Creating Shared Value: Putting it into Practice

Why, What, Who & How

and the CSV Practice Framework

Report written for TNO by

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The true act of discovery does not lie in finding new territory, but in seeing with new eyes.

Marcel Proust

“The capitalist system is under siege. In recent years business increasingly has been viewed as a major cause of social, environmental, and economic problems. Companies are widely perceived to be prospering at the expense of the broader community ... A big part of the problem lies with companies themselves, which remain trapped in an outdated approach to value creation which has emerged over the past few decades ... Companies must take the lead in bringing business and society back together. The recognition is there among sophisticated business and thought leaders, and promising elements of a new model are emerging.

Yet we still lack an overall framework for guiding these efforts, and most companies remain stuck in a “social responsibility” mind-set in which societal issues are at the periphery, not the core.[.....]. The solution lies in the principle of Creating Shared Value (CSV), which involves creating economic value in a way that also creates value for society by addressing its needs and challenges; Business must reconnect company success with social progress.

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Executive Summary

What is CSV?

The concept of Creating Shared Value (CSV), as defined by Harvard Strategy Experts Michael Porter and Mark Kramer (2011), is increasingly adopted by organizations that want to go beyond the apparent dilemma between pursuing business results and creating social value. Among them are leading multinationals such as Unilever, Nestlé and DSM. These organizations realize that by linking the social needs and issues to their core organizational objectives and capabilities, they can enhance the long-term strategic competitive positioning and value creation of the firm.

If implemented well, CSV can unleash the organizations’ power to help solve fundamental societal, environmental and economical issues, not by doing good, but by developing and delivering value to serve unmet-present and future societal needs.

Porter and Kramer conceived CSV as a new approach to Corporate Social Responsibility (CSR) because they felt CSR had been wrongly placed at the margin of the company, implicitly reinforcing the apparent tension between business and society. By placing CSV at the heart of competitive positioning, Porter and Kramer emphasizes that shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success. It is not at the margin of what companies do but at the center. Porter and Kramer also emphasizes that shared value is not about personal values. Nor is it about ‘sharing’ the value already created by firms – a redistribution approach. Instead, it is about expanding the total pool of economic and social value. For these reason, Porter and Kramer say: “CSV can give rise to the next major transformation in business thinking”.

Why is CSV becoming relevant?

CSV is based on a reality that has been overshadowed by a few decades of exclusive focus on the shareholder value model, but that is becoming increasingly visible as social and environmental challenges grow: business and society are interdependent and cannot function without each other. Business by nature has been a major driver of socio-economic value – and socio-economic value is a major predictor of business success, especially in the long term. In other words, CSV appeals to the enlightened self-interest of business. It has spearheaded a trend among investors and business to define value no longer exclusively in terms of shareholder value, but in terms of multi
stakeholder value or shared value. Specific reasons for companies to adopt CSV are the following:

- Obtaining or maintaining license to operate
- Improving the business enabling environment
- Strengthening value chains
- Fueling product and service innovation.
- Strategic platform for organizational, customer and societal growth
- Increasing employee, customer and shareholder engagement
- Increasing sustainable value creation

Why is CSV relevant for TNO?

TNO is in a unique position to apply expertise, research and innovation to creating shared value. TNO has the combined goals of fostering competitiveness through research and innovation while addressing social, environmental and economical issues engrained in their original mission, vision and values. TNO works together both with public and private partners to develop and create innovations that yield benefits for business and society alike. They can provide customers with knowledge and innovation on the parallel creation of business, social or environmental value.

At the same time, TNO can form a key contextual function for shared value creation in society. TNO possesses a wealth of knowledge, expertise, relationships and qualities that can help other actors create shared value. Furthermore, TNO often occupies a strategic and central position within a value network of public and private actors, making TNO suited for creating strategic linkages to enhance CSV.

Despite the increasing embrace of the CSV concept and its suitability for TNO, however, still missing is a framework to link social progress directly to organizational success, and vice versa. For that reason, TNO has commissioned a study to SEAL Institute to develop a CSV Practice Framework. TNO wants to create a clear perspective on CSV for two reasons: it can be both (1) a next step in the positioning of TNO, serving as an internal (and external) engagement and value creation platform, and (2) a way of working with organizational partners and clients in both private and public sectors.
How to implement CSV: The CSV Practice Domains

This study, commissioned by TNO, has created a 6 step CSV Practice Framework, designed for organizational leadership to successfully implement the CSV strategy with their organization. Putting CSV into practice is not just an analytical and strategy process on the back of decision-making by senior leadership. It needs to be complemented by a leadership and organizational development process in order to develop supportive mindsets and capabilities for CSV among the leadership, as well as a rigorous measurement process to track and correlate social, market and business results. In current business reality these processes tend to be run separately.

The first process is the leadership and organizational development (the ‘people process’ (P)), which is usually undertaken from a HR viewpoint focused on developing people’s capacity and effectiveness. In fact, in our words, CSV entails an organizational and leadership development process that reaches out to the whole value chain with all key stakeholders. To lead this process from the start to the end, leadership will require a number of distinct capabilities, underpinned by a set of mindsets of individual leaders (Tideman et al 2013). In the words of Porter and Kramer (2011): “Realizing shared value will require leaders and managers to develop new skills and knowledge – such as deeper appreciating societal needs, a greater understanding of the true bases of company productivity, and the ability to collaborate across profit/non-profit boundaries”.

The second process is analytical and strategy development (the ‘content process’ (C)), which is usually run by top leadership on a regular basis, involving data-collection, analysis, strategy building and decision-making. The third process is measuring results (the ‘results process’ (R)), which is mostly used by strategy and finance departments with the aim of tracking financial performance. The C and R processes are rarely linked to a leadership and organizational development process.

CSV requires these processes to be integrated into one practical process as they collectively drive value creation. In that way, they will provide positive mutual reinforcement. The CSV Practice Framework identifies 6 Practice Domains, with 6 corresponding steps, which form the backbone of effective CSV development and implementation. It is through the application of these 6 practice domains that the 3 CSV processes work in unity, so that shared value creation will occur within the firm on a continuous basis.
The starting point of the CSV process is to assess the current situation of the organization (or the project) on the basis of a Need for Change Scan (0). This is followed by 6 more or less distinct steps. A rigorous context analysis (‘outside in’ – (1)) which will reveal the interdependency of the organization with its social, economical and ecological environment, followed by an inside-out value chain impact assessment (2), and linking these both these steps to the –redefined organization’s shared purpose and values (3). This is followed by developing a collective vision and goals (4), a process of multi-stakeholder engagement (5) and choosing focus activities (6).

While this process is presented in a linear step-by-step model, users will discover that flexibility and adaptability will be required in effectively implementing the CSV Framework. No organization is the same, and circumstances will vary greatly. The CSV process, therefore, should be undertaken with an open mind frame and allowing for an iterative approach, while following the more or less distinct steps of the CSV Framework.

Who can use the 6 step CSV framework?

Any organization can benefit from thinking in terms of shared value. Porter and Kramer developed the concept primarily for large companies, especially publicly listed companies, because it is them that appeared to have ‘lost’ their societal focus in the decades of shareholder value dominance. Many smaller companies (especially family held), NGO’s and public organizations never strayed from their social purpose. In fact, the view that the modern corporation must operate solely in the interests of the shareholders is a relatively recent phenomenon. Porter and many other scholars claim that this view is a distortion from the original role of business. When the first corporations were developed in the 19th and 20th century, legislation in most countries only allowed them to be incorporated if they fulfilled the public good.
The principle of shared value creation cuts through traditional divide between the responsibilities of business and those of the government or civil society. It applies to all organizations that are trying to serve certain social needs, whether they have for-profit and not-for-profit motives. In fact, the concept of shared value can bring all these organizations together so that their objectives become aligned and synergy can be generated.

**Benefits of the CSV Practice Framework**

*Organizations can derive the following benefits from using the CSV Practice Framework:*

- Developing a comprehensive yet practical CSV Strategy, this allows the organization to enhance competitive positioning by creating business results and social value simultaneously.

- Effectively implementing CSV strategy combining people, content and results, through a hands-on process involving society, stakeholders and organizational leadership.

- Clear measurement process of the shared value creation, so that CSV strategy can bring tangible and impactful results and stimulate continuous learning.

- Potential benchmark tool for successful CSV development and implementation for use of many organizations, which enables performance tracking over time and among organizations

- Method to compare value creation performance of any organization (for-profit/not-for-profit, public/private).

**Conclusions and next steps**

- Using the CSV Practice Framework is an organizational educational process in itself: it provides many new insights in how shared value is created, with whom and what it’s success factors are for the long term benefit of the organization. Thus the CSV Practice Framework is more than a standard strategy tool for an organization, but a process with benefits for employees, customers and society.

- The application of CSV in essence is an organizational development process, which demands an integrated change approach of three processes: People, Content en Results measurement.

- The People process involves a fundamental reorientation of leadership mindsets, abilities and behavior. The exact definitions of leadership mindsets, abilities and behavior and the relationship with the practice domains needs more study.

- Shared Value is measurable, which facilitates a tangible learning process and enables the alignment of all stakeholders involved. However, it requires a new perspective and integration of different measurement methods. The CSV Measurement Process proposed in this study is a first attempt to create such integrated method, but more research and testing will be needed.
The three cases analyzed indicate that the CSV Practice Framework can effectively be applied. The Framework provides a method through which multi-stakeholder public/private partnerships can be understood, structured and managed. Likewise, it is possible to apply it to organizations (both private and public) and projects (such as the TNO Phenflex project). However, more research on a wider sample of organizations and projects is needed.
Introduction – TNO chairman

To be added.
Why this study

TNO is in a unique position to apply expertise, research and innovation to creating shared value. TNO has the combined goals of fostering competitiveness through research and innovation while addressing social, environmental and economical issues engrained in their original mission, vision and values. TNO works together both with public and private partners to develop and create innovations that yield benefits for business and society alike. They can provide customers with knowledge and innovation on the parallel creation of business, social or environmental value.

At the same time, TNO can form a key contextual function for shared value creation in society. TNO possesses a wealth of knowledge, expertise, relationships and qualities that can help other actors create shared value. Furthermore, TNO often occupies a strategic and central position within a value network of public and private actors, making TNO suited for creating strategic linkages to enhance CSV.

Despite the increasing embrace of the CSV concept and its suitability for TNO, however, still missing is a framework to link social progress directly to organizational success, and vice versa. For that reason, TNO has commissioned a study to SEAL Institute to develop a CSV Practice Framework. TNO wants to create a clear perspective on CSV for more than one reason. It can be both (1) a next step in the positioning of TNO, serving as an internal (and external) engagement and value creation platform, and (2) a way of working with organizational partners and clients in both private and public sectors.

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*TNO is by design an organization that brings a contribution to society, by conducting applied research on many fields, in which private and public institutions themselves don’t have the time for. Since TNO conducts this research in cooperation with these institutions, one can say that CSV and TNO’s mission fit seamlessly together.*

*Herman Wijffels*
1. **What is CSV?**

1.1. **New perspective on business and social value**

The concept of Creating Shared Value (CSV) emerged out of an article by strategy experts Michael Porter and Mark Kramer in the Harvard Business Review (2011). Their main objective is to help organizations to go beyond the dilemma between pursuing business profits and creating social value. The key to this lies in understanding these organizations’ interdependency with unmet needs/issues in society, nature and economic systems. By linking their core organizational objectives and capabilities to serving social needs and issues, organizations can enhance the long-term strategic positioning and value creation of the firm.

The focus on short-term shareholder value that was prevalent in the last decades has hindered many organizations to focus on serving wider societal needs. Many now recognize that the future financial results are actually derived from the firm’s capacity to serve societal needs. As a result, many are now looking at the CSV concept as a tool for generating sustainable value. Among them are leading multinationals such as Unilever, Nestlé and DSM, and research institutions such as TNO.

CSV cannot be understood without redefining the concept of value. Porter and Kramer have not put forward a strict definition value yet their work constitutes a new perspective of business and social value. In this report value is defined as follows: Value is a relative concept determined by the degree to which (the effects from the activities) fulfills the needs of the different stakeholders (including society and nature).

This means that ‘social value’ can be defined as what society values, while ‘business value’ is what business values. The concept of CSV implies that it is both necessary and possible to define and measure these two types of value. Measuring social value requires a different approach than measuring business value (often expressed in financial indicators) yet both are measurable. Social value is created, for example, when skills and training opportunities are provided to children so that their learning (and earning) capacity in life increases, or by creating employment opportunities for unemployed people.

In the context of this study, social value is equated with impact, and is measured as part of a results measurement process, along with business value (equated with output) and behavioral effects (outcomes). This will be explored further in Chapter 6.
1.2. Social Issues and their value to organizations

Over the last 20-30 years we have come to think that generating business value is good for society. This is increasingly difficult to maintain because of contradictory evidence (health, financial crisis, pollution, social exclusion etc). We now need to shift this line of thought into: what is good for society is good for business. This opens up a new perspective: there is tremendous opportunity to create economic value by focusing on societal value.

Porter & Kramer 2011

The value creation ability of companies depends heavily on societal ‘assets’ such as good education systems, safe working conditions, equal opportunity of men and women, natural resources, a transparent, corruption-free environment, coherent regulations, reliable infrastructure etc. Conversely, the health and prosperity of a society depends on organizations that can create wealth, by productive workers, sustainable and efficient use of natural resources. It is this interdependency that causes the potential for shared value creation.

A recent study amongst 20 larger Dutch enterprises and their employees (n=2779) shows some interesting evidence supporting the interdependence between organizations and society (Van Tulder 2012). Almost 90% of the employees (completely) agree that governments, companies and citizens must complement each other in looking for sustainable solutions.
The same research shows the ranking of the societal, ecological and economical issues with high attention in the public debate in the Netherlands according to these Dutch employees. Combating child labor, health, education, human rights, availability of resources in the future, efficient use of water and energy, food security, safety, clean environment and system for the prevention of bribery and corruption are the top 10 issues.

Typically, the more closely tied a social issue is to a company's purpose, the greater the opportunity is to leverage the organizational resources to benefit society. The fundamental strategic challenge for organizations pursuing CSV is to recognize the fact that Porter and Kramer (2006) describe as follows: “Corporations are not responsible for all the world’s problems, nor do they have the resources to solve them all. Each company can identify the particular set of societal problems that it is best equipped to help re-
solve and from which it can gain the greatest competitive advantage”. In other words, societal needs can play an important role in the strategic decision-making of company, provided that they focus on the areas where social and economic interests intersect, and apply their distinctive corporate resources, not just their money, to solving social challenges.

The CSV concept seems to match perfectly well with new initiatives in measuring well-being following "GDP and beyond - measuring progress in a changing world", the breakthrough report by the Stiglitz-Sen-Fitoussi Commission (2009). This report acknowledges the limitations of measuring GDP and strongly recommends new initiatives for measuring well-being.

Pim Claassen, Head of department, Balance of payments & statistical publications at De Nederlandsche Bank / Dutch Central Bank
2. Why is CSV becoming Relevant?

*The concept of shared value carries the promise that it is no longer necessary to create a painful compromise between delivering to shareholders and creating value for the stakeholders. Indeed pursuing both – shareholders and stakeholders needs – creates shared value well beyond the expected image of compromise, balance and trade-off. CSV is not a trade off between business and social value, but about expanding the pie of value. It relates to the self-interest of the company*. 

Porter & Kramer 2011

2.1 Rediscovery of interdependency between business and society

It is abundantly clear that profound changes are happening affecting business leadership, on all levels of society and on a global scale: global poverty, global disease, global violence, biodiversity decline and climate change continue unabated. The world’s economic and political structures seem increasingly incapable of protecting our ecosystems, managing our resources or preventing rising social inequality. As a result, there is now a business imperative for rapid, non-linear change.

In this rapidly changing context, the predominant *shareholder model*, in which the short-term financial interests of shareholders tend to take precedence over long-term interests of stakeholders, is no longer an option from a long-term survival viewpoint. Indeed, leading companies have recognized sustainability as the next business ‘mega-trend’, just like IT, globalization and the quality movement earlier, determining their long-term viability as a business (Senge 2008; Lubin and Esty 2010). The new world-view is one in which business recognizes its inevitable *interdependency* on the health of the environment and well being of society. Business and its social and natural environment are no longer separate worlds that meet tangentially, but a single, inseparable system: as they are interconnected and interdependent, value needs to be created with an eye to the complete picture.

*Shared Value represents the principle on which our entire production-based economic system is built on. The founder of modern economics, Adam Smith, in his two books of Theory of Moral Sentiments and the Wealth of Nations, has strongly emphasized the relationship between public and private goods. The one cannot exist without the other. In the last decades of shareholder capitalism we have deviated from this principle, which had serious negative impact on the planet and society.*

Herman Wijffels
It is important to understand that CSV has no moral or idealistic underpinnings. It is based on a reality that has been overshadowed by a few decades of exclusive focus on the shareholder value model, but one that is undeniably still the case: **business and society are interdependent and cannot function without each other.** Business by nature has been a major driver of socio-economic value – and socio-economic value is a major predictor of business success, especially in the long term. By creating jobs, training workers, building physical infrastructure, procuring raw materials, transferring technology, paying taxes, and expanding access to products and services ranging from food and healthcare to energy and information technology, companies affect people’s assets, capabilities, opportunities, and standards of living – sometimes positively, sometimes negatively. And because these people are companies’ employees, customers, suppliers, distributors, retailers, and neighbors, their growth and well-being are related to the firm’s bottom line. Whether or not companies have happy customers, healthy value chains, contented local communities, and supportive governments and other stakeholders now and into the future is an important factor for business success. In short, CSV appeals to the enlightened self-interest of business.
2.2. **Enlightened Self-Interest of Business**

*The moment for a new conception of capitalism is now; society’s needs are large and growing, while customers, employees, and a new generation of young people are asking business to step up ... The purpose of the corporation must be redefined as creating shared value, not just profit per se."

*Porter & Kramer 2011*

Now that companies start to follow their enlightened self-interest, they are increasingly interested in measuring their socio-economic-environmental impact, ranging from reducing damage, waste, cost and risk to creating and capturing new opportunities. The most obvious business reasons include:

1. **Obtaining or maintaining license to operate**

Measuring shared value can help companies show communities, government authorities, and other stakeholders, like donors and civil society groups, that their activities create net benefits for the economies and societies in which they operate – and mitigate the risk of negative publicity, protest, and declining government support for current and future operations. It can help companies answer questions like:

- Are we fulfilling our commitments and the expectations our stakeholders have of us?
- Is there a gap between our impacts and our stakeholders’ perceptions?
- To what extent do our activities create social risk or conflict?
- Where should we invest our corporate responsibility budget?
- Where do we need help from external stakeholders – like governments, donors, and civil society groups?
2. **Improving the business enabling environment**

Measuring shared value can help companies show policymakers what and how they contribute to public policy goals through profitable business activity – helping those policymakers develop the right mix of rules, incentives, and public services needed to maximize the business contribution. It can help companies answer questions like:

- To what extent are our business activities contributing to local, national, or international public policy goals?
- What negative impacts should we be aware of?
- How are our business activities contributing?
- What are the critical levers of impact (such as procurement, training, or consumption of our products and services)?
- Are there external constraints on those levers that policymakers could help change?

3. **Strengthening value chains**

Measuring shared value can help companies predict the loyalty, performance, stability, and capacity for growth of suppliers, distributors, and retail partners – identifying vulnerabilities and opportunities to address them. It can help companies answer questions like:

- Are we at risk of side-selling by smallholder farmers?
- Do our suppliers have what it takes to attract other big customers, expand production capacity, and achieve economies of scale?
- Can our retail partners afford to invest in added shelf space and inventory?
- Where do we need help from external stakeholders – like governments, donors, and civil society groups?

4. **Fueling product and service innovation.**

Measuring shared value can help companies understand the needs, aspirations, resources, and incentives of their customers – enabling them to develop winning new products and services and improve existing offerings. It can help companies answer questions like:

- Why haven’t our sales grown as expected?
- What major social trends have we missed?
- What (future) unmet social needs are there below the surface?
- What is the best way to segment new “base of the pyramid” markets
5. **CSV as platform for organizational, customer and societal growth**

CSV can be used as a platform for conceiving and entering new markets and supporting communities, with the help of partnerships with NGO’s, governments and other stakeholders in the value chain. It can help companies answer questions like:

- How can we use societal needs and issues in the surrounding community and translate these into solutions using partnerships?
- Which communities can be served best, whilst also serving our customers and own organizational needs?
- Which partnerships with key-stakeholders in the value chain will help us develop society, customers and organizational growth?

6. **Increasing employee, customer and shareholder engagement**

Shared value can be an avenue to unlocking the motivation of employees and other stakeholders, increasing their engagement, loyalty and retention. It can help companies asking the following questions:

- Which social issues can be linked to the intrinsic motivation of your staff, customers and shareholders?
- How can these linkage lead to stronger levels of engagement (on material, emotional, intellectual, aspirational levels)?
- How can these levels of engagement be used for the growth and capacities (creativity, building relationship, efficiency, adaptability) of your staff, and hence their output.

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*CSV gives meaning to people’s jobs. Our investee company Medux is engaged in providing medical aids, such as wheelchairs for disabled people in the Netherlands. Until recently, the company saw itself as a logistical distributor, executing community laws, while playing the margin game. Nowadays Medux has reinvented itself and sees itself as a company helping disabled people to happily participate in society, while focusing on the interests of the Dutch society in terms of health impact and low cost solutions. This transition has lead to a very positive development in employees’ commitment to the company.*

**Bas Maassen, Chief Investment Officer, NPM Capital**
3. For whom is CSV?

From society’s perspective, it does not matter what types of organizations create the value. What matters is that benefits are delivered by those organizations – or combinations of organizations – that are best positioned to achieve the most impact for the least cost. Public organizations can work on precompetitive issues that improve the value chain for all participants.

Porter and Kramer 2011

3.1 Any organization can benefit from CSV

Any organization can benefit from thinking in terms of shared value. Porter and Kramer developed the concept primarily for large companies, especially publicly listed companies, because it is them that appeared to have ‘lost’ their societal focus in the decades of shareholder value dominance. Many smaller companies (especially family held), NGO’s and public organizations never strayed from their social purpose. In fact, the view that the modern corporation must operate solely in the interests of the shareholders is a relatively recent phenomenon. Porter and many other scholars claim that this view is a distortion from the original role of business. When the first corporations were developed in the 19th and 20th century, legislation in most countries only allowed them to be incorporated if they fulfilled the public good.

The principle of shared value creation cuts through traditional divide between the responsibilities of business and those of the government or civil society. It applies to all organizations that are trying to serve certain social needs, whether they have for-profit and not-for-profit motives. In fact, the concept of shared value can bring all these organizations together so that their objectives become aligned and synergy can be generated.

3.2 From Shareholder to Stakeholders

In this interdependent system, it is no longer only investors who have a direct say in what the benefits of business should be, but everyone with a stake in the future of the company – that is the stakeholders. With new demands on hand, we now see an adjustment of the entire business value model from shareholder to stakeholder value, incorporating social and environmental value into economic value indicators. Stakeholder engagement is regarded as the essence of sustainable development (van Tulder 2012). This will lead to taking into account the needs, interest and expectations of different stakeholders whilst taking organizational decisions and hence integrating social, ethical and ecological aspects into the core competences of organizations.

Stakeholders are classically defined (Freeman 1984) as ‘any group or individual who can affect or is affected by the achievement of the organization’s objectives’ and are taken to include shareholders, employees, customers, suppliers and society. Stakeholder rela-
tionships are considered an essential part of the firm. A firm and its stakeholders are related to each other as part of their very existence; a firm's relationships with stakeholder thus constitute a part of that firm. This conception of **stakeholder relationships** implies a caring approach to stakeholders, simply because of their mutual dependency. Instead of trying to balance the rights of one stakeholder group against those of another, or make decisions based on existing power relations, managers would care for all stakeholders (Burton and Dunn, 1996). This places relationships at the heart of the decision process and emphasizes the firm's responsibilities to all stakeholders, both those who are least advantaged as well as those with whom the relationship is particularly close.

This relational view of business corresponds to trend in organizational dynamics, where the dominant view is no longer that of an organization as a hierarchically structured machine whose sole purpose is to make profits, to one of a **living network** in which value is generated by human connectedness, creativity and sense of common purpose. Companies that strive for sustainable performance are coming to the same conclusion: sustainability is a function of leadership that is capable creating value with multiple stakeholders in dynamic relationships (Senge, 2008; Porter & Kramer, 2011; Eccles, 2011; Doppelt, 2012).

This changed organizational dynamic puts emphasis on notions such as distributed and **collective leadership**, as leadership is no longer only a matter of top down decision making within one firm, but also a matter of building relationships among equals within a dynamic network, both inside and outside the firm. This viewpoint allows for seeing CSV not only from the perspective of one organization, but also within the scope of **multi-stakeholders** projects. This report includes a case study on a project (TNO Phenflex) that underscores this viewpoint.
4. Positioning of CSV as next step after CSR

4.1. The History of CSR

A narrow conception of capitalism has prevented business from harnessing its full potential to meet society’s broader challenges. The opportunities have been there all along but have been overlooked.

Porter and Kramer 2011

In their 2006 HBR article, Porter and Kramer appealed for a new approach to Corporate Social Responsibility (CSR) because they felt CSR had been wrongly placed at the margin of the company, implicitly reinforcing the apparent tension between business and society. CSR seemed to be built on the assumption that business and society are disconnected and companies have a choice to be responsible or not. One of the key mindsets of CSV is that business and society are deeply and dynamically interdependent. They form a continually evolving value network of mutually beneficial relationships. Organizations are critical members of society and the decisions companies make and the actions they take reverberate throughout society. And by the same token, society has an impact on companies. In our increasingly inter-connected world, where the forces of globalization and technological innovation are bringing massive change, the linkages between business and society will grow stronger, tighter and even more vital to both corporate success and social prosperity. As Porter and Kramer believe, there is a “symbiotic relationship between social progress and competitive advancement.” This relationship “implies that both business decisions and social policies must follow the principle of shared value”
Example: Nestle experience in India:

About four decades ago, Nestlé began providing refrigeration units, veterinary care and business and agricultural training to dairy farmers in India’s Moga district. Because of these investments, Moga today has a significantly higher standard of living than other communities in its surrounding region. “Ninety percent of the homes have electricity, and most have telephones; all villages have primary schools and many have secondary schools.” In addition, “Moga has five times the number of doctors as neighboring regions.” A major outcome of CSV is an improvement in the quality of life and standard of living enjoyed by the people where businesses operate. This change might not have happened without the economic driver of business.

In their 2006 article Porter and Kramer distinguished ‘defensive CSR’ from ‘strategic CSR’, which term was rephrased as CSV in their 2011 article. The key difference between CSR and CSV, according to Porter, is that many CSR practices are aimed at adding costs and fail to seize the ample opportunities for value creation. In contrast to CSR, CSV strategies are pursued strictly where it contributes to competitive advantage and value creation. By placing CSV at the heart of competitive positioning, Porter emphasizes that shared value is not social responsibility, philanthropy or even sustainability, but a new way to achieve economic success. It is not at the margin of what companies do but at the center. Porter and Kramer (2011) make the following comparison between CSR and CSV:

<table>
<thead>
<tr>
<th>CSR</th>
<th>CSV</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value: doing good</strong></td>
<td>Value: economic and societal benefits relative to cost</td>
</tr>
<tr>
<td><strong>Citizenship, philanthropy, sustainability</strong></td>
<td>Joint company and community value creation</td>
</tr>
<tr>
<td><strong>Discretionary or in response to external pressure</strong></td>
<td>Integral to competing</td>
</tr>
<tr>
<td><strong>Separate from profit maximization</strong></td>
<td>Integral to profit maximization</td>
</tr>
<tr>
<td><strong>Agenda is determined by external reporting and personal prefer-</strong></td>
<td>Agenda is company specific and internally generated</td>
</tr>
</tbody>
</table>

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Porter and Kramer also emphasized that shared value is not about personal values. Nor is it about ‘sharing’ the value already created by firms – a redistribution approach. Instead, it is about expanding the total pool of economic and social value. For these reasons, Porter and Kramer say: “We believe that it can give rise to the next major transformation in business thinking”.

CSV stands for a second phase in CSR. One could say that CSR 1.0 was aimed at limiting the negative impacts of business on the environment and society, while CSR 2.0 – or CSV – is aimed at creating value in three dimensions: ecological, societal and economical. It provided a much-needed platform for public and private sectors to effectively created what they cannot do alone.

Herman Wijffels.

4.2 Different phases of organizational development

The view that CSV represents a next stage in business thinking and organizational capacity is supported by research showing that firms progress on the path towards a stakeholder value orientation on the basis of a number of progressive stages of development (Googins, Mirvis and Rochlin 2006, WBCSD 2011, van Tulder 2012). The stages of development posited – from an elementary to an increasingly more engaged, innovative, integrated and, at its most creative edge, a game-changing approach to sustainability and CSR – emerge from continuous interaction between a firm and its environment that stimulates organizational learning. At each stage, a company’s engagement with societal issues is progressively more open and its dealings with stakeholders are more interactive and mutual. In the same way, how companies think about sustainability and CSR becomes more complex, and the organizational structures, processes, and systems used to manage corporate responsibilities are more sophisticated and aligned with the everyday business.

Van Tulder (2012) developed a phase model that is particularly insightful in supporting leaders and managers understanding where their organizations stand and how they can move forward. The model distinguishes four phases that companies go through on their way towards sustainability:

- Inactive phase; organizations are internally oriented and try to avoid societal liability.
- Reactive phase; organizations re-act to stakeholders but are still orientated at preventing societal liabilities.
- Active phase; organizations become active towards stakeholders, although still more internally oriented and have a responsible attitude towards societal aspects.
- Proactive phase; organizations are externally oriented and take social responsibility together with other stakeholders.

For the transition from one phase to another, organizations need to overcome certain barriers, which can be regarded as ‘tipping points’ for change. Barriers can be overcome by positive and negative value drivers, which serve as ‘carrots and sticks’, whilst there is always a mixture of internal and external dynamics.

Organizations often move out of inactive phase because of pressure by stakeholders, for example by triggering events that catch broad media attention. In the next reactive phase there is an increased sense of urgency and stronger internal alignment on the way forward. After this phase – the active phase – companies are no longer only extrinsically but intrinsically motivated. Because they take responsibility for solving societal issues and creating shared value opportunities together with key stakeholders they become increasingly externally aligned.

**Figure 1.1 Phases in Sustainability Transition Trajectories (van Tulder 2012)**

The tipping points from one stage to another correspond to the specific steps in the CSV Practice Framework.
5. **CSV and Value Chains**

*Shared value is aimed at serving the human needs underlying economics and society, beyond any trade-off between them.*

*Porter 2011*

5.1. **Interdependent relationships**

Shared value cannot be understood without an understanding of the concept of the ‘value chain’, which was the domain of work of Michael Porter in an earlier part of his career, and still remains central in his thinking about CSV. The value chain represents the 'shared' aspect of shared value. Value chains have evolved from supply chain management and encompasses not only the transactional relationships along a typical business supply chain but also the larger web of stakeholder relationships and "external" social and environmental inputs and impacts of any supply chain.

*Porter (1985) was one of the first to describe the value chain of companies as a means to find ways to enhance a company's value creation capacity. The value chain depicts all the activities an organization engages in while doing business.*

![Porter's value chain diagram](image)

*(Porter, 1985).*

Soon later Porter realized that a firm value chain is part of a larger system, both down- and up-stream, which he described as ‘value systems’. Value chains of one company depend and intersect with other value chains, together forming a value system. Often they form global networks of interdependent relationships of multiple stakeholders. Within the larger value system, each company has its own value chain.
Porter’s Value System

The concept of the value chain has greatly helped firms to manage the complexity within the value chain and to find ways to enhance value. However, as the concept arose out of Porter’s thinking on competitive positioning, the analysis did not yet include social and environmental considerations. As sustainability concerns rose over the last decades, the value chain/system concept has become an essential element in understanding and tackling sustainability issues.

The value chain concept helps business leaders to deal with fast changing and complex business enabling environment. People are beginning to comprehend that a rapidly shifting organizational landscape is increasingly out of alignment with business processes, or more accurately, business processes are out of alignment with the ways in which things actually get done (Allee 2009). In recognition of this increasing complexity, the value chain is also defined as a the value network: “A value network is any purposeful group of people or organizations creating social and economic results through complex dynamic exchanges of tangible and intangible value (Allee 2009). The value net-
work approach can be applied to small purposeful networks, such as a work group or project team, as well as to larger and more complex networks of multinational companies sourcing and selling their products and services worldwide.

It should be noted that value chains (or value networks) do not automatically create shared value. In fact, many create unintended value-destruction for people or nature because of selecting short-term profit at the expense of longer-term value. Under globalization many value chains have become so spread out and anonymous that they have become difficult to manage and have fallen prey to exploitation and speculation. In many value chains the least powerful suppliers or producers – often in developing countries – are squeezed out by powerful middleman or buying parties.

Therefore, we need to understand which activities within an organization cause positive and negative social, economical and/or ecological impact. These inside-out linkages may range from hiring people to CO2-emissions, water pollution or building infrastructure like roads or bridges. Conducting a value chain impact analysis can do this. It evaluates which impact each particular activity has on the outside world, positive or negative. The ability to perform particular activities with positive societal impact (the strategic linkage between an organization and societal needs) is necessary condition for creating shared value. It can be called a shared value driver.

![Figure 1. Unilever product impacts](image)

**SOURCE:** Unilever 2008 baseline study across 14 countries. Total in tonnes.

Value chains that do create shared value consist of a set of practices to be implemented by stakeholders through the chain that are characterized by inclusiveness, fairness, durability, and financial sustainability (Sweitzer et al 2009). Examples of such practices are transparent procurement rules, formal quality standards, collective commitments, shared purpose etc. and accessible information systems. When these practices are built into value chains they create long-term shared value throughout the chain, both up- and downstream, while providing greater protection for ecosystems and natural resources. For this to happen, however, the dominant parties should explicitly reorient their business model to being a collaborative partner in CSV. It may then adjust its role in one or several aspects of a value chain, so that the whole chain is more efficient and competitive and creates additional value which can be captured by smallholders and local businesses, and provides the right incentives for all parties to continue to invest in the future of the value chain.
I have observed and applied the principles of shared value in the ‘Amsterdam Metropolitan Solutions’ (AMS) for the City of Amsterdam. The way that this network of stakeholders with different abilities and competencies is organized around specific societal issues, is the way of the future. It involves a new type of leadership which starts with ‘soft (or people oriented) coordination’, which is in stark contrast to what we did in the past, namely more hierarchical (or hard) coordination. This type of leadership shapes and sets the agenda, stimulates, facilitates and mobiles the people with their different interests and talents in the network. The new leadership abilities are building multi stakeholder connections, creating shared value, connecting the stakeholders around shared societal purpose, vision and goals and hold them collectively accountability for creating value for and with society.

Wim Kuijken, Delta Program Commissioner & State Government Consultant

5.2. CSV requires innovation

Value chains with strong developed linking connections are a necessary structural condition for enabling improvements and innovations (de Jong, 2010). Linking connections of stakeholders is a precondition that stimulates learning that leads to improvement and innovation.

In the field of community development and open innovation, several scholars have made helpful descriptions on a typology of different relations and ties between people (Field, 2008; Van Der Sluis en de Jong, 2009), which are conditional for success:

- Bonding connections, which closely tie together people from a very similar background, such as family and close friends.
- Bridging connections, which bring together people from fairly similar backgrounds but more loosely, such as people with a shared interest.
- Linking connections, which bring together people from dissimilar backgrounds.
Research findings (de Jong 2010) show that only networks that include linking connections are successful in realizing sustainable improvements and innovations. At the early stage of the value network, stakeholders often do not share the same vocabulary or perspective. Within the network, the leadership starts to focus on realizing the exchange of individual perspectives, ideas and objectives. Otherwise there is a risk that the potential of this added external perspective is not adopted and external parties stop participating. Multi-stakeholder engagement, co-creation and building sustainable leadership are key capabilities and mind-sets.

The turbulent business environment of today translates into an urgent need to develop organizational capabilities to continuously improve and innovate. This can be seen as a learning process, with the critical success factor of constant collaboration with colleagues, clients, customers and multi stakeholders. In this perspective, innovation is a collective social activity that cuts across organizations, departments and stakeholders (Harrison & Kessels, 2004) and needs the active contribution of every professional. Innovation no longer consists of the products and new ideas that are developed in one place and implemented in another. On the contrary, innovation takes place in various places within organizations, often by employees who encounter problems that require new solutions (Verdonschot, 2009).
6. Measuring Shared Value

The main relevance of the concept of CSV ultimately comes down to valuation. A company whose business model and leadership are aligned to the fundamental and sustainable needs of society will create a much stronger and more sustainable value than a company who is merely riding an unsustainable cycle. Since in the CSV concept of financial value and societal/stakeholder value converges valuation process, company leadership can more effectively create shared value.

Bas Maassen, Chief Investment Officer, NPM Capital.

In the context of this study, we have developed a comprehensive measuring process for shared value, which has been lacking in the emerging literature on shared value. This makes the CSV Practice Framework innovative and unique. This chapter serves to provide the background and explanations for this measuring process.

6.1 Defining Value

Value as a concept is subject to much confusion among business practitioners and investors. Clearly, value is not the same as profit or price – in fact, value does not need and often cannot be expressed in money terms (monetization). This does not mean that the phenomenon of value does not exist; it means that we have to find different indicators to express it than the indicator of money.

Value theory encompasses a range of approaches to understanding how, why and to what degree people value things; whether the thing is a person, idea, object, or anything else. This investigation began in ancient philosophy, where it is called axiology or ethics, and today continues in economics and accounting. Much attention is given to the question of accounting for non-financial value, such as social value. This research shows us two things, namely that there are (1) multiple definitions and (2) multiple methods of measurement.

Ad (1): Since there are multiple definitions, it is necessary to clearly define one’s own. In practical terms, one can equate social value with ‘social impact’. In theory there are differences, most notably – as expressed by Michael Porter - between value being associated to intrinsic and positive dimensions, while impact often is being associated to extrinsic or negative dimensions. In the emerging literature on these issues the term impact or social impact is most commonly accepted as a measure for social value beyond mere profits. For example, the International Association for Impact Assessment defines impact as “the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions”
We have developed the following definitions:

**Value** is a relative concept determined by the degree to which (the effects from the activities) fulfills the needs of the different stakeholders (including society). Value is created by mind-sets, inputs and activities commonly known as value drivers.

**Value drivers** are the critical success factors that must be created, activated and managed.

**Outputs, outcomes and impact** can be expressed in (quantitative and qualitative) indicators. These indicators reveal the degree to which value creation (or destruction) has occurred.

**Shared value** is the positive value that simultaneously is created for organization, market and society.

Ad (2): There are a number of ways in which value/impact can be measured and a standardized method to calculate it does not exist. Rather a wide array of value or impact measurement methods for specific purposes has been developed (Maas 2009).

When we think of value measurements, we tend to associate that with the way business tends to measure its value: profit and loss, return on invested capital, shareholder and so on. Looking through the frame created by Maas, the standard in business has become to focus on measuring **outputs** in a **retrospective** and **short term** timeframe, on a **micro-** or **meso-level** perspective, using a **monetized** approach.

In contrast, **shared value**, as defined by Porter, is associated with measuring **outputs**, often within a **prospective** and **long term** time-frame, on **meso- and macro levels**, while generally taking an **impact** approach. In other words, measuring value as business profit or measuring value as part of the shared value concept, are distinctly different approaches.

It is important to note that Porter and Kramer have not decided on one methodology of accounting for shared value. However, with aim of creating a ready-to-practice Shared Value Practice framework, this study has selected a particular measurement methodology based in the **"logical framework"** (or “logframe”), a common model in the development world where donors are interested in measuring social impact. With such methodology in place, the discussion with stakeholders, particularly those in the finance or accounting profession, is much facilitated: it creates rigor to a discussion that can otherwise remain an open-ended dialogue.

In essence, it is a model about how business activities translate into social value – which can then be tested through measurement. We have used this as basis to create a model for measuring shared value: the **CSV Results Measurement Process**. The principle is simple: just as product value grows with every link of the value chain, so can shared value be generated with every link of the value chain.
CSV Results Chain and the Measurement Process

Value is created by mind-sets, inputs and activities commonly known as value drivers. These value drivers are the critical success factors that must be created, activated and managed. Outputs, outcomes and impact can be expressed in (quantitative and qualitative) indicators. These indicators reveal the degree to which value creation (or destruction) has occurred.

Shared value is value that simultaneously is created for organization, market and society.

CSV Results Measurement Process: Definitions

<table>
<thead>
<tr>
<th>Leaders</th>
<th>Organizations</th>
<th>Market</th>
<th>Society</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mind-sets</td>
<td>Inputs</td>
<td>Activities</td>
<td>Outputs</td>
</tr>
<tr>
<td><strong>Value Drivers</strong></td>
<td><strong>Critical Success Factors</strong></td>
<td><strong>Value - Effects</strong></td>
<td><strong>Indicators</strong></td>
</tr>
<tr>
<td>Value creation</td>
<td>Value creation</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Mind-sets**
- Are the interior patterns of mind or frames of reference.
- The mindset determines how we see the world, how to reason, and how you make meaning of and behave in response to experiences.

**Inputs**
- The resources and competencies necessary to carry out an activity.
- This can be material resources (like raw material, money, people) and immaterial resources (like idea’s, certain competencies, knowledge, etc.)
- The actual dynamism, execution and implementation process (specific deed, action, pursuit etc)
- Activities can be qualitative and quantitative and can range from production, training, ideas to sales
- These are effects of mind-sets, input and activities and are the organizational results in the markets it serves
- Products, services sold, consumed, used etc.

**Activities**
- Are the effects (changes, results) on people in community, on economy, ecology that the organization serves
- Effects can be modifications on knowledge/attitude/behavior level, learnings or any other effects
- The end - long term - effect of the organizational activities on societal, ecological and economical level
- Measures like socio-economical welfare, gross national happiness, health of an population are good examples.

**Outputs**
- Value is a relative concept determined by the degree to which (the effects from the activities) fulfills the needs of the different stakeholders (including society).

**Outcomes**
- Value that is simultaneously created on the level of business, people and society, by a mind-sets, input and activities
6.2. Explanations of Elements of CSV Results Measurement Process

While the CSV Results Measurement Process has been depicted in a linear fashion, it is important to note that value creation is a continuous process driven by a particular set of mindsets of key stakeholders, which in turn determine input, ultimately leading to shared value. This, in turn, has an effect on the mindsets of leaders who are responsible for this particular value cycle.

Importantly, organizations cannot know the extent to which they are successful in creating shared value if they do not measure their progress on social objectives and, crucial for CSV, the degree to which social performance improves economic value for the business. Many companies today track and report myriad financial, social, and environmental metrics, drawing on efforts by the social sector to develop more sophisticated methods for evaluating social impact. There is also a growing integrated reporting movement that aims to add sustainability measures to financial statements.

In general, as Porter and Kramer have indicated, there are three different approaches to integrating social and business results, of which only one (the last one below under 3) captures shared value.

I. Measuring ESG (Sustainability) Factors

This approach seeks a correlation between good performance on ESG (Environmental, Social, and Governance) indicators and company value. Numerous studies have sought, and some have found, a positive correlation between sustainability indicators or ESG performance and overall stock performance. These studies find a correlation between a company’s overall sustainability performance across a range of ESG factors and the company’s overall financial performance. Yet they cannot specify which social or environmental issues are most important in driving business performance. As a result, ESG factors remain disconnected from day-to-day business decision making by leadership, which tends to ignore ESG factors if business concerns deviate from them. In this way relying on ESG standards can actually be misleading.
Example:

**BP (formerly British Petroleum)** has been a role model in sustainability reporting ever since a widely published speech of then CEO Lord Brown in 1997. It received the top-score of one hundred global companies for climate change strategies. It cut greenhouse gas emissions by 10 percent below 1990 levels. BP ties bonuses for executives to meeting environmental performance. Yet in spite of these efforts, when the Mexican gulf disaster erupted, BP’s leadership failed to grasp the social and political implications that followed from the oil spill. In addition to many litigation cases, BP suffered from a massive withdrawal of investment capital. In short, ESG indicators do not reveal the firm’s capacity to understand society’s needs, and as a result, much social and financial value was lost, in spite of BP’s adherence to ESG standards.

II. Measuring Social Value in Monetary Terms

The second approach seeks to monetize the positive or negative social and environmental impacts of companies. Some companies have sought to estimate the cost (and benefits) of externalities and incorporate them into shadow profit and loss statements. This is also described as Single Bottom Line Impact Reporting. This is akin to what is known as Social Return on Investment (SROI), which has the aim of finding one single value number. While understandable, this approach faces considerable hurdles. It requires assigning a value to environmental and social capital, for which consensus will be hard to achieve. Also, financial officers and investors are not prone to taking fictitious costs
seriously.

Example:

**Puma** has created an “environmental P&L,” which includes a notional cost for its greenhouse gas emissions or water use in its supply chain, thus integrating lost “environmental capital” into its financials. The objective is to encourage more companies to adopt such measures. Eventually, governments could tax these externalities and therefore trigger greater efforts by companies to better manage these costs. However, it is not clear how this P&L is impacting Puma's business. Puma continues to publish its conventional financials for investors. As a result, Puma’s social and environmental performance is not integrated into it’s business performance.

**III. Measurement of Shared Value**

The third approach is the measurement of ‘shared value’, which – as Porter and Kramer suggest - does not merely rely on statistical correlations or estimated monetary values of environmental and social outcomes. Instead, the aim is to establish a direct linkage between social outcomes and actual financial results. In this case, *measurement requires a strategic process that can only be described in qualitative terms, not only quantitative terms*. It focuses on identifying those company activities and investments that drive social change and, through them, business results. In a next phase, these efforts could possibly be quantitatively measured or monetized, but that is not the prime objective of CSV.
Approach 3: Measuring Shared Value

Integrated set of indicators (output, outcomes and impact)

Examples: Michael Porter (CSV), Bernanke (FED), Bhutan (GNH), Jefferson (Blended Value)

Example:

**DSM**, a diversified life sciences and material sciences company that releases an “Integrated Annual Report,” clearly makes this distinction in how it reports on its shared value creation from a specific product strategy compared to how it reports progress on key sustainability indicators, GRI results, and compliance. DSM’s integrated report includes its financials and links financial and social results where it intended to deliver such shared value; for instance, the same report discloses both the contribution to revenues of its ECO+ products and their impact on the environment. However, the company does not seek to assign a financial value to its progress on sustainability and compliance objectives.

The prime objective of CSV measurements is to clearly link social and business results so as to stimulate and capture value creation, while (integrated) reporting is largely concerned with measuring impact so as to avoid negative consequences of business activity. With regard to measuring shared value, Porter (FSG report 2012) uses the following frame linking the levels of shared value, while linking business and social results, which correspond to output and impact respectively.
<table>
<thead>
<tr>
<th>Levels of Shared Value</th>
<th>Business Results</th>
<th>Social Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reconceiving product and markets:</td>
<td>• Increased revenue</td>
<td>• Improved patient care</td>
</tr>
<tr>
<td>How targeting unmet needs drives incremental revenue and profits</td>
<td>• Increased market share</td>
<td>• Reduced carbon footprint</td>
</tr>
<tr>
<td></td>
<td>• Increased market growth</td>
<td>• Improved nutrition</td>
</tr>
<tr>
<td></td>
<td>• Improved profitability</td>
<td>• Improved education</td>
</tr>
<tr>
<td>Redefining productivity in the value chain:</td>
<td>• Improved productivity</td>
<td>• Reduced energy use</td>
</tr>
<tr>
<td>How better management of internal operations increases productivity and reduces risks</td>
<td>• Reduced logistical and operating costs</td>
<td>• Reduced water use</td>
</tr>
<tr>
<td></td>
<td>• Secured supply</td>
<td>• Reduced raw materials</td>
</tr>
<tr>
<td></td>
<td>• Improved quality</td>
<td>• Improved job skills</td>
</tr>
<tr>
<td></td>
<td>• Improved profitability</td>
<td>• Improved employee incomes</td>
</tr>
<tr>
<td>Enabling cluster development:</td>
<td>• Reduced costs</td>
<td>• Improved education</td>
</tr>
<tr>
<td>How changing societal conditions outside the company unleashes new growth and productivity gains</td>
<td>• Secured supply</td>
<td>• Increased job creation</td>
</tr>
<tr>
<td></td>
<td>• Improved distribution infrastructure</td>
<td>• Improved health</td>
</tr>
<tr>
<td></td>
<td>• Improved workforce access</td>
<td>• Improved incomes</td>
</tr>
<tr>
<td></td>
<td>• Improved profitability</td>
<td></td>
</tr>
</tbody>
</table>
6.3. Value Drivers

*In our economic thinking we suffer from ‘absolutizing’, that is, we focus on financial indicators such as profits or GDP as an end in themselves. We have forgotten that these indicators are a means to an end. We have made absolute that which is relative. These indicators are helpful on the way, but they don’t determine the way. It is a matter of leadership to set this right.*

_Herman Wijffels_

Value creation does not happen by driving efforts to meet the conventional economic indicators, be it at a national, corporate or project level, because these indicators are merely measuring output and not value. On national levels, governments are focused on increasing output indicators, such as Gross National Product. At corporate level, much strategy is oriented to finesse share price, which is tied to profit, which is an output. Similar thinking can occur at any level of an organization, principally through the use of KPIs, which are also output indicators.

However, equating value with output is like confusing the goal with the goal posts, or – in the word of Herman Wijffels – mixing up the means with the end. Organizations that do that, for example by focusing on maximizing short-term profits (which is an output), may end up destroying social value (impact).

In contrast, shared value leadership is accurately identifying ends and means. It is aimed at creating shared value, by both increasing impact on society, outcomes on people and output through business results. While these are the ‘end’ of shared value leadership, the ‘means’ is managing shared value drivers, i.e. mindsets, inputs, and activities behavior.

*In this time we suffer from control obesity. The CSV approach invites us to no longer reduce everything to simplistic metrics or Euro’s, which is the dominant trend today. To adopt the CSV approach will require us to innovate with regard to the basis of valuation, comparison standards and assessment criteria. Not an easy task. But we should remember that Columbus discovered America without using performance measurement systems!*

_dr. Olof Bik RA, Nyenrode Business University, Associate Professor Behavioral & Cultural Governance_
7. How CSV can be put into practice

In their writings on shared value, Porter and Kramer have formulated a series of policies and practices that organizations have to develop in order to implement CSV. They range from practices such as outside-in analysis and inside-out analysis to identify the intersection between social needs and business objectives, identifying the organization’s social mission, creating a social vision, stakeholder engagement, institutional embedment and measurement. While these practices need to occur on an organizational level, Porter and Kramer also state that these practices need to be underpinned by a number of leadership mindsets and competences. In addition, all these should be linked to measurement systems within the organization. In other words, CSV implementation takes place on an organizational and leadership level, and should find expression in CSV related metrics.

The various articles on shared value speak about these practices in slightly different terms, without creating clarity on the exact and logically sequenced steps to take when implementing shared value. As a result, organizations wishing to implement CSV can easily get lost in the implementation process, possibly missing important factors for success. This report has looked at all the proposed CSV practices on both organizational, leadership and measurement levels, and arranged them in such a way that they can be easily implemented. This is laid down in the CSV Practice Framework.

7.1 CSV Practices Framework: three processes integrated into one

The CSV Practice Framework consists of practices that occur in three organizational processes, which in current business reality tend to be treated separately and in isolation:

1. Leadership and organizational development (People process (P))
2. Analytical and strategy process (Content process (C))
3. Results measuring process (R).

The first process (P) is usually undertaking from a HR viewpoint focused on developing peoples’ capacity and effectiveness. The second process (C) tends to be is run by the top-leadership team on a regular basis, involving data-collection, analysis, strategy building and decision-making. The third process (R) is an instrument mostly used by finance departments, aimed at measuring results and impact.

These three have been integrated into one framework because if these processes are purposefully designed to intersect with each other, they will provide positive mutual reinforcement for organizational value creation. In that case, leadership development will take place that will develop leadership mindsets that foster the capacity for strategy processes, which will contribute to effective shared value creation, which can be captured by a results measurement process. Conversely, the results process will become much more than a technical readjustment of the strategy and operations, but a catalyst for organizational and personal development, which will unleash creativity and high
performance. In other words, by integrating these P, C and R processes into one, the integrated process will contribute to P, C and R respectively; while collectively they drive value creation.

It is important to note that CSV is not just technical process on the back of mere decision-making by the board and CEO. As Porter and Kramer have noted, shared value implementation is an iterative process requiring the input of many stakeholders and is driven by a shift of thinking by leadership. To lead this process from the start to the end, requires distinct leadership capabilities, which are underpinned by a set of mindsets, that we can call CSV mindsets.

In other words, CSV entails an organizational development process that reaches out to the whole value chain, while also impacting the mindsets of individual leaders. CSV is right at the intersection between strategy, leadership and results measurement.

While a comprehensive CSV measurement framework has not yet been developed and general agreement on specific CSV measurement methodologies has not yet been achieved, this report will propose a particular CSV measurement model (below under the How section 4.3). This will turn the CSV concept into practical tool for measurement of different types of value in one comprehensive framework.

7.2 CVS Practice Framework
7.3. The 6 CSV Practice Domains

The integrated P, C and R process takes place in 6 CSV Practice Domains, containing all the practices identified by Porter and Kramer, but regrouped to form logical sequential steps. The 6 CSV Practice Domains form the backbone of effective CSV development and execution. It is through the application of these practice domains that the P, C and R processes work in unity while positively reinforcing each other, so that shared value will be actually created.

It is important to note:

1. The 6 Practice Domains should all be developed in their entirety.
2. The 6 Practice Domains relate to each other. Depending on the reference points of the organization (where do they find themselves in terms of stages, context and situation) there is a certain preferred sequence and order of practice. Generally, the first 3 domains should be developed in parallel, while the next 3 domains should be run sequentially.
3. Each Practice Domain contains elements of the P and C process, which lead to conclusions that constitute the R process.
4. While this process is presented in a linear step-by-step model, users will discover that flexibility and adaptability will be required in effectively implementing the CSV Framework. No organization is the same, and circumstances will vary greatly. The CSV process, therefore, should be undertaken with an open mind frame and allowing for an iterative approach, while following the more or less distinct steps of the CSV Framework.

Each Practice domain is made up of a series of specific activities, which will be defined in detail in the CSV Practice Manual (Appendix).
Each practice domain contains practices related to people (P) and content (C). These practices can be summarized in a key-question. The conclusions from these questions, which will be qualitative in nature, contribute to the results measurement process (R). In the 6th practice domain (Focus Activity), these conclusions are brought forward into a CSV Dashboard, which includes quantitative indicators (output, outcome and impact), from which the degree of shared value creation can be ascertained. These are all in detail described in the CSV Practice Manual (in appendix).

7.3.a. Definitions and Questions in Practice Domains (excerpts from CSV Manual)
## CSV activities per Practice Domain

<table>
<thead>
<tr>
<th>Practice Domain</th>
<th>Definition</th>
<th>Key Question</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Context Reality</td>
<td>The social, economic, and environmental dynamics (including the underlies needs, aspirations, values.........) in the communities of society (markets) that the organization serves.</td>
<td>How do the developments in the relevant organizational context influence and relate with the organizational competitiveness both short and long term?</td>
</tr>
<tr>
<td>2. Value Chain Impact</td>
<td>All the activities undertaken by an organization to create value and the impact they have in the context that the organization operates in.</td>
<td>How do the organizational value chain activities directly and indirectly impact the communities the organization serves?</td>
</tr>
<tr>
<td>3. Shared Purpose and values</td>
<td>A purpose is the reason for which an organization exists, activities are undertaken and value is created. It is the glue that holds the organization together and it is also the magnet that attracts the right people, right suppliers, customers and other stakeholders (Gudda et al 2007).</td>
<td>Why do we exist, which role the value chain gives us meaning and passion, and creates value, whilst contributing to the needs of the communities we serve?</td>
</tr>
<tr>
<td>4. Collective Vision and Goals</td>
<td>Vision is the ideal reality that manifests in the long term thanks to our current actions. Goals are derived from the vision and can be described in medium/long term (3-5 years) tangible results.</td>
<td>What is it that we will do that makes a meaningful difference for the communities surrounding us, ourselves and our customers in the coming 3-5 years?</td>
</tr>
<tr>
<td>5. Multi-stakeholder Engagement</td>
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</tr>
</tbody>
</table>
7.3.b The 6 steps

Starting point: Need for Change Scan

Before starting the CSV process we should realize the origin and starting point of the organization (or the project), which forms the frame of reference of the user for the CSV integrated process. This is done by a ‘need for change scan’, which contains the following elements:

- a brief history of the organization (or history / time span of the project)
- mission, vision, value proposition and values
- key successes, competences, strengths and challenges
- the reason why you want to start a CSV process, the current (and future) gaps and challenges you are facing, and what you want and need to achieve.

Practice Domain 1: Contextual Reality

Definition: The context reality is defined as the social, economical and environmental dynamics (including the -unmet- needs, aspirations, issues) in the communities of society (markets) that the organization serves.

Key Question: ‘How do the developments in the relevant organizational context influence and relate with the organizational competitiveness both short and long term?’

I) Leadership & Organizational Mind-sets (People Process (P))

1. Recognizing the interdependency between economic and social needs; a healthy business depends on a healthy community to create demand for its products & services and to provide a supportive business environment, while a healthy society depends on healthy businesses that create jobs, support wages, build wealth, buy local goods and pay taxes.

2. Understanding that the interdependency between business and society creates opportunities for synergy and long term value generation for both business and society.

II) Analytical and Strategy Practices (Content Process (C))

Outside-In Analysis:

1. Define, analyze and describe the social, economical and environmental dynamics (including the -unmet- needs, aspirations, issues) in the communities (markets) that the organization serves.

2. Identify the points of intersection between the organizational output and the economic, ecological and social needs, aspirations and issues in the context.

3. Identify those areas in the social context with the greatest synergy and shared value potential both for societal and organizational competitiveness by:
a. determining the linkages with society that affect the ability to improve productivity and serving needs of customers.

b. strengthening the link between the selected social issue to the business, which will enhance the opportunity to leverage the firm’s competences, resources and assets and benefit society.

III) Output for the Results process and Shared Value Dashboard

- Mind-sets: What are the 2-3 needed contextual mind-sets terms of attitude (liable or responsible) and motivation (intrinsic or extrinsic) of leadership towards the societal needs to address for CSV?
- Impact: which 2-3 needs in society have the biggest potential given the resources and core competences of the organization
- Inputs: which 2-3 core competences and resources of the organization can be applied to fulfill these societal needs?

Practice Domain 2: Value Chain Impact

Definition: The value chain is defined as all the activities by an organization to create impact/value in the context that the organization operates in.

Key question: ‘How do the organizational value chain activities directly and indirectly impact the communities the organization serves?’

I) Leadership and Organizational Mind-sets (P)

- Recognizing the process of value creation in the value chain and understanding how value creation is an interdependent co-creative process with stakeholders.

- Willingness to engage in value creation for whole value chain/system (beyond narrow own interests), by optimizing shared value opportunities (and refraining from value-destruction activities) in the value system.

II) Analytical and Strategy Practices (C)

Inside-out Analysis:

1. Identify all activities in the value chain which touch social, ecological and economical issues in the communities where a company operates, creating either positive or negative outcomes and impact. (Identify them per location; the same operation will have very different consequences in the different locations). This is also called the footprint of a company.

2. Identify the set of societal, ecological and/or economical positive and negative impacts that the leaders of the organization want to help resolve which raise the greatest long-term synergy with the organization.

3. Make a list of possibilities, including priority ranking, of how to reconfigure and redefine productivity in the value chain to create shared value while at the same time reinforcing the company's strategy.

III) Output for the Results Process (R) and Shared Value Dashboard
- **Mind-sets**: what are the key mind-sets in terms of attitude (liable or responsible) and motivation (intrinsic or extrinsic) of leadership towards the value chain positive and negative impact of the organization?

- **Activities**: Ranking of the 3 activities with highest value creation and with highest value destruction and determine what resources and competencies are needed to apply or solve these.

### Practice Domain 3: Shared Purpose and Values

#### Definitions:

A purpose is the reason for which an organization exists, activities are undertaken and value is created. It is the glue that holds the organization together and it is also the magnet that attracts the right people, right suppliers, customers and other stakeholders (Sisodia et al 2007). Shared (or a social) purpose is an enhanced concept in which society as a key stakeholder is involved.

Values can be defined as broad principles, mind-sets or beliefs concerning appropriate courses of action or outcomes. As such, values reflect a person’s sense of right and wrong or what "ought" to be and what people in the organization value. What we value is first of all what we need in our lives to satisfy our personal needs and depends on the stage we have reached in our psychological development; whether we are happy not depends on our ability to get, have or experience what we value in the context in which we live and our current life conditions. Needs can be ordered in 4 levels: physical, emotional, mental and aspirational needs.

**Key question**: ‘why do we exist, which role in the value chain give us meaning and passion, and creates value, whilst contributing to the needs of the communities we serve?’

### I) Leadership and Organizational Mind-sets (P)

- Recognize that every business/organization in essence has a social purpose, and it is this purpose with concordant values, that is the basis for value creation for internal and external stakeholders.
- Understand that if business acts as business linked to its shared purpose (not as charitable donors) they are the most powerful force for addressing the pressing societal issues we face.
- Realize which fundamental believes or values are the driving force of all leadership behind the shared purpose

### II) Analytical and Strategy Practices (C):

1. Among the social issues identified in step 1 and 2 as the ones to address, identify those that have the most shared value potential:

   - Most tightly linked to a company’s core business value creation activities
   - Reinforce the company’s competitive positioning and force.
   - Have the biggest impact in society
2. Prioritize and sort out these issues into the categories for each business unit and location.

- Rank them in terms of shared value potential. (E.g. when a social issue is salient for many companies across multiple industries it often is addressed most effectively through cooperative models and collective action.)
- Link theses to the company’s founding purpose and values and reconceive the company purpose and build a shared purpose with accompanying values. A helpful tool is the social mission proposition (SMP), aimed at a set of societal challenges or unmet needs the company wants to help solve for its target communities using its core competencies and values.

III) Conclusions for the Results process (R) and Shared Value Dashboard

- **Mind-sets**: what are the 3 fundamental beliefs (or guiding principles or values) the organization chooses to guide all actions and behavior?

- **Inputs**: What is the shared purpose you have defined and which resources and competences does the organization need to fulfill these?

**Practice Domain 4: Collective Vision and Goals**

**Definitions:**

- Vision is the ideal reality that manifests in the long term thanks to one’s current actions.
- Goals are derived from the vision and can be described in medium/long term (max 3-5 years) tangible results.

**Key question:** 'What is it that we will do that makes a meaningful difference for the communities surrounding us, ourselves and our customers in the coming 3-5 years?

I) **Leadership and Organizational Mind-sets (P):**

- Recognize that a bold, inspiring vision linked to well-defined goals is the pathway to creating enormous amounts of impact on and value for both society and business.

- Willingness to dream big in such a way that it will unleash the creative energy to realize the dream, to focus on tangible results, that will fuel an ongoing process of value creation and learning for one-self and the organization.

II) **Analytical and Strategy Practice (C):**

1. From the outcomes of step 1-3, envision that the identified societal issues will be resolved, and translate this into a shared value vision for the organization.
2. Specify maximum 3 clear measurable medium/long term goals who are traceable over time
3. Integrate this shared value vision in a compelling, hopeful, inspiring story that contributes to a prosperous economy, society and environment and instills stakeholders with a deep sense of purpose and meaning. So that the all want to contribute.

4. Share and further enrich this compelling story with all stakeholders because they must see the point of change and agree with it and act upon it.

III) Output for the Results process (R) and Shared Value Dashboard

Breakdown of the Vision and Goals into the different categories of results: output, outcome and impact.

- **Outputs**: are the organizational results in the markets it serves (products, services sold, consumed, or used etc.)
- **Outcomes**: are the effects (changes, results) on people's behavior in the community that the organization serves.
- **Impact**: the end - long term- effect of the organizational activities on societal, ecological and economic levels.

Practice Domain 5: Multi-stakeholder Engagement

**Definitions:**

Stakeholder engagement is the process by which an organization involves parties and people who may be affected by the decisions it makes, or who can influence the implementation of its decisions. They may support or oppose the decisions, be influential in the organization or within the community in which it operates, hold relevant official positions or be affected in the long term.

**Key question:** “Who do we need to collaborate with in order to co-create and execute our vision with, to serve the needs of all stakeholders in the value chain and to reach our goals?”

I) Leadership and Organizational Mind-sets (P)

1. Willingness to be a collaborative partner with multi stakeholders in the value chain and share resources and experiences.

2. Change the us-versus them attitude and build shared mental models and attitudes, by focusing on making the whole value chain competitive and long-term successful, instead of own organization in isolation.

II) Analysis and Strategy Practice (C)

1. Identify all stakeholders -these are all those who can affect or are affected by the activities of the organization- and who are needed to execute the vision and reach the goals.

2. Create strategic and positive mutual beneficial relationship between and all stakeholders and establish a value system around the company.
3. Build local functioning multi-stakeholder clusters to create self-sustaining economic and social development and unleash the power of all stakeholders for productive engagement by understanding and aligning needs, interest and perspectives.

4. Create shared value propositions together, share resources and experiences that ensure that customers benefit from social performance and economic performance.

III) **Output for the Results process (R) and Shared Value Dashboard**

**Mind-sets:** define the 3 mind-sets and behaviors that are needed in the whole value chain

**Input:**
- Determine the key stakeholders to work with.
- Define - together with the stakeholders - the activities that contribute to the desired output and outcome results, whilst making sure all stakeholders serve the same impact results.

**Practice Domain 6: Focus Activities**

**Definitions:**

**Focus:** the ability of the organization focusing all its creative energies, resources, competences and efforts into specific focused actions for effective output, outcomes and impact.

**Competences:** the collection of capabilities within an organization through which the organization creates is competitive advantage.

**Key question: 'How can we focus on our resources and unique competences so that we can achieve our desired impact and value creation on an ongoing basis, and how can we measure the results?***

I) **Leadership and Organizational Mind-sets (P):**

- recognize what it takes in terms of dedicated focus (implying tough choices about what NOT to focus on) and competences from leadership and organization to successfully execute CSV vision and goals
- willingness to build organizational competences and governance for the efficient execution of CSV vision and goals, while building ongoing learning, institutional embedment and measurement systems in place.

II) **Analytical and Strategy Practice (C):**

1. Design and build CSV activities and leadership/organizational mindsets, attitudes and behaviors programs needed to reach the goals.
2. Install governance, processes and procedures needed for successful implementation.
3. Reconceive the products and service portfolio into CSV products whilst improving the companies’ core competences and capabilities.
4. Build, plan and execute CSV activity plan.
5. Define final metrics per activity in outputs, outcomes and impact matrix and follow the 4 steps (defined by Porter) with regard to measuring:

III) Conclusion for the Results process (R)

1. **Mind-sets**: leadership/organizational mindsets, attitudes and behaviors
2. **Activities**: define the CSV activities
3. **Results**: define the final metrics per activity in outputs, outcomes and impact
   In this Practice Domain the activities will be identified that drive the output (direct results from the activity). This will enable the user of the CSV Framework to complete the quantitative part of the Dashboard (Output, Outcomes and Impact) and subsequently ascertain the degree to which shared value has been created.

7.3.2 The Output of the CSV Practice Framework: The Shared Value Dashboard

After completing the 6 Practice Domains of the CSV Practice Framework, the results can be filled out on the Shared Value Dashboard. The Dashboard contains a qualitative part describing the main conclusions per practice domain, and quantitative part indicating the results in output, outcome and impact.

When the output (business results), outcome (effect on people) and impact (effect on society) are positively and causally related, it can be said that shared value has been created.

The Dashboard thus forms the final tool to assess the degree in which shared value has been created. This study researched three CSV case studies (Unilever Lifebuoy, DSM, TNO Project Phenflex) to verify the accuracy and applicability of the Shared Value Dashboard. The Dashboard filled out with details of the Unilever Lifebuoy case illustrates this:
7.4. Leadership Mindsets

In order drive the cycle of value creation, leadership needs to be equipped with a set of mindsets. Among the mindsets that Porter and Kramer have identified are, for example, the ability to recognize social needs and can link these to business performance, to think in terms of opportunities and not simply costs, to have a lived understanding of the company's social, purpose, to appreciate interdependency within the value chain and an ability to drive collective action.

What are mindsets? We define this as the deeply ingrained attitudes and beliefs that create our worldview and shape our lives. All individuals and organizations have a prevailing mindset or culture, whether consciously recognized or not. Most individuals don't purposely design their mindsets, but they inherit them. In the same way, most organizations don’t deliberately design their culture (’how we do things around here’) that it determined by rules, rituals, symbols, recognition, punishments and rewards, and that it evolves over time. Although we may think we act freely based on a rational assessment or objective evidence, this is only rarely the case.

The real source of people’s actions is not merely what we know but how we perceive the world around us and what conclusions we draw as result. It is easy to confuse those conclusions with absolute reality. It takes a disciplined mind to separate what we think, feel and experience to be true from actual facts, patterns, trends and paradigms in the outer world and to choose a different course instead.
Real change, for a leader, needs to begin with this awareness of what you think, feel, sense and how you relate. It is to become aware of your mindsets. Out of that growing self-awareness comes the ability to understand how you act in the world. Using the power of understanding your -and your teams- mindsets in a given context is the start of creating shared value performance. It is the beginning of what can be called shared value leadership. As CSV leadership goes hand in hand with a process of leadership mindset development, CSV becomes much more than a strategy tool; it is a concept that can be the catalyst for organizational development towards enhanced well-being and sustainable performance of all stakeholders.

CSV Leadership focused on value drivers, not on maximizing output

For creating shared value most essential is the mindset and motivation of leadership and employees to get the job done. It all starts with intrinsically motivated employees to deliver for and with teams, the organization, customers and society who come up with the ideas and have the enduring energy to be connected, creative and focused to make their ideas work.

Roel Welsing, Marketing Director, Triodos Bank

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8. Conclusions

The main conclusions of this study are:

- Using the CSV Practice Framework is an organizational educational process in itself: it provides many new insights into how shared value is created, with whom it is created and what are the success factors. Thus the CSV Practice Framework is more than a standard strategy tool for an organization, but a process with benefits for employees, customers and society.

- The application of CSV in essence is an organizational development process, which demands an integrated change approach of three processes: People, Content and Results measurement.

- The People process involves a fundamental reorientation of leadership mindsets, abilities and behavior. The exact definitions of leadership mindsets, abilities and behavior and the relationship with the practice domains need more study and research.

- Shared Value is measurable, which facilitates a tangible learning process and enables the alignment of all stakeholders involved. However, it requires a new perspective and integration of different measurement methods. The CSV Measurement Process proposed in this study is a first attempt to create such integrated method, but more research and testing will be needed.

- The three cases analyzed indicate that the CSV Practice Framework can effectively be applied on real situations. The Framework provides a method through which multi-stakeholder public/private partnerships can be understood, structured and managed. Likewise, it is possible to apply it to organizations (both private and public) and projects (such as the TNO Phenflex project). However, more research on a wider sample of organizations and projects is needed before the CSV Practice Framework can be used in the public domain.
References:


Doppelt, B. (2012), The Power of Sustainable Thinking: How to Create a Positive Future for the Climate, the Planet, Your Organization and Your Life. Earth Scan.


Maas, K. (2009) Measuring Impact, PhD study, Erasmus University


Appendix 1: CSV Practice Manual

CSV Practice Framework: three processes integrated into one.

The CSV Practice Framework consists of practices that occur in three organizational processes, which in current business reality tend to be treated separately and in isolation:

(1) Leadership and organizational development (People process (P))

(2) Analytical and strategy process (Content process (C))

(3) Results measuring process (Results process R).

The first process (P) is usually undertaking from a HR viewpoint focused on developing peoples’ capacity and effectiveness. The second process (C) tends to be is run by the top-leadership team on a regular basis, involving data-collection, analysis, strategy building and decision-making. The third process (R) is an instrument mostly used by finance departments, aimed at measuring results and impact.

These three have been integrated into one framework because if these processes are purposefully designed to intersect with each other, they will provide positive mutual reinforcement for organizational value creation. In that case, leadership development will take place that will develop leadership mindsets that foster the capacity for strategy processes, which will contribute to effective shared value creation, which can be captured by a results measurement process. Conversely, the results process will become much more than a technical readjustment of the strategy and operations, but a catalyst for organizational and personal development, which will unleash creativity and high performance. In other words, by integrating these P, C and R processes into one, the integrated process will contribute to P, C and R respectively, while collectively they drive value creation.

How to use it: open mind

First of all, when embarking on the CSV journey, we should be prepared to develop an open mind. We all carry all kinds of assumptions, biases, beliefs and worldviews in our mind that color the lens through we look. We may think that we perceive reality objectively, but in reality, what we perceive is determined by unconscious patterns that shape what we see and how we interpret it.

Each one of us, and each organization, has specific reference points that determine our current reality and that will influence how we perceive new reality. These reference points consists of three factors:

- **Context**: the environment we find ourselves in – could be very competitive, even hostile, or relaxed, friendly and abundant.
- **Situation**: our specific current experience – could be pleasant, painful or neutral.
Stages: we see each progress through our lives through certain development stages. First we are focused on fulfilling survival needs, social bonding and self-esteem. Later we become interested in fulfilling growth needs: how we wish to develop ourselves, how we develop meaning and contribute to our environment.

The first step, then, is to become mindful of our own way of perception, that is, to be “mindful of our mind”. From such an open mind frame we can engage in the CSV practice domains with the necessary degree of focus and flexibility, without becoming too rigid or too loose. This open mind frame allows us to derive optimal benefit from the new perspectives that will arise when we proceed on the CSV journey.

The 6 Practice Domains

The integrated process is practices in 6 CSV Practice Domains, which form the backbone of effective CSV development and execution. It is through the application of these practice domains that the 3 processes work in unity, positively reinforcing each other, so that shared value will be actually created.

It is important to note:

1. The 6 practice domains should all be developed in their entirety.
2. The 6 practice domains relate to each other. Depending on the reference points of the organization (where do they find themselves in terms of stages, context and situation) there is a certain preferred sequence and order of practice. Generally, the first 3 domains should be developed in parallel, while the next 3 domains should be run sequentially.
3. Each practice domain contains elements of the P and C process, which lead to conclusions that constitute the R process.
Starting point: The Need for Change Scan

Before starting the CSV process, the first step is to determine the current situation of the organization (or the project), which forms the frame of reference for applying the CSV Practice Framework. This is done through a Need for Change Scan, which should contain:

- a brief history of the organization (or history / time span of the project)
- mission, vision, value proposition and values
- key successes, competences, strengths and challenges
- the gaps and challenges you are facing, and the reason why you want to start a CSV process and what you want to achieve

Note that the manual has been written from the viewpoint of organizations. If this is used for a project (usually smaller in scope and with shorter time span), several instructions should be adapted.

After completing the CRS, the sequence is as follows: Practice Domains 1, 2 and 3 should be done concurrently. They are the collective input for the Practice Domains 4, 5 and 6, which should be done sequentially. Together they constitute 6 ‘CSV steps’.
CSV activities per Practice Domain

<table>
<thead>
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</tr>
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1. Contextual Reality

**Definition:** The context reality is defined as the social, economical and environmental dynamics (including the -unmet- needs, aspirations, issues,...) in the communities of society (markets) that the organization serves.

**Key Question:** *How do the developments in the relevant organizational context influence and relate with the organizational competitiveness both short and long term?*

a) Leadership & Organizational Mind-sets (People process (P))

1. Recognizing the interdependency between economic and social needs; a healthy business depends on a healthy community to create demand for its products & services and to provide a supportive business environment, while a healthy society depends on healthy businesses that create jobs, support wages, build wealth, buy local goods and pay taxes.

2. Understanding that the interdependency between business and society creates opportunities for synergy and long-term value generation for both business and society.
b) Analytical and Strategy Practices (Content process (C))

Outside-In Analysis:

1. Define, analyze and describe the social, economical and environmental dynamics (including the unmet needs, aspirations, issues) in the communities (markets) that the organization serves.

2. Identify the points of intersection between the organizational output and the economic, ecological and social needs, aspirations and issues in the context.

3. Identify those areas in the social context with the greatest synergy and shared value potential both for societal and organizational competitiveness by:
   a. determining the linkages with society that affect the ability to improve productivity and serving needs of customers.
   b. strengthen the link between the selected social issue to the business, which will enhance the opportunity to leverage the firm’s competences, resources and assets and benefit society.

Example: Vopak’s relevant social context issues:

Example: ‘what are the global social issues impacting a MNC to attract and attain personnel?’

- Mind-sets: What are the 2-3 needed contextual mind-sets terms of attitude (liable or responsible) and motivation (intrinsic or extrinsic) of leadership towards the societal needs to address for CSV?

- Impact: which 2-3 needs in society have the biggest potential given the resources and core competences of the organization

- Inputs: which 2-3 core competences and resources of the organization can be applied to fulfill these societal needs?
2. Value Chain Impact

Definition: The value chain is defined as all the activities undertaken by an organization to create impact/value in the context that the organization operates in.

Key question: ‘How do the organizational value chain activities directly and indirectly impact the communities the organization serves?’

a) Leadership and Organizational Mind-sets (P)

- Recognizing the process of value creation in the value chain and understanding how value creation is an interdependent co-creative process with stakeholders.

- Willingness to engage in value creation for whole value chain/system (beyond narrow own interests), by optimizing shared value opportunities (and refraining from value-destruction activities) in the value system.

b) Analytical and Strategy Practices (C)

Inside-out Analysis:

1. Identify all activities in the value chain which touch social, ecological and economical issues in the communities where a company operates, creating either positive or negative outcomes and impact. (Identify them per location; the same operation will have very different consequences in the different locations). This is also called the footprint of a company.

2. Identify the set of societal, ecological and/or economical positive and negative impacts that the leaders of the organization want to help resolve which raise the greatest long term synergy with the organization.

3. Make a list of possibilities, including priority ranking, of how to reconfigure and re-define productivity in the value chain to create shared value while at the same time reinforcing the company's strategy.

Porter’s Inside-Out Value Chain Impact Model:
Example: Unilever and Apple

For a consumer goods company such as Unilever, around 95% of a product’s impacts typically come from outside the company’s own operations:

**FIGURE 1. Unilever product impacts**

- 26% Raw materials
- 3% Manufacture
- 2% Transport
- 68% Consumer use
- 1% Disposal

**SOURCE:** Unilever 2008 baseline study across 14 countries. Total in tonnes.

Only 2% of Apple's carbon footprint comes directly from its offices and facilities, while around 61% comes from outsourced manufacturing and raw materials, and 30% from the product when it is being used by the consumer.
c) Output for the Results Process (R) and Shared Value Dashboard

- Mind-sets: what are the key mind-sets in terms of attitude (liable or responsible) and motivation (intrinsic or extrinsic) of leadership towards the value chain positive and negative impact of the organization.

- Activities: Ranking of the 3 activities with highest value creation and with highest value destruction and determine what resources and competencies are needed to apply or solve these.

3. Shared Purpose & Values

Definitions:

A purpose is the reason for which an organization exists, activities are undertaken and value is created. It is the glue that holds the organization together and it is also the magnet that attracts the right people, right suppliers, customers and other stakeholders (Sisodia et al 2007). Shared (or a social) purpose is an enhanced concept in which society as a key stakeholder is involved.

Values can be defined as broad principles, mind-sets or beliefs concerning appropriate courses of action or outcomes. As such, values reflect a person’s sense of right and wrong or what "ought" to be and what people in the organization value. What we value is first of all what we need in our lives to satisfy our personal needs and depends on the stage we have reached in our psychological development; whether we are happy not depends on our ability to get, have or experience what we value in the context in which we live and our current life conditions. Needs can be divided in 4 levels: physical, emotional, mental and spiritual needs.
As an organizational leader develops and grows he becomes more and more conscious about the organizational, market and societal needs. He or she starts to understand that organizations are a living network in which value is generated by human (stakeholder) connectedness, creativity and sense of common purpose, needs and vision. Leaders, organizations, markets and society, nature and economy are deeply interconnected and interdependent on satisfying the needs of the different entities. The field of organizational theory shows a similar shift in this paradigm, from the image of an organization as a hierarchically structured machine whose sole purpose is to make profit. Contributions to this shift came, amongst others, from Senge (1990) who introduced the field of organizational learning, De Geus (1997) with the notion of a 'living company', Collins & Porras (1997) who looked at firms that were ‘built to last’, and Sisodia et al (2007) who defined companies who create profits by following purpose and passion as ‘firms of endearment’.

Companies that strive for sustainable performance are coming to the same conclusion: sustainability is a function of leadership that is empowered with mindsets and abilities that allow them to embrace the complexity that the sustainability challenge demands and create value with multiple stakeholders (Senge 2008; Porter & Kramer 2011; Eccles 2011; Doppelt 2012).
Among them is Unilever, whose CEO Paul Polman explains how he puts sustainability on top of his business agenda as follows: “Most businesses operate and say how can I use society and the environment to be successful? We are saying the opposite – how can we contribute to the society and the environment to be successful? So it starts with asking the right question to yourself, which will change the way you think” (Forum for the Future 2011). Feike Sijbesma, CEO of DSM, expresses a similar view: “As a business we are aware that we cannot be successful in a society that fails. Therefore it has become natural for us to take responsibility for more than our business, but also for society and nature” (WBCSD 2012).

These comments illustrate that the new leadership involves a shift in mindset, from a more narrow short-term profit orientation toward a much broader view of longer-term sustainable value creation with multiple interdependent stakeholders.

**Key question:** ‘why do we exist, which role in the value chain give us meaning and passion, and creates value, whilst contributing to the needs of the communities we serve?’

**a) Leadership and Organizational Mind-sets (P)**
- Recognize that every business/organization in essence has a social purpose, and it is this purpose with concordant values, that is the basis for value creation for internal and external stakeholders.
- Understand that if business acts as business linked to its shared purpose (not as charitable donors) they are the most powerful force for addressing the pressing societal issues we face.
- Realize which fundamental believes or values are the driving force of all leadership behind the shared purpose

**b) Analytical and Strategy Practices (C):**

1. Among the social issues identified in step 1 and 2 as the ones to address, identify those that have the most shared value potential:
   - Most tightly linked to a company’s core business value creation activities
   - Reinforce the company’s competitive positioning and force.
   - Have the biggest impact in society

2. Prioritize and sort out these issues into the categories for each business unit and location.
   - Rank them in terms of shared value potential. (E.g. when a social issue is salient for many companies across multiple industries it often is addressed most effectively through cooperative models and collective action.)

3. Link these to the company’s founding purpose and values and reconceive the company purpose and build a shared purpose with accompanying values. A helpful tool is social mission proposition (SMP), aimed at a set of societal challenges or unmet needs the company wants to help solve for its target communities using it core competences and values.
Example Lifebuoy brand's social purpose:

Lifebuoy aims to make a difference in people's day-to-day lives. Working with public and private sector around the world, our challenge is to transform handwashing with soap from an abstract good idea into an automatic behavioral pattern at critical times of the day thereby helping to reduce respiratory infections and diarrheal disease, the world two biggest causes of child mortality. Lifebuoy values (fundamental beliefs):
c) Conclusions for the Results process (R) and Shared Value Dashboard

- Mind-sets: what are the 3 fundamental believes (or guiding principles or values) the organization chooses to guide all actions and behavior?

- Inputs: What is the shared purpose you have defined and which resources and competences does the organization need to fulfill these?

4. Collective Vision and Goals

Definitions:

- Vision is the ideal reality that manifests in the long term thanks to one’s current actions.
- Goals are derived from the vision and can be described in medium/long term (max 3-5 years) tangible results.

Key question: ‘What is it that we will do that makes a meaningful difference for the communities surrounding us, ourselves and our customers in the coming 3-5 years?’

a) Leadership and Organizational Mind-sets (P)

- Recognize that a bold, inspiring vision linked to well-defined goals is the pathway to creating enormous amounts of impact on and value for both society and business.
- Willingness to dream big in such a way that it will unleash the creative energy to realize the dream, to focus on tangible results, that will fuel an ongoing process of value creation and learning for one-self and the organization.

b) Analytical and Strategy Practice (C):
1. From the outcomes of step 1-3, envision that the identified societal issues will be resolved, and translate this into a shared value vision for the organization.
2. Specify maximum 3 clear measurable medium/long term goals who are traceable over time.
3. Integrate this shared value vision in a compelling, hopeful, inspiring story that contributes to a prosperous economy, society and environment and instills stakeholders with a deep sense of purpose and meaning. So that the all want to contribute.
4. Share and further enrich this compelling story with all stakeholders because they must see the point of change and agree with it and act upon it.

Example Lifebuoy vision and goals:

By 2015 the Lifebuoy brand aims to change the hygiene behavior of one billion consumers across Asia, Africa and Latin-America by promoting the benefits of hand washing with soap at key critical occasions on a day, thereby helping to reduce respiratory infections and diarrheal disease, the world two biggest causes of child mortality.

c) Output for the Results process (R) and Shared Value Dashboard

Break down of the Vision and Goals into the different categories: results, output, outcome and impact.

> Outputs: are the organizational results in the markets it serves (products and services sold, consumed, used etc.)

> Outcomes; are the effects (changes, results) on people’s behavior in the community and the economy.

> Impact; the end –long term- effects of the organizational activities on the society, ecology and economy.

Example: DSM Malnutrition study

Definitions:

- **Vision is the ideal reality that manifests in the long term thanks to one’s current actions.**

- **Goals are derived from the vision and can be described in medium/long term (max 3-5 years) tangible results.**

**Key question:** “What is it that we will do that makes a meaningful difference for the communities surrounding us, ourselves and our customers in the coming 3-5 years?”

Royal DSM “Bright Science. Brighter Living” is a global science-based company active in health, nutrition and materials. By connecting its unique competences in Life Sciences and Materials Sciences DSM is driving economic prosperity, environmental progress and social advances to create sustainable value for all stakeholders. DSM delivers innovative solutions that nourish, protect and improve performance in global markets such as food and dietary supplements, personal care, feed, pharmaceuticals, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials. DSM’s 23,500 employees deliver annual net sales of around €9 billion.
One third of the world’s people, the majority of them in developing countries, either do not have access to or cannot afford a nutritious, healthy and balanced diet. Even a diet that provides sufficient calories may be lacking in important micronutrients this is what we call hidden hunger. Over time, hidden hunger has a devastating impact, not only on the health and productivity of individuals but also on the social and economic development of a country. There is plentiful evidence that improving nutrition in developing countries is fundamental to breaking the cycle of poverty. More specifically, providing the right nutrients to pregnant women and their infants is of vital importance. It is now known that optimizing the quality of nutrition during a critical 1,000 day window of opportunity from conception until a child reaches two years of age has a dramatic impact on its physical and cognitive development, and substantially improves its prospects in adulthood. High-quality nutrition in this phase lays the foundations for a future in which children grow up capable of leading the struggle for progress in their own communities and countries.

DSM recognizes that a bold, inspiring vision linked to well-defined goals is the pathway to creating enormous amounts of impact on and value for both society and business. And they realize that the willingness to dream big in such a way that it will unleash the creative energy to realize their dream, which will fuel an ongoing process of value creation and learning for one-self, all stakeholders and the organization. DSM has build it’s collective vision and goals on and with private and public partnerships. It defines partnerships as: “Ongoing working relationship where risks and benefits are shared” In practical terms this implies that each partner is equally involved in:

- Co-creating the partnership’s activities.
- Bringing contributions of different kinds, based on own expertise, to the partnership.
- Committing to transparency and mutual accountability.

Therefor the created the following collective vision with 3 connected measurable goals.

**Collective Vision and Goals**

Good nutrition is an important requirement for physical and mental development, and a key factor for unlocking the human potential in every man, woman and child. The elimination of malnutrition is a global responsibility that we support wholeheartedly. The goals are:

1. To reach 50 million beneficiaries (pregnant and lactating woman and children under two) by 2020.
2. To improve the nutritional value of at least 80% of the food basket of the target group.
3. To raise awareness among policy makers of the importance of micronutrients for development and reduce future health costs.

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**5. Multi Stakeholder Engagement**

**Definitions:**

**Stakeholder engagement:** is the process by which an organization involves people who may be affected by the decisions it makes, or who can influence the implementation of it’s decisions. They may support or oppose the decisions, be influential in the organization or within the community in which it operates, holds relevant official positions or be affected in the long term.

**Key question:** “Who do we need to collaborate with in order to co-create and execute our vision with, to serve the needs of all stakeholders in the value chain and to reach our goals?”
a) Leadership and Organizational Mind-sets (P)

1. Willingness to be a collaborative partner with multi stakeholders in the value chain and share resources and experiences.
2. Change the us-versus them attitude and build shared mental models and attitudes, by focusing on making the whole value chain competitive and long-term successful, instead of own organization in isolation.

b) Analysis and Strategy Practice (C)

1. Identify all stakeholders - these are all those who can affect or are affected by the activities of the organization- and who are needed to execute the vision and reach the goals.
2. Create strategic and positive mutual beneficial relationship between and all stakeholders and establish a value system around the company.
3. Build local functioning multi-stakeholder clusters to create self-sustaining economic and social development and unleash the power of all stakeholders for productive engagement by understanding and aligning needs, interest and perspectives.
4. Create shared value propositions together, share resources and experiences that ensure that customers benefit from social performance and economic performance.

c) Output for the Results process (R) and Shared Value Dashboard

Mind-sets: define the 3 mind-sets and behavior needed in the whole value chain

Input:
- Determine the key stakeholders to work with.
- Define with the stakeholders their activities, output and outcome results, whilst making sure all stakeholders serve the same impact results.

Example: TNO Phenflex Case Study

Definition: Stakeholder engagement is the process by which an organization involves people who may be affected by the decisions it makes or can influence the implementation of its decisions. They may support or oppose the decisions, be influential in the organization or within the community in which it operates, holds relevant official positions or be affected in the long term.

Key question: Who do we need to collaborate with in order to co-create and execute our vision with to serve the needs of all stakeholders in the value chain and to reach our goals?

TNO is an independent research organization whose expertise and research make an important contribution to the competitiveness of companies and organizations, to the economy and to the quality of society as a whole. Innovation with purpose is what TNO stands for. To create new products that make life more pleasant and valuable and help companies innovate and to find creative answers to the questions posed by society. TNO has an excellent reputation and a well-known name as a knowledge organization. More than 4,300 employees form its enormous reservoir of knowledge.

“Phenotypic Flexibility and Diet-Related Health” (PhenFlex) is a TNO research project with the Food Industry and ILSI in which TNO aims to measure health and the effects of food on health in a new way. An important TNO concept herein is the use of challenge test to quantify the flexibility of the human body as a measure for health and the development of new biomarkers of (optimal) health. By 2016 PhenFlex aims to reach acceptance of health claims in the area of cardio-metabolic health based on the concept of phenotypic flexibility which will contribute to 1.000.000 European citizens that quantify the effect of their diet on their health in
terms of phenotypic flexibility driving improved health of European citizens and annual economic growth in Dutch society by reducing health care costs and increase of labor productivity.

In order to do so TNO needs to work with the whole value chain to create social value. The diagnostic Industry, the food & nutrition industry and branch-organisations in basic food can use these methods, technology, biomarkers and challenge test to get health claims on their products. They will do the marketing & sales and use their consumer information to make a selection of most valuable type of health claims so that their consumer can understand the health claim / message. Regulatory bodies such as EFSA, ILSI, EU; ILSI partner in the project involved in substantiation of health claims have to accept these new methods. Further more the scientific community plays an important role for acceptance of the new concept. Working with such a broad and diverse stakeholder group is of major importance and a key leadership capability of TNO’s future success and to deliver shared value.

6. Focus Activity

Definitions:

- Focus Activity: the ability of the organization focusing all its creative energies, resources, competences and efforts into specific focused actions for effective output, outcomes and impact.
- Competences: the collection of capabilities within an organization through which the organization creates is competitive advantage.

Key question: ‘How can we focus on unique competences and resources to achieve the vision and goals, and how do we measure our impact and value creation on an ongoing basis?

a) Leadership and Organizational Mind-sets (P):

- recognize what it takes in terms of dedicated focus (implying tough choices about what NOT to focus on) and competences from leadership and organization to successfully execute CSV vision and goals
- willingness to build organizational competences and governance for the efficient execution of CSV vision and goals, while building ongoing learning, institutional embedding and measurement systems in place.

b) Analytical and Strategy Practice (C):

1. Design and build CSV activities and leadership/organizational mindsets, attitudes and behaviors programs needed to reach the goals.
2. Install governance, processes and procedures needed for successful implementation
3. Reconcept the products and service portfolio into CSV products whilst improving the companies’ core competences and capabilities.
4. Build, plan and execute CSV activity plan.
5. Define final metrics per activity in outputs, outcomes and impact matrix and follow the 4 steps (defined by Porter) with regard to measuring:

a. Shared value strategy: Organizations must anchor shared value measurement in shared value strategy. An iterative and integrated shared value process provides focus to
measurement activities and yields data that validates and improves shared value strategies.

b. **Linkage social and business needs:** Shared value measurement must establish a direct link between meeting social needs and improving the business; understanding this linkage is the key to unlocking additional value creation.

c. **Value creation relative to costs:** Measurement must assess the extent of value creation—tracking social and business results relative to the costs—in order to ensure the efficiency of current and future efforts.

d. **Relate/distinguish other measurements:** Organizations must clearly distinguish shared value measurement from other important forms of measurement, including compliance, sustainability, and impact assessments.

**c) Conclusion for the Results process (R)**

Mind-sets: leadership/organizational mindsets, attitudes and behaviors programs

Activities: define the CSV activities

Results: define the final metrics per activity in outputs, outcomes and impact

In this Practice Domain the activities will be identified that drive the output (direct results from the activity). This will enable you to fill out completely the quantitative part of the Dashboard (Output, Outcomes and Impact) and subsequently ascertain the degree to which shared value has been created.

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**Example: Unilever Lifebuoy Case Study**

**Definitions:**

- Focus Activity: the ability of the organization focusing all its creative energies, resources, competences and efforts into specific focused actions for effective output, outcomes and impact.
- Competences: the collection of capabilities within an organization through which the organization creates competitive advantage.

**Key question:** ‘How are we going to reach our goals, which resources and unique competences do we rely and focus on, and how do we ensure and measure our impact and value creation on an ongoing basis?’

Lifebuoy was launched in the UK in 1894 and has championed a message of health through hygiene for more than a century. One of Unilever’s founders, William Lever, launched the Lifebuoy brand to help bring affordable hygiene to Victorian England at a time when epidemics of typhoid, smallpox, cholera and diphtheria were a constant threat.

The Lifebuoy brand aims to make a difference in people’s day-to-day lives. Working with public and private sector partners around the world, the challenge is to transform hand washing with soap from an abstract good idea into an automatic behavioral pattern at critical times of the day. The Lifebuoy brand follow this three fundamental beliefs: a) The world has moved on from philanthropy. B) We believe that brands can be a positive force for good. C) The future lies with public and private sector partnerships. By 2015 the Lifebuoy brand aims to change the hygiene behavior of one billion consumers across Asia, Africa and Latin-America by promoting the benefits of hand washing with soap at key critical occasions on a day, thereby helping to reduce respiratory infections and diarrhoeal disease, the world two biggest causes of child mortality.

The lifebuoy case teaches us how we measure shared value. A pre-condition for this is having finalized focus activities which are: A) Hand washing behavior change programs B) Skills development and partnerships and C) Branded Advocacy with key influencers. By breaking down the vision and goals and connecting them to the focus activities into the different categories of results; output, outcome and impact a a shared value scorecard can be created.
Measurement is critical to the Lifebuoy brand as it is used to understand whether its programs are creating the impact needed to meet the objectives of both the brand and the Unilever Sustainable Living Plan. The brand is undertaking rigorous evaluation, to help design the programs as well as to measure the impact of programs when delivered at scale.

**Example: CSV Dashboard for Lifebuoy:**

<table>
<thead>
<tr>
<th>Activities and creative focus</th>
<th>1. Handwashing Behavior Change</th>
<th>2. Skills development and Parity</th>
<th>3. Advocacy for handwashing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Output</td>
<td>Outcome</td>
<td>Effect on People</td>
<td>Impact</td>
</tr>
<tr>
<td>Increase of Lifebuoy soap sales in-home</td>
<td>% of sales revenue</td>
<td>Change in hand washing behavior</td>
<td>% of people wash hands 5 times per day in target countries</td>
</tr>
<tr>
<td>Growth of soap market and Lifebuoy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income to fund programs</td>
<td>Profit margin</td>
<td>New knowledge on hygiene and health</td>
<td>% of people who reach people</td>
</tr>
</tbody>
</table>

**Example: Financial results of CSV measured in Firms of Endearment (Sisodia et al 2007):**

<table>
<thead>
<tr>
<th>ROI SAP 500 COMPANIES</th>
<th>ROI GOOD TO GREAT COMPANIES</th>
<th>ROI FIRMS OF ENDEARMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 year horizon</td>
<td>3.8%</td>
<td>75%</td>
</tr>
<tr>
<td>5 year horizon</td>
<td>13%</td>
<td>77%</td>
</tr>
<tr>
<td>10 year horizon</td>
<td>122%</td>
<td>331%</td>
</tr>
</tbody>
</table>

**THE BRUTAL FACTS**

Companies that focus on creating value for all stakeholders (not only for the shareholder, but also for employees, customers and society) perform better, especially in the long run. These companies even outperform the legendary Good to Great companies, identified by Jim Collins. A comparison of Return on Investments (ROI) among Standard & Poor’s companies, Good to Great companies and Firms of Endearment clearly demonstrates that living this philosophy creates sustainable and measurable value. And also financial value.

After completing the 6 Practice Domains of the CSV Practice Framework, the results can be filled out on the Shared Value Dashboard. The Dashboard contains a qualitative part describing the main conclusions per practice domain, and quantitative part indicating the results in output, outcome and impact.

When the output (business results), outcome (effect on people) and impact (effect on society) are positively and causally related, it can be said that shared value can be created.

The Dashboard thus forms the final tool to assess the degree in which shared value has been created. We looked at three CSV case studies (Unilever Lifebuoy, DSM, TNO Project Phenflex) to verify the accuracy and applicability of the Shared Value Dashboard. This is illustrated by the Dashboard with data from the Unilever Lifebuoy case:
CSV - Putting it into practice - December 7, 2013

**CONCEPTUAL REALITY**
- Change unhealthy consumer behavior towards healthy behavior through promoting handwashing with soap is a key value driver.
- More education on what causes certain diseases can save the lives of millions of children.
- People, especially mothers, need money to buy soap.
- Collaboration between private and public sector for broader reach and impact.

**VALUE CHAIN IMPACTS**
- Education & job training, Limpopo province
- Education Procurement & supply chain function
- Gender equality
- Marketing & Sales: packaging
- Finance
- LGU: distribution
- Focus on health through hygiene

**SHARED PURPOSE AND VALUES**

By 2015 the Lifebuoy brand aims to change the hygiene behavior of one billion consumers across Asia, Africa and Latin America by promoting the benefits of handwashing with soap in key critical incidents on a day, thereby helping to reduce respiratory infections and diarrheal disease, the world's two biggest causes of child mortality.

**COLECTIVE VISION AND GOALS**

<table>
<thead>
<tr>
<th>Goal</th>
<th>Action</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase of Lifebuoy soap sales</td>
<td>Public awareness campaign</td>
<td>Increase hand washing behavior through awareness campaigns</td>
</tr>
<tr>
<td>Increase of Lifebuoy soap sales</td>
<td>Increase in health</td>
<td>Increase health outcomes for children</td>
</tr>
<tr>
<td>Growth of soap market and Lifebuoy</td>
<td>Market growth and new market share</td>
<td>New knowledge on hygiene behavior for wider audience</td>
</tr>
<tr>
<td>Income to fund programs</td>
<td>Profit margins</td>
<td>Different attitudes on hygiene and health</td>
</tr>
</tbody>
</table>

**MULTISTAKEHOLDER ENGAGEMENT**
- Establish close relationships with Governments, NGOs, DMMs, USAID, Local communities, Academic institutions, Women as distribution partners.

**FOCUS ACTIVITIES**
1. Handwashing behavior change programs
2. Info development and partnerships
3. Branded advocacy with key influencers

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Appendix 2: Case Studies

The three case studies have been analyzed by using the CSV Practice Framework. Specifically, the CSV Practice Manual has been used, which includes the identification of the 6 Practice Domains (PD’s) within each case, preceded by a Current Reality Scan (CRS), and ultimately leading to the completion of the Shared Value Dashboard.

1 Case Study: Unilever Lifebuoy

Need for Change Scan

Statement of Paul Polman, CEO of Unilever:

“More than two million children under five dying every year from preventable diseases, and a child dying every six seconds from hunger, tells us everything we need to know about a system that is not quite working as it is intended to. We are failing the most vulnerable in our society, especially our children. Business cannot stand by and watch. We have a responsibility to act. For Unilever, building a better society and a better business goes hand in hand. In November 2010 we launched the Unilever Sustainable Living Plan. The Plan outlines our goal to double the size of our business while reducing our environmental impact and increasing the positive social contribution, which we make to society. Our Lifebuoy brand is at the very heart of this plan. As one of Unilever fastest growing global brands, Lifebuoy is a great example of how integrating the Sustainable Living Plan into our brands is also good for business. Driving strong behavioral change in hygiene will result in strong business performance. This stronger performance enables us to deliver better hygiene to more and more people, moving closer to our goal of changing the hand washing behavior of 1 billion people. I sincerely believe that businesses like Unilever can be a positive force for good in the world, through brands like Lifebuoy, helping and inspiring billions of consumers to take small everyday actions, such as hand washing with soap, that can add up to a big difference for the world. Such an approach is in the interests of all our stakeholders – our investors, our consumers, our employees and the communities where we operate”.

Lifebuoy was launched in the UK in 1894 and has championed a message of health through hygiene for more than a century. One of Unilever’s founders, William Lever, launched the Lifebuoy brand to help bring affordable hygiene to Victorian England at a time when epidemics of typhoid, smallpox, cholera and diphtheria were a constant threat. Being an affordable, easily available and trusted health brands, Lifebuoy products are sold in more than 58 countries in Asia, Africa and Latin America. Educational programs in schools have been part of the Lifebuoy way of life since the 1930’s, when the ‘Clean Hands’ campaign was launched in schools in the UK and US. These programs, as they still do today, informed children of the need to regularly wash their hands with soap. Emergency relief has also always been part of Lifebuoy activities. During the Second World War, Lifebuoy-branded vans delivered emergency washing services including hot showers, towels and soap to some of the most badly bombed areas of the UK.
The Lifebuoy brand aims to make a difference in people's day-to-day lives. Working with public and private sector partners around the world, the challenge is to transform hand washing with soap from an abstract good idea into an automatic behavioral pattern at critical times of the day. Our social mission activities are built upon the following three fundamental beliefs:

- The world has moved on from philanthropy.
- We believe that brands can be a positive force for good.
- The future lies with public and private sector partnerships.

**Practice Domain 1 (PD 1): Contextual Reality**

Pandemics of HIV, SARS, cholera and flu show that microbial infections are still a potent threat and with increased resistance to antibiotics and the rise in hospital acquired infection, it suggests that prevention matters as much as cure. In developed countries, modern innovations such as sewerage and piped water supplies, together with the widespread adoption of soap, have helped to reduce the incidence of infectious disease and reduce mortality rates from infection to 5% of all deaths. However, in Africa a full 65% of deaths are due to infections, while the figure is 35% in Asia (WHO, 2002). With science paving the way to changes in policy direction, hand washing is shown to be the most cost-effective means of preventing infection and saving lives in developing countries.

**PD 2: Value Chain Impact**

The globalization of good hygiene is the major priority for the private and public sectors, though the task remains huge. Hand washing at key times in many countries remains infrequent, often at below 10%. In order to understand and change people's deeply rooted hygiene behavior patterns we need to work together with the behavioral scientists, in particular psychologists and anthropologists, leading the way forward. If hand washing with soap is one of the most important preventative measures against disease, why is it not universally practiced? For an understanding of how to change such ingrained behavior, we explored hygiene practices in a number of formative research studies in Africa, Asia and Latin America. The studies investigated the various motives for hand washing, showing them to be: disgust (following contamination in the toilet), affiliation (to fit in), nurture (to engender good manners in children), comfort (to remove dirt) and habit (automatic, learnt from an early age). In order to have the positive and sustainable impact we want we need to use the competences, resources and knowledge of Unilever and it's partners in: a) HR: Education & job training, Compensation policies b) procurement & supply chain practices; preparation and processing, utilizing natural resources c) distribution: transportation impacts and innovative channels for non-urban communities d) Marketing & Sales: consumer insight, building educational campaigns, partnerships.

Unilever utilized a new channel, Project Shakti, to make Lifebuoy accessible for all potential customers. It empowers women in India to become a distribution and sales part...
ner of Unilever enabling them to generate cash inflows and providing education while at the same time getting access to these rural areas in India resulting in more sales

**PD 3: Shared Purpose and Values**

Purpose: The Lifebuoy brand aims to make a difference in people’s day-to-day lives. Working with public and private sector partners around the world, the challenge is to transform hand washing with soap from an abstract good idea into an automatic behavioral pattern at critical times of the day. The intervention that Lifebuoy provides in consumers’ lives, wash your hands with soap 5 times a day on key occasions is one of the easiest yet most effective measures (both in terms of cost and results) to keep loved children safe from diarrheal deaths. A habit taught in childhood is also one with high proven probability of lasting throughout life.

**Values** (or, as Unilever calls them, fundamental beliefs):

a) The world has moved on from philanthropy. We realize donations alone cannot provide the sustained, continuous program of support that the world’s most intractable problems, such as improving health and hygiene, normally require.

b) We believe that brands can be a positive force for good. This is deep-rooted in the Lifebuoy brand history and Unilever’s ongoing commitment to social responsibility. We seek to invest in changing behavior sustainably.

c) The future lies with public and private sector partnerships. The private sector is well placed to provide expertise on marketing behavior change to large audiences, working with non-governmental organizations and governments to help achieve the Millennium Development Goals. These goals are a set of internationally agreed targets designed to alleviate poverty, hunger and ill health around the world, and improve education, gender equality and environmental sustainability through global partnerships by 2015.

Social Mission Proposition: The intervention that Lifebuoy provides in consumers’ lives, wash your hands with soap 5 times a day on key occasions is one of the easiest yet most effective measures (both in terms of cost and results) to keep loved children safe from diarrheal deaths. A habit taught in childhood is also one with high proven probability of lasting throughout life.

**PD 4: Collective Vision and Goals**

By 2015 the Lifebuoy brand aims to change the hygiene behavior of one billion consumers across Asia, Africa and Latin-America by promoting the benefits of hand washing with soap at key critical occasions on a day, thereby helping to reduce respiratory infections and diarrheal disease, the world two biggest causes of child mortality.
PD 5: Multi-stakeholder engagement

Partner with organizations who share our aims & can share costs and move to 50:50 shared investment model:

50% Lifebuoy + Unilever Central funds and 50% Partners. 50:50 co-investment is minimum acceptable to attract partners. Establish close relationships with: Governments, NGO’s (Oxfam, USAid), Local communities, Academic institutions, women in local communities as distribution partners.

PD 6: Focus Activities:

Hand washing behavior change programs:

Around the world, Lifebuoy hand washing initiatives and behavior change programs reach people in their everyday situations. To ensure that our messages make a difference, we find ways to engage communities, ensuring that consumers understand the important role that hand washing with soap plays in keeping people safe and healthy. Central to this is the need for our target audience to experience effective hand washing to instill good habits.

Skills development and partnerships:

The Lifebuoy brand team partners public and private sector organizations around the world, which share our commitment to promoting health and hygiene. By sharing our skills and experiences with our partners through activities and education campaigns, we can help build expertise in communicating the importance of hand washing with soap – a task which is too big for any single organization to tackle alone. We also learn from our partners, including how to communicate to some of the poorest members of society and how to influence policies that make a difference for hand washing at scale.

Branded Advocacy with key influencers:

It is important to raise the profile of hand washing with soap, creating the right environment for investment in behavior change activities. Lifebuoy-branded advocacy activities in 2010-12 have been diverse. They include continued involvement as a founding partner of Global Hand washing Day, organizing National Health Symposia and being a major partner at the African Sanitation Conference.
Measurement: Typical day of Indonesian Child:

Measurement is critical to the Lifebuoy brand as it is used to understand whether its programs are creating the impact needed to meet the objectives of both the brand and the Unilever Sustainable Living Plan. The brand is undertaking rigorous evaluation, to help design the programs as well as to measure the impact of programs when delivered at scale.

1. Business measures: In-home panels capture the level of soap consumption, determining whether an increase in soap consumption at scale is actually occurring. Unilever’s own in-home panels measure this.

2. Measuring hand washing behavior compliance through diaries: On-going diary studies measure hand washing behavior change before and after the intervention. The studies involve innovative use of a daily activity sticker diary, developed and refined through pilot evaluations. This method masks bias and provides an indication of the shift in frequency of hand washing with soap, a directional view on which elements of the intervention are driving the new behavior (for example, schools programs versus television) and what impact the intervention is having on Lifebuoy brand perceptions.

3. Improved health: Children in the intervention group had 25% fewer episodes of diarrhea, 15% fewer episodes of Acute Respiratory Infections (ARIs) and 46% fewer eye infections than their respective control group. Children in the intervention group also had a significant reduction in the number of days of school absence due to illness compared to their respective control group.
CSV Results Measurement example Lifebuoy

See for the CSV Dashboard of the Lifebuoy Case in the previous chapter.

5.2 Case Study: DSM ‘The fight against malnutrition’

Feike Sijbesma Chief Executive Officer, DSM said: "As the world's leading producer of micronutrients including vitamins, DSM is taking its responsibility to help solve the world's greatest solvable problem: malnutrition, affecting 2 billion people across the globe. With our plans to reach 50 million beneficiaries by 2020 we fully support the Global Nutrition for Growth Compact. We believe investing in nutrition can break the cycle of poverty and build thriving societies and markets. I am proud DSM and its 23,500 employees are able to help tackle malnutrition using our knowledge and expertise through public-private partnerships."

Need for Change Scan

Royal DSM ‘Bright Science. Brighter Living’ is a global science-based company active in health, nutrition and materials. By connecting its unique competences in Life Sciences and Materials Sciences DSM is driving economic prosperity, environmental progress and social advances to create sustainable value for all stakeholders. DSM delivers innovative solutions that nourish, protect and improve performance in global markets such as food and dietary supplements, personal care, feed, pharmaceuticals, medical devices, automotive, paints, electrical and electronics, life protection, alternative energy and bio-based materials. DSM's 23,500 employees deliver annual net sales of around €9 billion.

PD1: Contextual Reality:

One third of the world's people, the majority of them in developing countries, either do not have access to or cannot afford a nutritious, healthy and balanced diet. Even a diet that provides sufficient calories may be lacking in important micronutrients this is what we call hidden hunger. Over time, hidden hunger has a devastating impact, not only on the health and productivity of individuals but also on the social and economic develop-
ment of a country. There is plentiful evidence that improving nutrition in developing countries is fundamental to breaking the cycle of poverty. More specifically, providing the right nutrients to pregnant women and their infants is of vital importance. It is now known that optimizing the quality of nutrition during a critical 1,000 days window of opportunity from conception until a child reaches two years of age has a dramatic impact on its physical and cognitive development, and substantially improves its prospects in adulthood. High-quality nutrition in this phase lays the foundations for a future in which children grow up capable of leading the struggle for progress in their own communities and countries.

The UN World Food Program defines malnutrition as “a state in which the physical function of an individual is impaired to the point where he or she can no longer maintain adequate bodily performance process such as growth, pregnancy, lactation, physical work and recovering from disease.”

In 12 months malnutrition causes:

- 1 million children to die before the age of five
- 50,000 women to die during or soon after childbirth
- 19 million infants to be born with impaired mental capacity
- 100,000 infants to be born with preventable physical defects
- The global cost of malnutrition annually is US$ 19 billion in lost adult work performance and related health expenditure

(Source: Global Alliance for Improved Nutrition (GAIN))

**PD 2: Value Chain Impact**

Taking a pragmatic, businesslike approach to meeting the major challenges facing our planet, the Copenhagen Consensus 2008 invited a panel of eminent economists from around the world to look for cost-efficient solutions. This panel concluded that in terms
of the benefit-to-cost ratio, micronutrient supplements for children represent the best possible development investment, with micronutrient food fortification following closely in third place. Improving nutrition is clearly a highly cost-effective intervention. According to the Copenhagen Consensus 2008 An investment of US$ 60 million a year in micronutrient provision could yield benefits in terms of improved health, lower mortality and increased income opportunities worth US$ 1 billion. An annual investment of US$ 19 million in fortification could bring US$ 570 million in benefits.

PD3: Shared Purpose and Values

Shared Purpose:

DSM combats malnutrition through food fortification and supplementation targeted to women of childbearing age, pregnant and lactating mothers and children under two years old in a public private partnership with WFP.

Values:

Our mission is supported by our core values that everything we do should contribute to a more sustainable world. To us, achieving sustainability means simultaneously pursuing economic performance, environmental quality and social responsibility, in other words creating value on the three dimensions of People, Planet and Profit. We treat our people and the people upon whose lives we have an influence with respect. We ensure that we attract and retain talent from a wide variety of backgrounds (in gender and nationality for example) to drive diversity of thoughts and styles. We believe that caring for the planet is a moral obligation that, at the same time, provides unique business opportunities and success not only for ourselves but also for society at large. We earn sustainable financial results that enable profitable growth for our company today and in the future and address the interests of our shareholders. Our commitment to our value of sustainability in all aspects is unwavering. This value guides us in all our actions and also forms the basis for our Code of Business Conduct.

PD4: Collective Vision and Goals

Good nutrition is an important requirement for physical and mental development, and a key factor for unlocking the human potential in every man, woman and child. The elimi-
nation of malnutrition is a global responsibility that we support wholeheartedly.

1. To reach 50 million beneficiaries (pregnant and lactating woman and children under two) by 2020
2. To improve the nutritional value of at least 80% of the food basket of the target group.
3. To raise awareness among policy makers of the importance of micronutrients for development and reduce future health costs.

DSM has built its collective vision and goals on private and public partnerships. It defines partnerships as: “Ongoing working relationship where risks and benefits are shared” In practical terms this implies that each partner is equally involved in:

- Co-creating the partnership’s activities.
- Bringing contributions of different kinds, based on own expertise, to the partnership.
- Committing to transparency and mutual accountability.

Why Partner?
Combined Resources = Larger Impact

PD 5: Multi-Stakeholder Engagement:

* Science: through the scientists at DSM, DSM has links to local and global scientific communities and key opinion leaders. They use insights of scientific research on effectiveness of nutrition interventions to develop new products and solutions.

* Alliances; through fortification alliances, DSM is involved in the design and implementation of regulatory frameworks for food fortification.

* Governments and organizations; to ensure that nutrition remains high on their agendas. DSM has established alliances and partnerships with many key international and national stakeholders. We advocate for effective solutions that reach target populations,

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providing them with all micornutrients lacking in their diet.

* WFP: DSM has been partnering with the United Nations World Food Program (WFP), the largest provider of food aid to the world’s hungry, since 2007. The WFP feeds and nourishes an average of 90 million people in over 80 countries every year.

* USAID: At the beginning of 2011 DSM and the United States Agency for International Development (USAID) started a collaboration to leverage their respective competencies, expertise, products and services to meet the micronutrient needs of populations.

PD 6: Focus activities

DSM and WFP work together in three main ways:

1. Nutrition enhancement: DSM food technology, packaging and other experts are working with WFP to research and develop new or enhanced fortified foods and measure their effects on the nutritional state of WFP beneficiaries. The partnership has a systematic approach to development and improvement of products including testing for acceptance and, in some cases, impact.

2. Capacity development: DSM has supported WFP in strengthening and expanding its focus on nutrition, including capacity development (hiring staff, designing training modules), implementing nutrition-specific interventions with better products and tools and increasing awareness of nutrition in nutrition-sensitive approaches.

3. Engagement employees: DSM employees in offices and production sites in 50 countries around the world are crucial in bringing the partnership to life, both through general advocacy and fundraising activities and by volunteering their time and expertise to help WFP address specific issues.
5.3 Case Study: TNO PhenFlex

Need for Change Scan:

TNO is an independent research organization whose expertise and research make an important contribution to the competitiveness of companies and organizations, to the economy and to the quality of society as a whole. TNO’s unique position is attributable to its versatility and capacity to integrate this knowledge. Innovation with purpose is what TNO stands for. We develop knowledge not for its own sake but for practical application. To create new products that make life more pleasant and valuable and help companies innovate. To find creative answers to the questions posed by society. TNO has a good reputation and a well-known name as a knowledge organization. Our more than 4,300 employees form an enormous reservoir of knowledge.

“Phenotypic Flexibility and Diet-Related Health” (for short PhenFlex) is a TNO research project with the Food Industry and ILSI in which we aim to measure health and the effects of food on health in a new way. The first phase of the EZ-Co (25% phase) of the project started in January 2012 up to December 2013. The second phase (50% phase) will start in January 2014 up to December 2015. This research project is part of the TNO theme ‘healthy living’ and belongs to innovation area ‘Food & Nutrition’ and to the business line ‘Healthy Food’. The mission of the business line ‘Healthy Food’ is the develop-
ment of methods that facilitate the fast and accurate measurement of the health effects of food. Models are developed for analyzing various aspects of the human digestive system and for giving companies information on the health effects of ingredients. We aim to improve and maintain human health by leading the integration of systems biology in multidisciplinary projects with academia and industry with focus on metabolic health & disease (metabolic syndrome, obesity, (pre) diabetes type 2, cardiovascular disease. An important TNO concept herein is the use of challenge test to quantify the flexibility of the human body as a measure for health and the development of new biomarkers of (optimal) health. TNO has a forefront position in the area of nutrigenomics with Ben van Ommen as frontrunner. Because the effects of food on health are very subtle, finding suitable biomarkers that are able to reveal these small changes is difficult. The development of a challenge test that is sufficiently sensitive to measure these subtle changes due to food interventions is therefore an important component within the PhenFlex project. TNO aims to make this concept generally accepted in food and health research. Subsequently the objective is to have this concept also accepted by regulatory authorities in health claim dossiers.

PD1: Context Reality

Social dynamics: The ambition of the functional food and ingredient industry is to develop new and effective food-based strategies to optimize human health and to reduce the risk or delay the onset of diet-related diseases. The 6 leading causes of mortality are non-communicable diseases (NCD), causing 70% of death in the age group >65 years. This is expected to increase by 15% during the next 10 years.

Environmental dynamics: In December 2006, the Regulation on nutrition and health claims made on foods was adopted by the Council and Parliament. This means that claim legislation demands for scientific substantiation based on human intervention studies using markers of effect that are methodologically and biologically validated. Most of the submitted health claims by food industry have been rejected by the EFSA (European Food Safety Authority). This advice is generally taken over by the EU.

Economical dynamics: Health claims on food products increases marketing & sales of food industry. 10% increase in NCD results in a 0.5% reduction in annual economic growth. Nutrition is thought to be an important modifiable factor: 80% of premature heart disease, stroke and diabetes can be prevented, diet being an important part of it.

Conclusions:

Prevention or delay of onset of chronic cardio-metabolic disease in developed countries through diet is a key value driver.

Health claims on food products can help the consumer to make a motivated choice for a healthy diet.

The regulation for health claims on food products is changed since 2006, meaning that scientific substantiation based on human intervention studies is necessary. However, most submitted health claims have been rejected so far by the regulatory instances.
Therefore, there is a need for different methods to quantify the effect of a food product on health that can be accepted by the regulatory authorities as a way to substantiate health claims.

**PD 2: Value chain Impact:**

PhenFlex quantifies the effects of diet on health in terms of phenotypic flexibility. It develops new biomarkers of (optimal) health, a standardized challenge test and new (accepted) health claims. Food & Nutrition industry organizations basic food can use these methods, technology, biomarkers and challenge test to get health claims on their products. They will do marketing & sales and use their consumer information to make a selection of most valuable type of health claims that their consumer can understand the health claim / message. Regulatory authorities involved in substantiation of health claims have to accept these new methods, technology, biomarkers and challenge test: EFSA, EU, ILSI and scientific community. These new biomarkers can be translated into diagnostic assays, measurement devices, production of standardized challenge test to get them public available for the Food Industry, Academia, Consumer: partly TNO, Diagnostic Industry, Consumer electronics & household applications (not directly related to PhenFlex project).

**Conclusions:**

TNO utilizes a multi-client project called PhenFlex that allows the quantification of the effects of diet on health based on the concept of Phenotypic Flexibility that makes use of a challenge test to quantify the flexibility of the human body as a measure for health resulting in the development of new biomarkers of (optimal) health. This could lead to the acceptance of new health claims on food products by the regulatory authorities in the area of cardio-metabolic disease and at the same time enabling the development of a new generation of diagnostics to be used at home by the consumer or in health care.

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**HEALTH: WHAT IS HEALTH?**

"A state of complete physical, mental and social well-being and not merely the absence of disease or infirmity"

"The ability to adapt to the physical, emotional and social challenges of life"

The measure of health is, according to this new definition, your capability to adjust to external influences.

**PD3: Shared Purpose and values:**
TNO purpose is to connect people and knowledge to create innovations that boost the sustainable competitive strength of industry and well-being of society. Innovation with purpose is what TNO stands for. We develop knowledge not for its own sake but for practical application. To create new products that make life more pleasant and valuable and help companies innovate. To find creative answers to the questions posed by society.

TNO has a good reputation and a well-known name as a knowledge organization. Our more than 4,300 employees form an enormous reservoir of knowledge. Together we share four core values and three conditions for success: Integrity, Independency, Professionalism and Social responsibility. We have formulated three conditions for success: Market-oriented, Willingness to work together and People-oriented.

Purpose of PhenFlex project: Personalized quantification of diet-health relationship in terms of phenotypic flexibility aims to make a difference in people’s day-to-day lives. Working with public and private sector around the world, our challenge is to provide measurable personalized dietary advice thereby preventing or delaying the onset of chronic diseases such as cardiovascular disease and diabetes type 2, the leading causes of mortality and reduction of quality of life in developed countries.

Social Value Proposition: Health claims on food products can help the customer to make a motivated choice for a healthy diet: PhenFlex helps to deliver new health claims. The quantification of the effect of diet on your (personal) health in terms of phenotypic flexibility helps to deliver improved (perceived) health and vitality to individual citizens: PhenFlex delivers new biomarkers and a standardized challenge test that can be translated into (point of care) diagnostics and do it yourself (at home) measurement devices.

**PD4: Collective Vision and Goals:**

Collective Vision: by 2016 PhenFlex aims to reach acceptance of health claims in the area of cardio-metabolic health based on the concept of phenotypic flexibility which leads to 1.000.000 European citizens that quantify the effect of their diet on their health in terms of phenotypic flexibility driving improved health of European citizens and annual economic growth in –Dutch- society by reducing health care costs and increase of labor productivity
PD 5: Multi-stakeholder Engagement:

For the PhenFlex project there are the following stakeholders:

a) Food & Nutrition Industry; DSM, Friesland Campina, Nestle, Danisco/Dupont, Abbott Nutrition are partners in the PhenFlex project

b) Regulatory bodies such as EFSA, ILSI, EU; ILSI is partner in project

c) scientific community important for acceptance of new concept Wageningen University (KOL Michael Müller), Technical University of Munich (KOL Hanelore Daniel), University of Oslo (KOL Christian Drevon) are part of scientific advice committee of PhenFlex project

d) Diagnostic Industry

Partner with organizations who share our aims & can share costs in shared research program / multi-client project with a 50:50 shared investment model is minimum acceptable (50% TNO – 50% by external partners)
**Business result:**

- At least 1 accepted new health claim in the area of cardio-metabolic disease based on the quantification of phenotypic flexibility. This means that we have: [1] proven that phenotypic flexibility can be measured through nutritional interventions, with [2] new groups of biomarkers and [3] with an accepted standardized challenge test

- Income for the second phase of the project that will start in January 2014. This means that existing partners & new partners will invest at least 50% of the total budget needed

**Effect on People:**

- We aim that Industrial Partners from Food & Nutrition Industry will do a follow-up project for own product to get new health claim (B2B)

- We aim that other private & public partners will do projects with TNO based on phenotypic flexibility concept

- We aim that new knowledge on phenotypic flexibility and diet related health will be published by other partners than TNO

**Effect on society:**

- 1.000.000 European citizens that quantify the effect of their diet on their health in terms of phenotypic flexibility

- Improved health of European citizens

- Improved annual economic growth in Dutch society by reducing health care costs and increase of labor productivity

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