

Creating Shared Value: Entrepreneurial and Corporate Models for a Changing Economy

Harvard Business School Course Number 1978

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Fall; Q1; Q2; 3 credits

20 Sessions

Paper

Career Focus

This course is for future business leaders - both entrepreneurs and executives - as they navigate a business environment that increasingly emphasizes the simultaneous creation of business and social value. The course will help students develop a more strategic understanding of topics such as social entrepreneurship and corporate social responsibility and in both their design and implementation stages. Such shared value business strategies include engaging customers through cause marketing, motivating employees through socially-aware company cultures, advantageously modifying a company's competitive landscape, and re-engineering internal systems to turn responsible corporate policy into action. Future leaders of nonprofit and public entities who will regularly interact with business leaders will also find the course valuable.

Educational Objectives

There are a variety of strategies for companies seeking to simultaneously create business and social value, either by transforming themselves into effective global citizens or by finding an innovative product, service or approach to solving social problems. Premised on the increasingly mainstream view that there is a potential synergy between business and social value, the course provides tools to attain that dual goal. This is a timely focus as stakeholders have come to expect a more active corporate involvement in solving social issues, and as innovative social entrepreneurs and responsible business leaders increasingly emphasize the bottom-line benefits of creating social value.

The main goal of the course is to analyze and understand the wide range of opportunities -both social and financial- for entrepreneurs and corporations in leveraging these changing conditions. Analyzing a diverse set of companies, the course will present strategies used by companies at the most innovative end of the spectrum whose very foundation was built on a synergy between social and business value creation, as well as more conventional corporations that have managed to gain a competitive edge in the changing business environment by becoming active global citizens.

Course Content and Organization

The course focuses on three central sets of questions. First, how can a corporation that traditionally focused only on financial returns adapt to new business environment conditions by simultaneously achieving social and business value? The course identifies and offers solutions to key tensions that corporate leaders face as they design and apply strategies to attain that dual goal through the development of stakeholder relationships.

Second, the course explores how social entrepreneurship, defined as the "pioneering [of] new product concepts that meet social needs using viable business models," creates economic value. How do the business models and stakeholder relationships of hybrid, social mission organizations differ from those of more traditional companies? How can these organizations grow while maintaining a hybrid mission that emphasizes social value creation?

Third, as entrepreneurs and corporations move into what are often uncharted waters, how can they best organize themselves internally and externally to simultaneously create social and business value? Answering this question requires considering the following issues: What internal processes need to be

initiated and developed for companies to become effective at creating social value? What structural challenges come with having a hybrid mission? How can the impacts of social value creation be measured and evaluated? Then, how can companies learn from such assessments in order to become more efficacious in their pursuit of social and business goals?

Module 1: Connecting Business and Social Value

Class 1: Timberland: Commerce and Justice

Objective To understand a company's social strategy evolution and its growing stakeholder reach.

Case Timberland: Commerce and Justice (Abridged) (HBS No. 412-008) by Christopher Marquis and Bobbi Thomason

Additional Reading

- Michael E. Porter and Mark R. Kramer, "Creating Shared Value," *Harvard Business Review* (January 2011)

Assignment Questions

- What motivates Timberland to increasingly engage in socially-oriented activities? How do you view its strategy evolution?
- In what ways do you think that Timberland's activities "pay off" for society? For Timberland?
- How do you think Timberland should proceed as it continues to expand its programs, especially internationally? Should it further broaden its coverage?
- What is your assessment of the Timberland-City Year Alliance? How does it shape the company's social strategy?

Class 2: IBM: The Corporate Service Corps.

Objective To understand how CSR activities affect the bottom line through employees and the ways in which a synergistic approach solves tensions.

Case IBM: The Corporate Service Corps (HBS No. 409-106) by Christopher Marquis and Rosabeth Moss Kanter

Additional Reading

- Corporate Social Responsibility and Employee Engagement (HBS Course Overview Note 410-138) by Christopher Marquis, Bobbi Thomason, and Jennifer Tydlaska

Assignment Questions

- In July 2007, what is the biggest challenge Kevin Thompson faces and why?
- Are IBM's CSR activities a coherent whole? Where does the CSC fit into the broader portfolio?
- What is your impression of the CSC's effectiveness and impact (both business and social)?
- How effective is CSC in developing and encouraging IBM's talent?
- To what extent does the synergistic design solve tensions?

Class 3: The Dannon Company: Marketing and Corporate Social Responsibility

Objective To understand how CSR activities affect the bottom line through customers and how tensions play into companies' social strategy design.

Cases

- The Dannon Company: Marketing and Corporate Social Responsibility (A) (HBS No. 410-121) by Christopher Marquis, Pooja Mehta Shah, Amanda Elizabeth Tolleson, and Bobbi Thomason
- (IN CLASS HANDOUT): The Dannon Company: Marketing and Corporate Social Responsibility (B) (HBS No. 412-047) by Christopher Marquis and Bobbi Thomason

Additional Reading

- Causes and Effects by Carol L. Cone, Mark A. Feldman, and Alison T. Dasilva (in *Harvard Business Review*, July 1, 2003)

Assignment Questions

- Should Dannon start to proactively communicate to consumers about its synergistic strategy, and if so, what benefits and risks would Dannon face? What would be the implications for Dannon's current strategy? What, if anything, would it require in terms of additional CSR programs?
- How does having a corporate parent (Danone, headquartered in Paris) impact Dannon's decision about whether to externally communicate its CSR programs? What benefits and risks does having Danone as a corporate parent introduce to Dannon's CSR communication plans?
- How do customer stakeholder logic model contingencies play into Dannon's decision?
- Assuming that Dannon decides to communicate to consumers about its CSR initiatives, please come up with a focus and communication strategy for the campaign. Be prepared to share your communication plan in class.

Class 4: Driving Sustainability at Bloomberg L.P.

Objective To understand how CSR activities affect the bottom line through investors and how pure shared value may resolve the tension between business and social value.

Case Driving Sustainability at Bloomberg L.P. (HBS No. 411-025) by Christopher Marquis, Daniel Beunza, Fabrizio Ferraro, and Bobbi Thomason

Additional Reading

- Note on Socially Responsible Investing (HBS No. 609-060) by Sandra J. Sucher and Daniela Beyersdorfer

Assignment Questions

- Why does Bloomberg think this is an opportunity worth exploring? How does the strategy resolve any potential tensions?
- Assess the evolution of the ESG project at Bloomberg and what the best next steps are. Should Bloomberg begin deriving data and/or providing ratings? Or should they stick to their traditional business of just providing information?
- What is Bloomberg's competitive position in the ESG data space? Do they have any particular competitive advantages or liabilities?
- How should the ESG product be organized internally going forward? Should Curtis Ravenel be in charge of the project? Why? Why not?
- Assume you are Curtis Ravenel and prepare your agenda for the meeting with the President and the CEO of Bloomberg: What should Curtis ask for?

Class 5: Western Union: Our World, Our Family

Objective To understand how CSR activities affect the bottom line through government relations and how a company resolves tensions through synergistic centralized strategies.

Case Western Union: Our World, Our Family (HBS No. 410-050) by Christopher Marquis

Assignment Questions

- Is the Our World, Our Family program a strategic differentiator for Western Union, or just a basic cost of doing business today?
- How has Our World, Our Family changed Western Union as a company?
- What part of the Our World, Our Family program do you think will have the biggest social impact? Why?
- What specific aspects of Our World, Our Family help Western Union engage with policymakers?
- How does Western Union resolve the tension between a centralized program and a dispersed one?

Class 6: PNC Financial: Grow Up Great

Objective To understand how CSR activities affect the bottom line through the local community and how companies may navigate tensions through synergistic community-focused strategies.

Cases

- PNC Financial: Grow Up Great (A)(HBS No. 409-108) by Christopher Marquis, V. Kasturi Rangan and Alison Comings
- (IN CLASS HANDOUT): PNC Financial: Grow Up Great (B)(HBS No. 412-119) by Christopher Marquis, William Drewery, Bradley Crane and Laura Velez Villa.

Assignment Questions

- In what ways do you think Grow Up Great delivers benefit for society? For PNC Financial?
- How did the program design resolve tensions? Which ones did it leave unsolved?
- What are some strengths and weaknesses in how PNC implemented Grow Up Great? What should they have done differently? What worked particularly well?
- How can PNC better align the program with its business interests? What are the risks of doing so?
- What should PNC do for a second act after the 10-year program has ended? How will that shape what they do over the next 5 years?

Class 7: Whole Foods: Balancing Social Mission and Growth

Objective To understand how organizations can balance the demand for extensive growth while maintaining a social mission (an expression of the tension between social and business value) and how they leverage stakeholder relationships (especially with suppliers) in pursuing that end.

Case Whole Foods: Balancing Social Mission and Growth (HBS No. 410-023) by Christopher Marquis, Marya Besharov and Bobbi Thomason

Additional Reading

- **(After class Handout):** Managing Stakeholders with Corporate Social Responsibility (HBS Course Overview Note No. 412-121) by Christopher Marquis and Laura Velez Villa

Assignment Questions

- In what ways do you think that Whole Foods has created value for society? And how have its efforts to create social value led to business results? How has it navigated tensions to attain business benefits through a social strategy?
- How has Whole Foods grown while also trying to stay true to its social mission? I.e. what organizational strategies, processes and procedures have enabled them to balance these seemingly conflicting goals?
- In the last few years is Whole Foods more about growth or its social mission? How does their support of practices such as the development of large-scale organic farms fit with their broader social ideology?
- What changes, if any, should Mackey make to Whole Foods' strategy going forward? What is your assessment of Mackey's new model of "conscious capitalism?"

Module 2: Social Entrepreneurship

Class 8: sweetriot 2.0

Objective To understand social business design as an expression of the three types of social activities and the ways in which the tension between business and social value surface.

Case sweetriot 2.0. (HBS No. 412-007) by Christopher Marquis, Donna Khalife and Bobbi Thomason

Assignment Questions

- How does sweetriot create social value? Is the product innovative in addressing a social need(s)?
- What types of social activities does sweetriot's approach use? Where in the business models are they present?

- In what ways is Sarah Endline sacrificing profit over social value creation? Is the company taking on too much risk in order to fulfill Sarah's theory of change?
- Which of the concerns or decision points presented in the case strike you as most urgent?

Class 9: Field Trip to TAZA Chocolate

Class 10: China Greentech Initiative

Objective To understand the difficulties in aligning traditional business models with a hybrid mission, as well as the ways in which various external players can be activated to reshape an industry.

Case China Greentech Initiative (CGTI) (HBS No. 412-105) by Christopher Marquis, Laura Velez Villa and Lynn Yin.

Additional Reading

"Regulatory Uncertainty and Corporate Responses to Environmental Protection in China." Marquis, Christopher, Jianjun Zhang, and Yanhua Zhou. *California Management Review* 54, no. 1 (2011): 39-63.

Assignment Questions

- How does the CGTI model reflect its mission? How effective is it?
- How can CGTI further capitalize on its collaborative model? Does the open source collaboration aspect of its model contribute to or limit CGTI's profit potential?
- Is CGTI's model replicable on other industries and economies?

Class 11: Warby Parker: Vision of a "good" fashion brand

Objective To understand the difficulties in aligning a hybrid culture and a growing organization (an expression of the tension between social and business value) and the ways in which a new industry approach can cause system-level change.

Case Warby Parker: Vision of a "good" fashion brand (HBS No. 412-104) by Christopher Marquis and Laura Velez Villa

Assignment Questions

- How would you describe the Warby Parker culture? How does it facilitate the attainment of a hybrid mission (why does retaining it matter)?
- Has the company put in place mechanisms to avoid mission drift?
- How does Warby Parker create systematic change? How does that benefit the company?

Class 12: B Lab: Building a New Sector of the Economy

Objective To understand the types of supportive ecosystems that could solve an important factor in the tension between business and social value creation for social businesses, and to learn about mechanisms to reshape the rules.

Case

B Lab: Building a New Sector of the Economy (HBS No. 411-047) by Christopher Marquis, Andrew Klaber and Bobbi Thomason

Additional Reading

In Search of the Hybrid Ideal by Julie Battilana, Mathew Lee, John Walker and Cheryl Dorsey (From *Stanford Social Innovation Review*, Summer 2012)

Assignment Questions

- What is your assessment of B Lab's tripartite mission and strategy? As the case asks, is it their secret sauce or their albatross? If the former, what synergies exist between the different elements? If the latter, how do you recommend they change their objectives?
- What is the value-added to companies of becoming a B Corporation? What would you recommend B Lab do to grow the number of B Corporations? More generally, how do you motivate companies and investors to think long-term (instead of short term) and at a societal level (not just about their own profits)?

- How do you assess their work to gain legal recognition for the Benefit Corporation? How can they be more effective on this front? How important is it for them to get legal recognition for this form across all 50 US states?
- Does B Lab's solution to have a new single, as opposed to "dual" legal structure for social businesses solve the problems that Lindsay Clinton discusses? Or is the traditional approach of combining different legal forms more useful to social entrepreneurs?
- How does B-Lab's approach differ to that of Bloomberg? Are ESG inclusion and impact investment different enough for there to be a need to have separate initiatives?

Class 13: New Resource Bank: In Pursuit of Green

Objective To understand the difficulties in aligning a hybrid mission with a product offering (an expression of the tension between social and business value) and the ways in which a new industry approach can cause system-level change.

Case New Resource Bank: In Pursuit of Green (HBS No. 412-060) by Christopher Marquis and John Almandoz

Assignment Questions

- Why does New Resource Bank leadership believe becoming a "green" bank rather than a traditional community bank will help its business? Do you agree?
- Would a large bank, grown by all kinds of clients, be a better way to serve green companies? Or should the bank only select clients who were both consistent with the sustainability mission and bankable?
- How important to potential depositors and investors would the green borrower selection process be? Was including clients that intended to become greener a good strategy given external perceptions and business volume? If so, would the bank have to offer sustainability advice along with banking services? Would that become a problematic overstretch of responsibilities?

Class 14: Patagonia

Objective To understand how social entrepreneurs may create system-level change by reshaping suppliers, and to present social enterprise growth strategies that attempt to navigate the tension between business and social value.

Case Patagonia (HBS No. 711-020) by Forest Reinhardt, Ramon Casadesus - Masanell, Hyun Jin Kim

Assignment Questions

- Evaluate Patagonia's strategy. What are the key drivers of its performance so far? What role has its position on the environment played in all this? What about its relationship with suppliers?
- Compare and contrast Timberland and Patagonia with respect to their social strategy. Who do you think is more effective? Why?
- Would Patagonia be able to do what it has done if it were a public company? If it were to go public, would it (or should it) change its position on the environment?

Module 3: Effectively Implementing Social Value Strategies

Class 15: TBD

Class 16: Burt's Bees: Balancing Growth and Sustainability

Objective To understand how to balance sustainability with growth (mainly through culture and mission alignment) and to briefly discuss the challenges that conventional companies face in implementing social strategies.

Case Burt's Bees: Balancing Growth and Sustainability (Multimedia Case HBS No. 410-704) by Christopher Marquis

Additional Reading

Can the virtuous mouse and the wealthy elephant live happily ever after? by James E. Austin and Herman B. Dutch Leonard (from the California Management Review 51 2008 p. 77-102).

Assignment Questions

- How far along is Burt's Bees in their sustainability journey?
- Which of their 2020 goals is the most challenging? Why?
- Could any company do this? Is their 'Greater Good' Business model replicable?
- It is clear that the more a company grows, the more difficult it is to be sustainable. How has Burt's Bees balanced the tension thus far?
- Moving forward, what are the risks and opportunities from the Clorox acquisition?

Class 17: Chairman Zhang and Broad Group: Growth Dilemmas

Objective To understand different leadership approaches and the role of leadership as an implementation tool.

Case Chairman Zhang and Broad Group: Growth Dilemmas (HBS No. 412-095) by Christopher Marquis, Nancy Hua Dai and Lynn Yin

Assignment Questions

- Tracing the influence of Zhang's leadership in the company, how did it affect the different elements of the organization? What about his influence in the Broad Group will be maintained once he leaves the Group, if anything?
- How necessary is the lifestyle aspect of Board Group's approach in ensuring employees buy into the company culture? How necessary is it to ensure product innovation, if at all?
- What leadership style changes will Broad Group need to implement in order to maintain its mission through expansion, if any?

Class 18: Social Innovation at salesforce.com

Objective To understand the importance of aligning employee selection and organizational culture with the social strategy.

Case Social Innovation at salesforce.com (HBS No. 412-049) by Christopher Marquis, Marley C. Kornreich and Bobbi Thomason

Assignment Questions

- How can the transition from Foundation to social business allow new talent to come into the salesforce.com Foundation's team while remaining a socially-focused operation?
- What can the Foundation do to attract top sales talent?
- How can the Foundation align the two employee profiles with the new social strategy?
- How can it create an organizational culture that in turn aligns with those elements (think of examples from Burt's Bees experience)?

Class 19: Starbucks and Conservation International

Objective To understand how partnerships aid conventional companies trying to implement social strategies.

Case Starbucks and Conservation International (HBS No. 303-055) by James E. Austin and Cate Reavis

Assignment Questions

- When corporations pursue social goals as part of their business strategy, how can they best determine which social goals are appropriate to pursue (or worth pursuing)?
- Whenever corporations pursue social goals, they can be reasonably confident that some of their external constituents will not think that they have done enough. How well is Starbucks dealing with this challenge? (How would we know if they were being successful meeting it?)
- What value is the partnership with Conservation International adding to Starbucks' business? How is it helping it change internal processes in order to implement a social strategy?

- How does the level of integration and goal alignment affect this partnership? Other partnerships in the course?

Class 20: Goldman Sachs: The 10,000 Women Initiative

Objective To discuss the role of measurement in helping companies implement social strategy, as well as review common measurement complications.

Case Goldman Sachs: The 10,000 Women Initiative (HBS No. 509-042) by Christopher Marquis, V. Kasturi Rangan and Catherine Ross

Assignment Questions

- Why focus on educating women entrepreneurs? Why not men too?
- Is Goldman Sachs the right organization to undertake this initiative? Why or why not?
- What is your assessment of how the program was conceived and designed? What are the important organizational design factors that will lead this to be a success? What is your assessment of their measurement approach and plans?
- How does Goldman Sachs foresee measurement will help its initiative?
- Where should Goldman Sachs concentrate the future efforts of the 10,000 Women Initiative?

Class 21: Final Wrap-up and paper presentations.