

THE ARK OF SHARED VALUE

This page intentionally left blank

THE ARK OF SHARED VALUE

Using Shared Value Creation
to Increase Corporate Social
Responsibility Investments

BY

CESAR SAENZ
ESAN University, Peru



United Kingdom – North America – Japan – India
Malaysia – China

Emerald Publishing Limited
Emerald Publishing, Floor 5, Northspring, 21-23 Wellington Street, Leeds LS1 4DL.

First edition 2024

Copyright © 2024 Cesar Saenz.
Published under exclusive licence by Emerald Publishing Limited.

Reprints and permissions service
Contact: www.copyright.com

No part of this book may be reproduced, stored in a retrieval system, transmitted in any form or by any means electronic, mechanical, photocopying, recording or otherwise without either the prior written permission of the publisher or a licence permitting restricted copying issued in the UK by The Copyright Licensing Agency and in the USA by The Copyright Clearance Center. No responsibility is accepted for the accuracy of information contained in the text, illustrations or advertisements. The opinions expressed in these chapters are not necessarily those of the Author or the publisher.

British Library Cataloguing in Publication Data
A catalogue record for this book is available from the British Library

ISBN: 978-1-83608-243-9 (Print)
ISBN: 978-1-83608-242-2 (Online)
ISBN: 978-1-83608-244-6 (Epub)



INVESTOR IN PEOPLE

Dedicated to

- *my children who always fight to achieve their dreams;*
- *my wife who always supported me in my dreams;*
- *my parents who tried hard to educate me;*
- *my sisters who encouraged me to continue.*

This page intentionally left blank

CONTENT

<i>Preface</i>	ix
1 The Ark of Shared Value	1
Elements of the ASV	3
Project and Components of Value Proposition	3
The Company and Partners	4
Beneficiaries	6
Shared Activities	7
Shared Resources	8
Means of Communications with Customers and Partners	9
Strategies with Customers and Partners (To Get, Maintain, and Increase)	10
Strategy with Customers	11
Strategy with Partners	12
Benefits and Costs	13
2 Creating Shared Value	15
The Three Levels of Creating Shared Value	18
3 Reconceiving Needs, Products, and Customers	21
Cemex Case: Programa Patrimonio Hoy	23
Grameen Bank Case	24
Toyota Case: Recycling and Sale of Repaired Products at the Dealer	28
Agente Cash Case	30
Enel Case	32
Patagonia Case: Worn Wear Initiative	35
Novartis Case: Access Program	39
Business Cases to Practice	40
San Miguel Industries Case: Improving My Bodega	40
Vodafone Case: M-PESA	44

Unilever Case: Empowerment and Income for Women	45
Pesquera Diamante Case: Tambos Pesqueros	48
UNACEM Case: Progresol	50
4 Redefining Productivity in the Value Chain	55
Nu Bank Case: Human Rights, Ethics, and Integrity	57
GE Case: Product Safety and Quality	60
Antamina Case: Labor Harassment Procedure	61
Business Cases to Practice	63
Nvidia Case Study: Cybersecurity and Data Privacy	63
Unilever Case Study: Waste-free World	65
5 Enabling Local Cluster Development	67
Cerro Verde Mining Case	69
Cisco Case: Networking Academy	73
Nestlé Case: The Nescafé Plan 2030	74
Coffee: A Catalyst for Change	76
Harder in Practice	76
Toyota Case: Establish a Recycling-based Society and Systems	76
Why Is it Needed?	78
What Is Toyota Already Doing About This Challenge?	78
Owens Illinois Case: Supply Chain	79
HP Case: HP Drives Equitable Access to Capital for Diverse Suppliers	82
Samsung Electronics Case: Samsung’s EYELIKE Fundus Camera	83
Business Case to Practice	85
Amazon Case: AWS Academy	85
IKEA Case: Better Cotton Initiative	88
Coca Cola Case: 5by20	90
Pepsico Case: Agriculture	91
Walmart Case: Serving Communities	93
Kimberly–Clark Case: Forest Management	94
<i>About the Author</i>	97
<i>References</i>	99

PREFACE

One of the new paradigms of entrepreneurship is the creation of shared value, an idea generated by Michael Porter and Karl Kramer, who postulated the principles to create shared value, that is, to generate profits for companies and to face a social problem. This idea is not new, but it keeps entrepreneurs thinking about creating new ideas, products, services, and business models to achieve these two objectives: making money and helping to solve a social problem.

In this sense, the book presents the Ark of shared value, a model that helps to design shared value business projects. This tool allows companies to think about new products and design the business model to create shared value. The Ark has eight main elements, ranging from the project and components, the company and partners, the beneficiaries, the shared activities, the shared resources, the means of communication, the strategies to acquire, maintain, and increase customers, and the benefits.

The advantage of the Ark of shared value is that it presents a simple, straightforward, one-page, easy-to-use canvas where entrepreneurs can work with their teams to design the project with its main components, as well as the business model that identifies the benefits of all stakeholders, including the environment.

To present the use of the Ark of shared value, the three strategies for creating shared value, indicated by its authors (Porter & Mark, 2011), have been considered. Thus, the book presents the following chapters.

Chapter 1 presents the Ark of shared value, its objective, use, and main elements, where business cases are described to understand these elements better. Chapter 2 presents the general concepts of shared value, the principles behind this concept, and the recommended strategies for creating shared value. Chapter 3 presents the use of the shared value Ark following the first strategy recommended by Porter and Kramer (2011), that is, reconceiving products and markets, where the company has the challenge of creating a new way to attract customers or serve customers that were not served before and generate profits for the company, as well as for society, for which several business cases are presented where companies innovate their products and services. Chapter 4 presents the use of the shared value Ark following the second strategy recommended by Porter and Kramer (2011), redefining productivity in the

value chain, for which several business cases are presented where companies have improved their operational efficiency and reduced their environmental and social impacts. Chapter 5 presents the use of the Ark of shared value following the third strategy recommended by Porter and Kramer (2011), facilitating the development of local clusters, for which several business cases are presented where companies have developed local clusters, considering the development of suppliers, and other industries related to the company to create a more competitive context. Each chapter offers several solved business cases and proposed business cases to practice.

To work with the shared value Ark, you can do it with paper and pencil or access the platform www.arkofbiz.com, where you can freely practice your shared value projects.

I am sure you will enjoy this journey learning this new business tool that will help you differentiate yourself and benefit the company and society.

THE ARK OF SHARED VALUE

The Ark of Shared Value (ASV) is a tool that aims to design a company's shared value projects. The Ark is a simple and easy-to-use tool that helps to design strategies for creating shared value.

The ASV has eight elements:

1. Project and components of value proposition.
2. Company and partners.
3. Beneficiaries.
4. Shared activities.
5. Shared resources.
6. Means of communication with customers and partners.
7. Strategies with customers and partners (to obtain, maintain, and increase).
8. Benefits and costs.

The ASV has a vertical reading; it is read from top to bottom, starting with the project or business idea and components of value proposition, then continuing with the company and the partners needed to ensure the project implementation. After that, we have the beneficiaries referring to all the stakeholders that benefit from the project implementation. Next, we have the shared activities that both the company and the beneficiaries perform before, during, and after purchasing the product or service. Then, we have the shared resources that the company and the main partners and customers perform before, during, and after the product and service sale. Next, we have the means of communication that the company follows to inform about the product, show the product, deliver the product, and receive customer feedback. After that, we have the company's strategies to acquire and keep customers

and increase customers and partners. Finally, we have the benefits and costs the company, its partners, and the direct and indirect beneficiaries have with the shared value proposition. Fig. 1 shows the ASV.

Project

Project:
Objective:
Components of Value Proposition:
-
-
-
-

The company and partners	Beneficiaries (+/-)

Shared activities (before, during and after)

Before
During
After

Shared resources (before, during and after)

Before
During
After

Means of communication with customers and partners

Before
During
After

Strategies with customers and partners (to get, maintain, and grow)

Get
Maintain
Grow

Benefits (+) / Costs (-)

Source: Original work.

Fig. 1. The ASV.

The following pages proceed to explain in detail each of the elements of the shared value ark.

Subsequently, case studies will be presented where the use of the shared value ark using the three strategies to generate shared value can be appreciated:

- Reconceiving products and markets.
- Redefining productivity in the value chain.
- Facilitating the development of local clusters.

ELEMENTS OF THE ASV

As mentioned above, the ASV has eight elements, which will be detailed below:

1. Project and Components of Value Proposition

To solve social problems, such as lack of housing and access to quality education and health services, companies must generate new business models that generate economic and social value. In this sense, the company must present innovative projects whose components allow it to solve the social problems of the target public.

These components allow customers, who are generally low-income, to eliminate barriers to accessing these products or services and generate greater efficiency and productivity for these customers.

Case: Enel

Enel is an electricity distribution company that has integrated the concept of shared value into its operations. Enel's sustainability report presents the following shared value project:

Energy to Grow: is a project where we seek to increase, optimize, and generate more excellent shared value from electrification projects in emerging communities such as human settlements. As part of the electrification process, it includes the socioeconomic analysis of the localities to be electrified and talks on energy efficiency and security in favor of the populations that will receive the energy. It also identifies community leaders in the localities and carries out other actions that contribute to the development

and quality of life of the populations, optimizing the electrification process. By the end of 2022, more than 16 thousand lots had been electrified. (Enel Americas, 2024)

Case: Nestlé

Improving product nutrition. The Nestlé Company states the following:

We aim to make our food tasty, nutritious, sustainable, accessible, and affordable for everyone at all stages of life. Our broad portfolio ranges from beverages and food solutions to confectionery and healthcare nutrition products. We are improving the nutritional profile of our products by adding more whole grains, protein, and fiber while reducing sugars, sodium, and saturated fat without compromising on taste. In 2022, we further updated our systems and policies to improve our products' wholesomeness and taste. (Nestlé, 2024a)

Case: Unilever

Unilever mentions the following:

Our goal is to enable people worldwide to make healthy food choices. In 2003, we launched our Program to improve the quality of our food. More than 30,000 of our products have been prioritized for four nutrients: salt, sugar, saturated fats, and trans fats. (Unilever, 2024a)

Each product has been evaluated against strict nutritional parameters for these nutrients. These parameters have been created using dietary recommendations from national and international authorities. The methodology has been published in a peer-reviewed scientific journal (Unilever, 2024a).

2. The Company and Partners

To create shared value, companies can partner with other organizations to optimize resources and achieve common goals. Creating shared value may require the participation of several actors with different skills and experience, but by working collaboratively, they can help solve some social problems.

These partnerships create shared value not only for the company but also for the project's target audience. In that sense, partners can be non-profit organizations, the government, or private companies.

Case: Samsung

Samsung Shared Value Initiative. Partnership with the government.

As one of the world's most extensive information technology (IT) companies, Samsung Electronics Co. (Samsung) recognizes that IT is critical to modernizing classrooms and equipping future generations with the knowledge and skills needed for tomorrow's success. To fulfill its commitment to creating positive change for people worldwide, Samsung has strived to create shared value in 90 countries through its Smart School program, based on its expertise in educational technology (Shared Value, 2024).

In Hong Kong, the Samsung Smart School Citizenship program supports the Government's Fourth Strategy on Information Technology in Education (ITE4) by offering a complete Samsung e-Learning Set to selected schools for one year at no cost. The Samsung e-Learning Set, each of which includes between 22 and 40 Samsung tablets (the exact number will depend on the schools' request) with pre-installed Samsung School Solution software and a multi-function printer, will be given to schools at the end of the program if they fulfill their commitment to "give back" to the educational community (Shared Value, 2024).

Case: Volvo

The automotive company Volvo presents the Vocational Training Schools project, which trains mechanics and commercial drivers in countries with a shortage of qualified personnel in these areas:

We carry out these projects with the international development organizations USAID, SIDA, and UNIDO. The lack of trained and qualified mechanics who can maintain and repair our customers' products and the shortage of trained and qualified drivers are business obstacles in many parts of the world. We realized that by participating in projects to support the school system and thus providing a market that would build long-term capacity for these trades, we would strengthen our business and support these societies. (Volvo, 2024)

3. Beneficiaries

The objective of shared value projects is to generate economic and social value; in this sense, the beneficiaries can be diverse, from the customers of the products and services to non-customers, the environment, and society in general. Therefore, it is necessary to consider that there are direct and indirect beneficiaries.

Walmart Case: Walmart Supplier Workers

Seafood Working Group. Walmart has been a member of this international multi-stakeholder initiative to address forced labor and illegal fishing in the Thai seafood industry since 2015. We have been a board member of the organization since 2016 and are part of several of its working subgroups. In addition, Walmart is a Leadership Group for Responsible Sourcing (LGRR) member. This LGRR works with other companies, the sourcing industry, and governments to create demand for responsible sourcing, increase the supply of ethically sourced labor, and improve the protection of migrant workers through effective regulation (Walmart, 2024b). Thus, the beneficiaries of this project are the workers so that they can achieve the labor rights to which they are entitled.

Patagonia Case

The Patagonia company has created the Worn Wear program, which states the following:

We buy your used clothing from you. Send us your used Patagonia clothing and gear, and we will help pass it on to the next person in need. If your items are eligible, you can receive up to 50% of the resale price through credit to use in-store or online at Patagonia or Worn Wear. If your gear is not accepted, we can return it to you or recycle it so it does not end up in the landfill. The company reports that extending the life of clothing an extra nine months instead of buying new can reduce carbon emissions, waste, and water consumption by 20–30% each. (Patagonia, 2024)

In this sense, several actors can be identified as beneficiaries of this program. Among these beneficiaries are Patagonia, customers who sell used products, customers who buy used products, and the environment.

4. Shared Activities

Various activities are carried out, which can be performed by different social actors, such as non-profit organizations, government entities, and communities, to implement the shared value project.

The activities shared between the company and the customers can be carried out in the following stages:

- *Before the purchase:* The company must develop the product, inform customers about its benefits, and bring the product closer to the customer, among other activities. The customers must become aware of the product, evaluate its advantages, and decide to buy it.
- *During the purchase:* The company must establish the selling price, sell, and deliver the product, while the activities performed by the customer are buying, receiving, and using the product.
- *After the purchase:* The company must perform after-sales service, such as obtaining information on customer satisfaction, receiving complaints or claims, and solving product or service problems. Meanwhile, the customer performs activities such as making a complaint and evaluating the company.

Samsung Case: Eco-canje

Samsung carries out the Eco-canje campaign to motivate its customers to recycle any unused equipment, for which it gives an additional 15% discount for the purchase of new equipment (Samsung, 2024a).

Samsung's activities are as follows:

- *Before the purchase:* Promotion of the Eco-canje campaign through its web page and social networks and the development of a template for the customer to enter the product to be recycled.
- *During the purchase:* Deliver the product sold by the customer.
- *After the purchase:* Collect the recycled equipment at the point of delivery of the new product (Samsung, 2024a).

The customer's activities are as follows:

- *Before the purchase:* Choose the product you want to buy and say YES to the Eco Redemption discount.

- *During the purchase:* Complete the information about the product to leave. Add the product to the cart and buy it, and you will see the discount applied.
- *After the purchase:* We will pick up the equipment at the time of delivery of your new product (Samsung, 2024a).

5. Shared Resources

To generate shared value, the company can partner with other social actors and share resources in the implementation of projects. In this sense, all stakeholders can contribute resources to achieve the common goal. Resources can be tangible, intangible, and human.

- Tangible resources are those that can be seen and touched, that can be physically perceived, and are therefore quantifiable and measurable. In the company's case, resources can be its facilities, financial assets, time, money, the goods it produces, and its fleet of vehicles, offices, and machinery. In the case of the buyer, the resources can be time, an asset (vehicle, product, etc.), or money, among others.
- Human resources refer to the personnel necessary to carry out an activity. In the company's case, it represents the personnel necessary to carry out the value proposition.
- Intangible resources have no physical appearance and cannot be measured or quantified, but unquestionably influence their value. For the company, intangible resources can be the brand value, the experience or knowledge it has, its relationships, and technological resources, among others. For customers, the intangible resource can be their ability to negotiate and reputation, among others.

Case: IKEA

As part of the partnership between IKEA and World Wildlife Fund (WWF), we work to improve and address water challenges across the IKEA value chain and water conservation. In the fiscal year 2023, we made progress on river-related work in India and Turkey (IKEA, 2024b):

India: As part of the collective action program in the Noyyal Bhavani river basin, the Marlimund Lake watershed was identified as a pilot wetland restoration initiative in collaboration with the local government.