# SHARED VALUE

## How can large businesses contribute to the post-2015 agenda?

Adopted by world leaders in September 2000, the Millennium Development Goals (MDGs) represent a historic consensus among world leaders in the fight against poverty. These eight goals have played a crucial role in focusing the attention of businesses, governments and NGOs on reducing extreme poverty and child mortality, and fighting disease and epidemics.[1]

With less than three years until the deadline, enormous progress has been made. 12,000 fewer children under five died every day in 2010 than in 1990. **We are at a tipping point.** If we increase our commitment and find new opportunities to work together, **we could be the first generation to ensure that no child goes hungry, no child dies of preventable disease, and every child has a fair chance in life.** Business will play a crucial role in realising this ambition.

### WHAT COMES AFTER THE MILLENNIUM DEVELOPMENT GOALS?

The world has changed since 2000. Climate change and the global financial and economic crisis have shown us that business as usual is no longer an option. The nature of poverty has also changed. Growth in emerging markets has transformed the lives of millions of people, lifting them out of extreme poverty. But prosperity has not been shared by many people in these countries: today, 70% of the world's extreme poor live in middle-income countries. [2] Youth unemployment, weak governance and political instability and inequality threaten the growth that will enable millions to escape poverty. **Without businesses, we will not solve these complex development challenges; their engagement is critical to the success of any post-2015 framework.**[3]

Save the Children

## POST-2015: THE BUSINESS CASE

Michael Porter's 'Shared Value' proposition makes clear that wealth creation can and should support social good rather than undermine it. The presumed trade-offs between economic efficiency and social progress are, he argues, based on an outdated theory that placing social constraints on business or consideration of the external impacts of business activities would inhibit profitability.[4]

In reality, poverty and inequality are not good for business. Investments in solving the problem of poverty are investments in future business opportunities; in future policy stability to protect investments; in future consumers, employees, and leaders; and in future innovators and entrepreneurs. Research has shown a positive relationship between environmental, social and governance factors and financial performance.[5]

Optimizing short-term financial performance while missing the most important customer needs and ignoring the broader influences that determine longer-term business success is short-sighted and has led to declining trust in business – a problem which corporate social responsibility has failed to solve. Porter calls on business to take a lead in bringing business and society back together by putting social concerns at the core rather than the periphery of business strategies.

Employees appear to agree. A YouGov poll of UK businesses commissioned by Save the Children in 2008 revealed that 59% of private sector employees said their companies should be considering their impact on society, including people in poorer countries (compared with only 10% who disagreed). 58% suggested this should be done be conducting business in a responsible and ethical way. The top three most important issues to employees were reducing extreme poverty and hunger, ensuring environmental sustainability, and making the world fairer for poorer countries. [6]

Investors are also increasingly engaged. In 2011 average support for environmental and social shareholder resolutions topped 20% for the first time, according to Institutional Shareholder Services.[7]

Some leading firms have begun creating shared value for shareholders and society as they seek to address complex development challenges:

- GlaxoSmithKline has agreed to share its intellectual property – it is a founding member of WIPO Re:Search, a new open innovation platform that aims to help accelerate the development of new and better treatments against neglected tropical diseases such as dengue, rabies and Chagas disease, as well as malaria and tuberculosis.[8]
- In 2000 Unilever partnered with Ghana's health ministry and UNICEF to reduce the prevalence of iodine deficiency. Alongside dramatic maternal and child health improvements, through partnerships with local suppliers it created 200 jobs in local enterprises. This is integrated into Unilever's business plan, rather than a CSR initiative.[9]

In addition to implementing these initiatives, both of these firms are involved in public policy engagement to spur global leadership on development challenges – recognising this approach is good for development and good for business.

## POST-2015: A ROLE FOR BUSINESS?

Businesses, large and small, have undoubtedly played an important role in contributing to the MDGs through creating jobs, contributing to economic growth, leveraging value chains and applying their energy to solving development problems. There are also instances where large businesses have had a negative impact on achievement of the MDGs. For example, Save the Children surveyed 467 allegations of human rights abuses by business, finding that over half of all cases involved negative impacts on children's health, with implications for progress on MDG4 (reducing child mortality).

Yet discussions on the role of business in development are too often focused on discrete projects, where firms contribute financing or gifts in kind to support the achievement of a specific goal, rather than considering the impacts of core business practice, positive and negative, on development. This business-as-usual approach risks compartmentalising the goals, rather than recognising how progress towards each goal is dependent on complex and inter-related factors.

To achieve the change we want to see, businesses need to go further. To move from corporate responsibility to shared value we must place development objectives at the core of business models – thus harnessing the energy, innovation and resources of business. This approach is about scale, leadership and legacy.

If a business contributes money towards a development objective, it can have significant impacts for millions of people. It can increase staff morale and improve the brand of the firm.

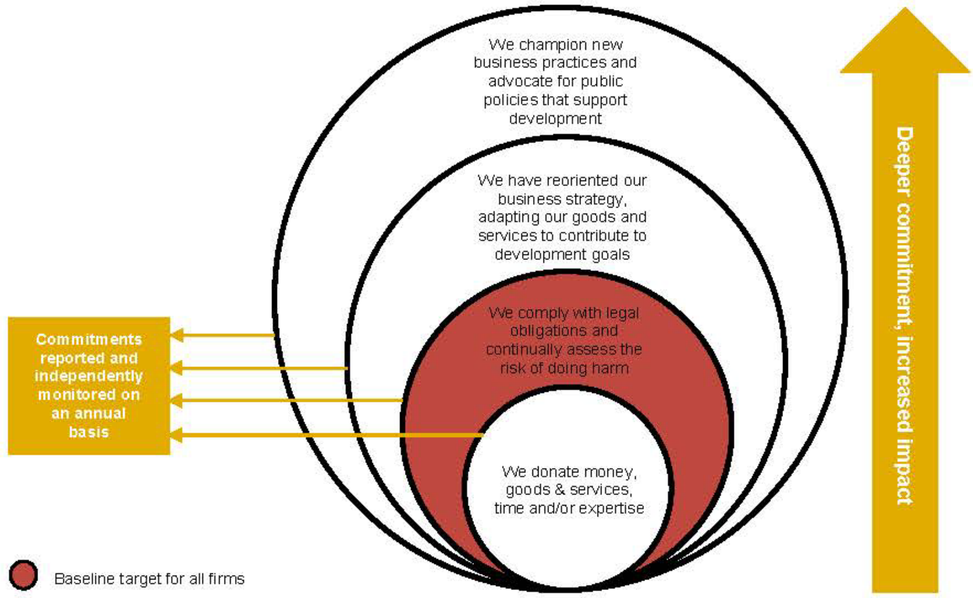
But three significant steps could ensure that business is maximising its impact on development.

1) **Measures to ensure all firms apply a 'do no harm' approach to their core business.**
   a) This would mean evaluating and disclosing social impacts of their products (eg, breast milk substitutes) and practices (such as labour standards or tax strategies), as well as indirect impacts (such as their environmental footprint).
   b) We should not underestimate the challenge of reaching this baseline, but the potential benefits are transformative.

2) **Shaping core business strategies to contribute to development goals.**
   a) If a firm takes the next step and orients its business strategy towards creating products and services that improve the lives of the poorest, it can have a greater impact.
   b) If this approach becomes the norm across the sector, the impact increases dramatically.

3) **Advocating for change at the national and global level.**
   a) If firms advocate for political leadership and legislation that underpins this shared value approach, the potential game-changing effect increases. Aviva's leadership on corporate transparency at the Rio+20 summit is one example.

## Maximising the impact of business on development




Transparency and accountability for commitments are crucial. Rather than provide a top-down framework, this approach encourages companies to make commitments and make their level of ambition clear.

This open and accountable approach would be combined with concerted global advocacy for legislation requiring businesses to understand and report on their social and environmental impacts. A peer review mechanism could be established to evaluate firms' progress towards their commitments on an annual basis, within the UN Global Compact or other appropriate architecture.

Businesses have the potential to transform the development landscape, working with governments and NGOs, by harnessing the full scale of their resources to tip the balance towards a world where every child has a fair chance at life. The post-2015 framework is a historic opportunity to think differently – to pursue shared value.

# ENDNOTES

[1] For more information see the United Nations Development Programme, 'Eight goals for 2015', http://www.undp.org/content/undp/en/home/mdgoverview.html
[2] A Sumner (2011) 'Where Do The Poor Live?' *World Development* 40, no. 5: 865–877; A Sumner (forthcoming) 'What is a Poor Country if the World's Poor Live in Middle-income Countries?', IDS: Sussex
[3] P Lucci (2012), *Post-2015 MDGs: What role for business?* Overseas Development Institute
[4] M E Porter (2011) 'The role of business in society: creating shared value', presentation given to the Babson Entrepreneurship Forum, Boston, Massachussetts, http://www.isc.hbs.edu/pdf/2011-1113_Babson_CSV.pdf
[5] Pricewaterhouse Coopers (2012) *Do Investors Care about Sustainability? Seven trends provide clues,* PwC: New York, http://www.pwc.com/en_US/us/corporate-sustainability-climate-change/assets/investors-and-sustainability.pdf
[6] YouGov Poll for Save the Children
[7] E Mell, 'A Final Review of 2011 E&S Shareholder Proposals-Governance', ISS, January 2012
[8] For more information, see the WIPO Re:Search website: http://www.wipo.int/research/en
[9] World Business Council for Sustainable Development (2005) *Business for Development: Business solutions in support of the Millennium Development Goals,* http://www.wbcsd.ch/web/publications/biz4dev.pdf

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