



Sustainable Shared Value

Business driven sustainable economic growth with a moral compass

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Introduction

Businesses exist to serve shareholders and staff. However, can businesses add value to society and their local communities?

In the 21st century Northern Ireland faces social, environmental, and financial challenges of unprecedented magnitude and complexity. No one actor can resolve these issues single-handedly. The NI Executive and civil society are increasingly calling business to the tableⁱ

So, with these many and varied social issues that need addressed, does this mean that businesses should exist to serve society? Many would argue that “there is only one social responsibility of business, to use its resources and engage in activities designed to increase its profits”ⁱⁱ or more simply “the business of business is business”.

However, in recent years this myopic view of shareholder value has changed and companies can no longer be content to monitor only the obvious social impacts of today. Without a careful process for identifying evolving social effects of tomorrow, firms may risk their very survivalⁱⁱⁱ.

THE PARADIGM SHIFT – RATIONALE FOR CHANGE

If we were to look at businesses established two hundred years ago, it would be evident that many had been established to have both economic and social impact (i.e. Cadburys). However, by the end of the 20th century shareholder primacy came to dominate thinking and many companies have lost that social edge focusing on the financial bottom line as opposed to the “triple bottom line” (social, environmental and financial). However, many organisations are driving change (i.e. BITCNI) advising companies on CSR strategies creating a new breed of transformational companies with embedded social aims. Also, NI government departments and associated advisory bodies such as Matrix are looking for new ways to grow the Northern Ireland economy but also solve our intractable social issues through innovation and co-design. This short report aims to “start the Shared Value conversation” and has the following objectives:

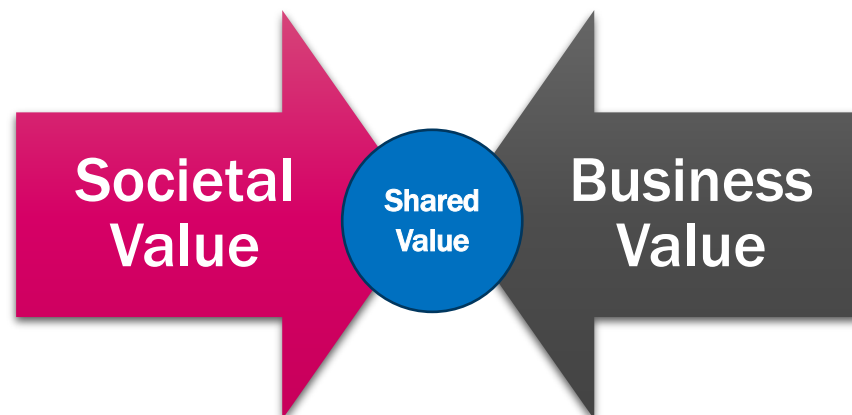
1. Offers a brief overview of the concept of Shared Value (the core differences between traditional CSR and Shared Value).
2. Sets the initial thinking on developing a Shared Value pathway for Northern Ireland that companies can use to embed in their core business strategies and development of a future grading system for SME's.
3. Argue the case that Shared Value should be considered as a core methodology to be supported by the NI government departments.

Convergence of interests

Over the past few decades many people have grown to view the interests of society as being very different to the interests of business and indeed businesses themselves rarely perceived themselves as agents of social change.

However, viewpoints are changing and it is becoming increasingly clear that there is a convergence of interests occurring among large global corporates and they are connecting business success with social progress.

Shared value – a brief overview^{iv}



Shared Value can be defined as policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates. Shared Value creation focuses on identifying and expanding the connections between societal and economic progress.

Bringing Shared Value to Life: Microsoft Working Connections Partnership

Microsoft used Shared Value principles to increase IT skills in Community Colleges to tackle the problem of unfilled IT positions across the United States. Microsoft has achieved results that have benefited many lower income communities.

How to create shared value

How to Create Shared Value Through shared value companies can create both economic value and societal value and there are three distinct ways to do this:

Reconceiving Products and Markets

Society's needs are huge and arguably these intractable social issues are also the greatest unmet needs in our global economy.

In the developed world society is demanding products that meet societal needs (i.e. green energy provision) and due to these new demands whole new areas of innovation and shared value are being created.

Also in advanced economies, there are many opportunities in serving needs of disadvantaged communities and the societal benefits of providing appropriate products to lower-income and disadvantaged consumers can be profound (i.e. tackling fuel poverty).

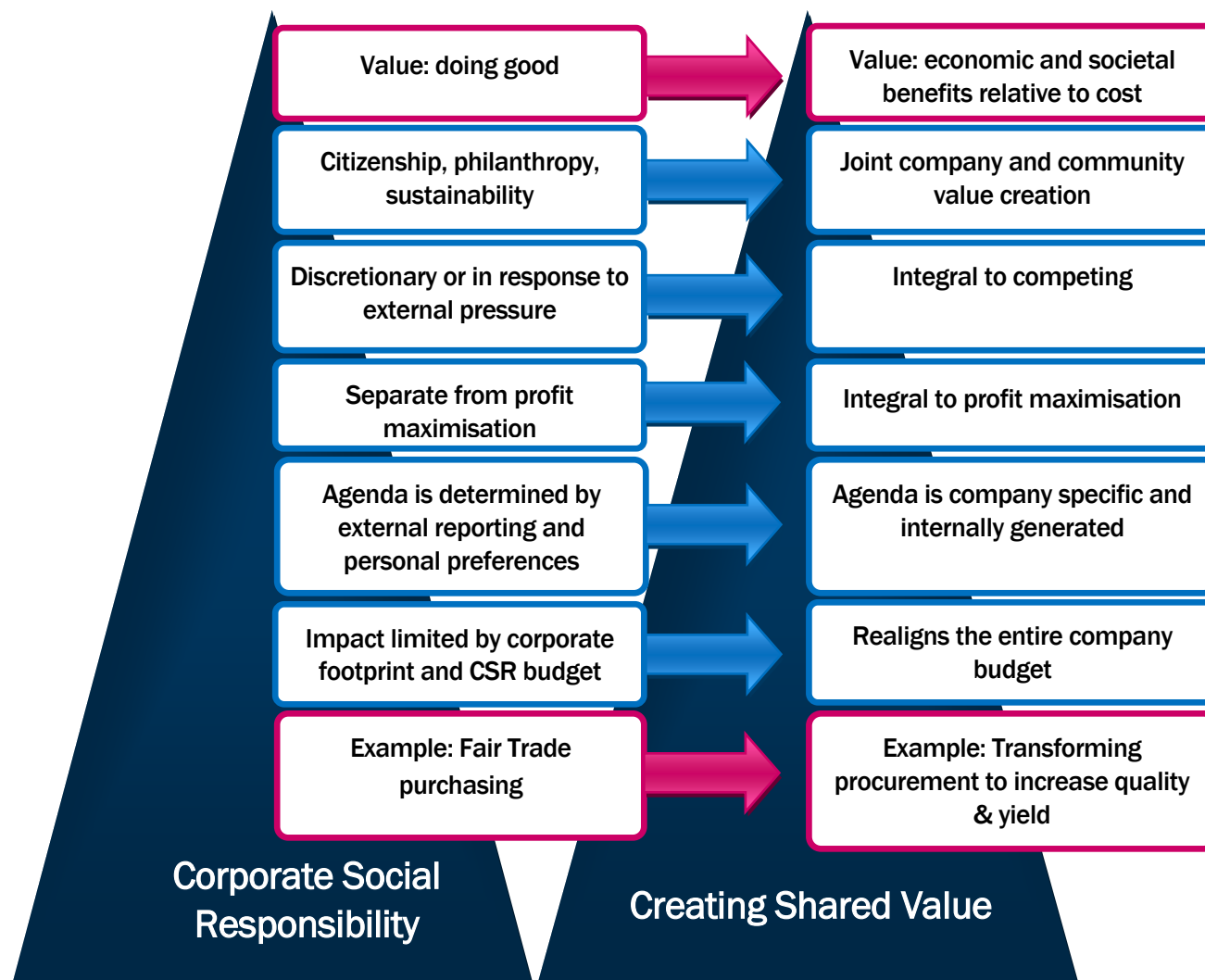
Redefining Productivity in the Value Chain

A company's value chain inevitably affects and is affected by numerous societal issues and recent thinking has revealed that the congruence between societal progress and productivity in the value chain is far greater than traditionally believed. The synergy increases when firms approach societal issues from a shared value perspective and invent new ways of operating to address them.

Enabling Local Cluster Development

It is well documented that productivity and innovation are strongly influenced by "clusters" of companies (i.e. Silicon Valley). Companies create shared value by building clusters to improve productivity while addressing failures in framework conditions surrounding the cluster. This has the knock-on effect of improving local communities and the local economy.

How shared value differs from CSR^v



How shared value differs from classic CSR

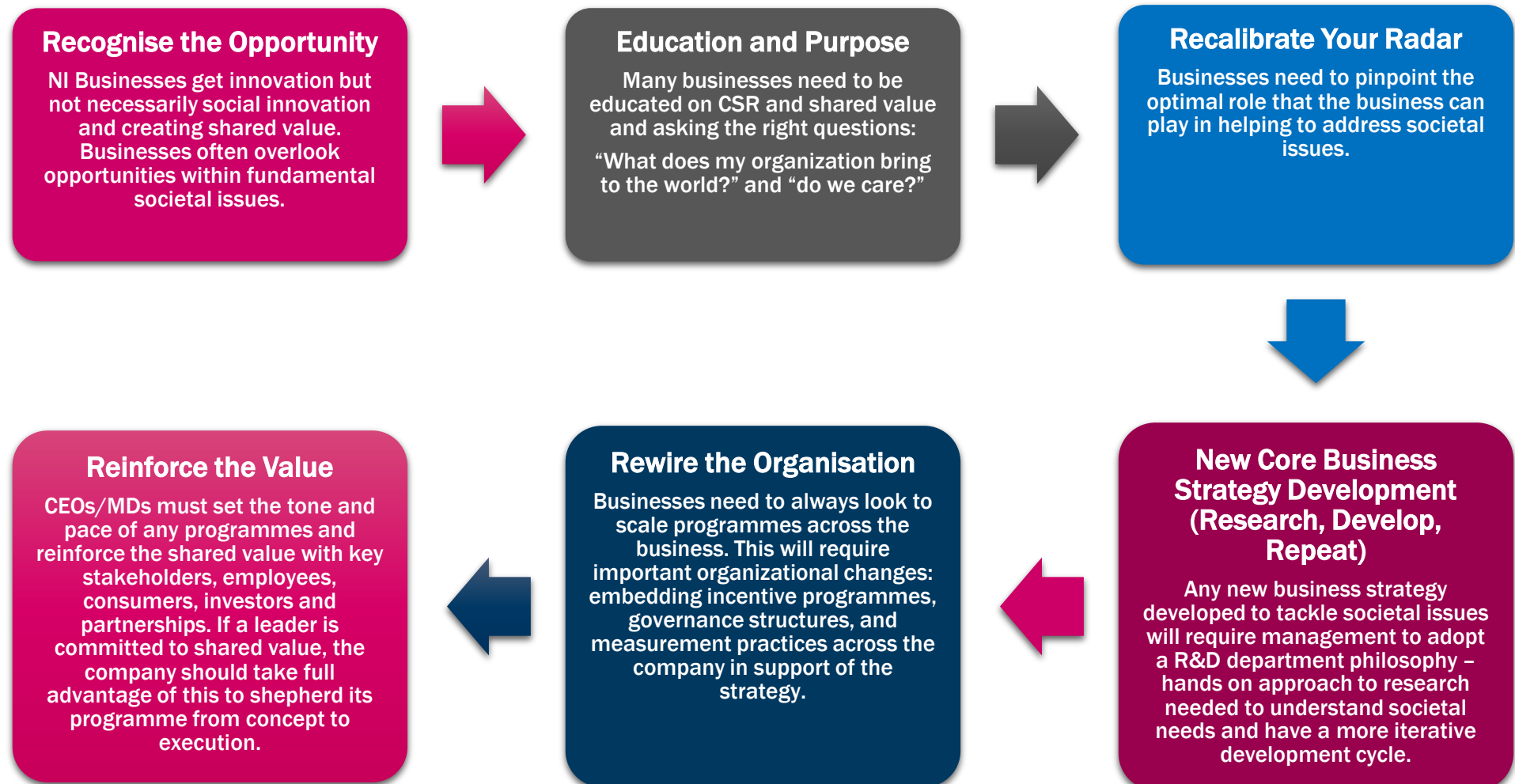
Creating Shared Value (CSV) should supersede CSR in guiding investments of companies in their communities. CSR focuses mostly on reputation and only a limited connection to the business. CSV is integral to a company's profitability and competitiveness position. It leverages the unique resources and expertise of the company to create economic value by creating social value.

Identifying the right type of profit

Not all profit is equal – an idea that has been lost in the narrow, short-term focus of financial markets and in much management thinking. Profits involving a social purpose represent a higher form of capitalism and one that will enable society to advance more rapidly while allowing companies to grow even more. The result is a positive cycle of company and community prosperity, which leads to profits that endure.

Shared value focuses on the right kind of profits – profits that create societal benefits rather than diminish them.

Shared value pathway (Six Imperatives Framework)^{vi}



Connecting shared value to Northern Ireland – creating an economy for good.

The new proposed Programme for Government approach focuses on major societal outcomes that the executive wants to achieve and will provide a basis for all sectors to contribute to the development of plans and actions.

By embedding shared value into the business strategies in our indigenous SME's new products and services could be developed that could be used to start and solve many of the key indicators in the proposed Programme for Government as follows:

Societal

- Reduce crime and re-offending.
- Increase healthy life expectancy.
- Improve support for adults with care needs.
- Reduce educational inequality.
- Reduce poverty.
- Reduce health inequality.
- Improve mental health.
- Increase the quality of life for people with disabilities.

Economic

- Reduce economic inactivity and reduce unemployment.
- Increase the competitiveness of the economy.
- Increase the proportion of people working in good jobs.
- Increase the size of the economy.
- Increase innovation in our economy.
- Improve skills profile, educational outcomes and quality of education.
- Improve regional balance of economic prosperity.

Additional Benefits

- Increased levels of social innovation.
- More developed circular and shared economies.
- Creation of an “Economy for the Common Good”

Next steps

What's in the Northern Ireland Toolbox?

It is evident that some of the building blocks are already developed in Northern Ireland and can be utilised to create a Shared Value platform: CSR Support, Corporate Social Innovation, Advocacy and Cross Sectoral Collaboration, Socially Conscious Business and Foresight, Innovation and Research.

A Positive Way Forward

Recommendation: Development of a UK wide Sustainable Shared Value Framework (Six Imperatives Framework) led by Northern Ireland.

Key Actions:

1. Additional research undertaken to formalise Shared Value Framework (immediate: within 6 months).
2. Development of implementation plan to embed Shared Value methodology and strategy to “Bake In” new methodologies in start-up companies (short: within 12 months).
3. Formation of cross sectoral partnerships to identify opportunities for private sector businesses to engage in tackling social issues (short: within 12 months).
4. Development Corporate Social Innovation design programme (short: within 12 months).
5. Business register and Shared Value accreditation (long: 5-10 years)

Thank you

The Matrix panel (Northern Ireland Science Industry Panel) was approached by the author to support this preliminary report for several reasons, but primarily because 'Matrix' companies by their very nature are innovative, experimental and willing to embrace new processes and pathways than companies in other sectors.

The chair and the co-chairs were very supportive in offering to support this 'thought' piece to initiate a new way of strategic thinking in SME's and possible development of a future Shared Value framework.

Expert Panel & Contributors:

- Rob Hardeman (Chair): Matrix
- Bryan Keating: Matrix
- Norman Apsley: Matrix
- Lisa McIlvenna: BITCNI
- Gorka Espiau: Young Foundation
- Nora Smith: CO3

References

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ⁱⁱⁱ Kramer, M. & Porter, M. (2006) "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility" Boston: Harvard Business Review.

^{iv} Kramer, M. & Porter, M (2011) "Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth" Boston: Harvard Business Review.

^v Kramer, M. & Porter, M (2011) "Creating Shared Value: How to Reinvent Capitalism and Unleash a Wave of Innovation and Growth" Boston: Harvard Business Review.

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