



Developing a Profitable Shared Value Strategy

by David Jerome & Rob Kleinbaum

Introduction

A well-tuned shared value strategy is about how to make money, not give it away.

Focusing on doing what is right for society as well as creating business value ensures a sustainable approach for both our communities and business.

This approach, based on our data, creates profitability by driving brand preference.

In reviewing the trends and researching customers, we have developed the following guiding principles to create a winning strategy.



Insist the Effort be Profitable

Senior management should expect a focus on business as well as societal value, not philanthropy, NGO management, or cause marketing.

The Strategy Must Fit with the Core Purpose of the Enterprise

It will create shared value for the company and society by doing what the company does best to meet customer needs.

IBM's Smarter Planet, GE's Ecomagination, Toyota's Prius and Wholefoods are all recent examples.



Incorporate Relevant Trends

Important trends shape values and incentives and create new markets.

These include:

- The growing importance of CR,

- The expanded role of reporting; managing sustainability in the supply chain,

- Governments demanding sustainability as customers and regulators,

- The growth of collaborative purchasing, and

- The emergence of “collaborative consumption.”

Serve Customers and Drive Brand Preference

The path to winning is having a great product that integrates sustainability, not substituting sustainability for the features that make a great product.

The attitudes and behavior of the company's target customers should shape its strategy's emphasis.

About 10-15% of the public actively turn sustainability concerns into market behavior.

Another 60% care, but time and/or money stand in the way of their acting on their concerns.

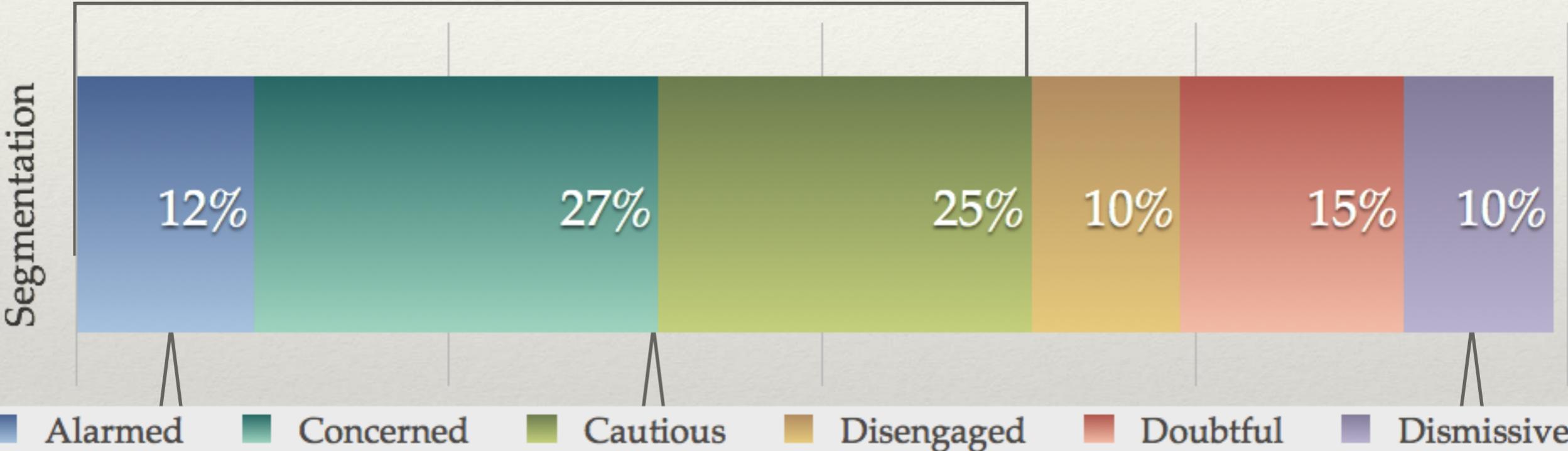
Everyone finds energy costs, fuel prices, and energy independence personally relevant, while only the most concerned care about global warming, although the number is growing.

Charity falls low on the list of concerns, yet this is where most companies focus their shared value efforts.

Creating awareness among your customers that you know and advocate their values, shows that you not only know their needs, but that your product improves their lives - this drives real brand preference.

Two thirds of the US Public Engage Meaningfully on Green

2/3 of the US Public



Most concerned & beliefs translate into market place behaviors

Believe it is important, but there are barriers to action (time & recourses)

Actively hostile to the concept of Global Warming

Manage Risks

There is an important defense element to sustainability: protecting the company from Corporate Responsibility risks.

Many companies have been hurt more by businesses in their value chain than by their own actions.

Use the Organization Properly

The CEO does not need to be an overly strong advocate, but does need to support the search for value, reinforce the principle that the shared value strategy should be profitable, and protect it in its early stages.



Additional Benefits

Experience has taught us that a good CR strategy has four other benefits:

Employee engagement,

Innovation,

Collaboration, and

A benefit that might be the most important - it helps to change people's perception of companies from Them to Us.

Summary

A profitable shared value strategy makes a company's reason for being more relevant to its customers, reduces exposure to changing regulatory environments, and minimizes physical risks associated with the company and supply chain and creates new value through greater brand preference.

The widespread adoption of this framework will permit more businesses to become more profitable and benefit more of society at the same time.

