

Clusters and Shared Value: a natural alliance

Abridged version

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0. Introduction

- 1. The concept of Shared Value and its origins**
- 2. Shared Value and clusters: a natural alliance**
- 3. Implementation at cluster level: the Catalan example**
- 4. The way ahead and conclusions**

0. Introduction

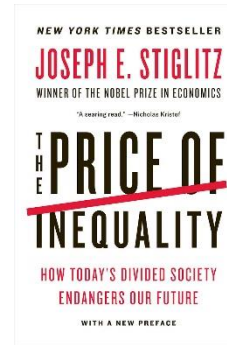
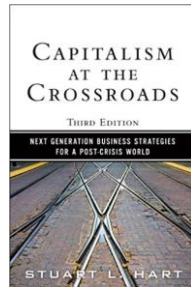
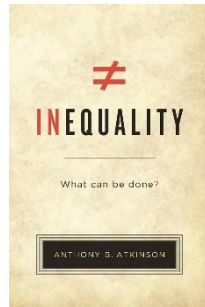
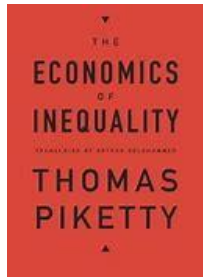
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1. The way ahead and conclusions

GDP is not a good
measure of **economic
performance**, it's not a
good measure of
well-being

Joseph Stiglitz
Economist



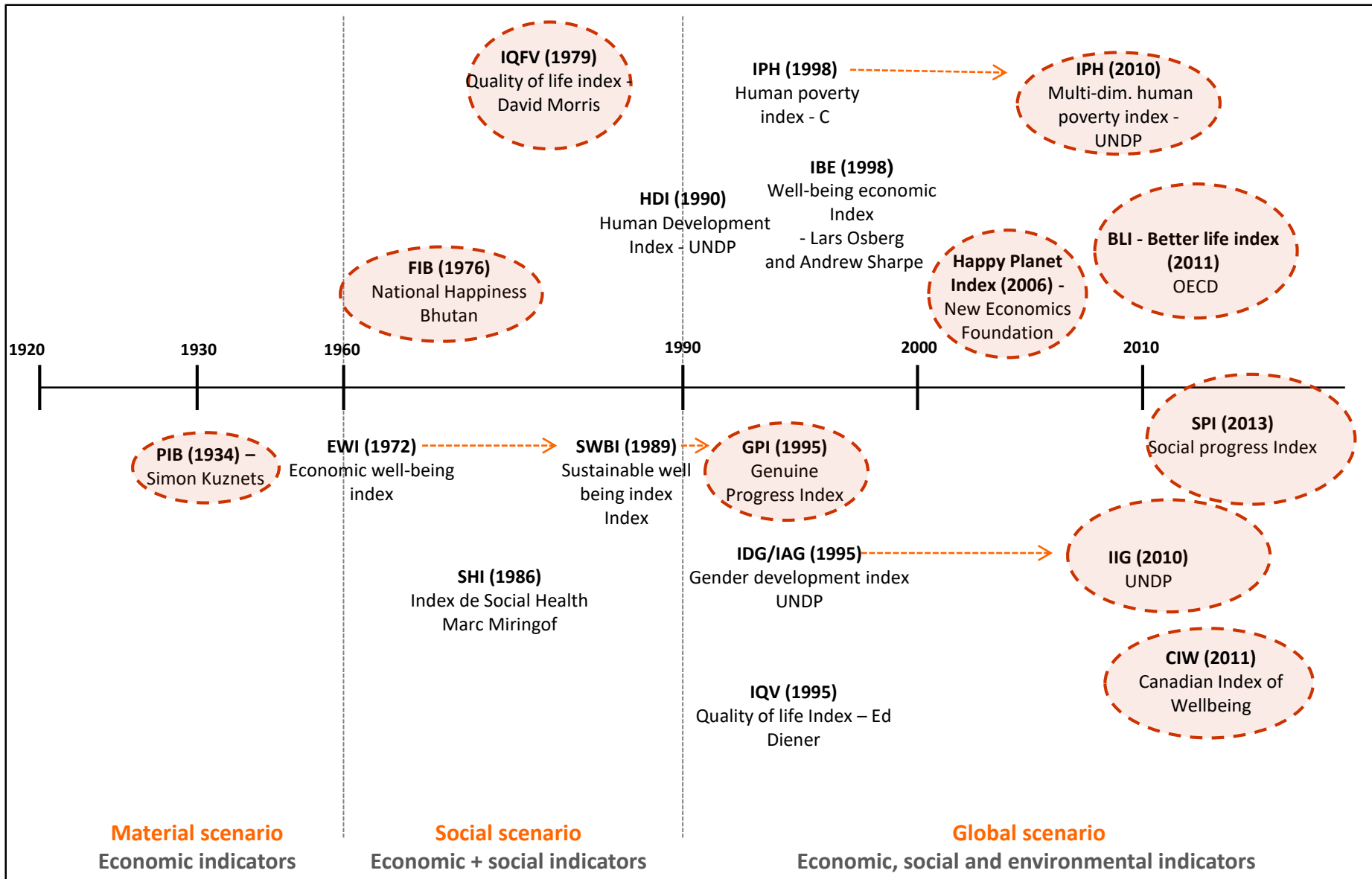
INEQUALITY AND ITS CONSEQUENCES ARE BECOMING THE HOTTEST TOPIC IN SOCIO-ECONOMIC DEBATE



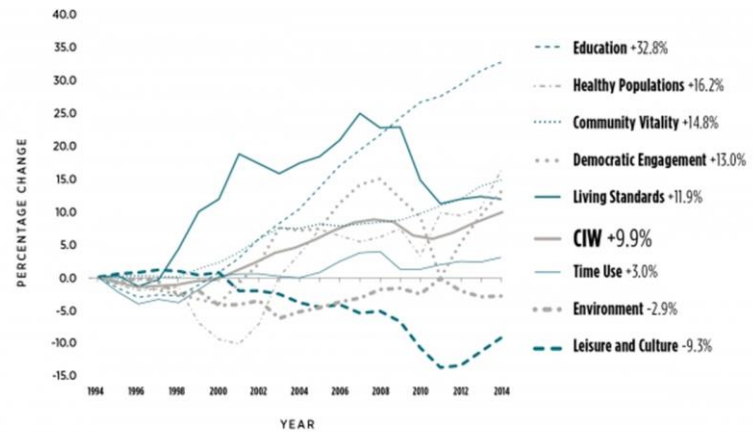
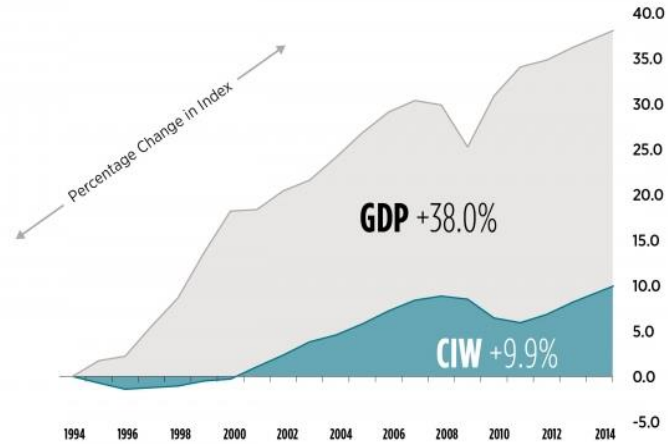
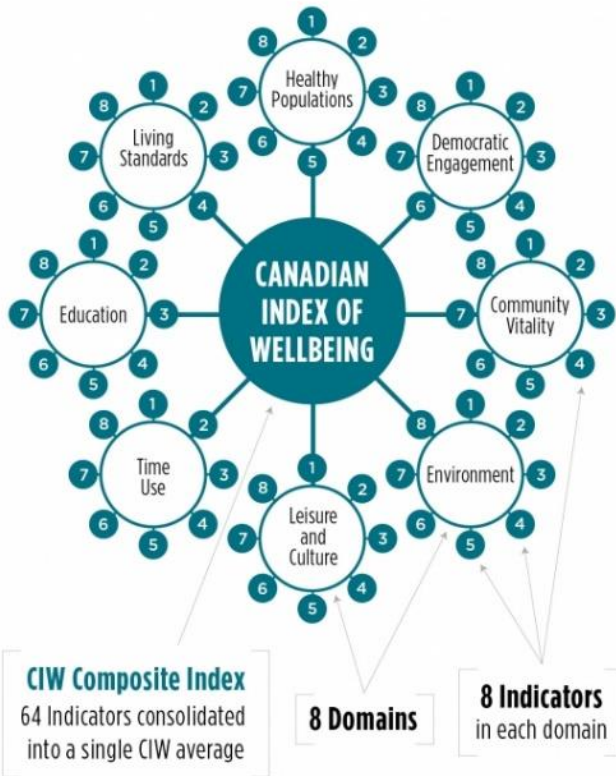
ENVIRONMENTAL AND SOCIETAL CONCERNS ARE GROWING ...

WELL-BEING IS INCREASINGLY BEING MEASURED WITH NON-ECONOMIC INDICATORS

BEYOND GDP



EXAMPLE: CANADIAN INDEX OF WELL-BEING



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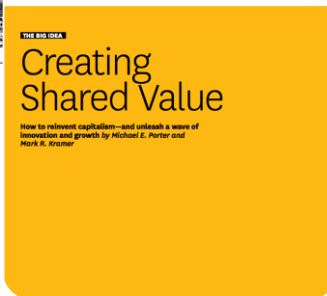
SHARED VALUE: A NEW BIG IDEA?

 **17th TCI GLOBAL CONFERENCE**
10-13 NOVEMBER 2014, MONTERREY, NL, MEXICO

CREATING SHARED VALUE THROUGH CLUSTERS FOR A SUSTAINABLE FUTURE  **TCI**



2011



2011

THE CRISIS OF CAPITALISM: AN OPEN DEBATE

I. THE CAPITALIST SYSTEM IS UNDER SIEGE: THE URGE OF A GENERAL RETHINKING

"The capitalist system is under siege. In recent years the capitalist system has been viewed as a major cause of social, environmental, and economic problems. Companies are widely perceived to be prospering at the expense of the broader community" (Porter and Kramer, 2011, p. 1).

This is the incipit of a sort of manifest for a new brand of capitalism by M. Porter e M. Kramer (from now on P.K.), appeared in the first issue of 2011 of the Harvard Business Review.

In conclusion, they say: the moment for a new conception of capitalism is now; society's needs are large and growing, while customers, employees, and a new generation of young people are asking business to step up.

It is very important, I believe, that such explicit signs of preoccupation come from one of the true scientific-ideological hearts of capitalism, such as the Boston's Harvard University.

The sense of drama of the expressions quoted, as well as of other possible quotations from the text of P.K., is, in my view, suitable for a world where finance, that has invaded all resorts, care only for the net surplus of every transaction, or group of transactions. Buy cheap and sell dear, independently from circumstances and effects, seems to have become the basic saying of our times.

Accordingly the text of P.K. must be taken as an authoritative cry of alarm and its considerations and proposals must be taken seriously.

It is true that the text here commented has more the air of a pamphlet than of a scientific paper, but, as I will try showing, it contains also an interesting fragment of a very ambitious theoretical downturn.

SHARED VALUE: DEFINITION

“... policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates”

M.E. Porter and M. Kramer, HBR, 1-2, 2011

- SV is about creating a common ground for economic and societal values
- SV is not anecdotic, it should be embedded in firm strategy

**But how is Shared Value
created?**

THREE WAYS TO CREATE SHARED VALUE

Conceiving new products and markets

- Products and services better aligned with societal needs
- Providing products and services to disadvantaged communities
- ...

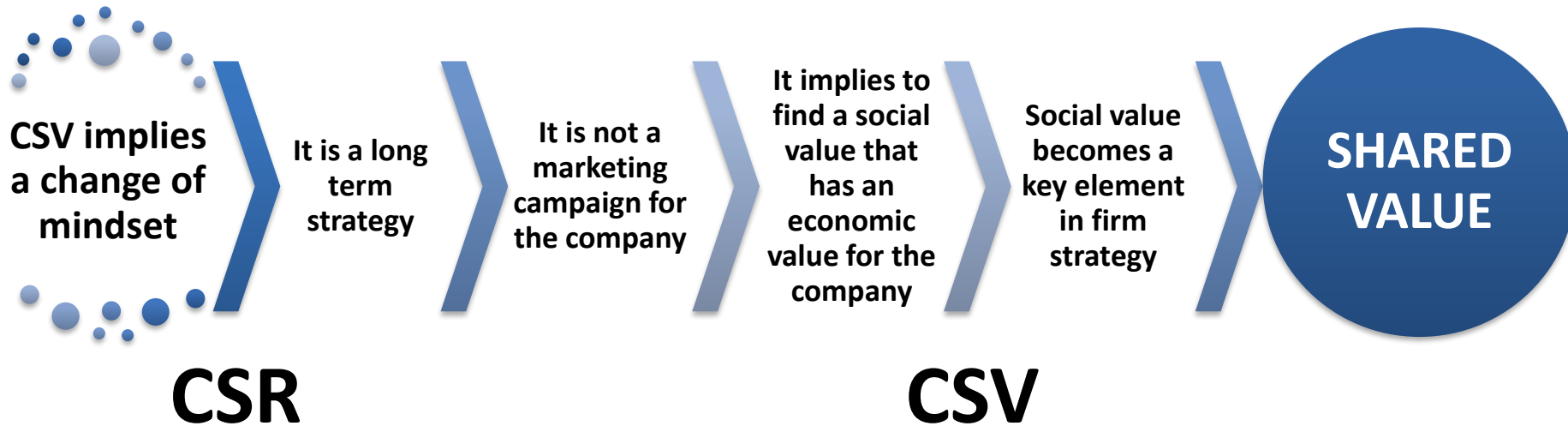
Redefining productivity in the value chain

- Better and more efficient use of scarce natural resources
- New business models that take into account specific societal needs
- ...

Building supportive industry clusters at the company's location

- Developing skills of local suppliers
- Improving local business environment
- ...

SHARED VALUE AND CORPORATE SOCIAL RESPONSIBILITY



- Citizenship, philanthropy, sustainability
- Discretionary or in response to external pressure
- Separate from profit maximization
- Agenda is determined by external reporting and personal preferences
- Impact limited by corporate footprint and CSR budget

- Joint company and community value creation
- Integral to competing
- Integral to profit maximization
- Agenda is company-specific and internally generated
- Realigns the entire company budget

What we've seen

A HEALTHY NUMBER OF BOTTOM-UP, NON-TRACKED
(FROM THE SHARED VALUE POINT OF VIEW) EXAMPLES OF
SV PROJECTS....

...MEANING THAT SHARED VALUE IS A POTENTIALLY KEY
AREA FOR DISRUPTIVE CLUSTER PROJECTS.

EXAMPLE OF INTER-CLUSTER COOPERATION PROJECT WITH SV COMPONENT

The Catalan Leather Industry

In early 1993, Antoni Subira, the Minister of Industry of Catalonia, wondered how to help the local leather tanning industry which was seriously threatened by the upcoming introduction of Spanish legislation to enact European Union (EU) environmental standards. He had just met with a delegation of the major Catalan leather tanners. The industrialists had claimed that a recent upsurge in imports and the resulting closing of numerous local firms had left the industry unable to cope with the stricter environmental standards. They believed the changes necessary to reduce pollution to the EU standard (or face fines of up to 100 million pesetas, or \$600,000), would raise production costs well above those of the competitors.

Minister Subira, a former professor at IESE, a leading European business school located in Barcelona, and a graduate of MIT, had been the Catalan Minister of Industry since 1990. In this capacity he had emphasized policies based on free market competition and had avoided subsidization of industries without a future just to maintain employment. Technical aids had been granted only to industries that had identifiable competitive strengths and only for investment and research and development projects. Many of his efforts in this regard were in line with the recommendations of a study he had sponsored on the competitiveness of Catalan industry.

The New Environmental Standards in Catalonia

Since the 1970s, the European Union had tried to homogenize environmental standards throughout member states. EU environmental directives had to be converted into national law by each state in order to be effective, since polluting firms could only be sanctioned through the national laws of a country within which they operated. The EU only could sanction member states that either refused or were late to enact the directive. Upon entering the EU in 1986, Spain was allowed a transition period to adjust its environmental legislation to the existing EU standards. The Spanish national law had been significantly more tolerant of pollution than the EU standard.

On the one hand, Minister Subira knew the law enacting the EU directives was to go into effect shortly, as Spain could not further delay its adherence to European standards without incurring the risk of being sanctioned. Moreover, he was conscious of the pressure of public opinion on Catalonia's Environmental Department: after all, if the citizens of Catalonia desired less pollution, it would be necessary to apply the EU standards.

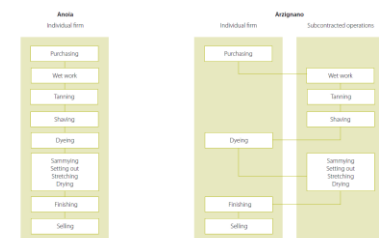
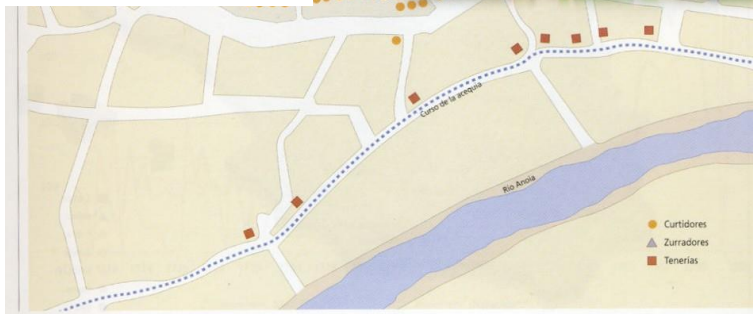
This case was prepared by Maria Dolores Rodriguez (Instituto de Estudios Superiores de la Empresa IESE) with Maria del Mar Pons (CLUSTER S.L.) and Professor Michael J. Dwight (Harvard Business School) in consultation with Professor Edward Palmer (IESE) as the main pro-idea discussion editor. She is Director of the effective or ineffective handling of an administrative situation. The contributors would like to thank Emiliانو Duch (Director of CLUSTER S.L.) for his suggestions and advice.

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Improvement of local environment by reducing water contamination

Increase of firm competitiveness through economies of scale and supply chain efficiency



Leather tanning workshops in Igualada (Barcelona) begin XVIII century
Source: J. Nadal, Atlas de la Industrialización en España 1750-2000, Barcelona 2003

EXAMPLE OF INTER-CLUSTER COOPERATION PROJECT WITH SV COMPONENT



Problem

Intensive use of water in pork meat industry in Catalonia: implications at environmental and cost level



Answer/solution

Revision of water treatment plants (EDAR) and optimization of operating cycles

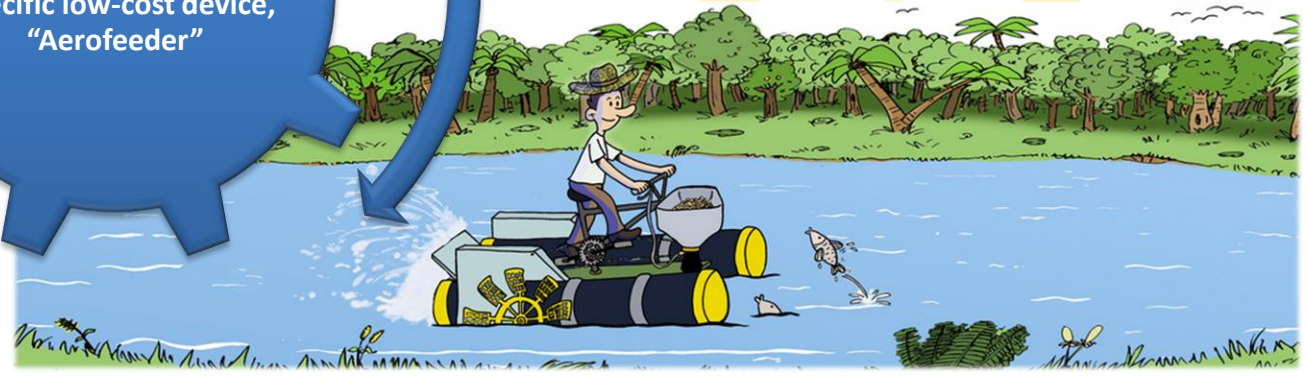
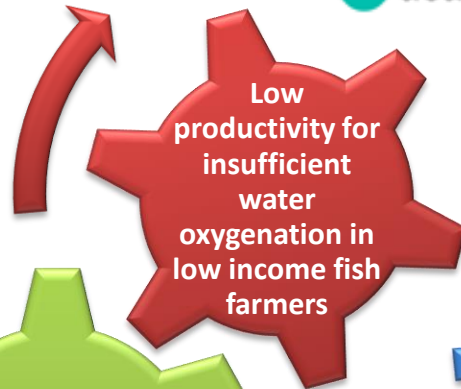


Results with SV component

Operational improvements with saving up to 50.000 € / year. Power and water savings between 10% and 35%.



EXAMPLE OF INTER-CLUSTER COOPERATION PROJECT WITH SV COMPONENT

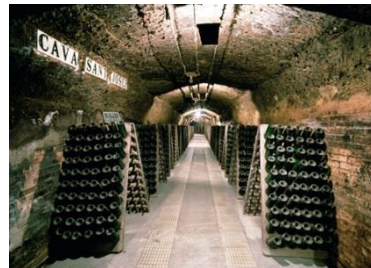


AND MANY OTHERS....

ERGONOMIC BACK-PACKS



GLASS WEIGHT
REDUCTION IN CAVA
BOTTLES



DEVELOPMENT OF GARMENTS WITH HIGH
PERFORMANCE ON COMFORT AND
MAINTENANCE



ALTERNATIVE TREATMENT AND
RECOVERY OF PORCINE HAIR AND SOLID
WASTE NOT VALUABLE



CLUSTERS AND SHARED VALUE

- TERRITORIAL COMPETITIVENESS IMPLIES LOOKING BEYOND SIMPLE ECONOMIC PRODUCTIVITY
- FIRM STRATEGY AND BUSINESS ENVIRONMENT ARE THE KEY ELEMENTS OF CLUSTER COMPETITIVENESS
- CLUSTERS HAVE A STRONG SOCIAL VALUE THAT HAS BEEN PROGRESSIVELY FORGOTTEN BY POLICY MAKERS
- HORIZONTAL COOPERATION INITIATIVES OFTEN HAVE A SOCIAL VALUE BECAUSE THEY COMBINE BUSINESS AND SOCIAL OBJECTIVES WITH POSITIVE EFFECTS IN A SPECIFIC COMMUNITY
- HUMAN COMPONENT (LEADERSHIP, STRATEGIC CHANGE, ETC.) IS KEY IN CLUSTER DEVELOPMENT



CLUSTERS ARE THE IDEAL GROUND FOR CREATING SHARED VALUE

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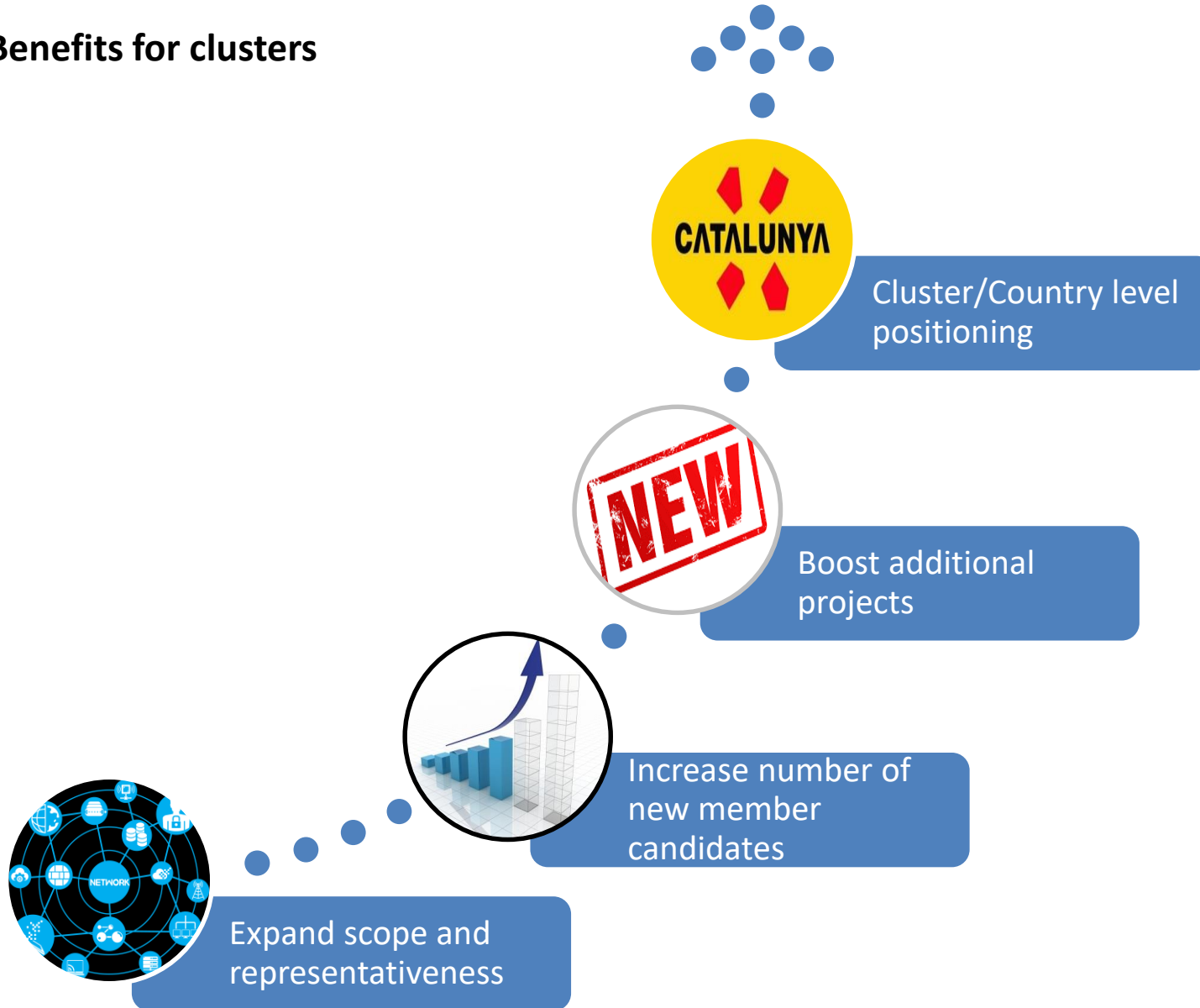
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Benefits for clusters



Delimited working areas



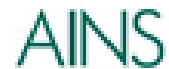
Environmental & critical resources management



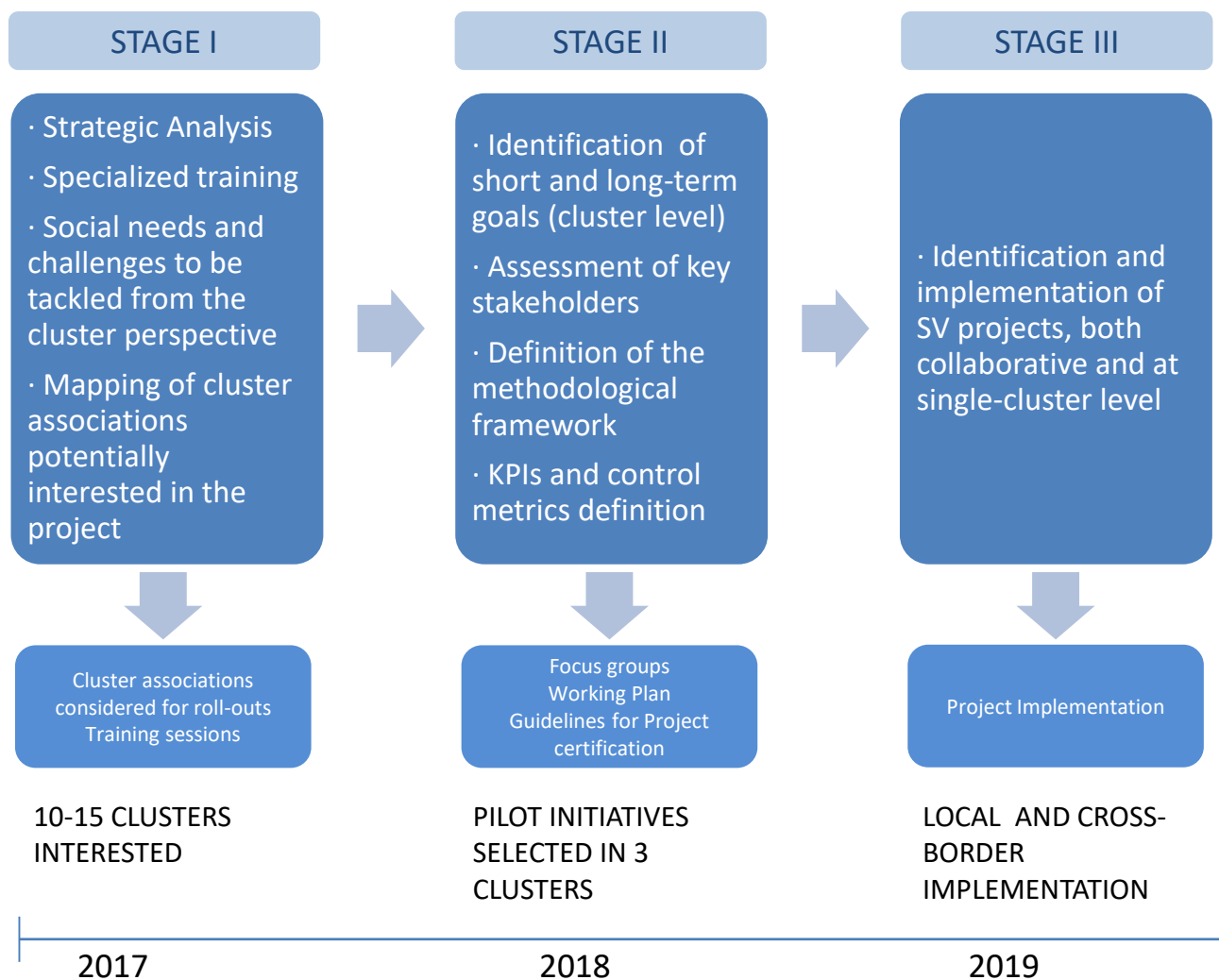
Optimization of industrial processes

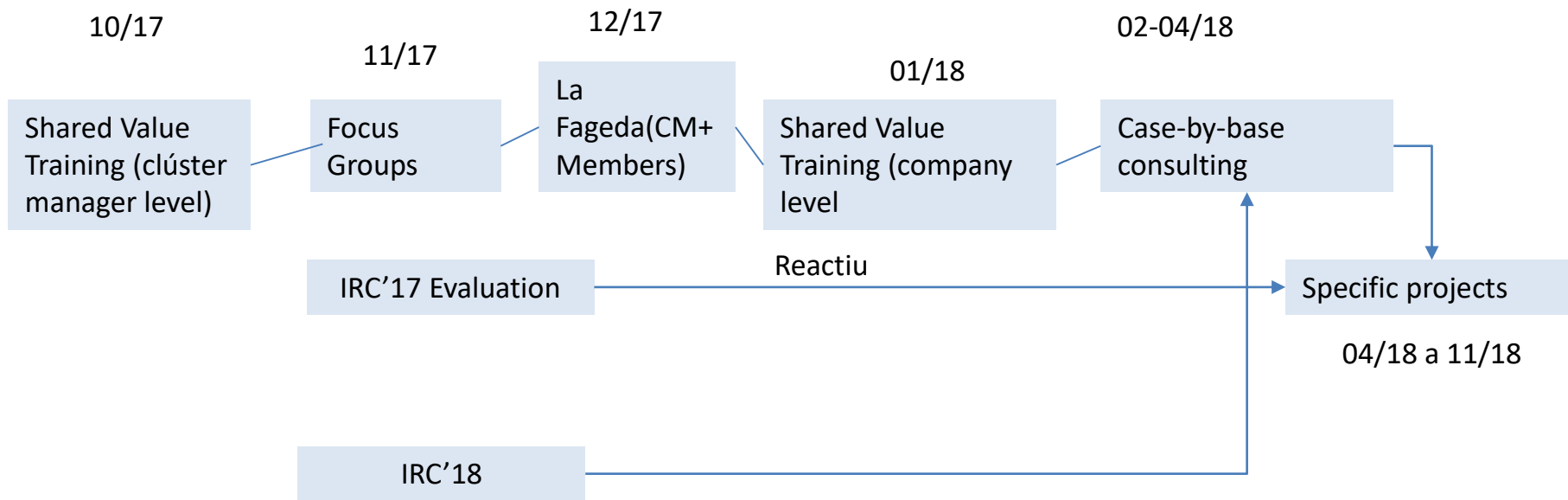


Healthcare and Nutrition



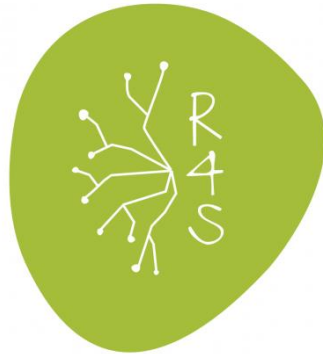
DEVELOPING A METHODOLOGY FOR CSV AT CLUSTER LEVEL





IRC'19: Shared Value as a weighting criterion

FIRST PILOT



ROOTS FOR
SUSTAINABILITY



1. Redefining cluster goals & business plan to embed share value orientation
2. Identifying potential action areas aligned with cluster strategy
3. Involving key cluster members
4. Developing specific projects (execution is not included)

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3. How to implement SV in practice at cluster level

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CONCLUSIONS

- SHARED VALUE IS A SIMPLE CONCEPT, BUT HAS THE **POTENTIAL TO BECOME A POWERFUL** ONE IN THE CURRENT ECONOMIC AND SOCIAL CONTEXT
- THE **ORIGINAL SOCIAL COMPONENT OF CLUSTERS CONCEPT MUST BE RE-DISCOVERED AND ENHANCED** IN LINE WITH THE CURRENT NEEDS AND SENSITIVITIES
- **CLUSTERS ARE THE IDEAL GROUND FOR IDENTIFYING, DESIGNING AND IMPLEMENTING SV INITIATIVES**
- **NEW AGENDAS MUST BE SET FOR COMPANIES, GOVERNMENTS AND CLUSTER ORGANIZATIONS** IN ORDER TO RELEASE SHARED VALUE'S FULL POTENTIAL.
- **PUBLIC FUNDING IS A GAME-CHANGER. AS FOR THE INITIAL STAGES OF A SAMPLE PROJECT, IT'S SIMPLY INDISPENSABLE**
- **SV PROJECTS AND INTERCLUSTER INITIATIVES ARE CONSISTENTLY INTERLINKED**

Thanks for your attention.

Happy to continue the discussion:

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