

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



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

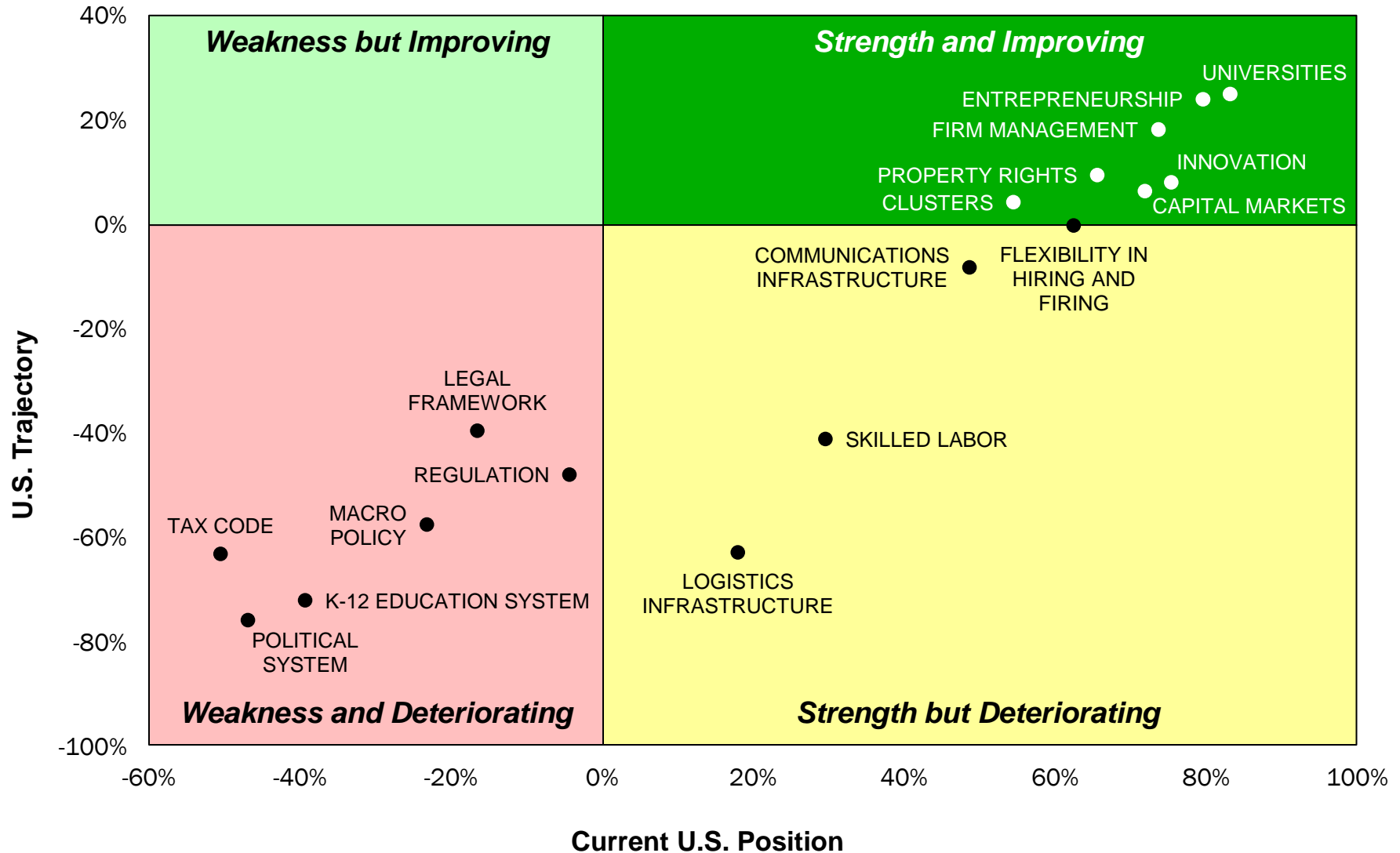
HBS U.S. Competitiveness Project

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

HBS U.S. Competitiveness Project

Assessing the U.S. Business Environment



Source: U.S. Competitiveness Project, Harvard Business School; "What business should do to restore competitiveness," Fortune Magazine, 10/15/2012

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