

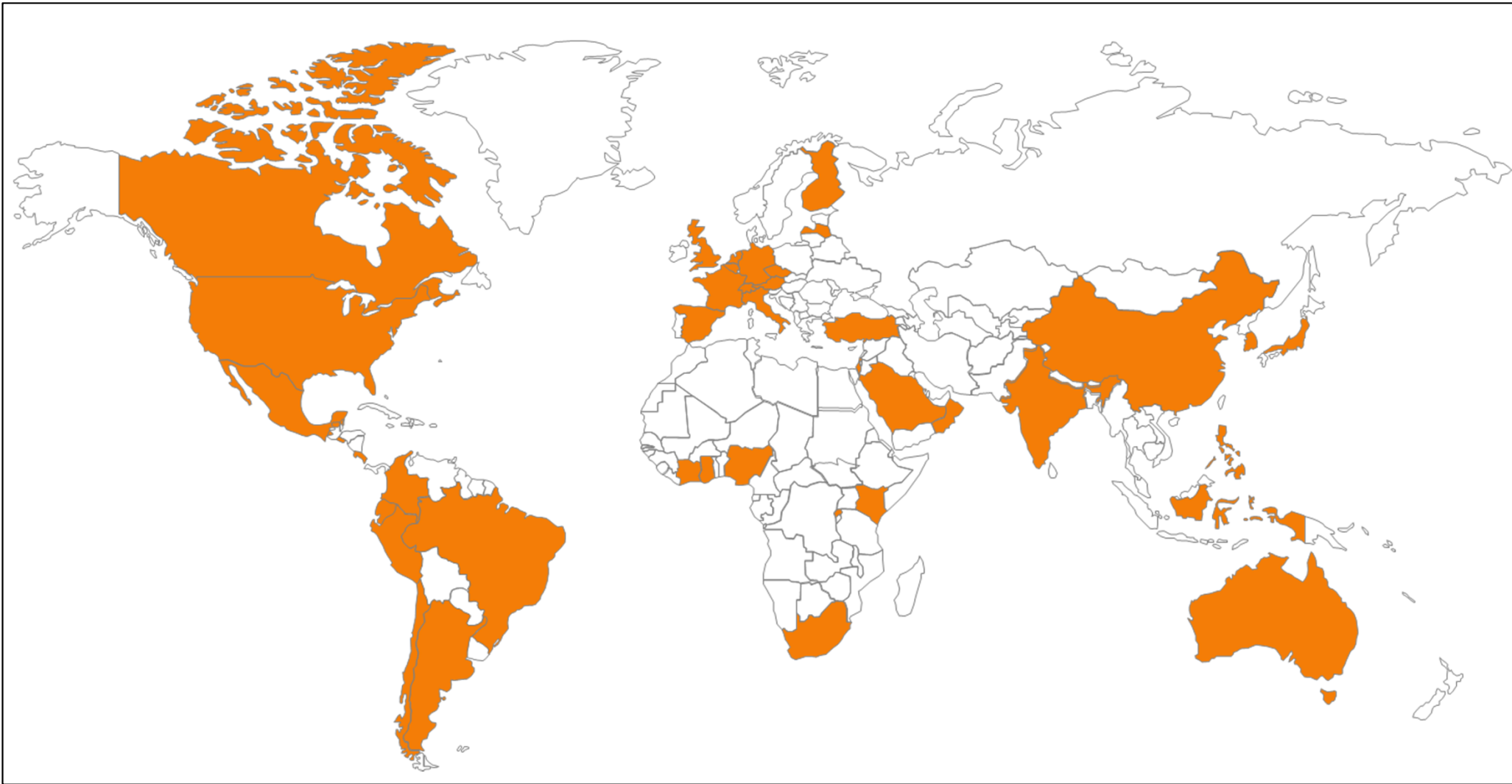
Creating Shared Value as Business Strategy

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The ideas drawn from “Creating Shared Value” (*Harvard Business Review*, Jan 2011) and “Competing by Saving Lives” (FSG, 2012). 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. For further materials, see the website of the Institute for Strategy and Competitiveness, www.isc.hbs.edu, and FSG website, www.fsg.org.

Shared Value Continues to Gain Global Momentum



- In the last 2 years, we have been involved in shared value **projects, events, and workshops** in **44 countries**

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**

II: **Redefining productivity** in the value chain

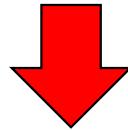
- Using resources, suppliers, logistics, and employees **more productively**

III: Improving the **local business environment**

- Improving the **skills**, **supplier base**, **regulatory environment**, and **supporting institutions** in the communities in which a company operates

Measuring Shared Value

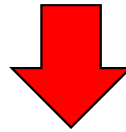
- Measure the **direct link** between social impact and economic impact
 - Line of sight
- Measures are **unique** to the type of shared value being created
- The shared value is **intentional** and **focused**



- Some stakeholders still believe economic success is **inconsistent** with social benefit

Adding a Social Dimension to Strategy by Creating Shared Value

- Shared value opens up new **needs**, new **markets**, new **value chain configurations**, and new **ways of thinking** about the business
- This creates new opportunities for **strategic positioning** and new **competitive advantages**



- Companies should incorporate a **social dimension** in their value proposition
- Adding social dimensions makes strategy more **sustainable vs. competitors** than conventional cost and quality advantages

Shared Value and Strategy

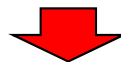
Whole Foods Markets

Value Proposition

- Natural, fresh, organic, and freshly prepared foods and health items with excellent service at premium prices
- Cater to specialized nutritional requirements (gluten allergies, vegan, etc.)
- Educated 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 if needed
- Nutrition 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, sustainability and price from the boat to the counter
- Heavy emphasis on environmental sustainability in all activities
- Emphasis on supporting community development



- Whole Foods is the most **economically successful** food retailer in North America
- Successful strategies in the future will embody a significant **shared value dimension**

From Product to Purpose

	<u>Traditional Positioning</u>		<u>New Positioning</u>
Nestlé	<ul style="list-style-type: none">• Food and Beverage Company		<ul style="list-style-type: none">• Nutrition Company
Nike	<ul style="list-style-type: none">• Footwear Company		<ul style="list-style-type: none">• Health and Wellness Company
Thermo Fisher	<ul style="list-style-type: none">• Scientific and Laboratory Instruments Company		<ul style="list-style-type: none">• Making the World Healthier, Cleaner, and Safer

- A **broader sense of social purpose** opens up **new opportunities** for growth and profitability, while **motivating** and **attracting** employees, consumers, business partners, shareholders, and the public

New Stakeholder Roles and Relationships

- The focus on social impact **unites the goals** of companies, NGOs, and government
- Shared value fosters **new relationships** between companies, philanthropists, NGOs, and government in addressing social issues

Traditional Roles

New Roles

Philanthropists

- Donate to charitable causes

- Partner with companies and NGOs to catalyze shared value initiatives

NGOs

- Receive grants to deliver social services

- Enable the implementation of new shared value business models

Governments

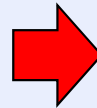
- Tax and regulate business; operate social programs

- Make platform investments and support shared value strategies; regulate to encourage shared value solutions

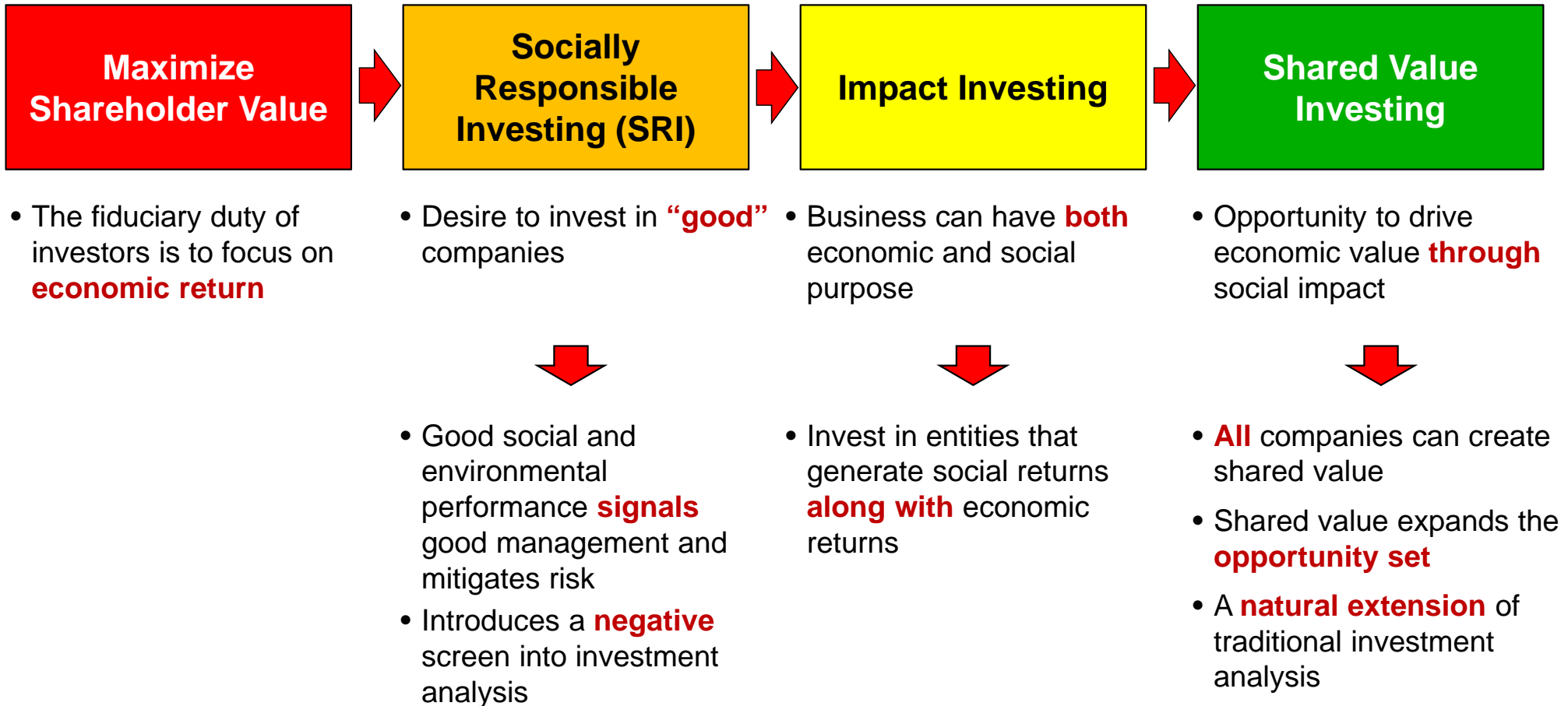
Companies

- Donate to charitable causes or ESG programs

- Partner with NGOs and government to initiate and scale shared value strategies; partner with other companies who share the same social issue



The Role of Investors in Creating Shared Value



Creating Shared Value: Moving to Action

- Become a **champion for shared value** at your organization
- Join the **community of practice** on sharedvalue.org
- Share your successes and challenges through the **Shared Value Initiative**
- Contribute to **shared value research**
- Serve as an ambassador to advance the **global shared value momentum**