Topic One: Creating Shared Value:

Our first topic explores the principles of Creating Shared Value (CSV). We examined how CSV has influenced other industries, and the benefits CSV could bring to more sustainable sourcing of cotton. To guide us towards a better understanding of CSV, how it is being used in other industries, and its applicability for cotton, Alison Ward, an independent consultant with years of experience in commodity value chains, and Helen Crowley, Conservation & Ecosystem Services Specialist at PPR, the parent company of Puma among other brands, acted as our topic leaders.

What is Shared Value?

Shared Value is a management principle that seeks opportunity for business in solving social problems. Companies can solve problems in three ways that can lead to competitive wins:
1. reconceiving products and markets
2. reconfiguring value chains
3. enabling local cluster development

The concept of Creating Shared Value (CSV) was coined by academic writers Michael Porter and Mark Kramer back in 2006. The basic premise of CSV is that there is mutual and tangible economic and social benefit to be gained through business that works within, and for the needs of, society.

“Encouraging sustainable business practices means seeing beyond ‘green’ to redesigning businesses for shared value.” - Dan Gray, visiting fellow, Ashridge Centre for Business and Sustainability
Lessons from the Cocoa Industry

Applying CSV is a logical step when it comes to securing high value, high demand, or scarce raw materials with short supply chains. Cocoa is a perfect example. The short chain makes it relatively easy for the raw material producer and the end of chain retailer to know each other directly (unlike cotton supply chains). Multinationals such as Nestlé and Cadbury (Kraft) are also increasingly aware of the vulnerability of their business due to their dependency on the cocoa bean. Cocoa and chocolate retailers are feeling the impact of dwindling supplies, climate change, and other localised concerns. Further, the quality of the raw material (the cocoa) is extremely important to the distinctive quality of the product and the reputation of the company in the marketplace.

What could CSV mean for cotton?

As yet, sourcing cotton fiber does not attract the same scarcity of supply concerns as cocoa. However, there are issues underlying general commodity sourcing that apply to cotton already, and a growing recognition among retailers, including textile companies, that they need to secure a sustainable supply of their raw materials. Related issues include the need to invest in the agro-ecological environment and the rural communities involved in the production, and improve the sustainability credentials of their raw materials sourcing conduct. This is the challenge (and opportunity) for businesses – to go beyond the focus on the raw material and genuinely engage in broader sustainable development; to be part of the solution instead of being part of the problem. Applying the framework of creating shared value could be a worthy approach.

What about CSV and organic cotton value chains?

Generally speaking the application of CSV attempts to work within mainstream commodity markets, and does not promote investment in 'special' initiatives such as organic and Fairtrade, which are arguably creating an artificial or niche product. Instead, proponents of CSV would argue that direct investment in training, capacity building, etc i.e. through improved product quality and productivity. However, others would argue that investing in organic and/or Fairtrade production is a form of CSV. In fact, the principle of creating shared value coupled with a farmer-friendly production system such as organic could be an ideal framework for developing interdependent business partnerships where risk and rewards are shared equally. Using pre-existing organic / agro-ecological farming systems (which benefit small scale resource poor farmers) and certification schemes, such as organic and Fairtrade, can ultimately boost farmer-led development, help farmers organise and achieve scale, and can result in benefits being more independently - or interdependently - owned by the members of the farming community.
Dr. Helen Crowley has a PhD in Ecology at the Australian National University and has worked in the international conservation and development arenas for over 25 years. Most recently she has focused on integrating biodiversity and ecosystems into corporate sustainability strategies including exploring ways for small scale producers to participate in global supply chains. She spent many years working on projects in Africa and Madagascar for the Wildlife Conservation Society including developing the first REDD project in Madagascar and a program of organic cotton production with local communities in Zambia and Madagascar. Dr. Crowley is currently working with the French Sports & Lifestyle and luxury fashion company, PPR, as the Conservation and Ecosystem Services Specialist in their innovative, company-wide sustainability initiative, PPR Home. She is on the Textile Exchange Europe Board and the Board of the Wildlife Friendly Enterprise Network.

"Creating shared value moves us in the right direction but we need to go further. We need to find ways to account for ecosystem services from which our business, communities, and our future depend."

Alison Ward works as Sustainability advisor to businesses and NGOs, she was formerly Associate Director Global Public Policy (Sustainability) at Kraft Foods and Head of Corporate Social Responsibility at Cadbury. At Cadbury she was responsible for the corporate responsibility agenda for the company leading on key programmes including: investing in cocoa sustainability through the Cadbury Cocoa Partnership and Cadbury Fairtrade; the company’s environmental commitments called Purple Goes Green and Community Investment.

Alison joined Cadbury from a UK trade association and has extensive experience on corporate and brand reputation management having worked for many years for communications consultancy Hill & Knowlton on UK and international food strategies.

"For smallholder farmers who are the ‘powerhouse’ of agriculture, creating shared value needs to address not only value chain requirements but to ensure that programmes are built on joint principles."
What You Told Us...

During the webinar we ran two polls. The first was to identify people’s understanding of creating shared value. The second (which we ran at the end of the webinar) gauged interest in “creating shared value” and its potential applicability in their work environment. With some interesting results! For instance 50 percent of attendees had only vaguely heard of CSV, yet by the end of the webinar 75 percent said they would like to see their company engage with the concept.

**Question 1:**
Had you heard about Creating Shared Value before joining the TE Collaborative Learning Series?

a) No, not at all  
b) Vaguely – I don’t know too much about it  
c) Yes I knew about creating shared value

**Question 2:**
Will you use creating shared value to help guide your sourcing strategies in the future?

a) No – I can’t see the connect for my company  
b) Possibly – There could be a connect but I’m not sure  
c) Yes – I’d like to see our company applying “shared value”  
d) We already do this – but we do not call it “creating shared value”  
e) We already use the CSV concept to guide us
Webinar discussion points...

Drivers for Business Change:
- Natural capital risks
- Complex changing legislation
- Increasing demand
- Climate change
- Scarcity
- Inadequate resources

Creating Shared Value:
- A way of delivering business to the benefit of ALL

Creating Shared Value brings CSR one step forward.
- Integrating sustainability challenges into the business approach

Growth of CSR Reporting:
- Reconciling products & markets
- Reconfiguring value chains
- Enabling local cluster development

Security of Supply:
- Co-creation in the supply chain
- Farmer centered
- My vision is...

Risks:
- Be proactive rather than reactive!
- Beyond compliance
- Be a leader!

Understanding & Addressing:
- More developed contracts, more flexible
- Connected, transparent, traceable

Webinar discussion points...
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2. Governments get engaged and work with communities. Business/industry to find long-term solutions that will be established & "owned" even after - or if - the company exits.
3. Long-term commitment. It doesn't happen overnight!
4. Listening, learning & from the growers.
5. Shared risk, shared rewards.
7. Creating a circular economy.
If you are a brand or retailer, building a sustainable sourcing strategy or setting sustainability targets in your workplace are not enough. It is increasingly up to the company to know its supply chain operators and identify risk and opportunity. Further, taking a step back, and thinking about why we might be doing this? If it’s to genuinely make a difference on the ground: such as investing in ecosystem services and contributing to sustainable development then understanding the concept of creating shared value may help you progress this agenda. Drivers and developments in the industry are:

- Some companies are acknowledging a need for business and sourcing strategies that better recognise supply chain risk and opportunity sharing.
- A call for improved understanding of metrics and triple bottom line accounting when it comes to measuring and benchmarking impacts in the textile supply chain.
- PUMA’s E P&L revealing the significant impact of ‘tier 4’ (farm and raw material level).
- The growing interest in “the true cost” of things: valuing ecosystem services and more resilient supplier communities in a carbon constrained and climatically unpredictable agricultural setting.
- Attempts to reframe this incredibly complex and complicated value proposition internally and to a wider audience.

“Shared value is about rethinking charitable dollars.”

- Shayta Roypart, MBA student, California College of the Arts
Links to Websites


For more information on the concept of Creating Shared Value see the FSG website - http://www.fsg.org/OurApproach/SharedValue.aspx

Selected Online Articles


Creating Shared Value at Nestle - http://www.nestle.com/csv/nestle


SustainAbility: CSV vs Sustainability http://www.sustainability.com/blog/csv-vs-sustainability-the-debate-continues#.UP60xx00pdz


Blogs from the Guardian Sustainable Business Hub


How to Make Progress on Collaboration for Sustainability http://www.guardian.co.uk/sustainable-business/blog/how-to-progress-collaboration-sustainability

The Art of Systems Thinking in Driving Sustainable Transformation http://www.guardian.co.uk/sustainable-business/systems-thinking-sustainable-transformation
Creating a Learning Community at Textile Exchange

Textile Exchange aims to create an inclusive learning community; drawing on the expertise and experiences within this community to share and promote a collaborative learning environment. Our hope is that there will be learning to be gained from within and also from outside our immediate networks. Collaborative Learning breaks down the barrier that can exist between teacher (or expert) and pupil (or learner) to result in a truly two way exchange of information.

In this Series, each of the 6 topics includes:
- A thought starter blog and links to further reading
- A webinar introduced by our topic leaders where the contributions by learning participants will be a vital part of the exchange
- We hope that our Collaborative Learning Series will be an incubator for ideas, and can naturally lead into pre-competitive collaboration where the whole industry benefits. At the same time individuals within participating companies can improve their skills and knowledge, feeding this back into their workplace.

http://farmhub.textileexchange.org/learning-zone/collaborative-learning-series