



VIEWPOINTS

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Mark Kramer

Mark Kramer, co-architect of the Shared Value concept, believes that companies can help the environment and society – while helping themselves at the same time.

// It's funny," says Mark Kramer in a voice which suggests that it's anything but. "It's ingrained in our society that if you're doing something good, you shouldn't be making money. And if you're making money you shouldn't be worried about doing good."

In a 2011 article called *Creating Shared Value*, co-authored with Professor Michael E Porter and published in *Harvard Business Review*, Kramer exploded that particular myth. Porter and Kramer argued that there is a third way where philanthropy and commerce can work together to boost each other's causes. Indeed, they theorized that if businesses could start to solve some of the world's environmental and social problems, they would, in so doing, create dynamic economic benefits for themselves.

It's not a theory anymore. Shared Value has since rocked the business world (see previous pages) with corporations of every kind shifting their strategies to engage with its principles. There are now conferences devoted to the subject worldwide, with Kramer and Porter often appearing as keynote speakers. Shared Value is also a popular part of a Harvard Business School course for new CEOs of billion-dollar-plus companies, and it's being built into the curricula of business schools around the world. "New CEOs see it as part of a legacy that they can create and as a real opportunity that hasn't been exploited before," says Kramer.

Kramer has always had a passion for both business and philanthropy. In 2000, he co-founded FSG, a nonprofit consultancy specializing in strategy, evaluation, and research for clients including Ernst & Young, Nestlé, and Unilever. The best part of his day, he says, is "hearing laughter in the hallways" and knowing FSG is developing new ways to "increase the impact of our clients and find better ways to solve social problems."

Since remarrying in December, the once Boston-based Kramer has been living under the San Francisco sun and relaxes by taking sailing lessons around the Bay. "I am learning the ropes – literally," he laughs. And so, metaphorically, are the CEOs of companies that have engaged with Shared Value, and who, like Kramer, want to chart a new course. The opportunities to change the world while increasing their profits could be just over the horizon – and much too good to miss.

How did the concept of Shared Value occur to you?

It emerged over time. FSG was hired by companies to help them think about their philanthropy. But, as we worked with them, we realized that their philanthropy was one of the least powerful ways that they achieved social impact. They did it best through their core business.

Can you give us an example of Shared Value in action that has impressed you personally?

Oh, there are so many of them. One of my favorite recent examples is a South African health insurance

company called Discovery, which has a whole host of financial incentives to encourage healthy behavior. For instance, it gives its policy holders 25% cash back on food – but only on food that makes you healthier. Discovery has data to show that the people it insures have a higher life expectancy and lower medical costs than the population as a whole. So it's found a competitive advantage that increases its profitability by creating incentives that lead people to improve their own health. That kind of thinking is really exciting.

How easy is it to adapt Shared Value thinking into your corporate strategy?

There's no doubt about it, it requires a change of corporate mindset, so it's a multi-year journey that companies need to embark on, not just a single initiative. It has to be built into the operations and understanding of employees at all levels. It needs everyone to say, "These problems can be solved – and it's worth it for us to solve them. We can change the conditions that influence our business, and not simply be constrained by them."

Are you surprised by the response that Shared Value has had across the world?

We are. Professor Porter and I had written various articles for *Harvard Business Review* over the years that received quite a bit of attention – but none of them even came close to creating the debate sparked by our 2011 Shared Value article, which was cited by a thousand other academic articles in just two years. It's had tremendous resonance.

What has been the tone of the response?

Largely positive. I think the greatest positive response has come from CEOs and senior executives who used to think social responsibility was peripheral to their business. Now they see it as central to the leadership of their companies. *The Economist* published a special Intelligence Unit report earlier this year which showed that 28% of global CEOs have already made a change to their business strategy or model to incorporate Shared Value thinking. Now, people don't always use the term as precisely as we defined it – so maybe 28% haven't adopted Shared Value in its truest sense. But the fact that 28% of CEOs are at least thinking in that direction is quite stunning.

What are your hopes for Shared Value?

That, like marketing or operational logistics and efficiency, it will simply become part of how business is conducted in the future and not even thought of as anything novel or different. Could it become the new face of capitalism? Well, that would be a wonderful thing. — *Tony Greenway*

ABOUT MARK KRAMER:

Mark Kramer was an associate at the law firm Ropes & Gray in Boston, before serving for 12 years as President of Kramer Capital Management, a venture capital firm. Now, as co-founder and managing director at FSG, he leads consulting engagements with particular emphasis on philanthropic strategy for private foundations, Shared Value initiatives, strategic evaluation, and impact investing. He is also a frequent speaker around the world on various topics in catalytic philanthropy, including creating Shared Value for corporations and social entrepreneurship.

Follow Mark Kramer on his Social Impact Blog at FSG:

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