



A FoW REPORT ON BUSINESS AND SOCIETY



A report prepared by the Future of Work Research Consortium, March 2013
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About FoW

Led by Professor Lynda Gratton and Dr. Julia Goga-Cooke, the FoW Institute is an emerging thought leader in the field of future-proofed organisations. Over the last three years, the team has worked with over 60 multinational companies from Europe, the USA and Asia to build a deep understanding of the external forces that are shaping the context of work; the internal organisational responses to these forces; and the manner in which future-oriented practices can be identified, embedded and scaled. The FoW Institute has compiled data on the current practices of these companies, as well as over 60 future-proofed case studies, and written thought pieces on a wide range of organisational issues.

The core of the Institute's research capability is 'collective intelligence'. Using a combination of technological platforms, including tailored portals, 48-hour FoWlab jams and sophisticated surveys, the team is able to rapidly assimilate the knowledge of communities drawn from both within and outside of organisations.

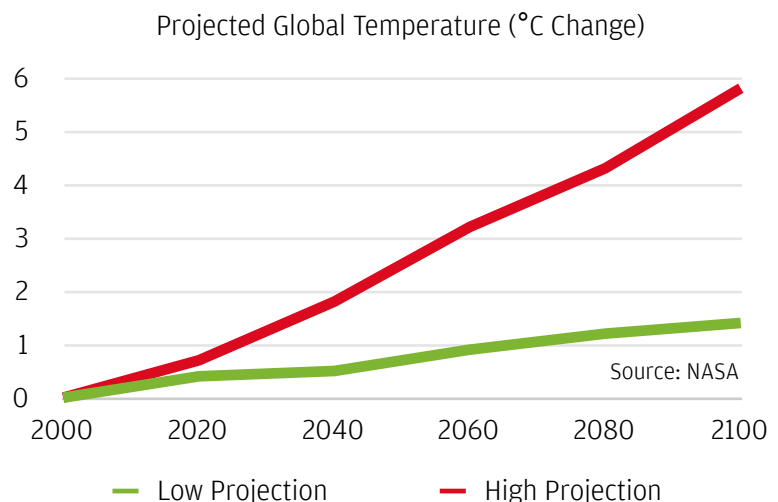
Introduction

The focus of this research theme is whether the 'business of business is business', or whether companies will be required to take increasing social and environmental responsibility. Among our consortium companies, there is broad agreement that long-term corporate success will require companies to create value for their shareholders, but there is also an understanding that true sustainability can only be achieved by also creating value for society. Creating shared value encourages businesses to create both economic and social progress simultaneously, by focusing on the social issues that they are uniquely capable of addressing.

As part of our research into the future of work, we have identified three global challenges that we believe organisations must address in order to ensure long-term sustainability: Climate Change, Poverty and Inequality, and Youth Unemployment. While these challenges are complex, multi-faceted and are emerging at a fast trajectory, addressing them now will produce both social and financial benefits.¹

Global Challenge 1: Climate Change

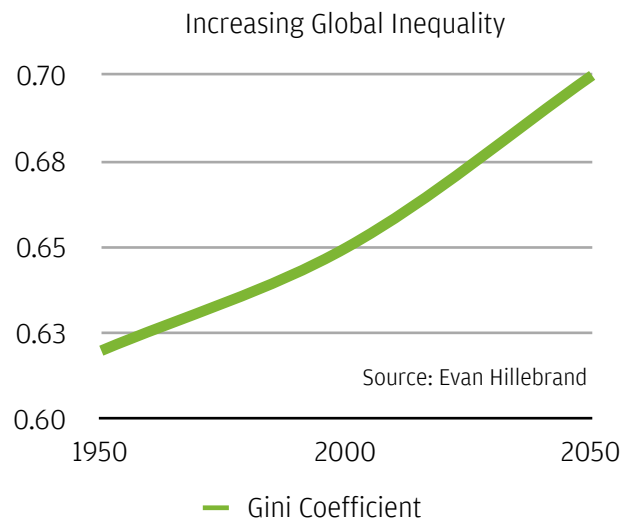
In a world of rapid urbanisation, industrialisation and global integration, climate change represents one of the most pressing challenges facing us today. There is now overwhelming scientific consensus that the earth is warming up. Eight of the nine warmest years on record have come since 2000. If the planet remains on its path of consumption and dependence on fossil fuels, the most conservative estimate of the next century predicts a mean global warming of around 1.8°C, while more pessimistic models show the potential for a devastating 5.0 - 6.0°C increase.



Temperature increases of this scale could mean that large areas of the Amazon rainforest could be lost to drought and fire; agricultural yields could decrease for all major cereal crops; water shortages could affect more than two thirds of the global population; and rising sea levels could force billions to migrate. While not all industries will be equally affected, these climate changes will impact most companies significantly. They will transform markets, impact on premises and processes, increase the vulnerability of supply chains, and will have vast implications for investments and insurance costs.

Global Challenge 2: Poverty and Inequality

Today, more than 1.4 billion people live in poverty so extreme that they can barely survive. The paradox of increasing connectedness and wealth promised by globalisation is that, while a new billionaire is created every two days, around 50,000 people die from hunger over the same time period. Income disparities are emerging all around the globe. For example, the average per-capita income of Muslims, from Morocco to Bangladesh and from Indonesia to the Philippines, is half the world average. Emerging markets are showing signs of growing inequality: India's growing economic regions in Bangalore, Hyderabad, Mumbai and New Delhi are quickly pulling away from the rest of the country, as are many Chinese megacities.

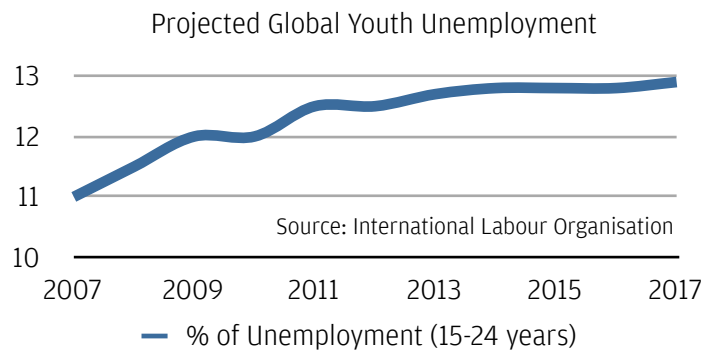


If most countries continue on the same trajectory they have been on for the last 25 years, the global Gini coefficient (a ratio where 0 represents perfect equality and 1 perfect inequality) will rise from 0.65 in 2013 to 0.7 by 2050. Independent of any moral obligation, fighting poverty and inequality is critical to business as it hits the financial bottom line. Less developed economies are increasingly important for many companies as they harbour opportunities of innovation and revenue generation.

Global Challenge 3: Youth Unemployment

The world is facing a growing youth employment crisis: young people are three times more likely to be unemployed than adults, and over 75 million youth worldwide are currently looking for work. The International Labour Organisation has warned of a 'scarred' generation of young workers, who face a dangerous mix of high unemployment, increased inactivity, and precarious work.

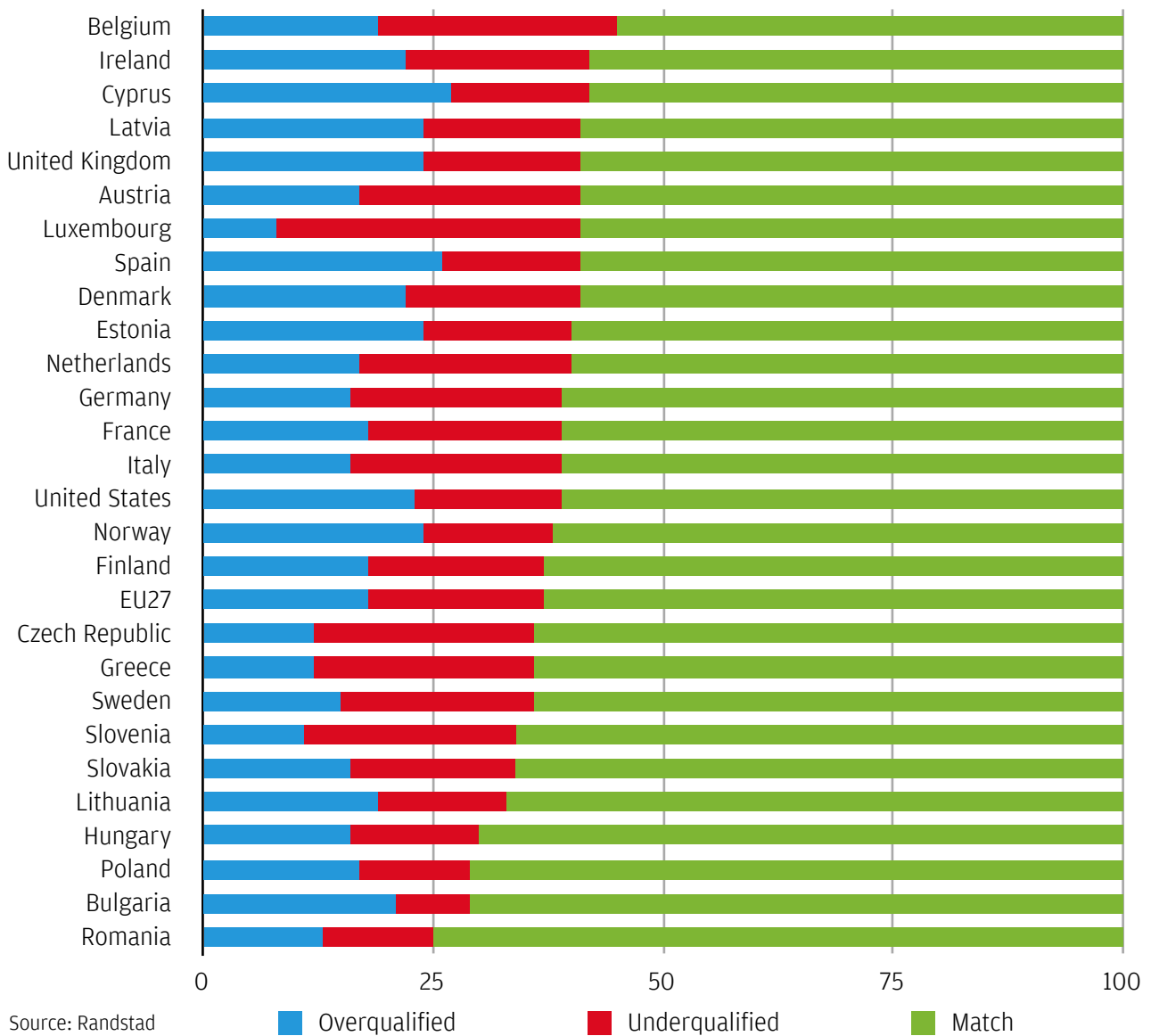
Left untreated, youth unemployment is an issue set to destabilise fragile economies and become a breeding ground for extremism. In fact, it is on track to become one of the worst legacies of the Baby Boomer generation. Unfortunately, the young and unemployed are not likely to see their situation improve in the foreseeable future. According to a report by the International Labour Organisation, global youth unemployment will continue to grow beyond 2014, and will hit 12.9% by 2017.²



This data does not simply represent cyclical economic patterns, but is more the result of profound structural changes in job markets and the nature of work. Advances in technology have automated many of the routine tasks that defined work over the last century. In doing so, it has undermined the demand for many middle-skill routine roles. The result is a 'hollowing out' of work, where high-skilled jobs and menial jobs remain in high demand, but middle-skill jobs are automated or outsourced. However, this hollowing out of work does not entirely account for youth unemployment. In part, the problem reflects a significant skill gap between what the markets need, and the skills and competencies that young people have. With an uncoordinated market for education, weak signalling of future-proofed jobs, and limited skill development, the gaps will simply increase.



Skills Mismatch in Europe and the United States



If such a scenario is left unchecked, unemployment of middle-skill workers would continue to rise while global growth rates would fall as high-skill positions remain unfilled. Wages would polarise, leading to greater income inequality and social conflict. In order to avoid this scenario, large investments in talent must be made by companies. To ensure sustainability, it is crucial for businesses operating in a global knowledge economy to develop a deep understanding of how labour markets and talent pools are evolving.

Companies Hold the Key

As the greatest drivers of wealth creation, companies have an unmatched power, network and set of competencies that they can use to confront these global challenges. Though these challenges seem complex and daunting, companies can adapt their business models to respond in much the same way that they address any other business problem. If companies select social issues that are aligned with their core competencies, there is a vast realm where shared value can be created to drive social progress in a profitable way.

The unique skills, capabilities and assets to confront these challenges are already present in most companies. Realising them will require a process of embedding social values into the corporate DNA, developing a shared purpose among employees, instilling authenticity in leaders, and collaborating across boundaries.



FoW Insights on Business and Society

The objective of this Future of Work theme is to investigate how companies are devising solutions that benefit both communities and the corporate bottom line. In this document, we summarise the key emerging insights from the Business and Society Masterclass, the 48-hour online FoWlab jam, and findings from our initial academic research. In total, more than 300 people from over 30 organisations across the world participated in the conversation, which centred on the four Provocations below. Quotes throughout this report are taken from the FoWlab jam, which took place between 27 February - 1 March 2013. Cases can be found in our online library, which is open to all FoW members at www.fowlab.com.

Shared Value (Page 5)

How can organisations ensure that private value creation ensures broader social prosperity?

Neoclassical economics and the management theories it has inspired assume that the corporate objective is profit maximisation subject to capacity constraints. The shareholder is the ultimate residual claimant, providing the necessary financial capital for continuous operation. However, the future of work lies in the principle of shared value, which involves creating economic value in a way that benefits society by addressing common needs and challenges. Businesses must reconnect company success with social progress. Shared value is not social responsibility, philanthropy, or even sustainability, but a new means of achieving broader economic prosperity. It is not on the margins of what companies do, but at the centre of their operation.

Shared Purpose (Page 8)

How can organisations encourage a deep and shared purpose among employees?

The difference between having an organisational purpose and having a shared sense of purpose is that the latter is shared by all employees working within an organisation, and often extends to external stakeholders. A shared sense of purpose constitutes an identity and a 'golden thread' to which strategy should be aligned. To future-proof the organisation, a shared purpose must be defined as a source of shared value as well as profit. Realising this will require employees and leaders to develop new traits and skills, such as a deeper appreciation of societal needs, a stronger sense of authenticity, and the ability to collaborate across company boundaries.

Global Legacy Challenges (Page 11)

How can organisations confront the complex social challenges faced around the globe?

Global challenges such as youth unemployment, poverty, and environmental degradation, seem to be escaping our control. They are hard to understand, and they are multifaceted. Yet this is not a mandate for inaction. It is an invitation to understand and develop the role that organisations can play by matching complex issues with organisational sophistication. The United Nations has asserted the necessity for corporate participation in its efforts to reduce poverty, hunger and disease, and it is now time for organisations to embed these responsibilities within their core function.

Multiple Stakeholders (Page 14)

How can organisations engage with multiple stakeholders to leverage their collaborative capacity?

The complex nature of the current global challenges we face points to the need for collaboration between multiple stakeholders. These grand challenges are so complex that they require the efforts of many people working together in order to come up with solutions. Whether working with supply chains, customers or communities, organisations will need to collaborate at scale. At the same time, poverty policy must be re-conceptualised as a critical investment in the development and growth of individuals, nations and companies. As such, it requires the active participation of key societal stakeholders, including the corporate sector.

Shared Value

The competitiveness of a company and the health of the communities around it are mutually dependent. This model goes beyond simply aligning philanthropy with business objectives or creating smart signature programs in relevant funding areas. Instead, it requires synthesising core social values and financial goals into a single corporate strategy.

Barriers to Creating Shared Value: Some companies view value creation narrowly, optimising short-term financial performance. This was something that some FoWlab jam participants acknowledged and addressed:

“ We all fall victim to short term thinking when we're under extreme pressure, particularly financial pressure. The challenge is that so many companies are in that defensive drive for efficiency at the moment and there aren't enough Paul Polmans to go around.

- Eleanor Winton, Manager – Foresight and Innovation, KPMG

“ Employees are normally so engrossed in meeting their last quarter objectives, that they do not necessarily focus five years ahead. This has to do with the way companies in general evaluate their employees: performance evaluations are usually based on meeting short-term goals.

- Nisrine Labcir, Consumer and Market Intelligence Manager, MasterCard

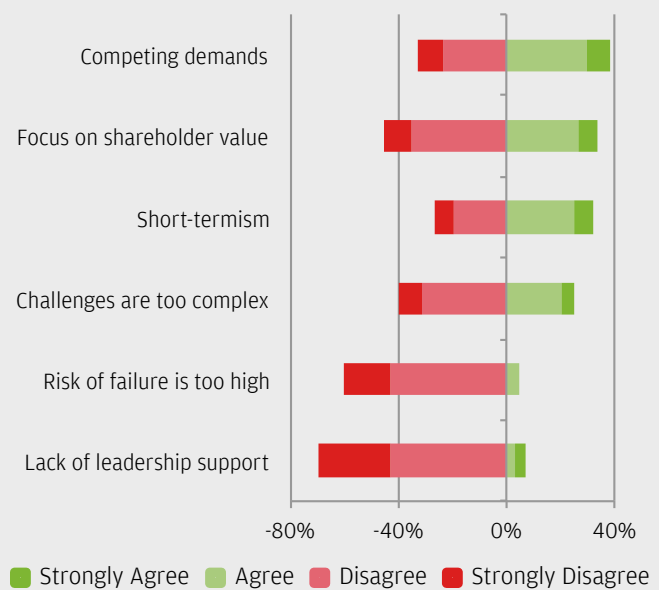
Strategy & Selection: Like any business strategy, shared value strategies are unique and tailored to an individual company. For a company to select the right social issue and achieve sustainable value creation, many jammers suggested that the selected social issue must offer a potential source of real competitive advantage, either by increasing revenue, or by reducing risks and operating costs. In this way, social issues that support sustainable value creation resolve the tension between societal and business pressures by creating mutual tangible benefits:

“ I would define Shared Value as a principle which involves gaining competitive advantage and growth in such a way that it benefits society by addressing its challenges. Shared value needs to be at the centre of business plans and strategy. It is about the big picture and bigger cause. Shared value is not about just writing a cheque or raising funds. Foremost, we need to keep in mind that to be sustainable we need to maximise competitive advantage and have profits.

- Anshoo Kapoor, Lead - Talent Management, Tata Consultancy Services

Barriers to Creating Shared Value

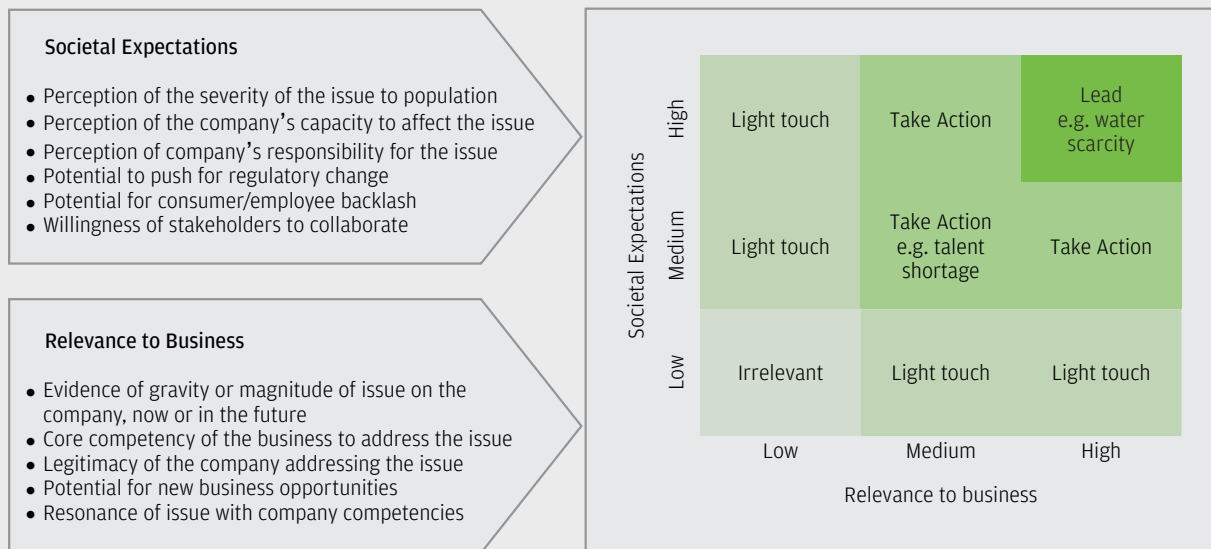
Our FoW Business and Society Survey revealed that, for many consortium companies, the most difficult barriers to overcome were a narrow focus on shareholder value, competing demands, and short-termism:



Academic Insight: Toolkit for Identifying the Right Issue

The following diagram provides a tool that companies can use to determine whether a social issue is truly integral to the success of the business, or whether it will prove an unnecessary investment.

Companies should take a lead on issues that are integral, where societal expectations are high and there is a significant impact on business profitability. Where societal expectations are low, and there is little relevance to the success of the business, there is very little need to create strategy around the issue. It is important to consider that these issues will differ depending on sector and industry.



McKinsey Analysis, Shaping the Future, Committee Encouraging Corporate Philanthropy (CECP), 2010

Measurement: During the FoWlab jam, there was broad agreement that companies cannot know the extent to which they are creating shared value unless they measure their progress on social objectives and the degree to which social performance improves economic value for the business. When companies do not understand or rigorously track the interdependency between social and business results, they miss important opportunities for innovation, growth, and social impact at scale. A number of jammers identified ‘measurement’ as the missing link to unlock shared value for companies:

“ The key question is how companies, academia, and non-profit partners can continue to evolve approaches and constructs that will be able to ‘tangibilise’ the impact of community investments. The key to success is always measure, measure, measure. What you don’t measure, you can’t appreciate.

- Roshni Venkatesh, Global Giving Manager, Accenture

Academic Insight: Shared Value Measurement

Shared value measurement requires an iterative process that is integrated with business strategy. This process includes four steps:

Step 1: Identify the social issues to target.

Step 2: Make the business case. Identify targets and specify activities and costs involved. Model the potential business and social results.

Step 3: Track progress against desired targets. Track inputs and business activities, outputs, and financial performance relative to projections.

Step 4: Measure results and use insights to unlock new value. Validate anticipated links between social and business results and determine if the outlay produces a joint return.

Porter et al., Measuring Shared Value, Foundation Strategy Group, Jun 2011



Masterclass Insight: Measuring Progress at Standard Chartered Bank

During our FoW Masterclass on Business and Society, Marianne Mwaniki from Standard Chartered Bank presented how her company is measuring its shared value impact in Bangladesh. Today, Standard Chartered Bank is the largest international bank in Bangladesh, employing over 1,300 people. To maximise its contribution to society, they have made efforts to create visible measures of their impact across the economy.

Measurements show that the bank has created over \$87 million of external value, and currently generates 1.1% of Bangladeshi GDP. A deeper analysis reveals that, for every single employee of Standard Chartered Bank, 500 other jobs are generated in the economy. The aim is to hardwire these results in KPIs across the organisation.

Link to performance: An increasing number of companies are integrating social performance metrics into senior management incentive structures. During the FoWlab jam, participants suggested this linkage can help overcome barriers to creating shared value:

“ The whole performance system will need to change to adapt with the consequences of globalisation and the huge demand versus lack of resources.

- Nisrine Labcir, Consumer and Market Intelligence Manager, MasterCard

“ We need to align our objectives and rewards with achievements over longer periods of time. Right now, there is a very narrow focus in many companies on short term financial results.

- Kitty Buchanan, Performance & Reward Manager, KPMG

“ Accenture Development Partnerships (ADP) has a business model that gives the development sector access to the core skills and assets of Accenture on a non-profit basis. Employees can apply for openings on projects and these projects are conducted as any other Accenture commercial project. Employees get recognised via client feedback / formal performance feedback.

- Roshni Venkatesh, Global Giving Manager, Accenture

Case Study: Linking Performance to Sustainability at Unilever

In 2010, the CEO of Unilever, Paul Polman publically committed to halve the environmental footprint of its products and double its revenues by 2020. This is a complex challenge, as these targets refer not only to the core business, but to the total value chain of products.

This value chain ranges from sourcing, to manufacturing, to transport and all the way through to consumer use of their products. In effect, these targets comprised the whole lifecycle of over 1,600 products in 14 countries.

To meet these targets, working groups were created for each product category, in each factory and across every function. The task of these working groups was to put in place their own plan on how to deliver their sustainability goals.

Next, these goals were embedded into the performance management system that every executive is assessed against. Meeting these goals was also tied into their annual remuneration assessment. By 2013, these sustainability goals had become a key part of the executive performance appraisal system.

Academic Insight: Strategies to Create Shared Value

There are three distinct ways to create shared value. Each of these is part of the virtuous circle of shared value: improving value in one area gives rise to opportunities in the others.

- 1. Reconceiving Products and Markets:** Identify social needs. Assess benefits and harms of current products.
- 2. Redefining Value Chain:** Through better resource utilization, investment in employees, and supplier capabilities.
- 3. Building Local Clusters:** Identify gaps and deficiencies and focus on the greatest weaknesses.

Porter and Kramer, *Creating Shared Value*, HBR, Jan 2011



Shared Purpose

Our research shows that, in those companies successfully addressing global challenges, the responsibility is rarely delegated to a small team within a larger department. Rather, the whole company needs to develop a strong emotional connection to a core purpose to enable sustainable organisational performance:

“ I think that companies can overcome short-termism by keeping goals at a higher level i.e. so that it is a goal that is shared among the relevant stakeholders that can solve them. This to me fosters more emphasis on a shared purpose and the problem that needs to be solved.

- Birgitte Krejberg Peterson, Project Director Global Talent & Organisational Development, Novo Nordisk

“ Alignment with corporate values is where the most effective employee engagement fits, producing productive employees who blur their work and social life to their benefit and the benefit of their employers.

- Michael Kelly, Director of Corporate Social Responsibility, KPMG

Ignition Point: Often, the first step to creating ‘shared purpose’ in any organisation is to frame a clear narrative, which typically describes the principal beneficiary group and the nature of the benefit being provided. All decisions, including strategy, then flow from this purpose. Many people want to have a corporate purpose that goes beyond making money. A purpose of maximising shareholder value can lead to employee disenchantment, a lack of loyalty, and a lack of and commitment:

“ If I think about which periods of my career I have been happiest, it is where there was a strong correlation between personal and organisational values, and where I was valued for being myself. I’ve also worked in organisations where I felt the values were mismatched (unethical behaviour occurred, the bottom line was driven at the expense of employee wellbeing). I didn’t stay long in those places.

- Chris Childs, Head of Culture & OD, KPMG

Case Study: Shared Purpose at John Lewis

Overcoming the barriers to encourage shared purpose among employees is not straightforward. John Lewis represents an example of a business that has successfully taken measures to ensure a shared purpose of being a ‘force for good’ amongst the Partners.

First, the Partnership has openly declared that being a ‘force for good’ in the community is part of their DNA. Next, all employees are encouraged to offer their time to support local, regional and national initiatives that help to build more vibrant, economically sustainable communities. Typically this involves devoting time to community initiatives and building community relationships, and often includes volunteering, fundraising and charity donations.

In 2012, John Lewis Partners invested over 28,000 hours in voluntary community activities and many have found that the experience obtained can be life changing. The Partnership also supports those employees who want to devote themselves full time to their community through the Golden Jubilee Trust. Through the charity, any Partner, regardless of their age, seniority or length of service, can apply for a full or part-time volunteering secondment with a UK registered charity for up to six months.

In contrast, purposes that are about creating a better world for customers, stakeholders or society as a whole seem to lead to the strongest sense of shared purpose in organisations. Several jammers emphasised that the ‘social profile’ of a company is very important in attracting and retaining talent:

“ If we think of how we attract talent to our organisations (especially Gen Y), we see a big interest in how the company contributes to society. We have also seen these inspiring statistics from the Future Talent Masterclass.

- Anna Lishchun, Talent Management and Development, MasterCard



Most jammers commented that the interest of Generation Y in social programs stems partly from their heightened social awareness, and partly from self-interest, as an opportunity for personal growth:

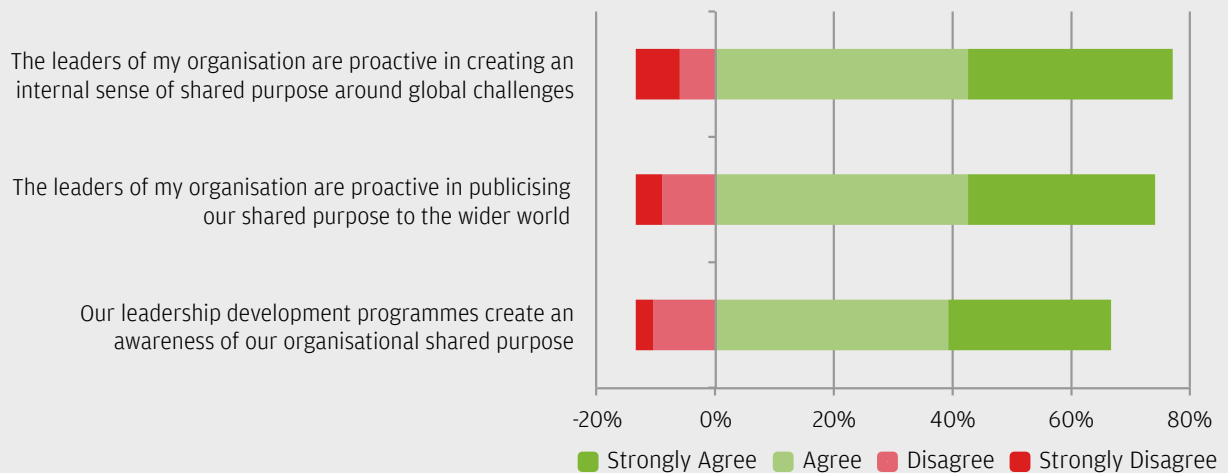
“ What I regularly see at Randstad is that new employees upon learning we have a social partnership with Voluntary Service Overseas (VSO), get very excited that we are active in the field of CSR. However, this is usually not just for idealistic reasons; they also see it as a personal growth opportunity. So I would say it’s a mix of reasons why Gen Y value the social and environmental impact a company makes.

- Eveline Kramers, VSO Support Officer, Randstad

Authentic Leadership: By its very nature, substantive public value creation requires investing corporate resources for a payoff that is both distant and uncertain. This puts a heavy emphasis on leadership purpose.

Authentic Leadership within the Future of Work Consortium

In our FoW Business and Society Survey, we asked our consortium members if they agreed with these statements:



The results reveal that, in many organisations, leaders have been architects in creating shared purpose. These leaders demonstrate a passion for their purpose, while empowering people to lead. They practice their values consistently, and they have a clear sense of self which they can leverage to create external consistency and trust.


During our FoWlab jam, many participants shared tangible steps that their organisations are using to develop authenticity in leaders, and to craft the right leadership programs:

“ Leadership programs need to include transformational and ‘experiential’ content which builds capacity in individuals to be more caring and compassionate. It will require an inside-out transformation that helps develop empathy. Only then can one feel truly and authentically compassionate and considerate. Without this inner shift, the leader will not be able to authentically translate shared value.

- Mandar Apte, GameChanger, Shell

“ These days you are valued by what you know and not exactly by your level, so anyone can add value. Social media provides the opportunity for everyone to learn with everyone, so people are getting closer to each other. Leadership should see this as an advantage. I don’t understand why leaders are afraid that what is written lasts forever. If you are a true person, people will trust you even if you fail. Social media can create an environment where it is ok to fail if you present yourself as an honest and open person.

- Maria Bras, HR Talent Strategist, Accenture



“ The power of social media and networking has given individuals more influence over the role of business in society than ever before. Today we've only seen the very beginnings of this power to shape the nature of business. Although this may be very much a growing force in the West today, these winds are rapidly blowing east.

- Charles Silvestro, Global Talent Development & Organisational Effectiveness, MasterCard

“ The role of coaching as a supporting methodology is crucial. Where a leadership programme is supported by regular coaching sessions over a period of 6, 9, or 12 months, we have seen evidence of a tangible shift in values, attitudes and behaviours, and crucially, results.

- Ben Emmens, Senior Consultant, People in Aid

Academic Insight: Architects of Shared Purpose

Authentic leaders are the architects of shared purpose. The journey to authentic leadership begins with understanding the story of your life. Authentic leaders learn from their experiences, and take time for self-exploration and to develop self-awareness. Authentic leaders are also those who demonstrate a passion for their purpose while empowering people to lead: they practice their values consistently, they lead with their hearts as well as their heads, they establish meaningful long-term relationships to stay grounded, and they have the self-discipline to get results. In short, they know who they are, and are able to present themselves in a consistent and steady way.

Bill George et al., Discovering Your Authentic Leadership, HBR, Feb 2007

Harnessing Altruistic Capital: Altruistic capital is the idea that every individual has within them an intrinsic desire to serve. Our research shows that organisations have a significantly stronger sense of shared purpose when senior managers consult employees on key issues and when employees feel that they have opportunities to contribute. Shared purpose needs to be grounded in clear goals to be achieved and employees need to understand how their roles contribute to delivering those goals:

“ At KPMG we focus on longer-term issues by helping to improve employability, improving access to our profession and strengthening community organisations in disadvantaged communities across the UK. We provide our people with six days a year to volunteer. Last FY, around 38% of our people contributed over 55,000 hours to our communities through volunteering. We helped to strengthen over 1,100 community organisations and we also helped to improve the skills of nearly 3,500 beneficiaries through our employability programs. Our total investment in the community was over £10 million.

- Eilean Cunningham, UK Head , KPMG

According to many participants in our FoWlab jam, the best results are achieved when employees are encouraged to harness their core competencies:

“ At the Red Cross, we have many ways for people to volunteer for us. A high impact form of volunteering is when people apply their professional skills. We have had a PwC director and a partner on our finance and audit committee for the last 10 years; investment managers and actuaries on our investment committee; lawyers and consultants doing pro bono work; the communications director from Bupa on our board; a former head of property at John Lewis and Tesco advising us on property. This has been a great resource for us, and is highly rewarding for the individuals concerned.

- Rohan Hewavisenti, Director of finance and business development, British Red Cross

Case Study: 'Formula' for Shared Purpose at Standard Chartered Bank

Standard Chartered Bank have created a sense of purpose that transcends financial concerns by reaching out to the emotions of employees. They did so by following these steps:

Ignition Point: Identified a shared purpose that inspired employees (preventable blindness).

Goals for Action: Launched Seeing is Believing, in 2003, which aimed to restore sight to 28,000.

Harnessing Altruistic Capital: This was driven by volunteering employees and every dollar raised was matched by a corporate fund.

Authentic Leadership: The initiative was architected by then CEO Mervyn Davies.

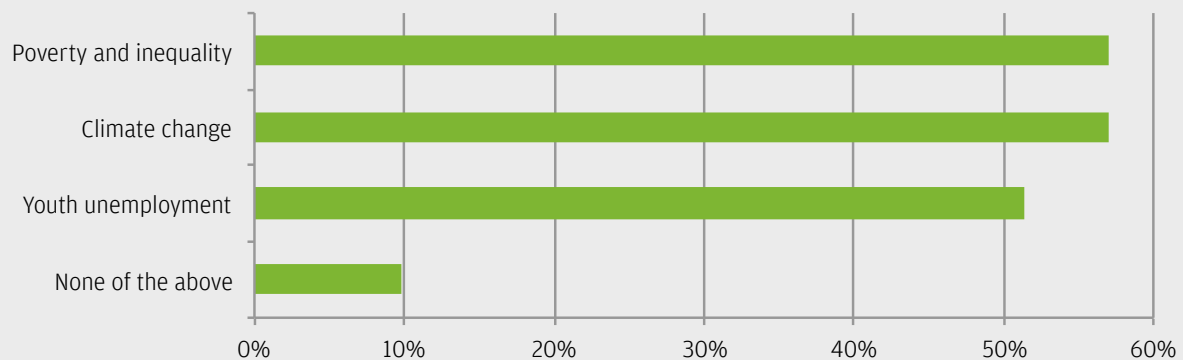
Powerful Partnerships: SCB partnered with the IAPB to gain access to specialist knowledge.

Global Legacy Challenges

According to our FoW Business and Society Survey, the majority of our consortium companies have already embarked on important efforts to confront global challenges:

Confronting Global Challenges

As part of our FoW Business and Society Survey, we asked our member organisations to identify which global challenges they are actively addressing. The results below highlight that the majority of organisations are tackling at least one global challenge, with poverty and climate change topping the list. Furthermore, most of our consortium members suggested they were attempting to tackle more than one global challenge, while only 10% suggested they were not currently addressing any challenge:



Organisations are taking multiple approaches to tackle these global challenges. We have identified the following key capacities that our consortium companies are leveraging to tackle these issues:

Innovation: In a world of increasing resource scarcity and climate change, businesses can respond by creating more efficient products and production techniques, investing in research that leverages raw materials that are less at risk of shortages, and finding ways to offer their products and services in previously underserved markets. During the jam, participants shared how their organisations are innovating to create shared value:


“ One of our big examples for shared value at TCS is mKrishi, our Mobile Agro Advisory System. The platform connects farmers with an ecosystem that empowers them to make sound decisions about agriculture, drive profits and conserve the environment. Farmers receive information on microclimate, local market prices, and other subjects of relevance to them on a mobile phone. It also enables farmers to send queries specific to their land and crop to receive personalised replies from agricultural experts, on their phones. Through innovation and by harnessing our core competencies in IT, TCS is helping a great deal of farmers grow better crops.

- Anshoo Kapoor, Lead – Talent Management, Tata Consultancy Services

Case Study: M-PESA at Safaricom

M-PESA is a service that allows users to transfer money using a mobile phone. It is offered by Safaricom, Kenya's largest mobile phone operator, and part of the Vodafone Group. Registration is free and available at any of the thousands of agents spread all over the country. This system of transferring money has impacted the lives of over 14 million people in a country where fewer than two million bank accounts serve a population of 32 million. The service has now increased in scope, and provides financial, weather, agriculture and market pricing information to farmers.

M-PESA creates shared value because it is only available to Safaricom customers. That means that the 14 million people who use M-PESA have to be active Safaricom customers. So combined with the direct revenue generated from transaction fees, there is also the indirect impact on revenues delivered by increased customer loyalty.



“ The efforts from Idea Cellular Ltd. are commendable on this front. The market expansion towards the rural front in India has resulted in helping many other sectors. The latest trend was to introduce banking services through mobile to the rural segments where a person can open a bank account through his mobile and he or she doesn't have to go to a bank to get this done. Money transfer, which was previously done through unreliable sources, is getting streamlined at very low cost and reaching out to where the banking sector cannot reach.

- Johnson Paul, GM HR, Aditya Birla Group

Creating Talent: Companies have a vested interest in closing the talent gap and overcoming youth unemployment. Some of the strategies suggested by jammers involved apprenticeships and workshops. Additionally, to protect their future talent pipelines, jammers suggested taking a much more active role in public education systems, in order to adequately prepare future workers to meet the requirements of business:

“ Do we only want to signal to educational organisations and governments on the type of talent we need to hire or also educate younger generations on what the future of work will look like? I believe we don't want to wait for the other talent stakeholders to act on this, but we should rather create cross-company coalitions to help educate young people about future-critical skills.

- Anna Lishchun, Talent Management & Development, MasterCard

“ I'd like to see us recruit more apprentices but base the recruitment decision on behaviours and competencies rather than exam results. Possibly take on some students who, despite exam results, cannot go to university for whatever reason, and give them on-the-job training and support them in attaining a degree. Good news for them and great news for our future skills shortages.

- Hanna Hammond, Human Resources Director, Knorr-Bremse Rail Systems (UK) Ltd

Consumer Engagement: To solve these global challenges, and in particular the challenge of climate change, it may be necessary to persuade consumers to change their purchasing patterns. To do so, awareness-raising and capacity-building must be adopted, to effectively prepare the market for more socially beneficial products and services. During the FoWlab jam, many participants raised the question of whether consumers actually care about socially responsible businesses and products:


“ Although some organisations may be getting away with having a limited CSR strategy at present, I think organisations who continue to neglect CSR do so at their peril. It only takes one serious scandal to dent consumer trust in an organisation for generations. Trust takes a lifetime to build and only seconds to destroy.

- James Grant, People Strategy and Insight Consultant, Royal Bank of Scotland

Case Study: Confronting Youth Unemployment within the Indian IT Sector

A number of Indian IT companies (Infosys, TCS and Wipro) are experimenting with ways of facing up to the growing skills gap. The lack of education and skills is bad news for the rapidly growing Indian IT industry, which relies on a large home market of work-ready skilled youngsters. The focus of the IT companies has been to operate on all parts of the complex system that creates such a skills gap. One of the first steps these companies took to increase work-ready skills in the workforce was to influence the Indian government to open up more engineering universities.

The next step was to work together to improve the employability of young people and equip them with a range of 'work-ready' skills. This has been achieved in a variety of ways: by reaching out to school children; by working closely with engineering institutions and business schools; by helping teachers understand what companies require; and by designing work-ready curricula. There is also an understanding that 'signalling' has to happen before young people make a decision about what to study. To this end, a series of initiatives have been targeted at school children from the age of 15 years. For example, since 2008 more than 680,000 school children from all across India have learned about IT through two-week courses designed by a team at Infosys to raise their skills and aspirations.



“ To what degree do consumers see this kind of topic as a luxury or irrelevant to their day to day lives? Many families are struggling to make ends meet and this simply won't be a priority for them until the impact becomes relevant to them. Maybe more negative publicity and information would change their minds.

- Hanna Hammond, Human Resources Director, Knorr-Bremse Rail Systems (UK) Ltd

“ What business should do in society clearly reflects on us, the society in which we live and our personal values. Organisations that are inclusive and work with communities will last longer and will be able to build deep loyalties and commitment among customers. Over the last couple of years, this has been a much-debated topic in India, with scam after scam showing the lack of moral leadership at all levels. Companies like Shell, TATA and us have invested in our communities for more than 50 years and we have survived the worst of times because of this.

- Sunita Sinha, Head – Organisation Effectiveness, Aditya Birla Group

Masterclass Insight: Skills to Succeed initiative at Accenture

During our FoW Business and Society Masterclass, Heidi Strawson from Accenture presented the Skills to Succeed initiative, which enables people around the world to participate in and contribute to the economy and society.

Skills to Succeed draws on one of Accenture's core competencies: training talent. The project was launched in 2009 with the goal to train and equip 250,000 people around the world by 2015. The goal has already been surpassed, with more than 320,000 people gaining workplace and entrepreneurial skills by 2013. As a result, the commitment has been increased to equip 500,000 people with skills by 2015. At the heart of the project are long-term relationships with strategic partners. Today, they have more than 200 collaborative initiatives with these strategic partners. The project focuses on the total ecosystem of job creation, from skill creation to internships, jobs and mentoring.

Proactive Leaders: Strong executive leadership is needed to encourage a proactive approach to confronting global challenges. When assessing a company's potential for leadership on issues associated with sustainable value creation, it is important to remember assets such as alliance building, diversity management, boundary spanning, and authenticity. Throughout our FoWlab jam, participants acknowledged the important role that leaders need to play in spearheading sustainable value creation:

“ I believe it is so important for our leaders to understand the benefits of shared value. Everyone should be involved in community programs as part of their career journey. Through the Jawun Indigenous Corporate Partnerships programs, our people go on a secondment for six weeks to work with indigenous organisations. Our people are using their skills and expertise to empower indigenous organisations, and in return, our people are learning firsthand about indigenous Australia and getting an out-of-the-box experience like no other. Everyone who participates in community programs is a future leader.

- Julia Bain, Senior Coordinator, KPMG

Academic Insight: Developing Business Innovators by Integrating Profitability and Social Value

The First Movers Fellowship Program brings together high-potential, mid-career business professionals who are exceptional innovators and are helping their companies grow in ways that produce financial results and contribute to our collective wellbeing. The program's objective is to strengthen their capacity to innovate and lead change.

The need to develop business leaders with these capacities is greater than ever before, and there is increased urgency in companies to adapt and innovate with attention to the footprint they are leaving. Companies already have experts in their midst; First Movers whose efforts are helping their organisations meet these pressures and expectations. At present, however, they are an under-recognised and under-developed talent pool. By identifying First Movers and offering them a tailor-made development experience, The First Movers Fellowship Program hopes to encourage them to be even more daring and inventive, and to become more effective leaders and champions.

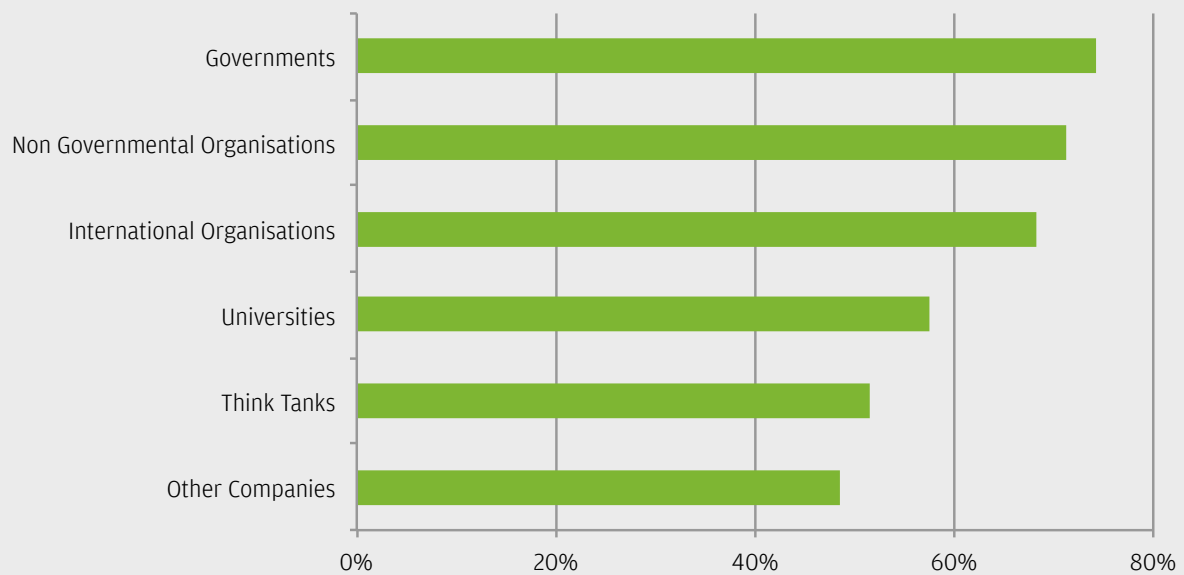
Nancy McGaw, Developing Business Innovators Integrating Profitability and Social Value, Aspen Institute

Multiple Stakeholders

Depending on scope and scale, social issues that are ripe for sustainable value creation may require the company to take part in targeted partnerships or complex collaborative arrangements. Our FoW Business and Society Survey indicated that most of our consortium members have established strong links with multiple stakeholders to address global challenges. The most common collaborations are with Governments and NGOs:

Stakeholder Landscape

As part of our FoW Business and Society Survey, we asked companies to identify other stakeholders they have established strong links with in order to help address global legacy challenges:



The results reveal that the majority of our member organisations have established strong relationships with governments and NGOs, while collaborative relationships with other companies are less developed.

Many FoWlab jam participants were of the opinion that these global challenges are too complex to be solved by one actor, and there was an emphasis on recognising the diversity of stakeholders and the need to collaborate:

“ I think the shift towards more active engagement is definitely a trend worth noticing. The emergence of more active stakeholders implies that businesses themselves need to adopt a more proactive approach to the space outside their firms. I think that social media is a double-edged sword in this case: they make outreach to stakeholders easier, but at the same time give voice to previously muted groups that could be "dangerous" for business. This means companies need to re-think their mental map of stakeholders, and need to stretch it well beyond the one closest to their immediate boundaries.

- Vittoria Traverso, Research Associate, Accenture

Academic Insight: Three types of collaboration


There are three potential levels of collaboration:

The **Private** route is adopted when impediments to further action on social challenges are restricted to organisations themselves.

Alliances, which usually take the form of official partnerships or joint ventures, are useful as they allow companies to engage with expertise, and the on-the-ground networks of NGOs and donors.

Platforms create networks of partners. By creating shared infrastructure free-riders can be avoided.

C. Gradl and B. Jenkins, Tackling Barriers to Scale, Harvard Kennedy School, 2011



“ At Randstad we take the wide approach: anyone we have a relationship with or we may have in the future, is our stakeholder i.e. our employees, flexworkers (candidates), clients, suppliers, shareholders, peers, sector organisations, unions, regulators, social communities, NGOs, media. This approach is embedded in one of our four core values: “the simultaneous promotion of all interests”.

- Marion Kiewik, Group Sustainability & Integrity Officer, Randstad

Complimentary Competencies: When forming alliances or partnerships, the ability to contribute unique capabilities is important. For example, in the case of companies and NGOs, the two sectors have built up considerable core competencies to operate effectively within their own domains. Companies have distinctive resources, which have the potential to be powerful generators of social value if used in partnership with the not-for-profit sector. Similarly, not-for-profit organisations tend to attract personnel with unique qualities and skill sets, which equally can benefit profit-making organisations. For most jam participants, complimentary competencies are a prerequisite to successful collaboration:

“ In our firm, we have been very diligent to ensure that our values and the values of the not-for-profit or community-based organisations we work with are aligned. Training to meet this challenge could focus on working with others who share our values, but not our model of working. It’s about learning to acknowledge the values you share, and in developing strategies or approaches to better understand differences and how they can be harnessed to be more productive.

- Greg Shaw, Partner, KPMG

“ Using your organisation’s core capabilities to build capacity within not-for-profit organisations is vital. We have a really strong honorary work (pro bono) policy where our people use their core skills from every day (audit, tax & advisory services) and provide them free to not-for-profit organisations. This allows the not-for-profit to focus their (in many cases limited) funds directly on providing their community services, while also enabling our people to develop their professional skills and get a better understanding of the not-for-profit world and the incredible work they do every day.

- Donna Mullins, Manager – Corporate Citizenship, KPMG

“ It helps to think in terms of common pain areas, and it helps to have a common community-focused interest (borne out of the belief that the business will stay healthy so long as the communities and environment stay healthy). For example, the common pain area may be a dearth of appropriately skilled talent, and the common community-focused interest might be nation-building via quality education. This makes a compelling argument to work together with competitors and others.

- Roshni Venkatesh, Global Giving Manager, Accenture

Case Study: Voluntary Services at Randstad

In 2004, Randstad, one of the world’s largest providers of HR services, established a partnership with VSO, the world’s leading international development organisation. The two organisations have worked side by side to enhance VSO’s global reach and increase its ability to recruit volunteers for placements in developing countries. This partnership allowed Randstad to share its knowledge of HR practices, while many of its employees have acquired valuable skills through volunteering experiences in developing countries.

Not only do these initiatives provide employees with a sense of meaningful work, they also help develop lasting and deep partnerships between organisations that were previously unaware of their shared goals, but are subsequently able to create new sources of value together. Through its relationship with VSO, Randstad has not only benefitted the communities in which it operates, but has also created a long and powerful partnership with an organisation that shares many of its values.

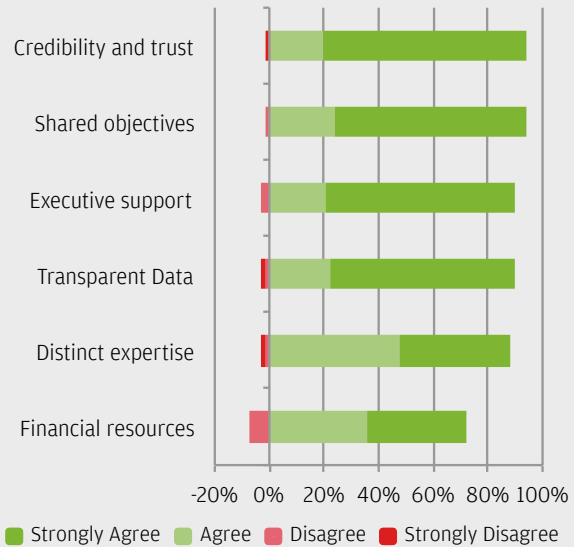
Trust and Transparency: As long as partners are aligned around mutual objectives, and there is mutual trust and transparency, it is not hard for multiple stakeholders to work together and develop better solutions to the global challenges of climate change, inequality, and youth unemployment. During the FoWlab jam, participants suggested that solving such issues is best achieved through transparency:

“ I think it is essential to provide a lot of data and transparency on what the future looks like. This helps stakeholders to come together, prepare for the future, and take action! I also think many organisations need to come together with their expertise on solving issues, partnering with other stakeholders who have the same intention to support or compliment your competencies.

- Anshoo Kapoor, Lead – Talent Management, Tata Consultancy Services

The Importance of Credibility and Trust

Our FoW Business and Society Survey revealed that credibility, trust and shared objectives were the most important factors in ensuring stakeholder collaboration:



Case Study: A 'Formula' for Successful Collaboration at DSM

Clear Mission and Objectives: In 2007, DSM formed an alliance with the UN's World Food Program (WFP). Through their strategic "Improving Nutrition, Improving Lives" partnership, the objective of the alliance is to lead the fight against hidden hunger. Together, they are developing a more sophisticated understanding of the problem, building awareness of hidden hunger and the available solutions.

Motivated Partners and Unique Capabilities: DSM provides technical and scientific expertise, high nutrient products and financial assistance to increase the micronutrients in WFP's food basket. The partnership has taken advantage of DSM's research and development into food fortification to create nutrition at scale and at a very low cost. These projects help WFP to go beyond just food delivery, by providing the best nutrition to fight hunger.

For their part, WFP is the largest UN food distributor and can muster teams on the ground at speed when a humanitarian crisis strikes. These teams on the ground can get food to people in need, providing sufficient calories to keep them alive.

Clearly Defined activities: The project began with a shared team of specialists. They began by scoping the project and defining the work streams that would be necessary. These teams link the DSM nutrition cluster based in Switzerland with the WFP team based in Rome.

Effective governance: Having an appropriate structure to solve the problem is a prerequisite to any alliance. When the DSM scientists began to think about how to solve the problem of low-cost fortification, they were able to use the deep knowledge of DSM to reach solutions quickly.

Trust: According to the project leader, Fokko Wientjes trust and respect are essential in a partnership. 'What is crucial is the secure integrity of the partnership – we need to make sure that integrity is not at stake, and there needs to be a readiness to work together.'

Performance Management: The partnership has recently signed an agreement extending their existing partnership to combat hidden hunger and malnutrition in the developing world to 2014. By this time, the team hopes to have doubled the number of people who benefit from their work, from 15 million to 25-30 million.



Conclusion

To confront global challenges, businesses must reconnect company success with social progress. The concept of Shared Value offers companies the opportunity to utilise their skills, resources, and management capability to lead social progress in ways that other sectors can hardly match.

The key is to select the right social issue; one that simultaneously delivers bottom-line results and community benefits. Rather than following generic advice, companies that achieve sustainable value creation develop a customised strategy tailored to their own business ambitions. Measurements and linking performance to shared value objectives are another way to unlock shared value for companies.

The next step is to construct a 'shared purpose' among employees in order to fully benefit from 'altruistic capital'. Realising this requires leaders to develop a deeper appreciation of societal needs and to head the effort authentically. Finally, companies must acknowledge that, to solve complex and multi-dimensional global issues, no lone actor will suffice. Multiple stakeholders need to collaborate to devise sustainable solutions.

13 Key Insights on Business and Society

- 1. Barriers to Creating Shared Value:** Short-termism and competing demands hinder 'Shared Value'.
- 2. Strategy & Selection:** Social issues should be selected if they clearly lead to a competitive edge.
- 3. Measurement:** Measurement is often the missing link to unlocking shared value for companies.
- 4. Link to Performance:** Performance should be aligned with shared value objectives to ensure support.
- 5. Ignition Point:** It is essential to have a strong narrative that clearly links strategy to purpose.
- 6. Authentic Leadership:** Leaders are often the architects of shared purpose, and authenticity is vital.
- 7. Harnessing Altruistic Capital:** All employees should be encouraged to anchor in their communities.
- 8. Innovation:** Innovation is often the most effective way of solving large and complex global challenges.
- 9. Creating Talent:** Proactive companies are able to create talent in order to solve the skills mismatch.
- 10. Consumer Engagement:** Consumers should be encouraged to purchase socially responsible products.
- 11. Proactive Leaders:** Leaders are required to spearhead company efforts in confronting global challenges.
- 12. Complimentary Competencies:** Complimentary skills are necessary for collaboration across boundaries.
- 13. Trust and Transparency:** Trust and transparency are essential when creating partnerships and alliances.



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FoW Member Companies 2013

Abbott Laboratories	Novo Nordisk
AbbVie	O2 Telefonica
Accenture	Oman Oil
Aditya Birla Group	Outotec
Arla Foods	People in Aid
British Red Cross	Pepsico
BT Group	PwC
Bupa	Randstad
Cisco Systems	The Royal Bank of Scotland
Diageo	RSA Insurance Group plc
GEA Group	Save the Children
IAG	Shell
John Lewis Partnership	Singapore Ministry of Manpower
KCOM Group	Standard Bank
Knorr-Bremse Rail Systems (UK) Ltd	Standard Chartered Bank
KPMG Australia	Tata Consultancy Services
ManpowerGroup	Unilever
MasterCard	Vodafone
Novartis	Volvo

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