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INDIA'S PRIVATE SECTOR      71
10:00-11:00

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10:00AM – 4:00PM
1st Floor, Mantra Hall, Park Hotel, New Delhi, India

India’s Private Sector | November 7th, 2012

WORKSHOP ON CREATING SHARED VALUE THROUGH CORPORATE SOCIAL RESPONSIBILITY IN INDIA
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CLOSING REMARKS AND WA FORWARD
Measuring Shared Value
How to Unlock Value by Linking Social and Business Results
Michael E. Porter, Greg Hills, Marc Pfitzer, Sonja Patscheke, and Elizabeth Hawkins
ABOUT THIS REPORT

The genesis of this article occurred at the FSG-hosted Shared Value Summit in Cambridge, Massachusetts in June 2011 where sixty company representatives and co-authors of the Harvard Business Review article “Creating Shared Value,” Michael E. Porter and Mark Kramer, identified measurement as a key driver of shared value adoption. Nestlé, Intel, InterContinental Hotels Group, and the Rockefeller Foundation committed to work with and support FSG in developing this article on measuring shared value. Insights were drawn from a systematic literature review, in-depth interviews with featured companies, and FSG's work on shared value with dozens of corporations.

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Measuring Shared Value: How to Unlock Value by Linking Social and Business Results by FSG is licensed under a Creative Commons Attribution-NoDerivs 3.0 Unported License. Permissions beyond the scope of this license may be available at www.fsg.org.
More and more, companies are creating shared value by developing profitable business strategies that deliver tangible social benefits. This thinking is creating major new opportunities for profit and competitive advantage at the same time as it benefits society by unleashing the power of business to help solve fundamental global problems. Despite the widespread embrace of the shared value concept, however, the tools to put this concept into practice are still in their infancy. In particular, a new framework for measurement that focuses on the interaction between business and social results is among the most important tools to drive shared value in practice.

Measuring Shared Value

How to Unlock Value by Linking Social and Business Results
When companies do not understand or rigorously track the interdependency between social and business results, they miss important opportunities for innovation, growth, and sustainable social impact at scale.
outside the company unleashes How changing societal conditions in the value chain: incremental revenue and profits. How targeting unmet needs drives reconceiving products and markets.

**Levels of Shared Value**

<table>
<thead>
<tr>
<th>Business Results</th>
<th>Social Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Improved profitability</td>
<td>Improved incomes</td>
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<tr>
<td>Improved distribution</td>
<td>Improved health</td>
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<td>Improved quality</td>
<td>Improved education</td>
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<tr>
<td>Improved job skills</td>
<td>Reduced raw materials</td>
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<tr>
<td>Improved nutrition</td>
<td>Reduced energy use</td>
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<tr>
<td>Increased market growth</td>
<td>Reduced carbon footprint</td>
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</table>

*Anchoring Shared Value Measurement in Strategy*

*Measuring Shared Value*

**Table 1:**

<table>
<thead>
<tr>
<th>Level of Shared Value</th>
<th>Business Results</th>
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<tr>
<td>Improved nutrition</td>
<td>Reduced energy use</td>
<td>Reduced carbon footprint</td>
</tr>
</tbody>
</table>
Step 1: Identify the social issues to target.

Step 2: Make the business case.

Step 3: Track progress.

Step 4: Measure results and use insights to unlock new value.
Unlocking New Value from Measurement

While shared value measurement is still in its infancy, leading companies are employing each of these four steps to unlock new value from measurement. They are also piloting a range of shared value measurement approaches.

1. Identify the social issues to target
2. Make the business case
3. Track progress

Coca-Cola and Youth Employment
1. Identify the social issues to target
2. "Unlock new value"
4. Measure results and use insights to...
Refers to Disability Adjusted Life Years (DALYs), a common measure in the global health field, which represents the sum of the years of potential life lost due to premature mortality and the years of productive life lost due to disability.

while also increasing sales of classroom technology.

focuses on improving student outcomes Intel’s Education Transformation strategy unlocks new value.

Measure results and use insights to track progress.

of creating shared value, requiring different approaches to understand how to unlock greater value, as indicated in the following examples.

Measuring Shared Value:

Measurement considerations differ at each level:

3. Track progress

2. Measure results and use insights to track progress

1. Understand how to unlock greater value

Markets: Products and Services

Reconceiving Intel’s Education Transformation strategy
have the data, it isn't everything. It's more about changing your decision making with that data."

"What we found at Intel was just because you how you're using that data and how you're informing Intel's product and program insights from measuring technology effectiveness in the classroom are
the years of potential life lost due to premature mortality and the years of productive life lost due to disability.

Technology.

Focuses on improving student outcomes

Intel's Education Transformation strategy

Measuring by Level of Shared Value:

Unlock new value

Measuring Shared Value:

How to Unlock Value by Linking Social and Business Results

1

Measurement considerations differ at each level
have the data, it isn't everything. It's more about changing your decision making with that data."

"What we found at Intel was just because you improved business, resulting in better learning.

Insights from measuring technology effectiveness in the classroom are Shelly Esque, Intel
Measuring Shared Value: How to Unlock Value by Linking Social and Business Results

InterContinental Hotels Group tested dozens of options for reducing energy, water, and waste to lower its environmental footprint while also driving down hotel operating costs.

Insights from measurement drive ongoing improvements.

Nestlé trains and assists smallholder farmers to foster rural development while ensuring a reliable supply of high quality raw materials.

Insights and data from shared value measurement have helped identify where and how Nestlé's agronomists should focus their time to optimize farmer yields, quality, and quantity.

Redefining Productivity in the Value Chain: InterContinental Hotels Group

Enabling Cluster Development: Nestlé

“When measurement is done right, you can start to develop theories around how these targets impact your business. Measurement leads to real refinements not only of the things you measure, but even in how you run your business.”

David Jerome, IHG
Existing Social Impact Measurement Approaches Serve Different Purposes

Improving farmers' lives is only possible when measuring progress at a farm and rural community level.
Janet Voûte, Nestlé
Measuring Shared Value: How to Unlock Value by Linking Social and Business Results
TABLE 2: Understanding the Purpose of Measurement

<table>
<thead>
<tr>
<th>Purpose</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Shared Value</strong></td>
<td>Joint business and social value creation. Grow the total shared value created. Primarily for management. Targeted communication to external stakeholders.</td>
</tr>
<tr>
<td><strong>Sustainability</strong></td>
<td>Efficiency in the use of input factors (e.g., natural resources and labor) and improved product and community impacts. Minimize negative externalities and augment positive impacts. Management communication to external stakeholders.</td>
</tr>
<tr>
<td><strong>Impact</strong></td>
<td>The long term social and economic development impacts of operations and/or philanthropy. Track progress on social and economic development impact. Maintain a license to operate. Communication to external stakeholders.</td>
</tr>
<tr>
<td><strong>Reputation</strong></td>
<td>How societal impacts contribute to company reputation. Manage reputation. Primarily for management.</td>
</tr>
<tr>
<td><strong>Compliance</strong></td>
<td>Compliance with laws and voluntary policies, standards, and codes. Ensure adoption and compliance. Maintain a license to operate. Management communication to external stakeholders.</td>
</tr>
</tbody>
</table>
While precise global data on socially responsible investment (SRI) are not available, this figure represents an assumption based on publicly available estimates for SRI in the United States, Europe, and Canada.

**Shared Value Measurement and Investors**

**Measuring Shared Value:**

*How to Unlock Value by Linking Social and Business Results*

By identifying and measuring shared value opportunities, companies can improve their financial performance and contribute to societal well-being. This approach helps in aligning business strategies with social objectives, leading to sustainable growth and improved market value.
Measuring Shared Value: How to Unlock Value by Linking Social and Business Results

Pragmatic Approaches for Measuring Shared Value

Measuring shared value builds on well-established practices in business that connect strategy to execution and performance management. The need to capture social results and their impact on business results, however, adds new complications and challenges. Companies are finding pragmatic approaches to tackle these challenges. The following six measurement challenges illuminate some ways companies are innovating in their shared value measurement practices. As in any other area, resources committed to measuring shared value must yield a positive return.

Challenge #1: A Wide Range of Social Issues Could Be Addressed and Measured

Identify and measure the few high-priority social results that the shared value strategy seeks to address.
Challenge #3: Business Value Accrues on a Different Timeline Than Social Value

Measure intermediate social outcomes

Challenge #4: Measuring Business Value for Cluster Investments

Use proxy indicators to track business results

Challenge #5: Determining a Company's Attribution When Strategies and Activities Require the Efforts of Many Partners

Focus measurement of social results on contribution, not attribution

Challenge #6: Management Desires an Aggregation of Social Impact Data

Aggregate results selectively and only for the same social outcomes
Measuring Shared Value: How to Unlock Value by Linking Social and Business Results

Organizing for Shared Value Measurement

Increasing the role of business units in measuring social performance.

Creating performance incentives aligned with shared value objectives.

Building cross-sector partnerships to execute and measure shared value strategies.
The Future of Shared Value Measurement

* * *

The Role of Stakeholders in Shared Value Measurement

Stakeholders are critical to the success of shared value initiatives. They bring unique perspectives and resources to the table, and their involvement can significantly enhance the impact of these initiatives. In this section, we will explore the role of stakeholders in shared value measurement, including how to effectively engage them and leverage their contributions to drive positive outcomes.

1. Identifying Key Stakeholders

   Stakeholder identification is a crucial first step in shared value measurement. This involves assessing the relationships and dependencies that exist within the organization and identifying the key stakeholders who can influence the success of shared value initiatives. Key stakeholders may include employees, customers, suppliers, partners, and the community at large.

2. Engaging Stakeholders

   Effective engagement with stakeholders is essential for successful shared value measurement. This involves actively seeking input from stakeholders, fostering open and honest communication, and creating opportunities for stakeholders to participate in the decision-making process. Engaging stakeholders can help ensure that shared value initiatives align with the needs and values of all stakeholders, thereby increasing their likelihood of success.

3. Leveraging Stakeholder Contributions

   Once stakeholders are engaged, it is important to leverage their contributions to drive shared value. This may involve involving stakeholders in the design and implementation of shared value initiatives, providing regular updates and feedback, and recognizing and rewarding their contributions. By effectively leveraging stakeholder contributions, organizations can create greater value for all stakeholders and drive positive outcomes.
Measuring Shared Value: How to Unlock Value by Linking Social and Business Results


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We thank Nestlé, Intel, InterContinental Hotels Group, and the Rockefeller Foundation for supporting this important research and for serving as founding members of FSG’s Shared Value Initiative, a field-building platform designed to drive adoption and improve implementation of shared value strategies. The Initiative provides the research, tools, and interactive forums necessary to build a strong and engaged community around shared value knowledge and practice. The Shared Value Initiative’s strategy is guided by a Leadership Council, comprised of a select group of leading shared value organizations. For more information on the Shared Value Initiative, please contact: Justin Bakule, Executive Director of the Shared Value Initiative at justin.bakule@fsg.org or visit www.fsg.org/sharedvalue.
FSG is a nonprofit consulting firm specializing in strategy, evaluation, and research, founded in 2000 as Foundation Strategy Group. Today, FSG works across sectors in every region of the world—partnering with corporations, foundations, nonprofits, and governments to develop more effective solutions to the world's most challenging issues.

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Introduction

India has experienced immense economic growth in recent years. However, this growth has been far from inclusive. Despite the work of many stakeholders, including the public sector, private sector, non-profit organizations, multilaterals, and others, India continues to face enormous social, economic, and environmental challenges at scale. It is clear that a fundamentally different approach to solving social problems is required in order to provide innovative, sustainable, and scalable solutions.

Companies in India are uniquely positioned to play an active role to catalyze social progress at scale. Companies increasingly recognize that addressing the needs of poor or vulnerable populations can bring new opportunities for business to increase their competitive advantage – this is the concept of shared value. Shared value is about creating new economic and social value for business and society. It offers a different worldview from corporate philanthropy; rather than considering how a portion of their profits can be used to address social issues, shared value business leaders ask how they can use their business strategies to find solutions to social problems that, if successful, will simultaneously advance their economic interests.

Companies can create shared value in three different ways:

1. Reconceiving products and markets: Companies can meet social needs by better serving existing markets, accessing new ones, or developing innovative products that serve social needs.
2. Redefining productivity in the value chain: Companies can improve the quality, quantity, cost, and reliability of inputs, production processes, and distribution systems, while simultaneously acting as a steward for essential natural resources and driving economic and social development.
3. Enabling local cluster development: Companies do not operate in isolation from their surroundings. To compete and thrive, they need a strong competitive context that includes reliable local suppliers, functioning infrastructure of roads and telecommunications, access to talent, and an effective and predictable legal system.

Creating shared value requires companies to intentionally and directly link business success to social impact. Only by linking business and social goals will shared value strategies be measurable and sustainable; social implications cannot be an afterthought.

Companies within the same sector are likely to share similar business goals and social challenges. For this reason, the rigorous analysis of the intersection of social issues and business strategy may identify similar opportunities to generate new sources of revenue or reduce cost across players within an industry. As with the development of traditional business strategies, the context in which a company operates drives strategic choices. However, when filtered by the unique corporate assets available to address these opportunities, distinct shared value strategies emerge.

The operating context of a specific industry or geography paired with the unique assets a company can bring to solve a social problem begins the formation of a shared value strategy.

The following case studies illustrate the ways companies can create shared value in the healthcare, consumer goods, manufacturing, extractive, and IT/telecom industries. The appendix also includes a list of additional resources such as case studies from other industries.
Healthcare

Healthcare represents an industry closely linked to social well-being yet inherently has huge divides between developed and developing countries. Several barriers exist to healthcare companies delivering services to low-income populations including lack of health-seeking behavior, limited market information, limited ability of patients to pay, inefficient regulation, and inadequate health systems. However, these barriers also represent market opportunities for companies that find innovative ways to overcome them.

Healthcare companies can create shared value in three ways:

1. Developing new products or refining existing products to respond to local health needs
2. Innovating within distribution channels to ensure that quality products reach underserved patients
3. Investing resources to create health-seeking behavior among poor or vulnerable populations

The following two case studies illustrate these opportunities for creating shared value in healthcare.

Novartis is a Swiss pharmaceutical company with annual global revenue of USD$51B. Their core business includes pharmaceuticals, vaccines, consumer goods, eye care, and animal health.

**Situation:**
About 75 percent of health infrastructure, medical workforce, and other health resources in India are concentrated in urban areas where only 27 percent of the population resides. Infectious diseases such as diarrhea, typhoid, measles, malaria, tuberculosis, whooping cough, pneumonia, and reproductive tract infections are significant causes of morbidity, especially in rural areas. Leaders at Novartis saw an opportunity in the lack of healthcare services available to rural Indian and grew determined to find a solution.

**Approach:**
in 2007, Novartis launched Arogya Parivar to increase access to medicine in rural India. The program's portfolio includes a range of health products, from low-cost generics to branded drugs that are repackaged into smaller doses to make purchases more affordable for patients with low and irregular incomes. Novartis also established new distribution networks to facilitate product delivery to remote locations, developing a network of local sales teams to uncover market insights and gain consumer trust. The company found partnering with the Indian health system to be particularly critical to getting products into patients' hands. To bridge the infrastructure gap in the short term, Arogya Parivar organized frequent health camps to bring physicians into rural areas. In addition to expanded health care access, these camps provided an additional sales channel for Arogya Parivar's portfolio of products (doctors retain a choice of medicines and are not limited to Novartis products), as well as a small source of income for the doctors who participate.

Novartis orchestrated many stakeholders and partners to effectively execute the AP model. It leveraged its generics manufacturer, Sandoz, to produce generic drugs at low cost and smaller package sizes to be more appropriate for rural patients. The company also partnered closely with village leaders and local NGOs to identify, train, and employ local "health educators" to educate patients about the benefits of healthy lifestyles to raise awareness about the benefits of health-seeking behavior (often a barrier in the Indian context) while increasing demand for effective medicine. Finally, it relied on sales teams who understood local cultures and language to gain trust among patients.
Arogya Parivar empowers villagers, provides employment, and improves rural healthcare. Ultimately, it will dramatically enhance the well-being of families, as main income earners benefit from chronic disease prevention and treatment.

Results:
As of 2011, the Arogya Parivar product portfolio offered 79 products in 12 therapeutic areas, and Novartis planned to add more health products to its line. From 2007 to 2011, the program doubled in size, improving access to health education and medicine for 42 million patients in 28,000 villages. Rural patients, who might otherwise have delayed or discontinued treatment, received access to complete treatment at an affordable, fixed price through a dependable network of health service providers. Arogya Parivar broke even in its 31st month of operations and is not generating profits. Novartis's leaders are planning to expand the program to cover 100 million rural Indians who earn $1 to $5 per day and are considering expanding into other developing countries as well.

Arogya Parivar is run as a separate, social business group which allows it to innovate with respect to shared value. Free from the usual constraints of short-term returns that make some customer segments unattractive, AP experimented with different business models and incentive structures in order to meet local demands in a modestly profitable way.

Source: "Creating Shared Value in India." FSG. October 2011.

Situation:
The increase in GDP per capita in China has unfortunately brought about an increase in lifestyle-related chronic diseases. In 2010, the incidence rate for Type 2 diabetes was estimated at 40 million people and experts expected that number to double over the following 15 years. Novo Nordisk suspected that patient diagnoses were lower in second- and third-tier cities, where sales volumes had traditionally been much lower.

Approach:
Careful market research confirmed that inaccurate diagnoses were indeed a problem in those cities. One hypothesis suggested that continuing education was more readily available in bigger cities due to higher concentrations of pharmaceutical representatives. Novo Nordisk thus invested in improving diabetes awareness among local Chinese communities (including patients, physicians, and public officials). The company partnered with the World Diabetes Foundation and the Chinese Ministry of Health to develop and update national standard treatment guidelines for diabetes care. Novo Nordisk also engaged in a physician training program to improve diagnosis rates and conducted a broad-based behavior change campaign to increase consumer awareness, encourage health-seeking behaviors, and improve patient management. In addition to investing in human capital in the Chinese market, Novo also invested in a local R&D facility in order to capitalize on Chinese market knowledge to develop more locally-appropriate insulin products. Further, a local production facility allowed Novo production efficiency and responsiveness to market needs.
Many of Novo’s shared value activities focused on cluster building to increase diabetes awareness and ultimately the diabetes market, which may concern some companies that competitors would later enter the market and capitalize on this pre-competitive market building effort. However, Novo’s case illustrates the power of first mover advantage translating into market leadership.

Results: Today, Novo Nordisk’s share of the Chinese insulin market exceeds 60 percent. The disproportionate driver of the company’s tremendous growth has been new patients who otherwise may have remained unaware of their treatment needs and options. The company also discovered that training physicians in small cities had a 9 percent greater effect on treatment management than training their counterparts in larger cities. Novo Nordisk has estimated the value of better disease management in diabetic patients for both its company and Chinese society. The company calculates that improving patient control over diabetes – through better diagnosis, appropriate treatment, and ongoing disease management – creates a value to Chinese society of $2,350 per patient. Novo Nordisk has also determined that increased sales are worth approximately $3,400 per patient to the company. The company estimates that if the nearly 16 million people with diabetes in large urban centers are able to exercise greater control over their disease, the resulting value could be worth $37 billion to China. And if Novo Nordisk maintains a 60 percent market share, the net present value to its business of such an improvement could reach as high as $30 billion.

In terms of social impact, Novo’s “Blueprint for China” shared value strategy has resulted in an estimated 80 percent improvement in total patient life years due to improved products and services. Surveys also indicate significantly improved diabetes control, which results in lower healthcare system costs and longer, healthier lives for diabetics.

By measuring the impact of physician training on patient management across geographies, Novo was able to re-allocate funds to those areas that had the greatest impact in terms of improved patient outcomes and increased sales. Only by linking social outcomes with business performance can companies continue to unlock value through shared value strategies.

Consumer goods, especially those in the food and beverage category, represent some of the most relevant industries to address the needs of the poor. Malnourishment alone represents one of the world's largest problems that clearly intersects with business strategy. Consumer goods companies also represent large employers of citizens from poorer populations and can contribute to the skills development of these populations. Consumer goods companies also can immensely impact the value chain through innovative distribution models, supplier knowledge building, and infrastructure improvement.

The points of leverage to create shared value in consumer goods, specifically with respect to food, beverage, and agriculture include:

- Addressing nutritional deficiency through additives to low-cost, staple products
- Improving smallholder farmers' access to information, inputs, and technical assistance to create a more reliable and higher-quality supply of inputs
- Supporting infrastructure development, increased access to financing, and improved knowledge/skills of consumers, retailers, and suppliers to enhance competitive context

The following two case studies illustrate these opportunities for creating shared value in consumer goods.

**Britannia** is an Indian manufacturer of biscuits and other food products with annual turnover of USD$805M.

**Situation**: estimates indicate that nearly two out of every three Indian children suffer from anemia, diminishing their energy and limiting their ability to focus in school. Because iron deficiency is not a visible ailment, parents and educators are often unaware of the problem, enabling it to persist undiagnosed and untreated. Malnutrition, along with vitamin and mineral deficiencies, can become costly to India – leading to healthcare costs of 2-3% of GDP and costs of low productivity of 3% of GDP.

**Shared value approach**: In response to this health issue, Britannia created its Tiger product line. Tiger biscuits are low-cost, designed to appeal to children, and fortified with iron. Britannia complements the product line with advertising and public health campaigns to improve awareness and increase the social and business performance of Tiger products. Rural villages often lack access to mass media, so Britannia supports local efforts to educate rural populations on childhood iron deficiency. Additionally, Britannia's mass-media advertising is more weighted toward issue awareness than brand promotion.

Britannia conducted the R&D and initial launch of Tiger fortified biscuits through a partnership model with the Naandi Foundation and the Global Alliance for Improved Nutrition (GAIN). These organizations partnered together to first bring iron-fortified biscuits to 150,000 children in the state of Andhra Pradesh through Naandi's midday meal program. The pilot required sixteen attempts before achieving fortification without losing product taste.

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2 GAIN Website, www.gainhealth.org/economic-costs
Results: Tiger has been Britannia’s largest product line since 1997, and it is India’s second most popular biscuit brand. Although Tiger products yield lower margins than other Britannia offerings, they are profitable and high volume. Britannia accepts lower margins to achieve higher volume, increase access to Tiger products, and enhance its market penetration. During a 2009 pilot study in North Delhi, Britannia and the Navjyoti India Foundation found that consumption of fortified Tiger biscuits, in conjunction with treatment for hook worms, raised the iron levels more than 300 anemic children by an average of more than 25 percent in 90 days.

“...corporate social responsibility is best achieved through our business, not as a separate activity. It has to be embedded in what we do, what is the sustainable model” – Vinita Bali, Britannia CEO


The global beverage company has invested heavily in emerging markets such as India, China, and Brazil in recent years, oftentimes using different approaches to these markets as compared to developing countries to focus on serving low-income customers in order to unlock much of the market’s unrealized value.

Situation: with a strong brand in Brazil, Coca-Cola wanted to find ways to better serve its low-income customers. It conducted a six-month study in 2008 that revealed the greatest need among this customer segment was employability and skills development. While primary education was provided by the Government, young adults faced challenges with employability due to lack of relevant skills and employment opportunities.

At the same time, Coca-Cola faced a business constraint among these customers: the retailers within the Brazilian favelas, poor areas on the outskirts of major cities, were highly ineffective. Coca-Cola recognized that by improving the skills of retailers in these areas, it could grow its volume while promoting economic development and employment in some of the poorest areas of Brazil.

Shared value approach: to improve the skills and employability of the young adults in favelas, Coca-Cola sought to use the company’s value chain. The Coletivo program was developed to improve the level of customer service offered by retailers in favelas and prepare youth living in these Brazilian slums to succeed in entry-level jobs. In partnership with local NGOs, the program enrolls youth in courses teaching retailing techniques and includes modules on behavioral training. Students of the program provide consulting to retailers in their local communities, increasing sales of fast-moving consumer goods (including, but not limited to Coca-Cola products). Upon completion of the Coletivo program, students are placed in entry-level jobs outside of the retail sector. Coca-Cola now operates more than 120 Coletivos in approximately 69 Brazilian cities and trains more than 50,000 people per year.

Results: Coca-Cola carefully measures both social and business value created by the program. The program currently operates 135 Coletivos, each with an average of 500 students, and the goal is to run 170 by the end of 2012. Coca-Cola currently monitors:

- The number of youth participating
- The number of retailers involved
- The performance of retailers over time
- The total costs of running the effort to ensure effectiveness and efficiency

Coca-Cola now operates more than 120 Coletivos in approximately 69 Brazilian cities and trains more than 50,000 people per year.
In addition to these output measures, Coca-Cola also measures four key indicators:

- Youth job placement
- Youth self-esteem
- Company sales
- Brand connection

In terms of job placement, initial results show that approximately 30 percent of the youth trained immediately land a job with Coca-Cola or one of its partners, and an additional 10 percent set up their own business with microcredit support from the company. Graduates of the program increase their family income by an average of approximately 50 percent and demonstrate greater self-esteem and optimism than their peers.

From a business perspective, an investment in a Coletivo site becomes profitable within two years. Additionally, pilot tests and evaluations have shown that Coca-Cola brand relevance in areas targeted by the Coletivo program was more than twice as high as in control areas, leading to revenue growth. Coca-Cola believes that the program also helps improve its long-term competitive positioning.

Coca-Cola's rigorous measurement and evaluation of the Coletivo program has allowed it to adjust the program for greater impact. For example, the first year of the training sessions focused heavily on the technical aspects of retailing, such as merchandising or stock management. Based on measurement data, however, the managers realized that the students faced self-esteem challenges that prevented them from finding a job and being effective workers. In response, Coca-Cola revised the content of the training program to put more emphasis on soft skills, including leadership and presence.
Manufacturing

Manufacturing is a driving sector of most economies – both in terms of GDP creation and, more importantly, in terms of employment. For India specifically, the manufacturing sector holds great potential for growth both in absolute terms and in its sophistication. With increased investment and innovation, more highly skilled jobs will be in demand and finding skilled labor will become a point of competitive advantage for many companies. Further, as the sustainable development agenda moves forward, companies will have to find new ways to manufacture in more sustainable ways that bring less impact to the environment.

Companies in manufacturing industries can create shared value along the following points of leverage:

1. Developing the technical and life skills among low-income, unskilled populations and equipping such people to be employed by the industry
2. Cultivating local supplier networks to support operations in developing nations
3. Innovating in the value chain to reduce carbon emissions from operations

The following two case studies illustrate these opportunities for creating shared value in manufacturing.

Tata Motors Limited is India's largest automobile company, with annual consolidated revenues of USD$32B (2011-12). It is the market leader in the commercial vehicle segments and represents the fourth largest truck and bus manufacturer worldwide.

Situation:

Similar to many industries across India, the trucking industry faces immense challenges in finding and retaining reliable, skilled labor. The National Skills Development Corporation (NSDC) predicts the supply-demand gap to worsen in coming years: while there are currently 20 lakh vehicles sitting idle due to lack of drivers, the trucking industry will demand over 50 lakh drivers from 2010-20 to fulfill the requirements of the industry's growth. Today, all the Industrial Training Institutes (ITIs) across India only produce 20,000 drivers per year.

In addition to facing a supply shortage, the industry also faces challenges with safety. Undertrained drivers can lead to accidents, which are oftentimes fatal: India has the highest road fatalities in the world with 120,000 deaths annually. Seventy-eight percent of these deaths occur due to driver error, with the largest number of fatalities (24%) involving commercial trucks.

Tata Motors identified the supply of trained drivers as a vital link in their value chain as their customers' future growth will be limited by the ability to find qualified drivers and thus will not purchase additional trucks. One estimate by Tata indicates that the driver shortage could slow growth in commercial vehicle sales from 25% to 20% - at a time when expanded, improved highways systems should bring booming growth to the industry.

Further, improving the quality and safety of drivers will positively impact society by reducing road accidents and fatalities. To meet the need for better trained drivers, Tata set the aggressive target to train 3.4 million drivers in ten years.

Approach:

In order to improve the safety of truck drivers and initiate roadside safety awareness across India, Tata designed and implemented a fee-based driver training course. This initiative...
was the first CSR program that was closely aligned with Tata's business of manufacturing trucks and built the cluster surrounding the industry of truck manufacturing, shipping, and logistics. The course was designed as part-time across 45 days' time to allow trainees to maintain employment during training. Tata developed the course content and deployed it in a train the trainer format. In order to scale and achieve the 3.4 million trainees in a decade, Tata partnered with its dealers, the government, and non-profits to implement the program across co-branded training centers. This has worked particularly well with the 21 government ITIs Tata adopted and provided trainer trainings to improve the program quality; the company has targeted an additional 100 ITIs for adoption in the coming years.

One of the private sector's largest contributions to skills development is relevant, quality training program content. However, private companies oftentimes lack the resources to scale quality programs on their own. By partnering with the government and NGOs to enhance the program content of existing ITIs, Tata successfully leveraged its core competency of relevant content development and achieved scale by building on the existing ITI infrastructure.

Results: Tata has trained over 500 students in driving and motor mechanics, with capacity being expanded to handle 25,000 students from 2012-2015. Tata's model illustrates that in order to solve workforce development issues at a national level, efforts must be jointly led by the private sector, government, and NGOs. By providing funding and its industry knowledge to develop a high-quality curriculum, Tata is actively building upon the foundation of existing ITIs to improve the quality and scale of their offerings. As skills shortages are faced across many industries in India, this public-private partnership model for training is becoming a win-win solution: industry gets appropriately trained workers and many defunct ITI centers are successfully turned around or further scaled up.
The Audi Group represents one of the world's leading carmakers in the premium and supercar segment with EUR44 billion in annual revenues.

**Situation:** with rising petrol prices and growing environmental concerns, the automobile industry has felt immense pressure to create eco-friendly cars, reducing the future environmental impact of driving. In order to achieve reduced emissions, automobile manufacturers are innovating with alternative fuels including electricity, hydrogen, and methane gas. However, while much of the industry's focus remains on creating energy-efficient products, there is also greater shared value to be realized by improving the energy efficiency of the car manufacturing process. Audi is going beyond eco-friendly product innovation to reinvent the manufacturing value chain to only use renewable energy.

**Approach:** in building a car that is carbon-neutral, Audi is not stopping at defining carbon neutrality as merely not creating any new net emissions when driven. Rather, Audi believes that for the car to be truly carbon neutral it needs to be manufactured and run by using only renewable energy sources. Wind energy is the most cost effective among renewable sources and Germany has been a pioneer in building the infrastructure required to generate wind power. In fact, in any given year, Germany has a net excess of wind energy – there is no problem with supply. The challenge lies in wind power's unpredictability – while one minute of strong winds can generate enough power for 300 KM of CO2-free travel in a vehicle such as Audi's A1-etron electric car, that wind is not continuously available. This unreliability could be overcome if there was a way by which this excess energy could be captured and stored for non-windy days. Currently when there is not wind power supply, the gap is filled by traditional sources of energy.

Audi viewed this obstacle in the value chain as an opportunity and is spearheading efforts to develop technology that will capture and store excess wind energy to be later used in the production process and to fuel natural gas powered vehicles. Branded the Audi "e-gas project," the process will ultimately synthesize a chain of sustainable fuels by 2013, with end products of hydrogen and the synthetic Audi e-gas. This means that alternative fuels - such as hydrogen for fuel cell vehicles, e-gas for natural gas vehicles, and electricity for electric models - will be created from renewable sources and they will be able to fuel our cars with the CO2 that would have otherwise ended up in the atmosphere. This is being made possible by storing e-gas on the largest available energy-storage system: the public gas network. In other words, energy can be moved from the electricity power grid to the public gas network, held there for several months, and then released from the gas network to the power grid at any time. While this process does not clean up existing problems in the environment, it creates great strides towards a better tomorrow.

The process of harnessing wind energy, storing it on the power grid, extracting H2 and finally generating e-gas may sound simple but the underlying technology and process innovation required to accomplish this feat are extremely complex. While pioneering this technology has direct benefit to Audi, it will also benefit Germany (where it is being piloted), and ultimately the entire world, as other industries look to more effectively use renewable energy.

“Our technology has the potential to give new direction to the discussion on expanding renewable sources of energy. We ourselves are taking the initiative and are complementing electric mobility with an equally eco-friendly concept for long distances.”

—Michael Dick, Member of the Board of Management for Technical Development
Results: Following extensive research, Audi is now implementing this project. Beginning in January 2011, a testing facility was launched. Following these initial tests, Audi partnered with several others to build a multi-million euro e-gas facility. The Audi e-gas project can easily be replicated in any country with an existing natural-gas network.

In addition to this value chain innovation and cluster building effort, Audi will also continue to innovate with respect to its products and begin production in 2013 of the Audi A3 TCNG with an engine using Audi's TFSI technology that can operate on e-gas, CNG, or conventional gasoline when neither alternative fuel is available.

The development of this novel technology is still in very early stages, so only time will tell how successful this innovation will become. But it is energizing to see that a car company—which in the past could have easily said that helping to solve Germany's energy storage problems was not part of its mandate—has decided to become an example of the leadership the private sector can bring in energy innovation. One thing is clear: while Audi may be pioneering this effort, they cannot solve the problem of what our future sources of energy might look like in isolation. The company will need partners and co-pioneers from the auto industry, government, sustainability think-tanks, social enterprises, and so on to bring this innovation to full fruition.

Sources:
Extractives companies add tremendous value to the world economy, producing essential inputs for products that improve the lives of billions. The sector's health is essential for the development of resource-rich nations where mining dominates the local economy. Extractives companies also offer large sources of employment, oftentimes in regions without much employment opportunity. However, these companies also face many challenges such as labor relations, negative environmental impacts, and other social ills. While many extractives companies have tried to address social issues through charitable giving or risk mitigation measures, oftentimes these programs end up being short-sighted and don't achieve the long-lasting impact necessary.

Extractives companies can create shared value along the following points of leverage:

1. Addressing social needs in communities surrounding extraction sites to enhance the competitive context of these geographies
2. Cultivating local workforces and supplier networks to support operations in developing nations
3. Working with suppliers to maximize the output of renewable natural resources
4. Using byproducts from production to expand the scope of the business

The following two case studies illustrate these opportunities for creating shared value in extractives.

Essar Steel is a fully-integrated carbon steel manufacturer, handling the steel process from iron ore to ready-to-market products. The final products are used in industries such as automotive, white goods, construction, engineering, and shipbuilding.

**Situation:**
The Ministry of Mines estimates there will be a shortage of 1600 professionals in geosciences and 300 in mining engineering for 2009-2017 - a factor that will surely hinder mining GDP growth. The industry must also ensure ample training capacity; current estimates indicate that the number of seats in engineering programs must increase 3x to meet 2025 demand. Essar Steel represents just one of the many private sector companies concerned about this lack of supply of well-trained youth, especially in the more impoverished states where extractive operations often take place.

**Approach:**
In 2010 Essar Steel set up a customized training facility to train local youth – the Essar Steel Academy. The two-year training program for Diploma Engineer Trainees (DETs) enhances technical capabilities, teaches communication skills, and fosters leadership development. The program mixes classroom teaching with on-the-job training, site visits, and guest lectures from Essar executives to ensure well-rounded professional development; the mix of plant training vs. classroom training moves from 20% plant / 80% classroom to the inverse (80% plant, 20% classroom) across the students' four semesters in order to increasingly expose students to hands-on training opportunities. Students are recruited and trained across engineering specializations including: mechanical, electrical, civil, and metallurgy.

**Results:**
The first batch of 174 DETs graduated in 2012 and will be absorbed into the business, ensuring that well-paid jobs are staffed locally and that Essar has the high-quality employees it needs. Essar plans to expand the program in the future; models for expansion are currently being explored and vetted.

Source:
Salala is Liberia’s fourth-largest rubber producer. In addition to its company-owned 8,500 hectares of land, it also sources rubber from private farms and smallholders to supplement its own production capabilities.

**Situation:** Salala, a Liberian company that grows and processes rubber, received a $10 million loan from the International Finance Corporation (IFC) to expand its processing capacity to ten times its current self-supplied capacity. While this expansion provided Salala with an opportunity to expand its business, it also made the company more dependent on third-party suppliers of raw materials.

**Approach:** To ensure access to a reliable supply of rubber, Salala partnered with smallholder rubber farmers in Liberia, providing them with technical assistance and inputs to improve the quality and quantity of their rubber output. For example, Salala provides smallholders with 1,000 tree rubber stumps for every 20 metric tons of raw rubber they sell to the company. They also provide critical inputs such as fertilizer, cutting knives, formic acid, rubber tapping containers, wires, and even rice for distribution to laborers – all at cost. To improve the skills of the farmers, Salala has also established a rubber tapping school to help improve the quality of their farming practices. The program teaches farmers how to protect their rubber from external contamination, how and when to tap rubber from a tree for the first time, and how to organize tapping activities on a farm. Salala also provides these farmers with credit to help them expand their operations – the repayment is deducted from the income they receive when selling raw rubber to Salala.

**Results:** Salala’s efforts provide financial support to an estimated 1,800 smallholder farmers, 4,000 farm workers, and more than 20,000 dependents and family members. By working with smallholder rubber farmers, Salala improves the supply of its most critical raw material while enabling smallholder farmers to increase their output and, as a result, their incomes.

Technology can undoubtedly be a powerful tool for advancing social conditions around the world. It can help society unlock information, communicate, and build social relationships; technology is also often the foundation of innovations in health, education, economic development, and the environment. As such, shared value can offer companies in the sector a powerful way to imbue social purpose into core business activities. In this way, tech companies inspire and engage employees by enabling them to see their work as a means to achieving greater good in the world. In addition, by applying their core technological assets and expertise to solving social problems, tech companies can gain insights into new applications for their products and services that in turn can unleash new sources of business growth and lead to more sustained competitive advantage.

Technology companies can create shared value in the following ways:

1. Creating technology solutions for good, such as specialized data management systems that improve efficiencies in agriculture
2. Building capacity of social sector actors and small businesses
3. Redefining productivity in the value chain to lead technology-enabled solutions to environmental challenges
4. Strengthening cluster conditions by training the technology workforce and bridging the digital divide

The following two examples highlight shared value in the IT and telecom industries:

Cisco, a US-based multinational that designs, manufactures, and sells networking equipment (both hardware and software).

Situation: Finding qualified staff is a challenge faced by many companies and sectors across the world. Local markets also need talent that is trained in 21st century skills in order to manage the use, integration and adoption of technology; it is a matter of competitiveness and development. These local markets, especially those in developing countries, require investment in education and workforce development beyond scholarships and one-off programs. Seeing this need and opportunity, Cisco developed the Networking Academy to train the next generation of IT managers.

Approach: Cisco began its Networking Academy in 1997 and has now grown the program to have 10,000 academies worldwide. It offers a robust vocational training program in 165 countries to teach students functional IT skills, including how to build, design, and maintain networks, and then further build their career in information technology.

Results: In its 15 years of existence, Cisco’s Networking Academy has trained more than four million students. Students receive certifications that make them more marketable for high-demand, well-paying jobs in the technology sector. More than 70% of the students trained have attained a new job, a better job, increased responsibility or higher salary as a result of the training. Because they are trained on Cisco’s networking systems, a new generation of technology workers are more likely use and buy Cisco’s products and services – an immense business benefit to Cisco in the ever-competitive IT industry.
IKSL is a social enterprise developed via powerful partnerships and use of technology to help farmers overcome challenges they face in accessing accurate and timely information.

Situation: Indian farmers face many challenges and lack of access to accurate and timely agriculture advice is one of the largest. Rajan Sharma hoped to overcome this in 2005 by developing IFFCO Kisan Sanchar Limited (IKSL).

Approach: IKSL sells farmers a “Green” SIM card and provides them five free daily voice messages that give guidance on agriculture and related issues, including animal husbandry, agro-marketing, dairy farming, poultry, and weather conditions. IKSL also offers a dedicated helpline to answer queries in farmers’ own languages.

The creation of IKSL depended on two important partners: the Indian Farmers Fertilizer Cooperative (IFFCO) and telecommunications company Bharti Airtel. IFFCO manages more than 40,000 cooperative societies and a base of 60 million farmers. IFFCO’s network of farmers and high credibility with government institutions helps reduce the costs of distribution and content creation. IKSL also relies on IFFCO’s large network of farmers to sell the co-branded IFFCO/Bharti Green SIM card. The company shares the information that IFFCO provides through Bharti Airtel’s extensive existing mobile network, capitalizing on India’s largest mobile communications company by market share.

IKSL’s Green SIMs provide relevant and useful advice to farmers in various agro-climatic zones and have achieved great popularity; in many villages, 100 percent of farmers have adopted the program. Farmers pay a nominal one-time fee of up to Rs. 10 ($.22) to become a mobile customer. They then buy pre-paid top-ups to make calls and send text messages. IKSL’s revenue comes from commissions, paid by Bharti Airtel, on all new Green SIM subscriptions and top-ups made on the SIM. This revenue model allowed IKSL to break even within its first year of operations. In 2010, the venture earned revenues of Rs. 170 crore ($36.9 million, an increase of 110 percent over 2010) and a profit of Rs. 20 crore ($4.3 million).

Results: IKSL has proven to be a win-win venture for all stakeholders. The company documents several success stories every month that suggest crop yield increases between 20 and 60 percent. Most of those increases are the result of tips IKSL provides to farmers on agriculture techniques, disease prevention, and animal husbandry. Moreover, IKSL accounts for nearly half a million of the 3 million new subscribers that Bharti Airtel adds each month, and IFFCO communicates directly with its primary customers (farmers) five times each day, creating an effective marketing channel that the company values highly.

Currently, IKSL maintains a presence in all Indian telecom circles except North East and Jammu & Kashmir. Thus far, the company has identified 61 distinct agro-climatic zones based on soil quality, crops grown, and prevailing weather conditions. Looking ahead, IKSL plans to provide more tailored information, such as daily messages related to agriculture and breeding practices for animals and crops selected by the recipient farmer. Over the next three years, IKSL will make its services available to 25 million farmers through 450 agro-climatic zones that provide customized information.

“There is enough space for many players in this industry, but specialization is important. Companies should not presume that the poor will accept any information even if it is free, and need to know that information, unless tailored to suit their specific needs, may not be received well.”

—Ranjan Sharma

Source: Creating Shared Value in India. FSG. October 2011.
To read more case studies on creating shared value, please visit www.fsg.org. In our knowledge exchange, you will find the following articles helpful to read more about this concept:


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