

Creating Shared Value in Sports

Professor Michael E. Porter
Harvard Business School

Beyond Sport United
New York, NY
September 27, 2011

This presentation draws on ideas from Professor Porter's books and articles, in particular, *Competitive Strategy* (The Free Press, 1980); *Competitive Advantage* (The Free Press, 1985); "What is Strategy?" (*Harvard Business Review*, Nov/Dec 1996); and *On Competition* (*Harvard Business Review*, 2008). No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Michael E. Porter. Additional information may be found at the website of the Institute for Strategy and Competitiveness, www.isc.hbs.edu.

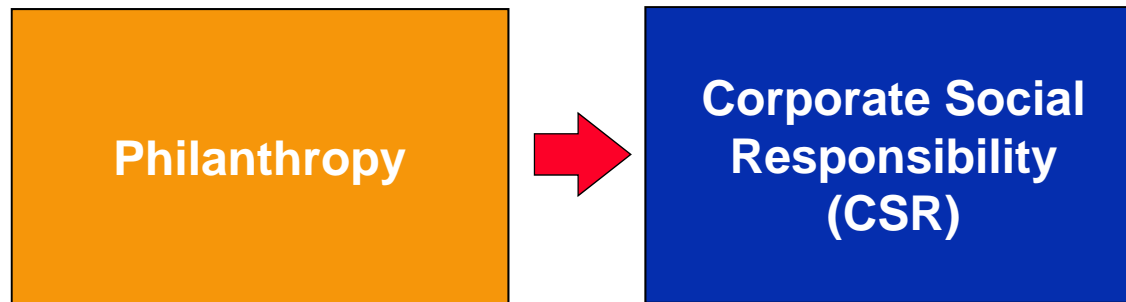
The Role of Business in the Community



Philanthropy

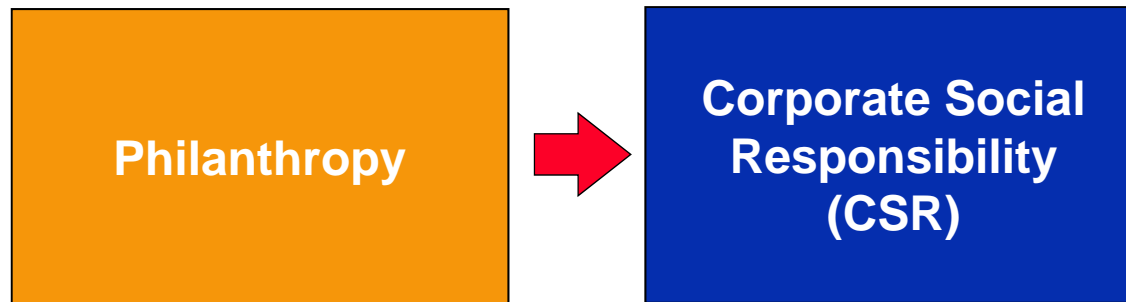
- Donations to worthy social causes

The Role of Business in the Community



- Donations to worthy social causes

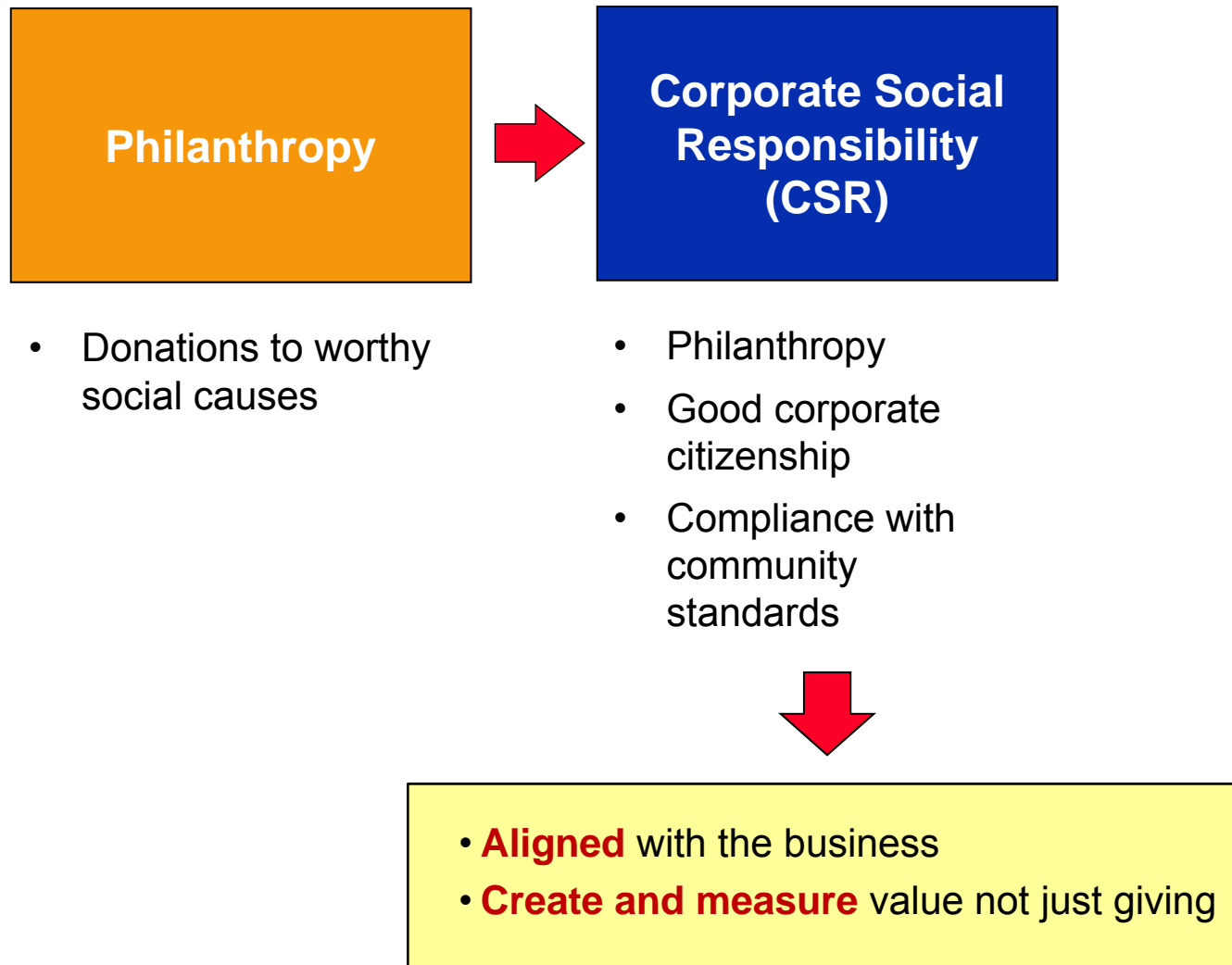
The Role of Business in the Community



- Donations to worthy social causes

- Philanthropy
- Good corporate citizenship
- Compliance with community standards

The Role of Business in the Community



The Role of Business in the Community



- Donations to worthy social causes

- Philanthropy
- Good corporate citizenship
- Compliance with community standards

The Concept of Shared Value

Shared Value: Corporate policies and practices that **enhance the competitiveness** of a company while simultaneously **advancing social and economic conditions** in the communities in which it operates

- Create **economic value** by creating **societal value**
 - What is good for the community is good for the business



- Concern with **societal issues** will be a defining characteristic of the post-crisis era
- Incorporating societal issues into strategy and operations is **the next major transformation** in management thinking

Levels of Shared Value

- Reconceiving customer **needs, products, and markets**
- **Redefining productivity** in the value chain
 - How the organization conducts its business
- Enabling **local cluster development**

Reconceiving Products and Markets

- Redesign products and services to **address societal needs**
 - E.g., environmental impact, safety, health, education, nutrition, living with disability, housing, financial security
- Open **new markets** by serving unmet needs in underserved communities
 - Often requires **redesigned products** or different **distribution methods**



- Businesses have the potential to be more effective than governments and NGOs alone in **marketing** solutions to social problems
- Shared value offers new opportunities to **differentiate, innovate, and grow**

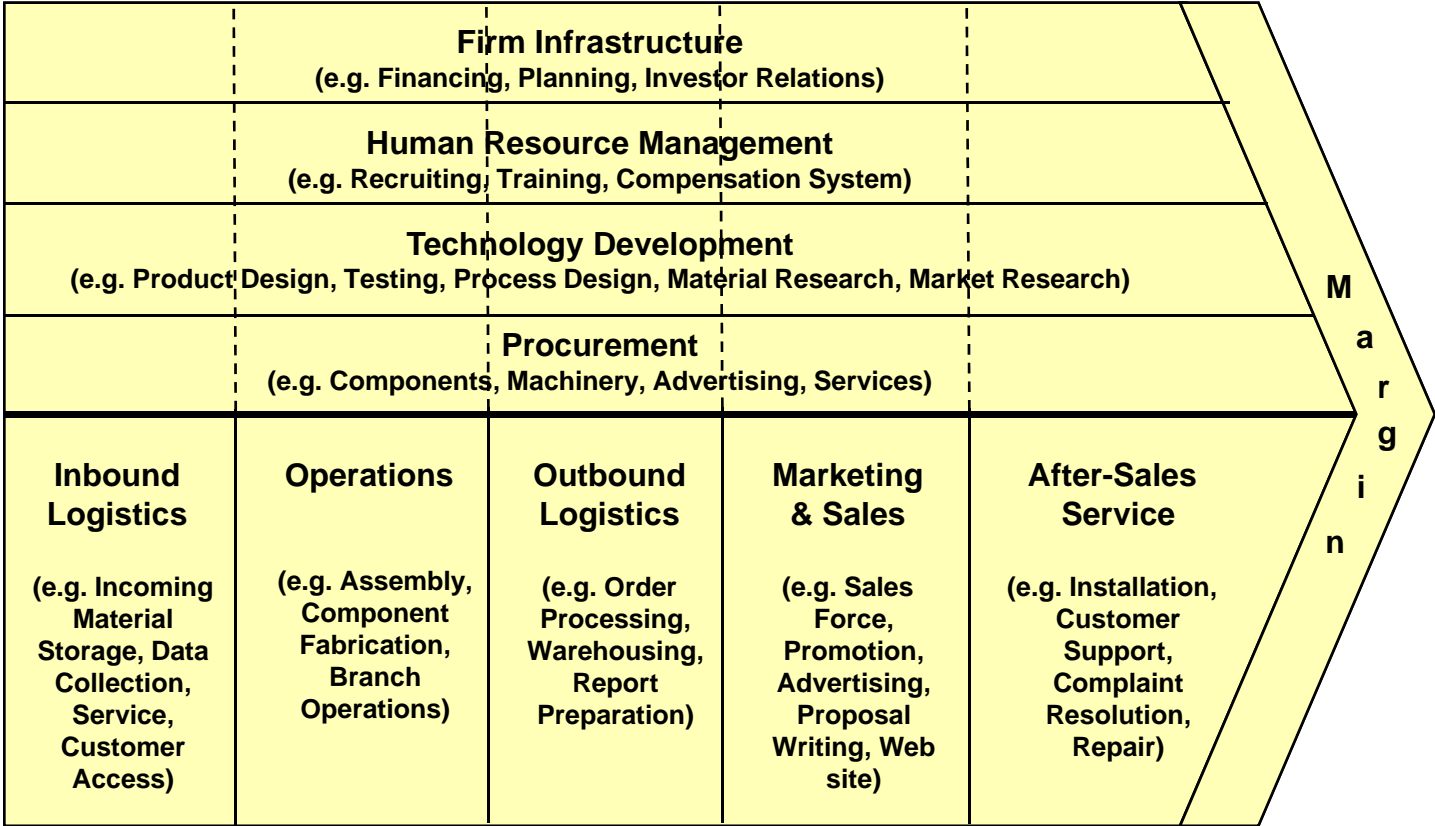
Creating Shared Value in Products

Intuit SnapTax

SnapTax provides low-income consumers with access to tax preparation services over the phone and enables rapid refunds

- **15 minutes for \$15**, electronic filing included
- Data extracted from **mobile phone photos** of W-2s via optical character recognition
- **Debit card** option for direct deposit of refunds for unbanked households
- **Simple IRA option** to enable use of refund for retirement savings

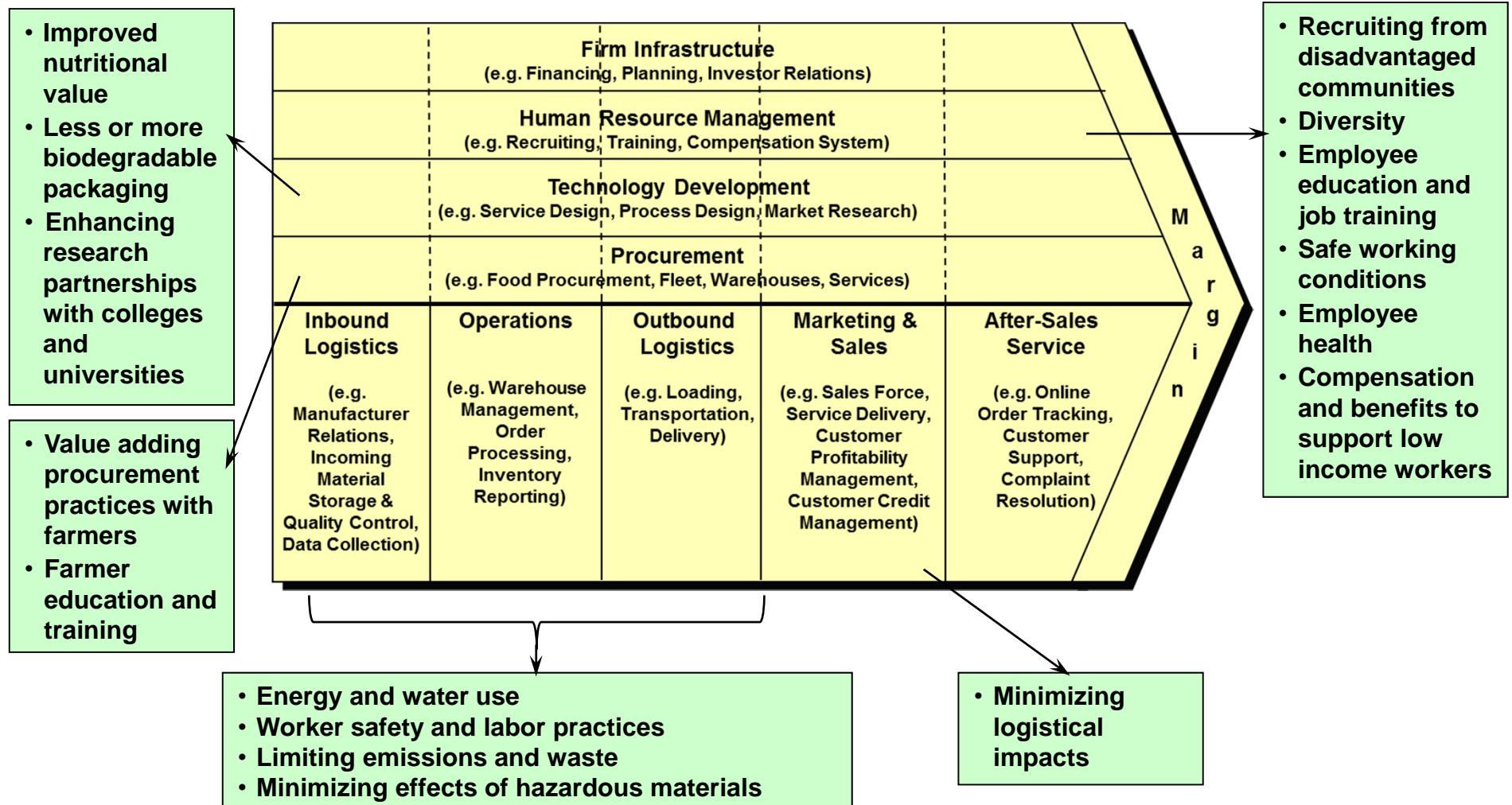
Redefining Productivity in the Value Chain



- Purchasing
- Resource use
- Energy use
- Logistical efficiency
- Employee productivity

Identifying Opportunities for Shared Value in Food Services

The Value Chain



Cluster Development in the Company's Major Locations

- A strong local cluster improves company **growth** and **productivity**
 - Local suppliers
 - Supporting institutions and infrastructure
 - Related businesses
- **Companies**, working collaboratively, can catalyze major improvements in the local cluster and business environment
- Local cluster development **strengthens the link** between a company's success and community success



- Real estate development
- Supplier development
- Institutional development
- Anchor for related businesses

Creating Shared Value

Opportunities for Sports Organizations

- Reconceiving customer **needs**, **products**, and **markets**
 - Wider participation in the sport
 - Fitness, health, wellness, and personal development
- **Redefining productivity** in the value chain
 - Energy efficiency and waste reduction
 - Value-added local procurement
 - Workforce development and recruiting
 - Teams and vendors
- Enabling **local cluster development**
 - Spur economic development in the areas surrounding stadiums and other team facilities
 - Create a local supplier base for concessions, souvenirs, etc.
 - Anchor other entertainment and real estate development

Adding a Social Dimension to Strategy

Whole Foods Markets

Value Proposition

- Natural, fresh, organic, and prepared foods and health items with excellent service at premium prices
- Cater to specialized nutritional requirements (gluten allergies, vegan, etc.)
- Educated, middle class, and affluent customers who are passionate about food and a healthy lifestyle

Distinctive Activities

- Well-lit, inviting supermarket store formats with appealing displays and extensive prepared foods sections
- Produce section as “theater”
- Café-style seating areas with wireless internet for meals and meetings
- Each store carries local produce and has the authority to contract with the local farmers. Company provides low-interest loans and microcredit if needed
- Information and education provided to shoppers along with products
- High touch in-store customer service via knowledgeable, flexible, and highly motivated personnel
- Flat compensation structure
- Own seafood procurement and processing facilities to control quality (and price) from the boat to the counter
- Heavy emphasis on environmental sustainability in all activities.
- Emphasis on supporting community development



- Successful strategies in the future will embody a significant **shared value dimension**

The Purpose of Business

- There is an opportunity to **transform thinking and practice** about the role of the corporation in society
- Shared value gives rise to **far broader approaches** to economic value creation
- Shared value thinking will drive the next wave of **innovation, productivity enhancement, and economic growth**
- Businesses **acting as businesses**, not as charitable givers, are arguably the most powerful force for addressing many of the pressing issues facing our society
- A transformation of business practice around shared value will give **purpose** to the corporation and represents our best chance to **legitimize business again**