

# GOING BEYOND GIVING BACK

## Companies Seek Gain Through Shared Value Approach

By Tom Schuman

*EDITOR'S NOTE: First in a series. Future stories to profile Indiana organizations engaged in corporate social responsibility. March-April issue to include interview with Frank Walker, an early pioneer in this field.*

The terms used may be a bit confusing at first. Corporate social responsibility (CSR), shared value, benefit corporations and Certified B Corps (see sidebar for more on the latter two) fall into this category.

Clarity begins to arrive through a definition – a broad commitment to protecting and improving the lives of workers and the communities in which companies do business – and a comment.

“Our CSR policy is at the core of our daily operations and guides our future progress. Our clients want to work with us because we are focused on a healthier and more productive world. We save money by operating more efficiently, which is a direct benefit of our CSR efforts.

“However, the true value we receive from our ongoing initiatives is that of social goodwill. We believe that setting a good example is the greatest benefit in that we inspire other organizations, companies and individuals to ‘up their game’ when it comes to social and environmental responsibility.”

The above was offered by the director of sustainability at a Chicago-based real estate firm in a *Forbes* article in 2013. Or we can bring it a little closer to home with this recent observation from Robert L. Smith, senior director of corporate responsibility for Eli Lilly and Company and president of the Eli Lilly and Company Foundation.

“If you think about those three concentric circles (see graphic), this is really the best place where we can add shared value. There is profound social need everywhere, and we have business opportunities and unique business assets we can bring to bear. We can improve lives – and over time I think that we can add value for our business.

“It really moves it away from this idea of philanthropy and gets us in the mindset of investment and sustainability and really caring about driving those community-based and societal-based results. Because if we drive outcomes, that’s what’s ultimately going to drive value for our business. It’s more than just a subtle shift in mindset – it really moves from the passive to the active. I think that’s where the inherent power of that model is.”

### U.S. playing catch-up

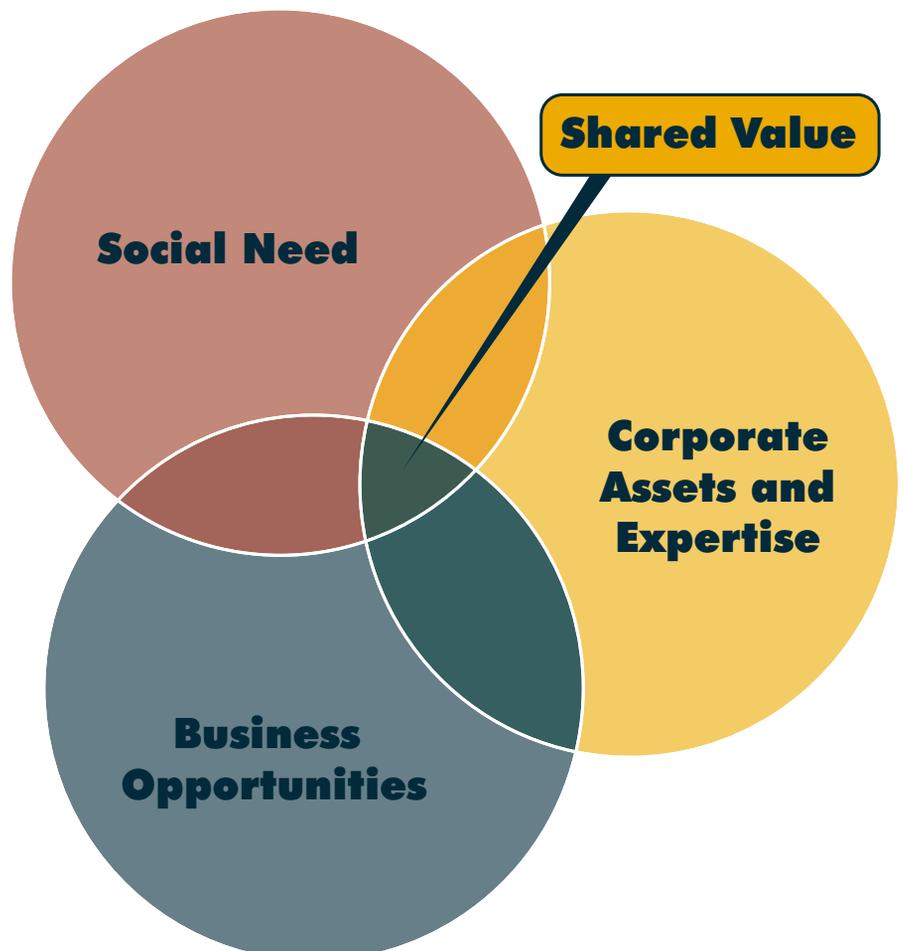
Others key ingredients in the CSR/shared value evolution are employee engagement and customer expectations.

“Millennials are driving it to a certain

extent, although you get interest from all levels,” asserts Russell Menyhart, an attorney in the Indianapolis office of Taft.

Dora Lutz, president of GivingSpring in Indianapolis, is one of five certified shared value consultants in the United States. She says, “Consumers are getting to expect and demand more, and I don’t think that is going to change. I definitely agree (that we’re at the tip of the iceberg). The conversation that we’re having now was several years in the past in Europe.”

Menyhart came to Taft after extensive diplomatic experience in both Argentina and China. While at the embassy in Buenos Aires from 2008-2010, he had a colleague who was working with Toms Shoes. A fledgling company at the time, Toms introduced the concept that for every pair of shoes sold in the United States, a pair of shoes would be



provided to help residents in poor communities of Argentina and other developing countries.

In China, he also met many social entrepreneurs. “As just one example, a friend started a company working with Tibetan yak herders, producing high-end products and making sure the semi-nomadic herders were receiving fair compensation.”

### Business benefits

Lutz is working with the Indiana Chamber, its Foundation and the Wellness Council of Indiana on programs and initiatives to expand CSR/shared value opportunities. There are direct ties to the Chamber’s *Indiana Vision 2025* economic development plan and the mission to “create economic opportunity where enterprises and citizens prosper.” She identifies studies that show some of the advantages:

- A KPMG report that indicates a 33% increase in employee retention when the purpose is not just on the job but on the “greater calling of the organization. That’s pretty compelling.”
- A Harvard analysis that companies that successfully address material issues (infrastructure, workforce as examples) that are relevant both internally and in the greater community can outperform the market. “If you do it wrong, you don’t lose any points. There’s no negative outcomes unless you’re not being genuine.”
- Research that shows commodity markets that align with a social need can retain a pricing level of up to 20% higher than their competitors.

Public business conversations – in annual reports, at investor meetings, etc. – around purpose or greater good have increased 40% over the last five years, according to Lutz.

Michael Porter of Harvard is a leader in the CSR/shared value movement. “Porter makes a great point,” she adds, “in saying businesses tend to take their external environment as it is. By intending to solve a social issue, we have an opportunity to change that external environment.”

### Global approach

During the Indiana Chamber’s annual Volunteer of the Year awards luncheon in November, Smith shared the story of the Lilly NCD (non-communicable diseases) Partnership. The history dates back to the company introducing the world’s first commercial insulin product in 1923. The present includes two statistics: 550 million people globally projected to be inflicted with diabetes by 2030 and a 50% expected increase in diabetes deaths over the next 10 years.

Launched in 2011, the partnership



## B Corps vs Benefit Corporations

Benefit corporations and Certified B Corps: They sound the same and they are related, but there are significant differences.

In 2006, a Philadelphia-based entity (B Lab) was founded with the mission to “redefine success in business.” Two years later, it began certifying mission-driven, for-profit companies as B Corps – measured by an assessment of the organization’s societal and environmental impact, accountability and transparency. It also comes with a commitment to considering other stakeholders besides shareholders when making company decisions.

The Corporate Social Responsibility (CSR) Newswire reports there are more than 1,400 Certified B Corps in 42 countries.

The next step for the B Lab founders was to create a new legal entity. In 2010, Maryland became the first state to pass a benefit corporation law. Indiana was the 28th state to do so in 2015, with the law taking effect January 1, 2016.

Russell Menyhart, an attorney with Taft in Indianapolis, had seen the growth of social enterprises globally. Upon returning to Indiana, he connected with state Rep. Casey Cox (R-Fort Wayne), who was championing the benefit corporation legislation. It passed unanimously in the House and with only one dissenting vote in the Senate.

“The legal entity (of being a benefit corporation) is all about building your mission into the DNA of your company,” Menyhart explains. “If you’re a benefit corporation, you have an independent benefit director on your board whose obligation is to make sure your company is focused on your mission, not just on your profit maximization. A benefit corporation also issues an annual benefit report that has to be posted on its web site and talks about what the company is doing to fulfill its mission.”

Due to the various state benefit corporation laws only being put in place over the last six years, Menyhart says, “You don’t have hard quantitative research yet that shows the value in economic terms. I expect that will come down the pipeline.”

There are no specific tax benefits to becoming a benefit corporation. But Menyhart notes, “If a company wants to go public or is acquired by another company, this being built into your legal documents is a way to try and ensure your values remain with the company. Future buyers have a legal obligation to try and preserve that.”

Menyhart reports there are several B Corps in Indiana, with a couple of other organizations expected (at the time of this writing) to be the first to become benefit corporations in early January under the new law. Others are looking at both categories. A benefit corporation can be a B Corp, but it doesn’t have to be. Similarly, a B Corp can be a benefit corporation but it can also be an LLC or other type of business entity.

**RESOURCE:** Russell Menyhart, Taft, at [www.taftlaw.com](http://www.taftlaw.com)



includes a company commitment of \$30 million over five years. Its mission is diabetes prevention, diagnosis, treatment and outcomes. Brazil, India, Mexico and South Africa are the countries of focus.

Among the benefits, both for the greater good and the company:

- Discussions for Lilly with governments and global health organizations
- Strengthening health care systems
- Generating data instrumental to the company's core business
- Enhancing employee engagement

When asked in a later interview about what corporate social responsibility at the company means for employees, Smith gave three compelling examples:

1. A Connecting Hearts Abroad program annually sends 100 employees (in small groups) to low-income settings around the world for two weeks of volunteer service. In addition to the many benefits of giving back to those in need, employees “come back more motivated, more engaged and better employees. We have found it’s a great way to build connections, relationships and teams in cross-functions around the world.”
2. The skills-based approach of tapping into the

expertise that exists within the company to help solve global health challenges. “It provides an outlet for people outside of work to validate their experiences and helps us achieve our programmatic goals.”

3. Listening to young professionals, who strive to do much more than just earn their paycheck. “If we want to be an employer of choice, we have to figure out ways to allow them to volunteer and do other things in their communities.”

Smith notes that a company does not have to have the resources of a Lilly to be proactive on behalf of its employees.

“My general advice for small businesses would be to be open to it for employees to be able to do those things. Give them four eight-hour blocks to be able to go volunteer at a food bank or whatever they want to do,” he urges. “If community engagement is a strategic priority, I would just encourage people to look at their policies and make sure they build in the right kind of flexibilities.”

### Combining forces

Lutz, with a master’s degree in organizational leadership in addition to her Shared Value Institute certification, provides the information for the above graphic on

philanthropy, CSR and shared value.

Her analysis: “A business doing it well should have components of all three. There’s not one right way or wrong way to do this. Everybody falls in different places on the continuum. In Indiana, we have a huge component of philanthropy – that’s who we are. There’s nothing wrong with that. But I’m convinced if we can drive business value and revenue out of it, we’ll do more.”

Smith gives a win-win example that is clearly understandable given today’s workforce challenges.

“All of us every day have to think about, ‘How do we continue to build, maintain and grow world class workforces.’ We can all have a role to play in that. If it’s a small business and they figure out where they have some kind of gap coming up, if they offer an internship to a high school student – that helps the company, helps our community and helps that kid.

“We don’t really need a huge strategic plan or permission to do that,” he continues. “I think everybody should be thinking about that. And if we all act, we’re acting not just in our self-interests but in our collective interests to create shared value. I think that’s one of the common denominators we all have.”

**RESOURCES:** Dora Lutz, GivingSpring, at [www.giving-spring.com](http://www.giving-spring.com) | Rob Smith, Eli Lilly and Company, at [www.lilly.com/responsibility](http://www.lilly.com/responsibility)