

## World Knowledge Forum 2012

CEO Roundtable: Shared Value and Its Implication for Growth

Tuesday, October 9, 2012

Today's roundtable meeting of select executives focused on the practice of shared value, proposed as an alternative to corporate social responsibility. The session entitled Shared Value and Its Implication for Growth at the 13th World Knowledge Forum discussed how this approach might be implemented effectively in the business world.

Shared value encourages the collaboration of corporations and governments to solve social issues, a process former Prime Minister of Finland and Executive Vice President of Nokia, Esko Aho, explained is critical "because problems of the global community cannot be solved without collaboration."

Mr. Aho was joined on the panel by Chairman and CEO of Nordic American Tankers, Herbjorn Hansson, President and CEO of Finnair, Mika Vehvilainen, and president and CEO of MGM Hospitality, Gamal Aziz. The four gentlemen shared their experiences implementing measures of shared value in their respective companies, and also what they foresee as the possibilities and obstacles of the system.

Mr. Vehvilainen considers social responsibility to be a measure of quality, and contends that one "can't separate quality and function, they must be integrated." This is a policy he believes is essential to the airline industry. He explained, "Environmental issues are inseparable from economic issues [in the airline industry]. It just makes good business sense, companies don't do it for nothing."

Mr. Hansson echoed Mr. Vehvilainen's belief in the good business sense of shared value and detailed his vision of the practice as "ensuring all your constituents are dealt with fairly and by processes marked by integrity." However, he also stressed that it must stand for something concrete. "When we talk about social responsibility, we have lofty speeches, dinner speeches, but it must be practical, tangible, and effective; it's not being Santa Claus, the good guy going around giving nice gifts," he claimed.

Mr. Aho also outlined three main obstacles to the shared value system. "One, a different understanding of motivations and incentives – for business, profit-making is key, while the government says it's not fair to make profit; two, the difficulty to change quickly and the need for a bigger perspective; and three, language – not understanding the same concepts in the same way, a business language versus a political language," he said.

The issue of language is one that Mr. Aho identified as the primary problem of shared value, stemming back to the failure of communism, after which people thought of "democracy and capitalism as twins with the same purpose and the same objectives." But that is not true, according to Mr. Aho. In his words, "It is a mistake to implement democratic policy in business and also business policy in government because it will not work."

Mr. Hansson shared this sentiment, stating the importance in distinguishing a separation between the government and business. Consequently, he said, "It is the role of government to provide a framework for stimulation for businesses, but the government should not run businesses and businesses should not run the government."

Continuing this line of thinking, Mr. Vehvilainen added that a further challenge to governments' involvement with corporations is the increasing globalization of business. As he puts it, "What does the collaboration of government and business mean when companies are global? The interlinkage that used to be there [between countries and corporations] is getting looser, so now governments need to compete for businesses."

Mr. Aziz sees opportunity for the system of shared value in a more regulated industry, specifically "success where a government has set a framework and gotten out of the way; a framework for business will solve social issues." He describes the efforts of the Singaporean government to promote tourism through integrated resorts as "an

opportunity to study a government framework for private business, taking social issues and resolving them by providing opportunities for tourism.”

Mr. Aho and Mr. Hansson wrapped up the discussion by explaining their views on how shared value should be implemented. For Mr. Aho, during the restructuring of his company Nokia, he said, “The primary goal is to assist employees in getting jobs, the next is to help the local community, and the third is to promote the company’s business objectives.” For Mr. Hansson, it is even simpler. He emphasized, “The basic premise is that it must be profitable to work, because if not, then we have lost; that is the responsibility of government and of business, to ensure that it is profitable for people to work.”