What is Shared Value?

Shared value is defined as policies and practices that enhance the competitiveness of companies while improving social and environmental conditions in the regions where they operate. It is a business strategy focused on companies creating measurable economic benefit by identifying and addressing social problems that intersect with their business. To qualify as shared value, there must be an identifiable economic benefit to the company as well as measurable impact on a social or environmental issue.

It requires a company's leadership to view creation of social value as a competitive advantage which can drive innovation and support the long term adaptation and prosperity of the company.

Shared value acknowledges that business, with its capital, market access, scale and capacity for innovation, is most capable of having a meaningful impact on societal problems.

Cross sector partnerships are important. Through strategy and execution, each participating stakeholder creates value on their terms, leading to a foundation of trust and the exchange of knowledge and information essential to success over time.

Shared value considers the social dimension of a company: the relationship between its people, assets, products, services, investments and systems to external stakeholder groups such as communities, suppliers (and supply chains), customers and regulators. It acknowledges that employees are also community members who benefit from social value created outside of the workplace.

Social (societal) value can take the form of (but is not limited to) improved health, education, access, community participation and employment.

Economic value can take the form of increased financial returns, brand equity, market share, consistency of supply (lower risks) as well as more loyal employees, customers, shareholders and investors.

Business opportunities from shared value creation include:

- Product and service innovation: creating new products and services for existing or new markets based on collaboration with customers and community stakeholders to understand societal needs.
- Value chain re-engineerning: working with suppliers and internal/external stakeholders to improve processes, quality, sustainability, productivity, social outcomes and competitive advantage.
- Local cluster development: facilitating the clustering and sustainable development of the market and geographic environments in which the company operates.

Shared value can be created by different roles and business functions, from supply chain management and research and development to community engagement and sales. It is therefore a centralised strategy, embedded in whole of business planning, and requires reconsideration of employee roles and teams.

Measurement of shared value is conducted according to business and social metrics relevant to the company and its stakeholders.

Shared value is not:

- Sharing the value already created
- Personal values
- Employee engagement
- Corporate value systems (although it may inform them)
- Balancing stakeholder interests (community or stakeholder engagement)

How is shared value different from Corporate Social Responsibility?

In some instances corporate social responsibility has created shared value. However, the hallmarks of CSR practice have become:

- A sense of obligation to 'give back'.
- A focus on reporting to demonstrate good corporate citizenship.
- Immediate or medium term public relations outcomes.
- Investment in social programs that are viewed as important to reputation but not core to growth strategy.

Shared value philosophy and strategy acknowledges in which sustainable economic returns - defined as growth, competitive advantage, innovation, productivity and brand equity - arise from investment in social value creation.

SHARED VALUE PROJECT

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