

3 generations CSR: Donators, Avoiders and Creators

Shared Value: the next big thing in
strategy innovation

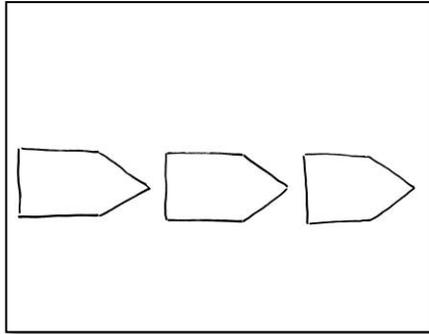
Jeroen De Flander

Agenda

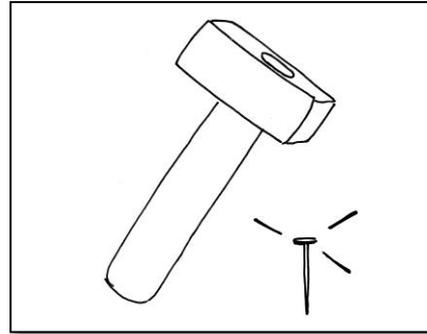
1. What is **strategic innovation**?
2. Where to find strategic **growth vectors**?
3. **Shared Value**: what is it and how to get it?

*“Shared value can give rise to the next major transformation of business thinking”
Michael Porter - Harvard*

Let's start... what is strategic innovation?



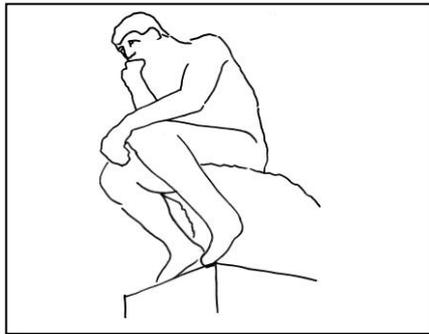
A process?



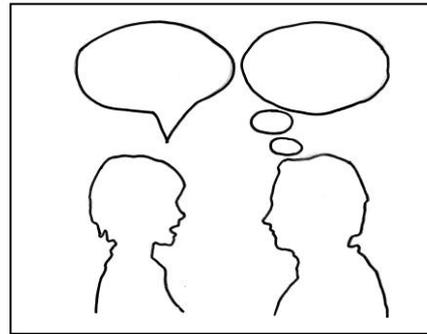
A tool?



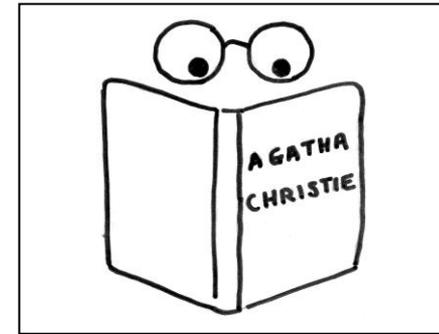
A management style?



A philosophy?



A culture?



A mystery?

Let's look at an example



What's the biggest car-renting company in the world?

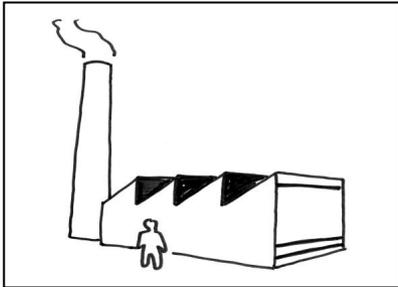
And the winner is...

The Hertz logo, featuring the word "Hertz" in a bold, black, sans-serif font on a yellow rectangular background.The Enterprise logo, featuring the word "enterprise" in a white, lowercase, sans-serif font on a black rectangular background with a green vertical bar to the left of the text.

Location	Airports	Downtown
Marketing	Travel Agents	Mechanics & insurance
Delivery	Airport Parking lots	Home pick-up
Drop off	Airport	Home
Organisation	Centralised	Decentralised
Segment	Business & pleasure travelers	Car replacement
Age cars	Mainly new	High average age
Fee	high	Low

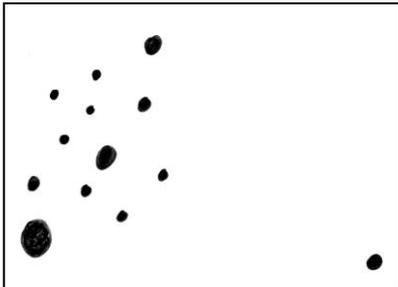
Within the same industry, **Enterprise** combines activities in the value chain in a different way to provide benefits to a different customer segment

Strategic innovation – the concept



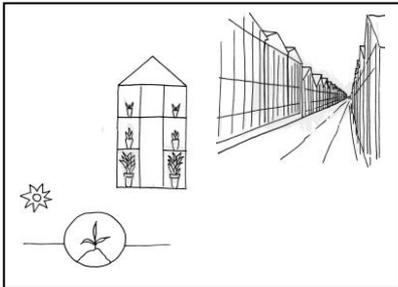
The industry

- What's the industry we want to play in?
- Overall competitive rules?
- Industry trends?



The unique position

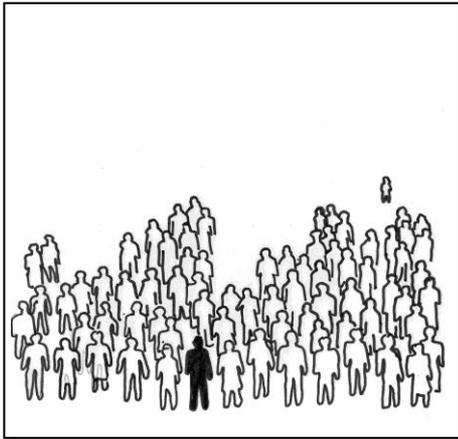
- Competitive advantage resides in the value chain
- Redefine 'the who' and 'the how' in a certain industry
- A business model = combination of choices within the value chain to get and maintain this advantage



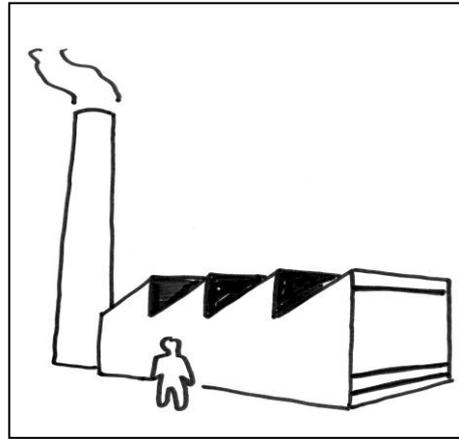
Search, incubate and execute

- Ability to find, grow and exploit competitive advantage

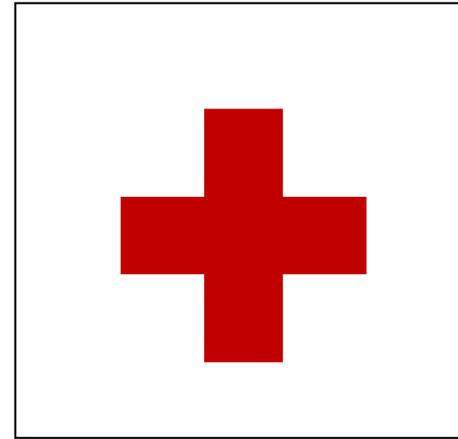
Corporate social responsibility: who benefits most?



The society?



The company?



Both?

And **HOW** does the company benefit?

Traditional way of thinking

The context changes

- _ The world has changed. The general public has taken a new position.
Next generation thinking: 'Sustainability'
- _ Activists become more aggressive.

Companies react

- _ Create goodwill or buy goodwill.
- _ It's an expense.

Mindset:

- _ Conclusion: doing good for society ↔ business performance
- _ Trade-off thinking

Let's look at water consumption



Nestlé

Good Food, Good Life



agricultural
irrigation

Let's look at water consumption



Good Food, Good Life



agricultural
irrigation

0,0008%

70%

Is there **another** way?

“Don’t measure performance by what you have accomplished, but by what you should have accomplished within your capabilities.”

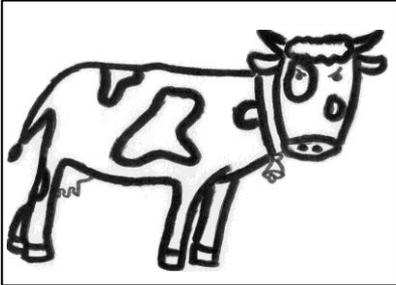
3 thoughts I want to share

Innovation through Shared Value

- 1 Move beyond traditional trade-off thinking
- 2 Find the best ideas: outside in and inside out
- 3 Change your mindset

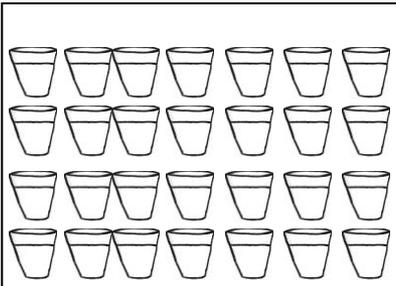
“Creating Shared value is the basic way Nestlé does business – by leveraging core activities and partnerships to simultaneously create value for stakeholders as well as for society.”
Paul Bulcke – CEO Nestlé

Let's look at some examples



Neslé milk business

- Entered Indian market in 1962, Moga district
- 180 farmers → today: 75.000, 50X more milk production
- 90% home electricity, primary schools & 5X more doctors



WaterHealth International

- Profit organisation
- Socially oriented Acumen Fund, World Bank & Dow Chem.
- Innovative low-cost water purification 1 Mio+ people



Waste Concern

- Hybrid profit/nonprofit enterprise, started in Bangladesh
- Launched with capital from Lions Club & UN
- Converts 700 ton trash into organic fertilizer

Next generation business thinking

Mindset: Shared Value

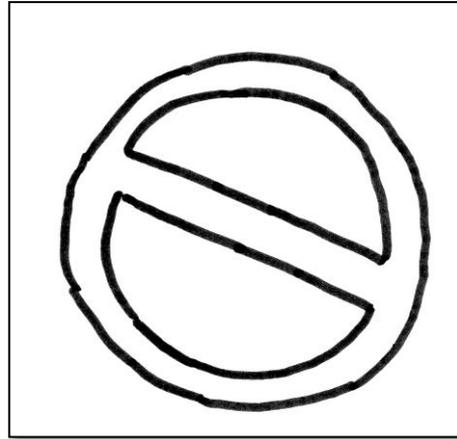
Enhance the competitive position of a company while *at the same time* advance the society in which it operates

1 Move beyond traditional trade-off thinking

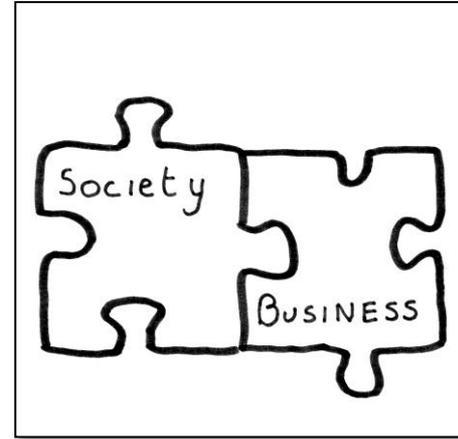
Corporate involvement in society – 3 ways



Donate



No harm



Shared value

1 Move beyond traditional trade-off thinking

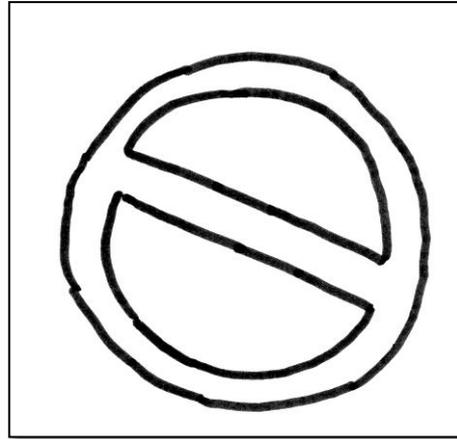
Corporate involvement in society – 3 ways



Donate

- Good citizenship
- Personal agenda
- External reporting driven

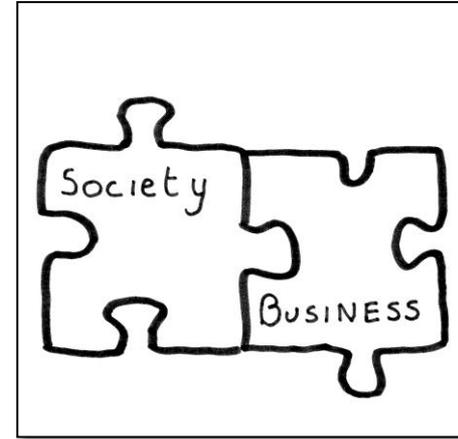
“the philanthropist”



No harm

- Reduce negative impact of own actions
- Value chain driven

“the avoider”



Shared value

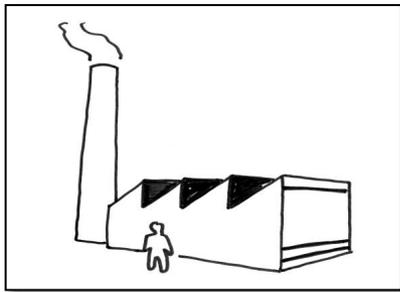
- Not expense but investment
- Selective
- Strategy driven

“the innovator”

The key question becomes:
**where do *business* and *society*
connect?**

*“The concept of shared value
resets the boundaries of capitalism.”
Michael Porter – Harvard*

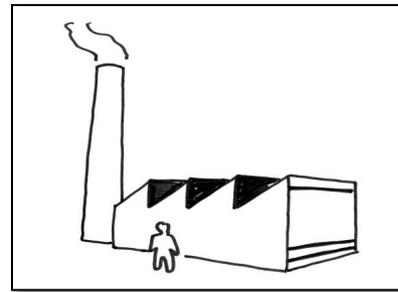
Identify the points of intersection



Inside out

Map the social consequences of all activities across the value chain

1. Negative impact
2. Opportunities



Outside in

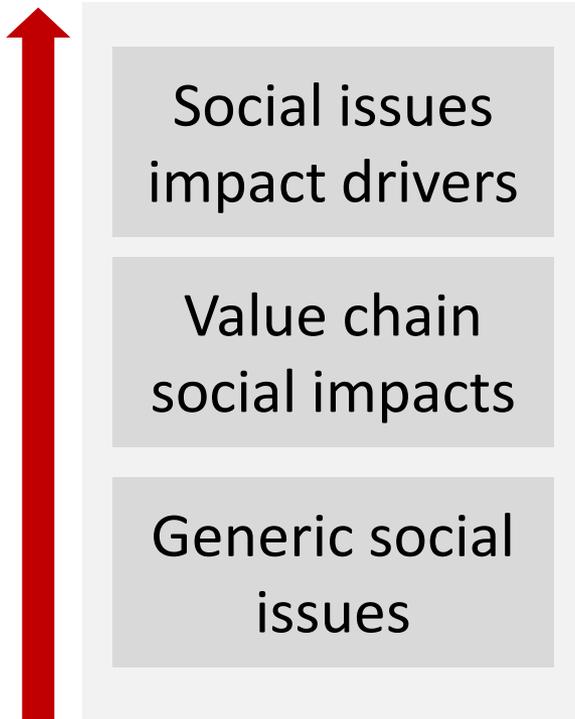
Ensure the health of the competitive context

1. Quantity & quality of business inputs
2. Rules & incentives
3. Size / sophistication of local demand
4. Availability supporting industry

A question for you:

What are the social issues your company should focus on?

Prioritise



1. No business can solve all of society's problems
2. A worthy cause is not good enough
3. Your focus should be on those social issues that affect the drivers of a company's competitiveness in the locations where it operates

Look for new partnerships

- Shared value blurs lines between profit and non-profit organisations.
- Local integration: long-term partnerships best recipe for success.
- The concept of social entrepreneurs.

Keep your eyes open

- _ Keep up to date.
- _ Go beyond the obvious topics like CO2 or water pollution.
- _ Put a careful process in place for identifying evolving social effects.

Example: think about *Asbestos*

1900: a great material

1960: a health risk

2011: a great health risk & held liable for the harms it can cause

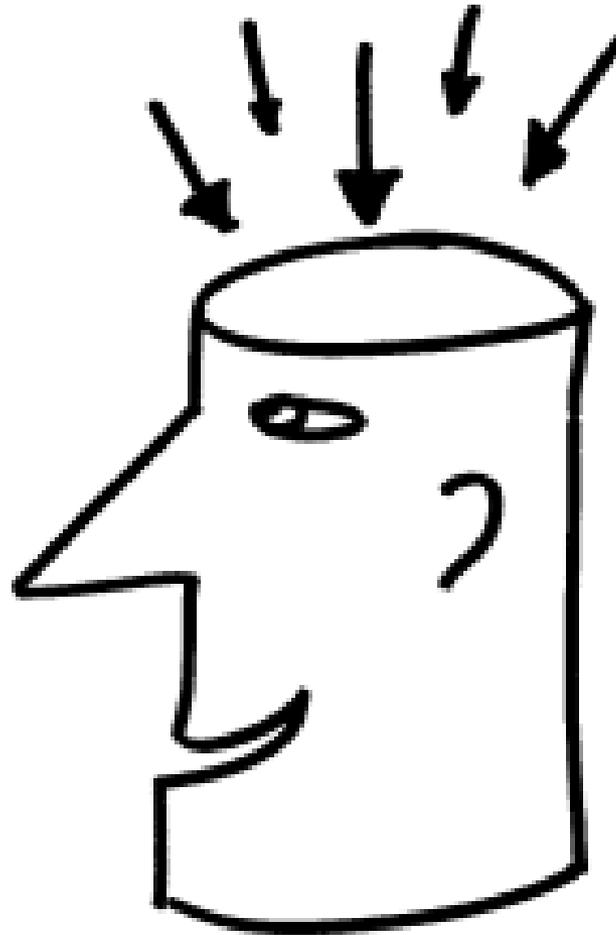
The final question: **Can you do it?**

*“You can never have an impact on society
if you have not changed yourself.”
Nelson Mandela*

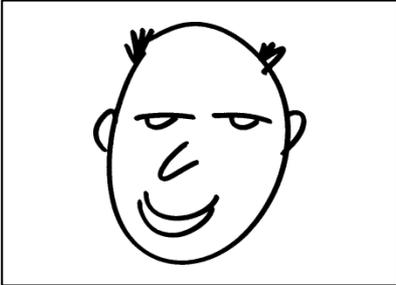
Knowledge is not enough

Let's do a simple exercise

Don't tell people to create Shared Value but...

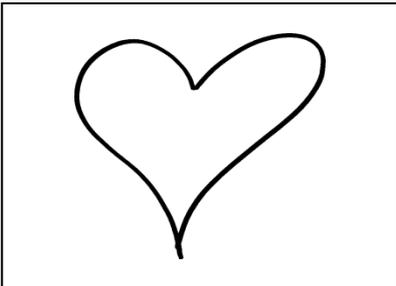


Reach for the Head, Heart and Hands



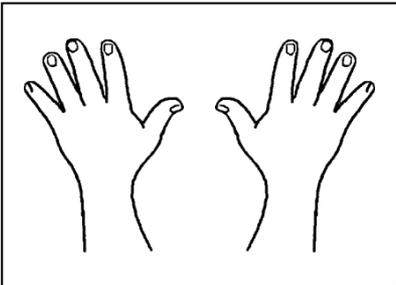
Provide the right knowledge

- Get the basics right – demystify strategy & innovation
- Promote the ‘business’ AND ‘society’ fit
- The platform – make knowledge & examples available



Motivate individuals to absorb

- Think Nestlé: it’s the way we do business
- Connectivity & Responsibility



Apply the knowledge

- Manage the time lag between learning and doing

*“Don’t tell people to be innovative.
Rather, encourage them to adopt behaviours that
lead to strategic innovation.”*

- Costas Markides

Which behaviour creates innovation?

Behaviour that leads to innovation

- Debating assumptions
- Questioning things we take for granted
- Experimenting & trying unorthodox ideas
- Looking outside / copying with pride
- Willingness to stick neck out
- Taking initiative
- Giving & receiving honest feedback
- Taking risks
- Working together
- Empathy towards customers / listening

AND!

Identify & discourage behavior that does not fit

“I've missed more than 9000 shots in my career. I've lost almost 300 games. 26 times, I've been trusted to take the game winning shot and missed. I've failed over and over and over again in my life. And that is why I succeed” Michael Jordan

Performance takeaways

1. Understand the **dynamics** of **innovation** and **strategy**
2. Next generation innovation: each firm should look at decisions and opportunities through **the lens of Shared Value**
3. **Move beyond** traditional trade-off thinking. From 'OR' to 'AND'
4. **Find the best ideas:** outside in and inside out
5. **Change your mindset**

Jeroen De Flander – Strategy Execution Ambassador



Jeroen De Flander is a seasoned international Strategy Execution expert, top executive coach, seminar leader and highly regarded keynote speaker.

Jeroen has helped more than 19,500 managers in 25 countries master the necessary execution skills. His book, *Strategy Execution Heroes*, reached the Amazon bestseller list in 5 countries.

He is co-founder of *the performance factory* – a leading research, training and advisory firm which is solely focused on helping individuals and organisations increase performance through best-in-class Strategy Execution.

For several years, he was the responsible manager worldwide of the Balanced Scorecard product line for Arthur D. Little – a leading strategy consulting firm.

The 50+ companies he has advised on various strategy execution topics include Atos Worldline, AXA, Base, Bridgestone, CEMEX, GDFSuez, Honda, ING, Johnson & Johnson, Komatsu and Sony.

To book Jeroen to speak at your next event or to run a strategy execution seminar for your company, please contact him through his website www.jeroen-de-flander.com or jeroen@jeroen-de-flander.com

The execution challenge – our contribution



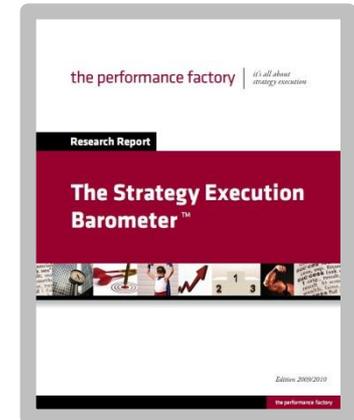
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Our products and services help managers, future managers and organisations to increase performance through best-in-class Strategy Execution.

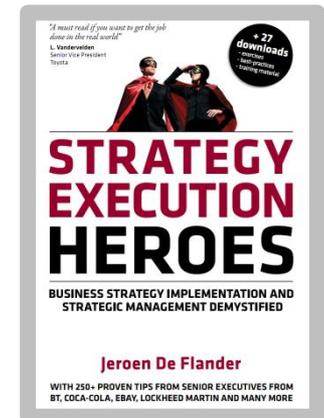
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Shared Value: the next big thing in strategy innovation

Thank you

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