphasized the need to invest time in building relationships, shifting the conversation from "where do you want to go?" to "what are

we going to go together?", building local capacity especially in education and training, and finding ways of sharing accountabilities and sharing risks.

Perspectives from the Top: Keynote Discussions

During the course of the keynote, participants heard from two senior leaders from the Canadian business and government communities, who offered high-level reflections on the changing relationship between business and society in Canada, as well as their personal journeys over the common ground between business, society, and government.

Embarking on a path of organizational change and innovation is not only complex for the company (or other institution), it is also daunting and risky for the individual leading this change. One of the four most commonly identified challenges confronting business managers in the shared value space relates to the nature of organizational structures and behaviours. One of the symposium's keynotes drew attention to the personal nature of these issues while reflecting on their time as the leader of a global company that was striving to be best-in-class while also redefining its role in society. At various points during the presenter's career, it was felt that their parent organization was "losing sight of them while they were busy doing great collaboration." This brought the symposium to a very real and personal space for many in the room. Related to this is the need for greater imagination on the part of companies and managers, a point raised throughout the symposium. One keynote eloquently stated the challenge, pointing out that "current market arrangements do not embrace creativity in the business-society relationship."

"We know more today about what we <u>don't</u> know."

The landscape of business-and-society is more complex now than it ever has been. The critical perspectives and tensions explored throughout the symposium are a reflection of this. At the same time, there is a growing sense of widespread popularity around the idea that companies should take the lead in binding business and social value. The challenge here is in the shifting and dynamic nature of interests; one keynote presenter noted that "while business and society are bounded, our respective 'interests' are mutually dynamic and shifting in ways not always related to one another." This makes collaboration and coordination in the shared value paradigm complex and challenging.

Reflecting on the popularity of shared value, one keynote presenter noted:

> "The theory has friends in many places. For businesses, one advantage of shared value is that it recognizes that economic enterprises are very powerful. And businesses like it very much when they are thought of as powerful.
>
> Social enterprises like the idea that *their* values are going to be imbedded in how business operates. They particularly feel good if they believe they have persuaded

others to adopt their values. It isn't as much fun when they say they share the values from the start."

However, looking back on a career of working to advance social objectives while also bringing strong returns for shareholders, one participant emphasized that the real successes happen when companies stop trying to (unilaterally) "help," and instead participate in meaningful dialogue and relationships. This brought the discussion, and many of the valuable insights from the keynotes, back to the theme and challenge of collaboration. For one keynote, this was all about "initiatives [which] often took us outside our comfortable circles into the space between."

"The big 'shared value' question is whether behaving virtuously makes firms more profitable. Believe me, if it were clear that virtue paid off handsomely, all of corporate doings, indeed all of human history, would have unfolded very differently than it has."

Through the keynote presentations at the symposium, a number of pieces of advice and guidance were offered to the managers in the room:

- "Be aware we know less than we think we know."
- "Challenge your assumptions"
- "Kill your darlings." – Be willing to move beyond and outside your comfort zone and to let go of the totality of your interests and wants when trying to work collaboratively; be willing to let others take credit for the victory sometimes.
- "Draw the discussion into the space between us and into authenticity." – Focus on identifying the stable foundations of your mutual interest and objectives, and building value creating opportunities from that ground.
- "Context, context, context." – What works, what makes sense, and what looks familiar in one place, will almost certainly be completely different in another, even if the people and organizations are the same.
- "Resilience and flexibility." – These are key tenets of effectively leading your organization down the path of shared value as one of your many tools to creating value for your organization and for society.

Where to next?

Two key themes that emerged with widespread support for follow-up discussion and documentation. First, the issue of measurement and metrics will likely define the next set of challenges companies will wrestle with as they operationalize shared value. The question now is whether firms have enough data and results from the shared value paradigm to assess in a meaningful way its effect on realizing societal objectives while creating business value. Some participants felt that such metrics were slowly becoming available. At the same time, others felt that it remains difficult to measure the full costs and benefits of the shared value approach.

A second theme warranting follow-up discussion focused on the difference between opportunities and needs: If shared value is about business and social opportunities, where do we address societal needs? In this, it was agreed that a comprehensive and nuanced understanding of social and environmental context will be critical to effectively executing shared value initiatives (the same is true more broadly of stakeholder engagement and realizing ‘traditional CSR’ outcomes). Equally important will be the role of, and collaboration with, other stakeholders.

FSG.ORG

A Simple Diagnostic Tool Can Help Companies Determine Areas to Address to Improve Shared Value Strategies

Element	Business as Usual	Early Progress	Embedded Shared Value
Approach to Societal Issues	• Emphasis on short-term risk • Reputation / SLTO perceived as primary outcome	• Some understanding of underlying causes of risk • SLTO seen as a barometer	• Programs designed to address root causes of societal needs • SLTO seen as a byproduct of successful programs
Organizational Dynamics	• Social investment teams isolated from the business • Incentive structures do not incorporate societal issues • Lack of fluency on overlap in business and societal issues	• Some cross-functional interaction to develop one-off programs • Societal issues included in planning for all project phases • Emergence of a cadre of business / societal experts	• Project planning includes hand-off on societal issues between phases • Societal issues integrated into roles across the business • Deep expertise in issues at the intersection of business and society across the organization
Measurement of Outcomes	• Measurement of financial contributions only • Societal outcome of programs not evaluated	• Baseline data tracked and key societal needs identified • Measurement systems established to track outcomes	• Programs include robust measurement of business and societal outcomes
Approach to Collaboration	• Partnerships limited to contractor relationship with NGO implementers	• Pilot collaborations developed with one or two others	• Company catalyzes several broad partnerships to address societal issues in areas of operation
Approach to Government	• Reactive response to regulation • Emphasis on meeting requirements	• Programs designed in anticipation of regulation • Business benefit sought from programs put in place to comply	• Company / government / NGO / industry association round tables established to draft constructive policies and regulation

9

Figure 3. Identifying areas for SV strategic. From symposium presentation by FSG.