Recent Developments in Competitiveness and Strategy

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The Role of Business in Society

• Only business can create prosperity
• Healthy businesses need a healthy community
• There is an ever growing awareness of major societal challenges
• Government and NGO’s alone lack sufficient resources and capabilities to fully meet these challenges

   BUT

• More of the public perceives business as prospering at the expense of the society
• Despite growing corporate citizenship activities, the legitimacy of business has fallen

• We need a new model
The Role of Business in Society

Evolving Approaches

- Philanthropy
  - Donations to worthy social causes
  - Volunteering

- Corporate Social Responsibility (CSR)
  - Compliance with community standards
  - Good corporate citizenship
  - "Sustainability"

- Creating Shared Value (CSV)
  - Integrating societal improvement into economic value creation itself
  - Driving social improvement with a business model
Levels of Shared Value

I: Reconceiving needs, products, and customers
   – Meeting societal needs through products
   – Addressing unserved or underserved customers in the industry

II: Redefining productivity in the value chain
   – Changing practices in the value chain to drive productivity through better utilizing resources, employees, and business partners

III: Enabling local cluster development
   – Improving the available skills, supplier base, and supporting institutions in the communities in which a company operates to boost productivity, innovation, and growth
HBS U.S. Competitiveness Project
Key HBS Alumni Survey Findings

1. Business leaders see a **deepening U.S. competitiveness problem**

2. The United States is faring poorly in **business location decisions**

3. America’s business environment is still strong in many critical respects but **has been eroding** in many areas

Strength and Improving

- UNIVERSITIES
- ENTREPRENEURSHIP
- FIRM MANAGEMENT
- PROPERTY RIGHTS
- CLUSTERS
- INNOVATION
- CAPITAL MARKETS

Weakness but Improving

- COMMUNICATIONS INFRASTRUCTURE
- FLEXIBILITY IN HIRING AND FIRING

Weakness and Deteriorating

- TAX CODE
- MACRO POLICY
- K-12 EDUCATION SYSTEM
- POLITICAL SYSTEM

Strength but Deteriorating

- SKILLED LABOR
- LOGISTICS INFRASTRUCTURE

What Washington Needs to Do Now

1. Create a **sustainable federal budget** through a combination of greater revenue (including reducing deductions) and less spending (through efficiencies in entitlement programs and revised spending priorities), embodying a compromise such as Simpson-Bowles.

2. Ease the **immigration of highly skilled individuals**, starting with international graduates of U.S. universities.

3. Simplify the **corporate tax code** with lower statutory rates and no exclusions.

4. Create an **international taxation system** for U.S. multinationals that taxes overseas profits only where they are earned, consistent with practices in other leading countries.

5. Aggressively use bilateral agreements and established international institutions to address distortions and abuses in the **international trading and investment system**.

6. Simplify and streamline **regulation affecting business** to focus on outcomes rather than costly reporting and compliance, delays, and frequent litigation.

7. Enact a multiyear program to **improve logistical, communications and energy infrastructure**, prioritizing those projects most economically important.

8. Agree on a balanced regulatory and reporting framework to guide the **responsible development of U.S. shale gas and oil reserves**, to move to energy independence and bridge to renewable energy.

Note: This list was prepared by Professors Michael E. Porter and Jan W. Rivkin in order to spark discussion. It does not represent the position of Harvard Business School or of other HBS faculty.
Strengthening the Local Business Environment

Roles of Business

**Improving skills**
- Create or expand an *apprentice program*
- Create or expand a *training program*
- Partner with a *community college, technical school, or university*

**Upgrading supporting industries**
- Identify and increase sourcing from capable *local suppliers*
- *Mentor local suppliers* to upgrade their capabilities

**Supporting innovation and entrepreneurship**
- Participate in *research collaboratives* in company’s field
- *Invest in or incubate promising startups* related to company’s business

**Collaborating on regional business environment improvement**
- Participate in a *regional competitiveness initiative* in your region

**Bolstering regional cluster development**
- Participate in a *cluster competitiveness initiative* in your field

**Locating in the U.S.**
- Move activities back to the U.S. that can be productive here