

The Role of Sports in Society: Creating Shared Value

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*ICSS Conference
Boston, MA / Doha, Qatar
March 14, 2012*

This presentation draws on ideas from Professor Porter's books and articles, in particular, "Creating Shared Value" (*Harvard Business Review*, Jan/Feb 2011); "Strategy and Society" (*Harvard Business Review*, Dec 2006); "What is Strategy?" (*Harvard Business Review*, Nov/Dec 1996); and *On Competition* (Harvard Business School Press, 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 Society

- Only business can **create prosperity**
- Healthy businesses need a **healthy community**

BUT

- There is a **growing awareness** of major societal challenges. Concern with **societal issues** will be a defining characteristic of the post-crisis era
 - Companies are increasingly perceived to be prospering **at the expense of the broader community**
 - Business increasingly is seen as **a major cause of social, environmental, and economic problems**
 - Government and civil society often attempt to address societal issues **at the expense of business**
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- Despite growing corporate citizenship activities, the **legitimacy of business** has fallen

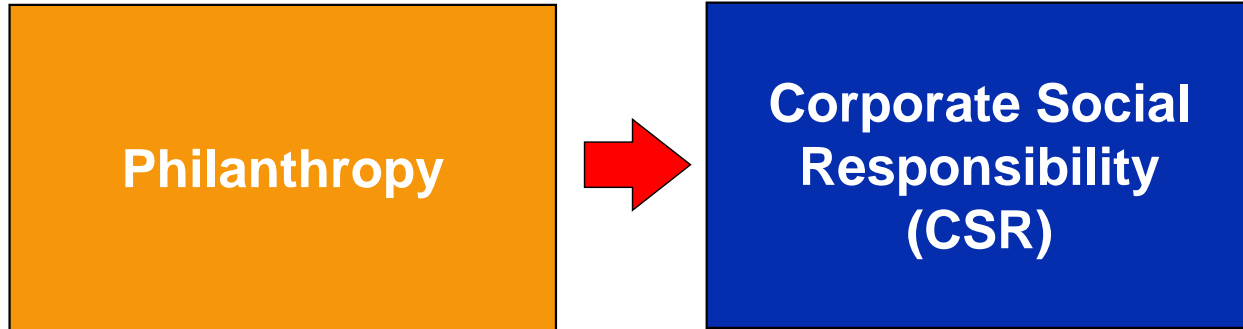
The Role of a Company in Its Communities



Philanthropy

- Donations to worthy social causes

The Role of a Company in Its Communities



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- Good corporate citizenship and compliance with community standards
- “Sustainability”

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- Integrating societal improvement into **economic value creation** itself

The Concept of Shared Value

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

- **Shared Value is:**

- Creating **economic value** by creating **societal value**
- Using **capitalism** to address social problems

- **Shared Value is NOT:**

- Sharing the value already created (philanthropy)
- Personal values
- Balancing stakeholder interests

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- All profit is **not equal**. Profit involving shared value enables society to advance and companies to grow faster
- Incorporating societal issues into strategy and operations is **the next major transformation** in management thinking
- Shared value thinking represents the next evolution of **capitalism itself**

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**

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

Discovering Product and Market Opportunities to Create Shared Value

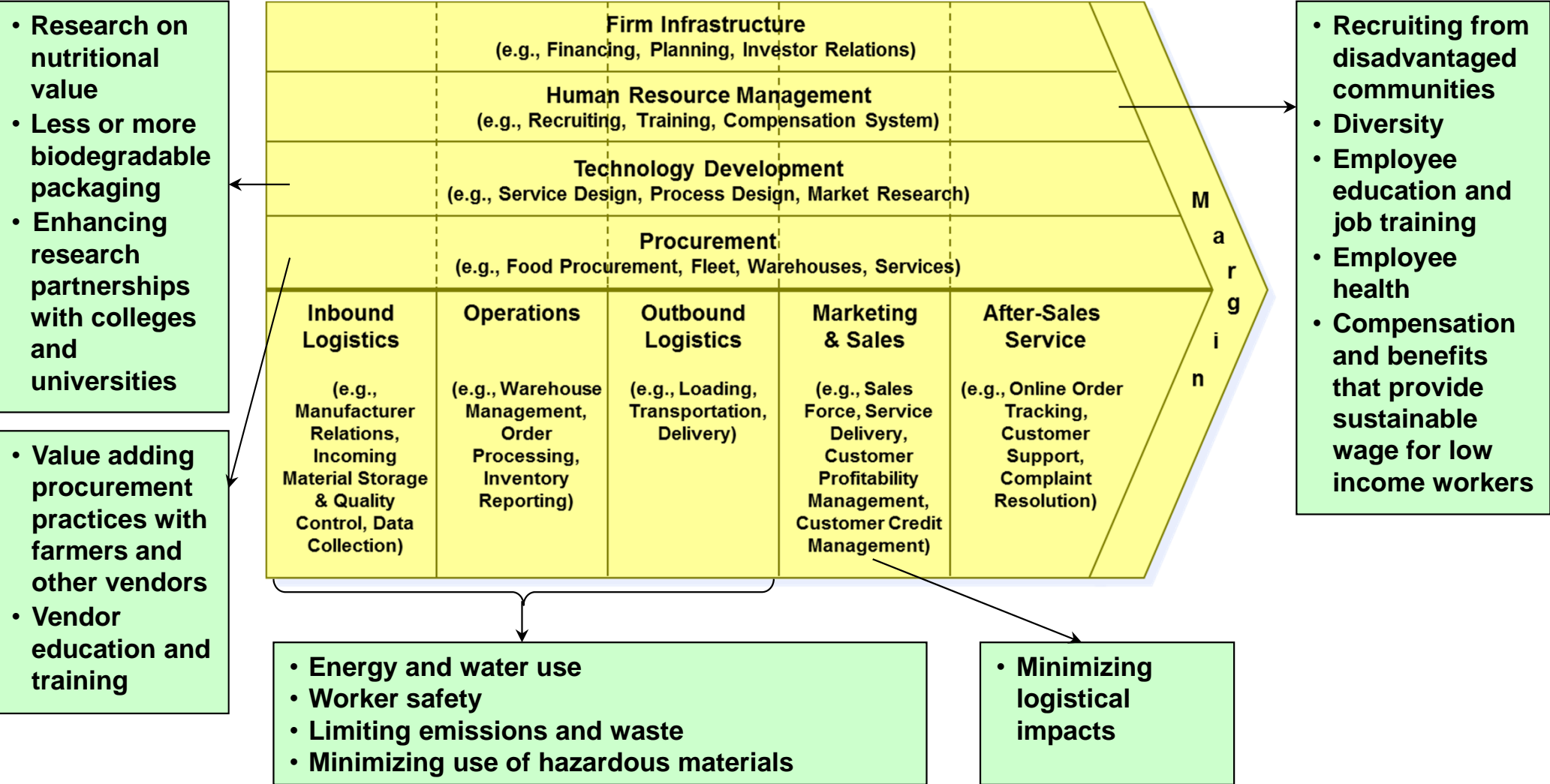
- Redefine the business around **unsolved customer problems or concerns**, not traditional product definitions
 - Or the customer's customer
- Think in terms of **improving lives**, not just meeting consumer needs
- Identify customer groups that have been **poorly served** or **overlooked** by the industry's products
- Start with **no preconceived constraints** about product attributes, channel configuration, or the economic model of the business (e.g., small loans are unprofitable)



- Opens up **new opportunities** to customer segmentation and marketing

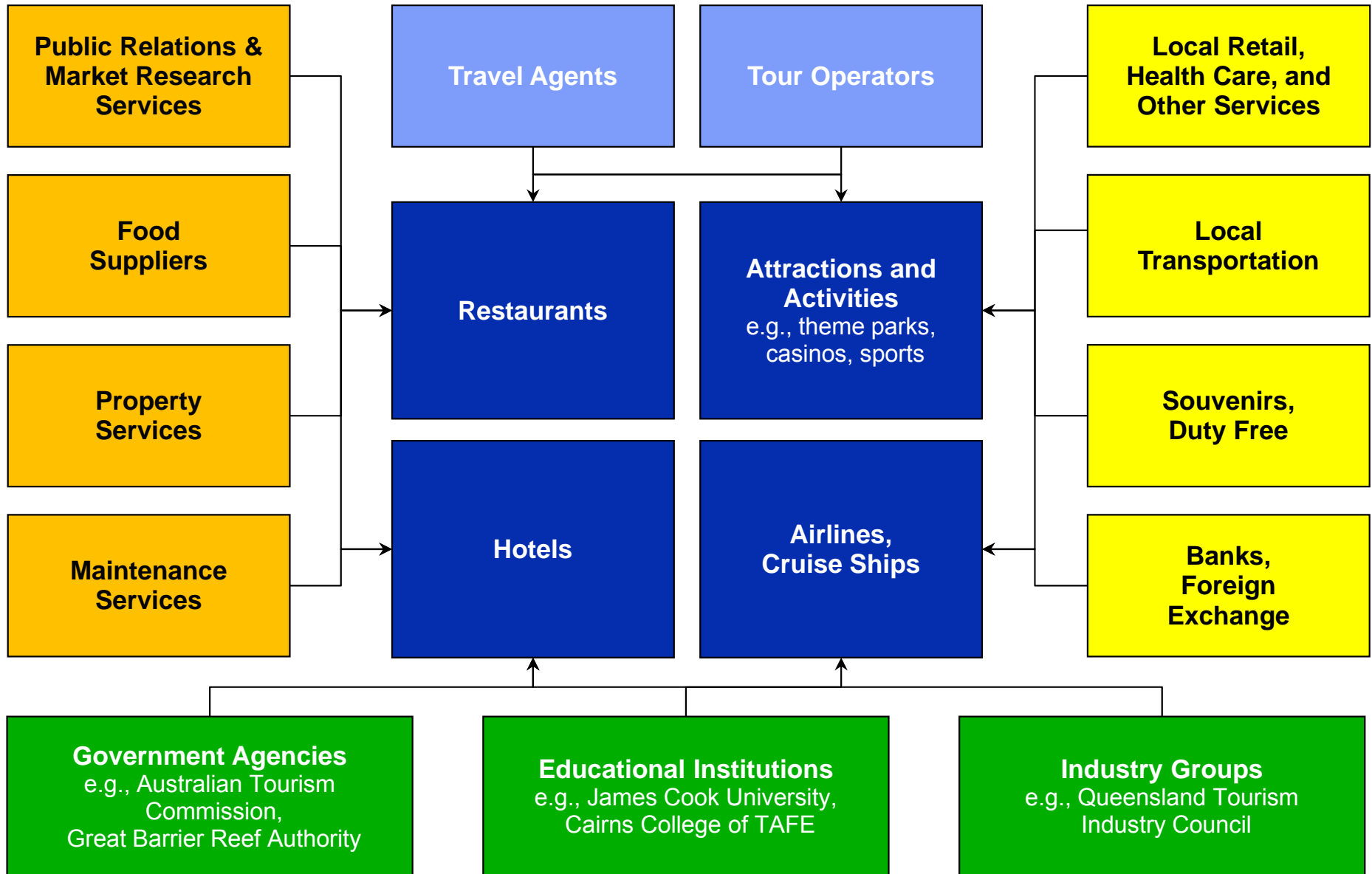
Identifying Opportunities for Shared Value in Food Services

The Value Chain



State of Cluster Development

Tourism Cluster in Cairns, Australia



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

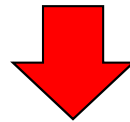
Creating Shared Value

Opportunities for Professional 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
 - Workforce development and recruiting
 - Teams and vendors
 - Value-added local procurement
- 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 developments

Adding a Social Dimension to Strategy

- Shared value opens up new **needs**, new **markets**, and new **value chain configurations**
- This creates **new strategic positions**, and new opportunities for **extending existing positioning**



- Companies should incorporate a **social dimension** to their value proposition
- Shared value can **reinforce** and even **anchor** a company's strategy
- The social dimension of strategy can be more **sustainable vs. competitors** than conventional cost and quality advantages

Shared Value and Strategic Positioning

Intrepid Travel

Value Proposition

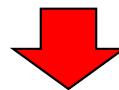
- Sustainable small-group travel
- Unique real-life experiences involving significant interaction with the local communities
- Cost-conscious, adventurous, socially aware travellers looking for authentic experiences

Mission

“Intrepid’s core purpose is to enrich people’s lives by creating unique, interactive travel experiences. We provide fun, affordable and sustainable travel that is profitable for Intrepid and beneficial to local communities.”

Distinctive Activities

- Smaller groups allows for frequent use of local public transport, supporting local infrastructure and reducing environmental impact
- Smaller groups allow stays at local hotels and homestay opportunities as well as dining at local restaurants
- Some trips involve community volunteer projects where travellers help build local infrastructure
- Significant training of local tour guides and other local businesses such as hotels to improve quality and efficiency
- Projects such as Kilimanjaro Porters Assistance Project outfits 300+ porters per month with climbing gear and has trained 10,000 porters in first aid, conversational English, money management, and HIV/AIDS awareness since 2004
- Cooperation with Victoria University to study the impact of small group travel on sensitive rural communities



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

The Purpose of the Sports 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 growth, 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**