

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

House Committee on Small Business  
United States House of Representatives

## **Restoring U.S. Competitiveness**

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July 9, 2013

Washington, DC

*“Restoring U.S. Competitiveness”*

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## Contents

|   |           |
|---|-----------|
| <b>Executive Summary.....</b>   | <b>3</b>  |
| <b>Harvard Business School’s U.S. Competitiveness Project: Overview .....</b> | <b>6</b>  |
| U.S. Competitiveness Project: Highlights.....                                 | 7         |
| Future Agenda: Taking Ideas to Action .....                                   | 10        |
| <b>Profile: Michael E. Porter .....</b>                                       | <b>12</b> |
| <b>HBS Research and Reports on U.S. Competitiveness.....</b>                  | <b>34</b> |

## **Executive Summary**

### **WHAT IS COMPETITIVENESS?**

**A country such as the United States is competitive if the companies operating there can compete successfully in the global economy while simultaneously raising living standards for the average American.**

- To be competitive over time, the United States requires a business environment that enables businesses and citizens to be highly productive over the long run.
- Increasing productivity over the long run should be the central goal of economic policy.

### **THE U.S. IS FACING A LONG-TERM STRUCTURAL PROBLEM**

**The United States is facing a long term competitiveness problem, not just a cyclical downturn.**

- The challenge is competitiveness, not jobs per se.
- A number of disturbing trends emerged well before the Great Recession, pointing to a structural problem.
- The American jobs machine began sputtering well before the Great Recession.
- Industries exposed to international competition saw almost no job growth in the 1990s and 2000s.
- The U.S. labor force participation rate peaked in 1997, stagnated and started to fall in 2001. It has fallen to a level not seen since the early 1980s.
- Real household income began stagnating well before the Great Recession.
- Since 2008, the United States has fallen in all competitiveness and business rankings, relative to the rest of the world.

### **AMERICA'S CORE STRENGTHS**

**HBS research shows that the United States retains a series of core strengths to build upon.**

**These include:**

- *Entrepreneurship*: The United States offers a vibrant environment for entrepreneurship, such as by providing access to capital for high-quality ideas, ease of setting up new businesses and a lack of stigma for failure.
- *Innovation*: The country's innovation infrastructure remains strong with high-quality scientific research institutions and the availability of scientists and engineers.

*“Restoring U.S. Competitiveness”*

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- *Universities*: The country has many high-quality universities with strong linkages to the private sector.
- *Clusters*: There are many strong clusters—that is, geographic concentrations of related firms, suppliers, service providers, and supporting institutions with effective collaboration.
- *Capital markets*: The quality of capital markets remains high especially in terms of ease of firm access to appropriate capital and the allocation of capital to most-profitable investments.
- *Property rights*: The United States enjoys high protection of physical and intellectual property rights and low corruption.

### **SERIOUS WEAKNESSES IN THE U.S. BUSINESS ENVIRONMENT**

**The United States is facing a series of severe business environment weaknesses. These include:**

- *Tax code*: The national tax code is complex
- *Legal framework*: An inefficient legal system results in high legal costs and slow adjudication.
- *Regulation*: Ineffective and unpredictable regulations place a heavy burden on firms.
- *Macroeconomic policy*: The government’s budgetary, interest rate and monetary policies are unsustainable.
- *K-12 education system*: The United States does not offer universal access to high-quality education. The curricula do not prepare American students for productive work.
- *Political system*: The ineffectiveness of the political system was identified as the single greatest weakness affecting U.S. competitiveness.

### **THE IMPACT ON SMALL BUSINESSES**

**Small business is disproportionately disadvantaged by eroding U.S. competitiveness.**

- Small business is crucial for job generation and important for income and wealth for all communities.
- Small businesses are **disproportionately** affected by weaknesses in the U.S. business environment.
- The recent focus on providing tax benefits and preferences for small business will be ineffective in the long term.

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July 9, 2013

- The best way to support small business is to **improve the overall U.S. business environment.**

## **RESTORING U.S. COMPETITIVENESS**

### **Restoring competitiveness will require a strategic agenda involving multiple stakeholders.**

- Addressing the challenge will require taking a holistic approach to competitiveness, not one focused on individual policy areas.
- The United States needs a **national strategy** to improve competitiveness.
- A strategy requires long-term, multiple-decade perspective informed by America's competitive position today.
- Washington has a crucial role, but so do states and regions. Policymakers have to ensure a healthy U.S. business environment in which companies can grow, innovate, prosper and improve productivity—and in the process provide rising wages and improving living standards to workers in America.
- Businesses can and should also play a major role in improving U.S. competitiveness.

## **THE FEDERAL COMPETITIVENESS AGENDA**

### **Our work has identified eight strategic areas where Congress and the Administration must take important steps to restore competitiveness.**

- The agenda
  1. Ease the immigration of highly skilled individuals.
  2. Simplify the corporate tax code.
  3. Tax overseas profits earned by American multinational only where there are earned.
  4. Aggressively address distortions and abuses in the international trading system.
  5. Simplify and streamline regulation.
  6. Improve logistical, communications and energy infrastructure.
  7. Responsibly develop American shale-gas and oil reserves.
  8. Create a sustainable federal budget, combining greater revenue and less spending.
- Each of the eight areas addresses a critical weakness, can transform America's economic prospects over a 3-5 year period and enjoys widespread, bipartisan support.
- While there are numerous other areas where improvement is possible, these eight areas comprise America's crucial priorities today.
- Progress in multiple areas over the next year will have a transformational impact on business sentiment and confidence to invest.

## **Harvard Business School’s U.S. Competitiveness Project: Overview**

Harvard Business School (HBS) launched the U.S. Competitiveness Project in 2011 as a research-led, non-partisan, multi-year effort to understand the state of U.S. competitiveness as well as the interrelated factors that shape and improve competitiveness. Led by Project co-chairs HBS Professor Michael E. Porter and Professor Jan W. Rivkin, the U.S. Competitiveness Project now engages a group of more than 25 HBS faculty members and colleagues from other leading institutions including Harvard School of Education, Harvard Kennedy School, and MIT.

The Project defines competitiveness as *the ability of firms operating in the U.S. to compete successfully in the global economy while supporting high and rising living standards for the average American*. The Project aspires to mobilize the business community and policymakers to address the challenges to U.S. competitiveness. To galvanize the business community, the Project gathers best practices and data and disseminates it to business leaders to help them understand the role they can and should play in improving U.S. competitiveness. To mobilize policymakers, the Project focuses on data and research in policy areas that strengthen the environment for doing business in the United States.

HBS research on U.S. competitiveness is particularly relevant and significant for small businesses. The factors that strengthen U.S. competitiveness—innovation, entrepreneurship, clusters, and property rights—help small businesses in the U.S. flourish and prosper. The factors that weaken U.S. competitiveness—legal complexity, regulatory burdens, an inadequate K-12 education system, a gridlocked political system—cripple small businesses and stunt their growth.

Factors that weaken or erode the state of U.S. competitiveness hit small businesses hard. The fact that the U.S. economy is suffering from long-term, structural issues—and not just a cyclical downturn—is of particular concern for small businesses. While the overall economy might show signs of a cyclical recovery, this is not a tide that raises all boats equally. The long-term structural issues that continue to beset the U.S. economy are a drag on small businesses. These negative forces hold back and curtail the prosperity of small businesses, and reduce their impact as potential engines of growth for the nation.

## **U.S. Competitiveness Project: Highlights**

HBS faculty members prioritized research and data collection that provided insights into the structural long-term issues besetting U.S. competitiveness. They created a definition for competitiveness and identified the key areas that are pertinent to strengthening the U.S. as a location for business. These include: innovation, manufacturing, entrepreneurship, company location choices, firm governance, local business ecosystems, human capital, K-12 education, fiscal policy, tax policy, capital markets, environmental sustainability, democracy, and international trade. Unprecedented for any business school, HBS has invested effort and resources in bringing the research to a wide audience of business leaders and policy leaders in an effort to influence the national dialogue on competitiveness and to provide fact-based frameworks for change. The Project outputs so far include:

HBS CEO Summit on U.S. Competitiveness, November 2011: To engage business leaders in the issues surrounding U.S. competitiveness and solicit guidance for the Project's research, HBS convened a gathering of 100 U.S. business leaders in November 2011. Many of these leaders remain engaged in U.S. competitiveness research and want to commit to improving U.S. competitiveness.

"Prosperity at Risk," HBS Survey on U.S. Competitiveness, January 2012: To capture the perceptions of the global business community on the current state and trajectory of U.S. competitiveness, HBS conducted the first ever survey of all HBS alumni worldwide. Nearly 10,000 alumni responded, making it the largest research-based survey of HBS alumni in the School's history. The survey was developed to solicit concrete, specific recommendations that policymakers and business leaders could follow to improve U.S. competitiveness. The survey report, "Prosperity at Risk" was distributed to more than 75,000 business leaders across the country, as well as media, policymakers, civic leaders and not-for-profit leaders.

"Restoring U.S. Competitiveness," Special Issue of Harvard Business Review, March 2012: The research undertaken by the scholars and practitioners contributing to the U.S. Competitiveness Project was published in a special issue of Harvard Business Review (HBR) devoted to U.S. competitiveness, in March 2012. Faculty members contributed more than a dozen articles in the special issue titled "Restoring U.S. Competitiveness." The special issue was distributed to Harvard Business Review's 203,000 subscribers and a projected 29,000 others through newsstand sales. Copies of the issue were also included in a bundled mailing sent to 11,500 HBS alumni in March 2012, and an additional 5,000 copies have been distributed to business and policy leaders across the country.

"Paths Forward," a National Campaign to Engage Business Leaders on U.S. Competitiveness (March 2012-Now): For the first time ever, HBS faculty as a team stepped outside the Boston campus to promote their research to a national audience of business leaders across the U.S. Since March 2012, HBS has conducted seven *Paths Forward* events across the country. Each event was held at a major economic center of the country and convened HBS alumni, business leaders, elected officials and local organizations. At each event, HBS faculty members presented research on U.S. competitiveness and sparked dialogue and discussion on competitiveness opportunities and issues at the local and regional

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

level. HBS has held *Paths Forward* events in New York, Washington D.C, Charlotte N.C., San Francisco, Chicago, Detroit and Boston. Nearly 3,000 people attended the events, with 30 percent in leadership positions such as Chairman, Chief Executive Officer, President, Executive Directors or Partner, Managing Director, Managing Partner, Vice-President and Founder.

"Commitments" from Business Leaders (March 2012-Now): Each *Paths Forward* event ends with a "call to action." HBS faculty members request attendees to reflect on the commitment they or their company can make to improve U.S. competitiveness. Designed to spur action, commitments include helping a local community college improve its curriculum, helping small businesses grow, building a local supply chain and participating in a regional cluster strategy. The list of commitments provides HBS with a framework for future research on specific areas of U.S. competitiveness.

Database of Best Practices for Business to Improve Competitiveness, June 2011: HBS engaged a leading international consulting firm on a 12-week project in 2012 to deepen the Project's understanding of how companies might already be investing in improving U.S. competitiveness. HBS is building an inventory of efforts that companies in the U.S. are undertaking to invest in their local communities. So far, this effort has yielded a rich treasure trove of more than 500 potential case studies and best practices, identifying a large number of companies and organizations that are doing innovative, proactive work to improve skills (256 examples), upgrade supporting industries (119), support innovation and entrepreneurship (56), reshore business activity to the U.S. (58), bolster regional strength and participate in cluster-based activities (53), adopt management best practices (32), and eschew individual company lobbying to advocate business-wide improvements (4).

"Competitiveness at the Crossroads," the 2012 HBS Survey on U.S. Competitiveness, February 2013: In September 2012, HBS conducted the second alumni survey on U.S. competitiveness. In addition, the survey was also administered to 1,025 members of the general public. The survey not only provides an updated view of the U.S. business environment, but also illuminates specific actions that business leaders and policymakers can take to improve U.S. competitiveness. For example, across the political spectrum, business leaders and the general public strongly called on the President and Congress to put the federal budget on a sustainable path, reform the corporate tax code, improve America's infrastructure, address distortions of the international trading system and craft a responsible framework for developing new energy sources.

Influencing the national dialogue on competitiveness (January 2012-Now): HBS is investing in a national media and awareness campaign to promote its non-partisan data and research on U.S. competitiveness. The Project was featured in over 200 articles in top-tier publications including *The Economist*, *Fortune*, *Financial Times*, *Wall Street Journal*, *Forbes*, *Time*, *Reuters*, *USA Today*, *Bloomberg Businessweek*, *Chicago Tribune*, *Los Angeles Times*, *The Huffington Post*, *The Washington Post* and *Politico*.

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

- Professor Michael Porter and Professor Jan Rivkin collaborated on a thought-piece on the role of business in promoting competitiveness. The article *"What Business Should Do to Restore U.S. Competitiveness"* was published in Fortune on October 29, 2012.
- Professor Michael Porter and Professor Jan Rivkin also worked together to develop an eight-point plan for policymakers to restore U.S. competitiveness. An article based on their findings *"What Washington Must Do Now"* appeared in The Economist's special issue "The World in 2013" on November 22, 2012.
- Over 12 television segments were broadcast on the Project on CBC, CNN, FOX, and MSNBC.
- Research by more than a dozen HBS professors has been mentioned in top-tier articles and influenced the national dialogue and debates on U.S. competitiveness issues.
- Five of the top 10 Google results of "U.S. Competitiveness" are related to the HBS U.S. Competitiveness Project. Seven of the top 10 Google video search results of "U.S. Competitiveness" are related to the HBS U.S. Competitiveness Project.
- The Project website which showcases research, data and video content, has had more than 90,000 page views. While 67 percent of the visits are from people within the U.S, nearly one-third come from outside the U.S, pointing to the global interest in the subject of U.S. competitiveness.

## **Future Agenda: Taking Ideas to Action**

HBS continues to invest in research and data collection on U.S. competitiveness. In 2013, faculty members seek to go deeper into “taking ideas to action.” In this phase, HBS research will focus on best practices on the role of business in improving U.S. competitiveness.

The six areas that HBS faculty members are currently working on are:

**The role of business in working with educators to transform K-12 education:** America’s K-12 education system is undermining our national competitiveness. To address this critical issue, HBS professors Jan Rivkin and Kevin Sharer and Senior Fellow Allen Grossman are partnering with the Bill & Melinda Gates Foundation and The Boston Consulting Group to examine how business can help educators accelerate change in K-12 education. The faculty members are currently working on: a survey of district leaders; a booklet to help business leaders better understand America’s schools and why the conditions are now right for transformational change; and a playbook of specific ways business leaders can engage with educators to create fundamental and lasting change. HBS will convene a select group of business and education leaders in November 2013 to learn from past business efforts, help focus the business community on a handful of priorities and form a plan to engage more business leaders to action, in partnership with educators.

**The role of business in local supply chain development:** The mass migration of manufacturing away from the United States has hampered the country’s ability to innovate in cutting edge areas like flat-panel displays, advanced batteries, machine tools, precision bearings, optoelectronics, solar energy and wind turbines. To reverse the large-scale outsourcing of products and processes, American firms will need to invest in building local suppliers who can offer quality as well as scale of manufacturing. Professor Michael E. Porter and Professor Gary P. Pisano are collaborating on a research-led effort to understand the current state of local supply chain development in the United States and identify best practices for building strong supply chains within the United States. This effort will include identifying and researching case studies on American companies that have invested in building a strong and supple supplier base within the country.

**The role of business in closing the middle skills gap in America:** With nearly 3.8 million job openings posted in recent times and more than 11.8 million unemployed, there is clearly a skills mismatch in America—especially in middle skills. Professor Joseph B. Fuller is developing a data-driven model to understand the middle skills gap across the United States, by geography as well as by industry. HBS is partnering with the international consulting firm Accenture to identify data sources, develop a national and regional heat map of middle skills gaps across America, and identify best practices of companies investing in closing the middle skills gap. The effort will also include regional pilots to bring the data to the country’s largest middle skills employers, educators such as community colleges, as well as local and regional policy leaders. The goal will be to provide stakeholders within a region with all the data they need to work together collaboratively to close the egregious middle skills gaps in their region.

*"Restoring U.S. Competitiveness"*

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House Committee on Small Business, United States House of Representatives,  
July 9, 2013

**The role of business in infrastructure, communications and transportation:** America needs to get moving again and that means finding smart and efficient ways to move people, goods and information. Professor Rosabeth Moss Kanter is spearheading research on the United States' current state and future needs in infrastructure, communications and transportation. This will culminate in a national summit on "America on the Move: 21st Century Transportation and Infrastructure."

**The role of business and labor in improving U.S. competitiveness:** From 1983 to 2011, total union membership declined by 41 percent. Yet the percentage of unorganized workers who want representation has steadily increased in the last three decades. As unions struggle to adapt and companies and workers alike struggle to acquire the increasingly more advanced and innovative skillsets imperative in today's economy, research indicates that partnership between business and labor can play a critical role in improving U.S. competitiveness. Professor Michael E. Porter and Professor Jan W. Rivkin are in the early stages of investigating best practices for joint business-labor actions to enhance U.S. competitiveness. Most recently, they engaged AFL-CIO President Richard Trumka and his senior management team in discussion with 20 faculty members from Harvard Business School and the Massachusetts Institute of Technology Institute for Work and Employment, on the current state and trajectory of the business-labor relationship.

**The role of business in making location choices and choosing the United States:** If location decisions by firms are a referendum on a nation's competitiveness, the United States has great cause for concern. The U.S. is just not winning enough location decisions that can support a healthy job growth and rising wages. Professor Jan Rivkin and Professor Michael Porter are taking their research on firm location choices further by identifying and capturing case studies on re-shoring to the U.S. By focusing on the off-shoring and on-shoring experiences of small and large, multinational businesses, they will gather insights into the driving forces as well as challenges of locating in the U.S. The effort will seek to create a library of best practices and case studies on re-shoring.

*"Restoring U.S. Competitiveness"*

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July 9, 2013

## **Profile: Michael E. Porter**

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#### **EDUCATION**

Harvard University, Ph.D., 1973 (Business Economics)

Harvard University, MBA, 1971

Princeton University, BSE, 1969 (Aerospace and Mechanical Engineering)

#### **UNIVERSITY POSITIONS**

Bishop William Lawrence University Professor, Harvard University, 2000-present

C. Roland Christensen Professor of Business Administration, Harvard University, 1990-2000

Professor of Business Administration, Harvard University, 1982-1990

Associate Professor of Business Administration, Harvard University, 1977-1982

Assistant Professor of Business Administration, Harvard University, 1973-1977

#### **TEACHING**

Professor Porter's ideas on strategy are the foundation for modern strategy courses, and his work is taught at virtually every business school in the world. He speaks widely on competitive strategy, national and regional competitiveness, health care delivery, and related subjects to business and government leaders.

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

Professor Porter's university-wide graduate course on competitiveness and economic development, *Microeconomics of Competitiveness*, is taught at Harvard and in partnership with more than 100 other universities from every continent using curriculum, video content and instructor support developed at Harvard.

Professor Porter speaks widely on health care delivery and health care reform throughout the world, with intensive involvement in countries including the United States, United Kingdom, Germany, and Japan. He has created and delivers leadership workshops for top management of health care delivery organizations in the U.S. and other countries. He also leads intensive courses on value-based health care delivery to advanced graduate students and practicing physicians in the Harvard and New England communities, and an intensive course for residents and fellows at Partners Health Care.

Professor Porter created and leads the New CEO Workshop, a Harvard Business School program for newly appointed CEOs of multibillion dollar corporations. Given twice each year by invitation only, the workshop focuses on the challenges facing new CEOs in assuming leadership. The program has reached more than 150 CEOs of many of the world's leading companies. His Harvard Business Review article with Jay Lorsch and Nitin Nohria, 'Seven Surprises for New CEOs' (October 2004) describes some of the learning from this body of work.

## **RESEARCH FIELDS**

### **Strategy**

Professor Porter's core field is competitive strategy for companies. His book, *Competitive Strategy: Techniques for Analyzing Industries and Competitors*, is in its 71st printing and has been translated into 20 languages. His second major strategy book, *Competitive Advantage: Creating and Sustaining Superior Performance*, was published in 1985 and is in its 43rd printing. His book *On Competition* (1998) includes a series of articles on strategy and competition, including the award-winning Harvard Business Review article 'What is Strategy?', published in 1996. An updated version of his article, 'The Five Competitive Forces That Shape Strategy,' was published in early 2008, and his latest thinking on strategy was introduced in his 2011 article 'Creating Shared Value.'

### **Competitiveness of Nations and Regions**

Professor Porter's 1990 book, *The Competitive Advantage of Nations*, introduced a new theory of how nations and regions compete and their sources of economic prosperity. Motivated by his appointment by President Ronald Reagan to the President's Commission on Industrial Competitiveness, the book has guided economic policy in countless nations and regions. Subsequent articles have expanded on the concept of clusters (geographic concentrations of related industries that occur in particular fields) and other aspects of the theory.

National Competitiveness. Professor Porter has published books about national competitiveness on New Zealand, Canada, Sweden, Switzerland, and Japan. His book, *Can Japan Compete?* (2000), challenged long-held views about the Japanese economic miracle.

Professor Porter chaired for several years the Global Competitiveness Report, an annual ranking of the competitiveness and growth prospects of more than 120 countries published by the World Economic Forum. A recent paper, 'Determinants of National Competitiveness' (2012) develops a comprehensive framework for understanding the determinants of competitiveness and tests it in a large sample of countries over the last decade.

*“Restoring U.S. Competitiveness”*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

Clusters. Professor Porter’s ideas on clusters, first introduced in 1990, have given rise to a large body of theory and practice. Cluster-based economic development thinking has resulted in many hundreds of public-private cluster initiatives throughout the world. The article ‘Clusters and Competition: New Agendas for Companies, Governments, and Institutions’ (1999) provides a summary. Recent papers with Mercedes Delgado and Scott Stern, ‘Clusters, Convergence, and Economic Performance’ (2012) and ‘Clusters and Entrepreneurship’ (2010), provide statistical evidence of the powerful role of clusters in economic development.

Regional Competitiveness. Professor Porter extended his work on competitiveness to sub-national regions. He led the Clusters of Innovation project which examined five major U.S. regions developing new theory and methodologies. He created the Cluster Mapping Project at Harvard, which provides rich data on the economic geography of U.S. regions and clusters on a special web site. Professor Porter’s methodology is the basis for comprehensive new data on the economic geography of the 27 countries of the European Union. The article ‘The Economic Performance of Regions’ (2003) summarizes some of the important findings from this data as does his recent working paper, ‘Clusters, Convergence, and Economic Performance.’ The U.S. Economic Development Administration has awarded Professor Porter’s team a major grant to make the cluster mapping data and site the national standard.

Innovation. Professor Porter is co-author (with Professor Scott Stern and others) of a body of work on the sources of innovation in national and regional economies, including ‘The New Challenge to America’s Prosperity: Findings from the Innovation Index’ (1999), ‘The Determinants of National Innovative Capacity’ (2000), and ‘Measuring the ‘Ideas’ Production Function: Evidence from International Patent Output’ (2000).

## **Health Care**

Advanced Economy Health Care Delivery. Since 2001, Professor Porter has devoted considerable attention to research on health care competition and the strategy, organization, and measurement of health care delivery organizations. His book with Professor Elizabeth Teisberg, *Redefining Health Care: Creating Value-Based Competition on Results* (Harvard Business School Press, 2006), was the first comprehensive statement of his value-based health care delivery framework. It has achieved a growing influence on thinking and practice not only in the United States but in numerous other countries.

Professor Porter has published a series of other articles on health care delivery, including ‘A Strategy for Health Care Reform - Toward a Value-Based System’ (New England Journal of Medicine, 2009), ‘What is Value in Health Care?’ (New England Journal of Medicine, 2010) and ‘Solving the Cost Problem in Health Care’ (Harvard Business Review, 2011). He has also developed an extensive curriculum designed not only for use at Harvard but at other universities, medical schools, and professional education programs for health professionals around the world. The curriculum includes case studies of numerous health care provider organizations, health plans, and employers offering health benefits, along with accompanying videotapes of case protagonists. The curriculum, which allows rich discussion of the key concepts of value-based health care delivery and their application in actual practice, is being adopted by medical schools in the U.S., and elsewhere.

Professor Porter has co-authored two monographs which describe and analyze health care systems in other advanced countries using the concepts of value-based health care. Each health care system offers unique lessons about policy and the structure, reimbursement, and measurement of care. The book on Finland (Porter, Teperi, Vuorenkoski, and Baron, *The Finnish Health Care System: A Value-Based Perspective*, SITRA), was published in the spring of 2009. *The German Healthcare System: A Value-Based Competition Perspective*, with Dr. Clemens Guth, was published in 2012. Professor Porter is collaborating with health care leaders in multiple countries to put the ideas into practice.

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

Recently, Professor Porter has co-founded the International Consortium for Health Outcomes Measurement, devoted to accelerating and standardizing health outcomes measurement globally.

Global Health Delivery. Professor Porter co-leads a research project on health care delivery in resource poor settings. With Professors Jim Yong Kim and Paul Farmer, he founded the Global Health Delivery (GHD) Project, a collaboration of Harvard Medical School's Department of Social Medicine and the Harvard Business School's Institute for Strategy and Competitiveness. Professor Porter has co-authored several articles laying out a strategic framework for global health delivery. The GHD project has also developed a body of in-depth case studies and other teaching materials, which examine value-based health care delivery in resource-poor settings in practice, and a growing number of courses as well as a Master's program. The curriculum and an accompanying web site GHD online ([globalhealthdelivery.org](http://globalhealthdelivery.org)), aim to provide a bridge between known science and the actual delivery of care in the field, and a vehicle to train practitioners.

### **Competition and Society**

Professor Porter's fourth major body of work has addressed the relationship between competition and society.

Inner City Economic Development. Professor Porter offered a new theory of urban economic development, beginning with the Harvard Business Review article 'The Competitive Advantage of the Inner City'. In 1994, he founded The Initiative for a Competitive Inner City (ICIC), a non-profit, private-sector organization to catalyze inner-city business development across the country. Professor Porter is Chairman of the ICIC, a national organization that works in cities across America. It has developed numerous articles and national programs (see [ICIC.org](http://ICIC.org)).

Rural Development. In 2004, Professor Porter published a study commissioned by the Economic Development Administration on rural development, 'Competitiveness in Rural U.S. Regions: Learning and Research Agenda.'

The Natural Environment. Professor Porter introduced a new theory that argued that environmental progress and competitiveness were not inconsistent but complementary. His Scientific American essay, 'America's Green Strategy', triggered this literature as did the article 'Toward a New Conception of the Environment-Competitiveness Relationship' (1995). The so-called "Porter Hypothesis" has been much studied in subsequent literature.

Philanthropy and Corporate Social Responsibility. Professor Porter has devoted growing attention to philanthropy and the role of corporations in society. His Harvard Business Review article with Mark Kramer, 'Philanthropy's New Agenda: Creating Value' (1999), introduced a new framework for developing strategy in foundations and other philanthropic organizations.

His Harvard Business Review article, 'The Competitive Advantage of Corporate Philanthropy' (2002), focused on how corporations can create more social benefit from their philanthropy. His Harvard Business Review article with Mark Kramer, 'Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility' (2006), tackles the strategic underpinnings of corporate social responsibility.

Creating Shared Value. Professor Porter's 2011 Harvard Business Review article with Mark Kramer, entitled 'Creating Shared Value', introduced the next generation of thinking about the role of the corporation in society. Creating Shared Value is about utilizing capitalism itself to address societal needs and problems. This article is giving rise to widespread changes in corporate practice and shifts in governmental and NGO perspectives globally.

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

With Mark Kramer, Professor Porter co-founded FSG, an international non-profit advisory firm that provides advice and innovative ideas about social strategy to corporations, foundations, and social service organizations. FSG, with a staff of more than 100, has offices in multiple countries and works with leading companies, NGOs and foundations globally. FSG and Professor Porter have recently launched the Shared Value Institute to advance research and catalyze broader adoption of shared value thinking in business, government and the NGO community.

**ADVISORY**

Professor Porter has served as a strategic advisor to many leading U.S. and international companies, including Anglo American, Procter & Gamble, Royal Dutch Shell, Scotts Miracle Gro, and Taiwan Semiconductor Manufacturing Company. He also works with national and state government leaders in the U.S. and other countries and regions including the Basque Country, Canada, Central America, Colombia, Korea, New Zealand, Peru, Portugal, Rwanda, Saudi Arabia, Singapore, and Taiwan. More recently, he has assisted major health care delivery organizations including the Cleveland Clinic, MD Anderson Cancer Center, Texas Childrens Hospital, The National Health Service (U.K.), The National Health Service (Portugal), Amil Assistência Médica Internacional (Brazil), and others.

**ORGANIZATIONS FOUNDED**

Co-Founder, International Consortium for Health Outcomes Measurement, 2012, non-profit

Co-Founder and Senior Advisor, FSG, 2000, non-profit

Co-Founder, Center for Effective Philanthropy (CEP), 2000, non-profit

Founder and Chairman, Initiative for a Competitive Inner City (ICIC), 1994, non-profit

Co-Founder, Monitor Company, 1983, for profit

**PRINCIPLE BOARDS OF DIRECTORS/ADVISORY BOARDS**

***Corporate Boards:***

Parametric Technology Corporation

Merrimack Pharmaceuticals

***Advisory Boards:***

American Securities LLC

Pershing Square Capital Management, LP

***Major Public Service Boards:***

Presidential Advisory Council, Rwanda

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

Presidential Advisory Group, Republic of Korea

Princeton University, Board of Trustees, 2008-2012

Chairman, Governor's Council on Economic Growth and Technology (Massachusetts), 1994-1996

Executive Committee, Council on Competitiveness (Washington, DC): principal advisor for Competitiveness Index, Innovation Index, and Clusters of Innovation projects

International Advisor, National Competitiveness Council of Nigeria

Special Advisor to the President of the World Bank

## **AWARDS AND PRIZES**

### **National Honors**

Lifetime Achievement Award in Economic Development, U.S. Department of Commerce, 2008

Order of José Dolores Estrada, Great Cross, Government of Nicaragua, 2002

La Creu de Sant Jordi, Government of Catalonia (Spain), 1998

### **Honorary Doctorates**

- Honorary doctorate, University of Puebla, Mexico, 2012
- Honorary doctorate, Illinois Institute of Technology, 2011
- Honorary doctorate, Universidad del Pacifico, Peru, 2009
- Honorary doctorate, University of Toronto, 2009
- Honorary doctorate, McGill University, 2009
- Honorary doctorate, Nyenrode Business Universiteit, 2009
- Honorary doctorate, Leipzig Graduate School of Management, Germany, 2008
- Honorary doctorate, Universidad de los Andes, Bogota, Colombia, 2007
- Honorary doctorate, Universidad Deusto, Bilbao, Spain, 2007
- Honorary doctorate, University of Iceland, Reykjavik, Iceland, 2006
- Honorary doctorate, BI Norwegian School of Management, Oslo, Norway, 2003
- Honorary doctorate, Universidad San Martín de Porres, Lima, Perú, 2001
- Honorary doctorate, HEC School of Management, Paris, France, 1999
- Honorary doctorate, INCAE, Alajuela, Costa Rica, June, 1996
- Honorary doctorate, Universidad Adolfo Ibañez, Chile, 1995
- Honorary doctorate, Mount Ida College, 1994
- Honorary doctorate, Universidad Técnica de Lisboa, 1994
- Honorary doctorate, Erasmus University, Rotterdam, The Netherlands, 1993
- Honorary doctorate, Johnson & Wales University, 1991
- Honorary doctorate, Stockholm School of Economics, 1989

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

**Scholarly Honors**

American College of Healthcare Executives James A. Hamilton award, 2007

John Kenneth Galbraith Medal, American Agricultural Economics Association, 2005

Distinguished Contributor to Case Research and Teaching Award, North American Case Research Association,  
2005

The Academy of Management Award for Scholarly Contributions to Management, August 2003

Distinguished Award for Contribution to the Field of Management, International Academy of Management, 1998

Adam Smith Award, National Association of Business Economists, in recognition of exceptional contribution to the  
business economics profession, 1997

Award for Outstanding Contribution to Competitiveness, American Society for Competitiveness, 1994

Irwin Outstanding Educator Award, Academy of Management, 1993

Charles Coolidge Parlin Award for outstanding contribution to the field of marketing and strategy, American  
Marketing Association, 1991

Graham and Dodd Award of the Financial Analysts Federation, 1980

David A. Wells Prize in Economics (Harvard University) 1973-1974

George F. Baker Scholar (Harvard Business School), 1971

BSE with High Honors, Phi Beta Kappa, Sigma Xi, Tau Beta Pi (Princeton University), 1969

**Honors for Books and Articles**

McKinsey Award for the best *Harvard Business Review* article, 2011

McKinsey Award for the best *Harvard Business Review* article, 2006

McKinsey Award for the best *Harvard Business Review* article (second place), 2002

McKinsey Award for the best *Harvard Business Review* article, 2001

McKinsey Award for the best *Harvard Business Review* article (second place), 1996

McKinsey Award for the best *Harvard Business Review* article, 1987

George R. Terry Book Award (Academy of Management) for outstanding contribution to management thought in  
1985, for Competitive Advantage

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

Outstanding Academic Books 1980-81 for Competitive Strategy, *Choice Magazine*

McKinsey Award for the best *Harvard Business Review* article, 1979

**Honorary Societies**

Fellow, Royal Society of Edinburgh, 2005

Charter Member, Fellows of the Strategic Management Society, 2005

Fellow, World Academy of Productivity Science, 1995

Foreign Member, Royal Academy of Engineering Sciences (Sweden), 1991

Fellow, Academy of Management, 1988

Fellow, International Academy of Management, 1985

**Athletic Honors**

NCAA Golf All-American Team, 1968

Eastern Intercollegiate Golf Champion, 1968

All State in Football and Baseball, State of New Jersey, 1965 and earlier years

**EXTENSIVE BOOKS AND COMMENTARIES ON PROFESSOR PORTER'S RESEARCH**

*Understanding Michael Porter: The Essential Guide to Competition and Strategy*. Magretta, Joan. Boston: Harvard Business School Publishing, 2012.

*The Lords of Strategy: The Secret Intellectual History of the New Corporate World*. Kiechel, Walter III. Harvard Business School Publishing, Boston, 2010.

"The Porter Hypothesis After 20 Years: How Can Environmental Regulation Enhance Innovation and Competitiveness?" Stefan Ambec, Mark A. Cohen, Stewart Elgie, and Paul Lanoie. Resources for the Future Discussion Paper, Washington DC, 2011.

*Well-Designed Environmental Regulations will Strengthen Companies' Competitiveness: Reviewing the Porter Hypothesis*. Mitsuhashi Tadahiho (ed.) Japan, 2008.

*From Adam Smith to Michael Porter: Evolution of Competitiveness Theory* y. Cho, [Dong-Sung Cho](#) and [Hwy-Chang Moon](#). Asia-Pacific Business Series, Korea, 2000.

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"Retrospective: Michael Porter's Competitive Strategy." *Academy of Management Executive*, May 2002, Vol.16, No.2

*Perspectives on Strategy: Contributions of Michael E. Porter*, F.A.J. van den Bosch and A.P. de Man (eds.), Kluwer Academic Publishers, Dordrecht, The Netherlands, 1997.

*O Projecto Porter: A aplicação a Portugal 1993/94*. Lisbon, Portugal: Ministério da Indústria e Energia, May 1995.

**BOOKS**

*On Competition, Updated and Expanded Edition*. Boston: Harvard Business School Press, 2008.

——— and Clemens Guth. *The German Health Care System: A Value-Based Competition Perspective*. Springer Publishing, 2011.

———, Juha Teperi, Lauri Vuorenkoski and Jennifer F. Baron. *The Finnish Health Care System: A Value-Based Perspective*, SITRA, March 26, 2009.

——— and Elizabeth Olmsted Teisberg. *Redefining Health Care: Creating Value-Based Competition on Results*. Boston: Harvard Business School Press, 2006. In Japanese: Tokyo: Nikkei Business Publications, Inc., 2009. In Portuguese: Sao Paulo: Bookman, 2007.

———, H. Takeuchi, and M. Sakakibara. *Can Japan Compete?* (in Japanese), Tokyo: Diamond, 2000. In English: Basingstoke, England: Macmillan, 2000; and New York: Basic Books and Perseus Publishing, 2000.

——— and Monitor Company. *Canada at the Crossroads: The Reality of a New Competitive Environment*. Ottawa, Canada: Business Council on National Issues and Minister of Supply and Services, 1992.

*Strategy: Seeking and Securing Competitive Advantage* edited and with an introduction by Cynthia A. Montgomery and Michael E. Porter. Boston: Harvard Business School Press, 1991.

———, Ö. Sölvell, and I. Zander. *Advantage Sweden*. Stockholm, Sweden: Norstedts Förlag AB, 1991. Second edition, Stockholm, Sweden: Norstedts Juridik, 1993.

———, S. Borner, R. Weder, and M.J. Enright. *Internationale Wettbewerbsvorteile: Ein Strategisches Konzept für die Schweiz* (International Competitive Advantage: A New Strategic Concept for Switzerland). Frankfurt/New York: Campus Verlag, 1991.

———, G.T. Crocombe, and M.J. Enright. *Upgrading New Zealand's Competitive Advantage*. Auckland, New Zealand: Oxford University Press, 1991.

*The Competitive Advantage of Nations*. New York: The Free Press, 1990. Republished with a new introduction, 1998.

*Competition in Global Industries*. (editor), Boston: Harvard Business School Press, 1986.

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———, C.R. Christensen, K. Andrews, J. Bower, and R. Hamermesh. *Business Policy: Text and Cases*, 6<sup>th</sup> edition. Homewood, Illinois: Richard D. Irwin, 1986.

*Competitive Advantage: Creating and Sustaining Superior Performance*, New York: The Free Press, 1985. Republished with a new introduction, 1998.

*Cases in Competitive Strategy*, New York: The Free Press, 1982.

*Competitive Strategy: Techniques for Analyzing Industries and Competitors*, New York: The Free Press, 1980. Republished with a new introduction, 1998. Chapter 1 reprinted in *Competition*, J. High (ed.) as part of *Critical Ideas in Economics* M. Blaug and K.D. Hoover (eds.), Fairfax, Virginia: Institute of Public Policy, George Mason University (2001).

———, R.E. Caves, and A.M. Spence. *Competition in the Open Economy*. Cambridge, Massachusetts: Harvard Economic Studies, Harvard University Press, 1980.

———, A.M. Spence, J.T. Scott, and R.E. Caves. *Studies in Canadian Industrial Organization*. Canadian Royal Commission on Corporate Concentration, January 1977.

*Interbrand Choice, Strategy and Bilateral Market Power*. Cambridge, Massachusetts: Harvard Economic Studies, Harvard University Press, 1976.

## ARTICLES

——— and Jan W. Rivkin. "Choosing the United States," *Harvard Business Review*, March 2012.

——— and Jan W. Rivkin. "The Looming Challenge to U.S. Competitiveness," *Harvard Business Review*, March 2012.

———, Mercedes Delgado, and Scott Stern. "Clusters, Convergence, and Economic Performance," National Bureau for Economic Development Working Paper, February 2012.

———, Mercedes Delgado, Christian Ketels, and Scott Stern. "The Determinants of National Competitiveness," National Bureau for Economic Development Working Paper, February 2012.

——— and Jan W. Rivkin. "Prosperity at Risk: Findings of Harvard Business School's Survey on U.S. Competitiveness," Harvard Business School, January 2012.

——— and Robert Kaplan, "How to Solve the Cost Crisis in Health Care," *Harvard Business Review*, September, 2011.

——— and Mark R. Kramer. "Creating Shared Value: How to reinvent capitalism—and unleash a wave of innovation and growth," *Harvard Business Review*, January-February 2011.

"HBR Agenda 2011: Discovering—and Lowering—the Real Costs of Health Care," *Harvard Business Review*, January-February 2011.

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———, Mercedes Delgado, and Scott Stern. "Clusters and Entrepreneurship," *Journal of Economic Geography*, May 2010.

"What is Value in Health Care," *New England Journal of Medicine*, December 23, 2010.

"Value in Health Care," *New England Journal of Medicine*, Online Supplementary Appendix 1, December, 2010.

"Measuring Health Outcomes," *New England Journal of Medicine*, Online Supplementary Appendix 2, December, 2010.

——— and Christian Ketels. "Clusters and industrial districts: Common roots, different perspectives," *A Handbook of Industrial Districts*, August 2009.

"A Strategy for Health Care Reform—Toward a Value-Based System," *New England Journal of Medicine*, June 2009.

Kim, Jim Yong, Joseph Rhatigan, Sachin H. Jain, and Michael E. Porter. "From a Declaration of Values to the Creation of Value in Global Health." *Global Public Health*, 2009.

——— and Joseph Rhatigan, Sachin Jain, and Joia S. Mukherjee. "Applying the Care Delivery Value Chain: HIV/AIDS Care in Resource Poor Settings," Harvard Business School Working Paper 09-093, April 3, 2009.

———, William H. Shrank, Sachin H. Jain, and Niteesh K. Choudhry. "A Blueprint for Pharmacy Benefit Managers to Increase Value," *The American Journal of Managed Care* 15, no. 2 (February 2009): 87-93.

"Why America Needs an Economic Strategy," *Business Week*, November 10, 2008.

"Value-Based Health Care Delivery," *Annals of Surgery* 248, no. 4 (October 2008): 503-509.

"Contextuality within Activity Systems and Sustainability of Competitive Advantage," *Academy of Management Perspectives*, May 2008.

"The Five Competitive Forces That Shape Strategy," *Harvard Business Review*, January 2008.

——— and Forest L. Reinhardt. "A Strategic Approach to Climate," *Harvard Business Review*, October 2007.

"Colleges and Universities and Regional Economic Development: A Strategic Perspective," *Futures Forum 2007*, Forum for the Future of Higher Education and NACUBO, 41-44.

——— and Elizabeth Olmsted Teisberg. "How Physicians Can Change the Future of Health Care," *JAMA* 297, no. 10 (March 14, 2007): 1103-1111.

——— and Mark R. Kramer. "Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility," *Harvard Business Review*, December 2006.

——— and Mark R. Kramer. "Corporate Philanthropy: Taking the High Ground," *The Accountable Corporation* (Volume 3: Corporate Social Responsibility), Marc J. Epstein and Kirk O. Hanson (eds.), Westport: Praeger Publishers (2006).

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- and Daniel C. Esty. "National Environmental Performance: An Empirical Analysis of Policy Results and Determinants," *Environment and Development Economics* 10, issue 4 (August 2005): 391-434.
- , Jay W. Lorsch and Nitin Nohria. "Seven Surprises for New CEOs," *Harvard Business Review*, October 2004.
- and Elizabeth O. Teisberg, "Redefining Competition in Health Care," *Harvard Business Review*, June 2004.
- and Mark R. Kramer. "Evolution or Revolution: Challenging Assumptions," in a special report by European Business Forum on Corporate Social Responsibility, Summer 2004.
- and Mariko Sakakibara, "Competition in Japan," *Journal of Economic Perspectives* 18, no. 1 (Winter 2004): 27-50.
- "Building the Microeconomic Foundations of Prosperity: Findings from the Business Competitiveness Index," *The Global Competitiveness Report 2003-2004*, X Sala-i-Martin (ed.), New York: Oxford University Press (2004).
- and Scott Stern, "Ranking National Innovative Capacity: Findings from the National Innovative Capacity Index," *The Global Competitiveness Report 2003-2004*, X Sala-i-Martin (ed.), New York: Oxford University Press (2004).
- "The Economic Performance of Regions," *Regional Studies* 37, nos. 6 & 7 (August/October 2003): 549-578.
- "Building the Microeconomic Foundations of Prosperity: Findings from the Microeconomic Competitiveness Index," *The Global Competitiveness Report 2002-2003*, P. Cornelius (ed.), New York: Oxford University Press (2003).
- and Scott Stern, "The Impact of Location on Global Innovation: Findings from the National Innovative Capacity Index," *The Global Competitiveness Report 2002-2003*, P. Cornelius (ed.), New York: Oxford University Press (2003).
- and Anita M. McGahan, "The Emergence and Sustainability of Abnormal Profits," *Strategic Organization* 1, no. 1, (2003): 79-108.
- and Mark R. Kramer, "The Competitive Advantage of Corporate Philanthropy," *Harvard Business Review*, December 2002. Also reprinted in *Annual Editions: Management* (F. Maidment, ed.), New York: McGraw Hill (2003). Also reprinted in *Harvard Business Review on Corporate Responsibility*, Boston: Harvard Business School Publishing (2003).
- and Anita M. McGahan, "What Do We Know About Variance in Accounting Profitability?," *Management Science* 48, no. 7 (July 2002): 834-851.
- and Daniel C. Esty, "National Environmental Performance Measurement and Determinants," *Environmental Performance Measurement: The Global Report 2001-2002*, D. Esty and P. Cornelius (eds.), New York: Oxford University Press (2002).
- and Scott Stern. "Innovation: Location Matters," *MIT Sloan Management Review*, Summer 2001.
- and Mariko Sakakibara, "Competing at Home to Win Abroad: Evidence from Japanese Industry," *Review of Economics and Statistics*, May 2001.
- "Strategy and the Internet," *Harvard Business Review*, March 2001.

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House Committee on Small Business, United States House of Representatives,  
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———, Jeffrey L. Furman, and Scott Stern. "Los Factores Impulsores de la Capacidad Innovadora Nacional: Implicaciones para España y América Latina," in *Claves de la Economía Global*, Madrid: Spanish Institute of International Trade/Ministry of Economy (2000). (Translation of "The Drivers of National Innovative Capacity: Implications for Spain and Latin America," Harvard Business School Working Paper 01-005, May 2000.)

"Regions and the New Economics of Competition," in *Global City-Regions* (A.J. Scott, ed.), Oxford: Oxford University Press (2001).

"Locations, Clusters, and Company Strategy," in *Oxford Handbook of Economic Geography*, (G. Clark, M. Gertler, and M. Feldman, eds.), Oxford: Oxford University Press (2000). Also reprinted in *The Globalization of the World Economy: SMEs in the Age of Globalization*, D.B. Audretsch, Cheltenham: Edward Elgar Publishing (2003).

"Attitudes, Values, Beliefs, and the Microeconomics of Prosperity," in *Culture Matters: How Values Shape Human Progress*, (L.E. Harrison, S.P. Huntington, eds.), New York: Basic Books (2000).

"Clusters and Government Policy," *Wirtschafts politische Blätter* 47 (2000): 144-154.

"Location, Competition and Economic Development: Local Clusters in a Global Economy," *Economic Development Quarterly* 14, no. 1 (February 2000): 15-34. Also reprinted in *Globalization and the Location of Firms* (J. Cantwell, ed.), Cheltenham: Edward Elgar Publishing (2004).

——— and Mark R. Kramer. "Philanthropy's New Agenda: Creating Value," *Harvard Business Review*, November-December, 1999.

"Microeconomic Competitiveness: Findings from the 1999 Executive Survey," and (with Gregory C. Bond) "Innovative Capacity and Prosperity: The Next Competitiveness Challenge," in *The Global Competitiveness Report 1999*, Geneva, Switzerland: World Economic Forum, 1999.

"The Microeconomic Foundations of Economic Development and Competitiveness," *Wirtschafts politische Blätter* 46 (1999).

——— and Hirotaka Takeuchi. "Fixing What Really Ails Japan," *Foreign Affairs* 78, no. 3 (May-June 1999).

"Clusters and the New Economics of Competition," *Harvard Business Review*, November-December 1998. Also reprinted in *World View: Global Strategies for the New Economy*, Jeffrey E. Garten (ed.), Boston: Harvard Business School Press (1999); *Managing in the New Economy*, Joan Magretta (ed.), Boston: Harvard Business School Press (1999); *Systems of Innovation: Growth, Competitiveness and Employment*, Charles Edquist and Maureen McKelvey (eds.), Cheltenham: Edward Elgar Publishing Limited (2000).

——— and Anita M. McGahan. "The Persistence of Shocks to Profitability," *Review of Economics and Statistics* 81, no. 1 (February 1999): 143-153.

"The Microeconomic Foundations of Economic Development," and "Measuring The Microeconomic Foundations of Economic Development," in *The Global Competitiveness Report 1998*, Geneva, Switzerland: World Economic Forum, 1998.

——— and Nicolaj Siggelkow. "Competition and Strategy: The Creation of a Group and a Field," in *The Intellectual Venture Capitalist: John H. McArthur and the Work of the Harvard Business School, 1980-1995* (eds. Thomas K. McCraw and Jeffrey L. Cruikshank), Boston: Harvard Business School Press, 1999.

*"Restoring U.S. Competitiveness"*

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——— and Örjan Sölvell. "The Role of Geography in the Process of Innovation and Sustainable Competitive Advantage of Firms," in *The Dynamic Firm* (eds. Alfred D. Chandler, Jr., Peter Hagström, and Örjan Sölvell), Oxford, England: Oxford University Press, 1998.

——— with Daniel C. Esty. "Industrial Ecology and Competitiveness," *Journal of Industrial Ecology* 2, no. 1 (1998).

——— and Anita McGahan. "How Much Does Industry Matter, Really?," *Strategic Management Journal* 18 (July 1997): 15-30.

"Building Competitive Advantage: Lessons from Other Countries," *Voices from Marrakech: Selections from the Mediterranean Development Forum*, Washington, DC: Economic Development Institute, World Bank, 1997.

"New Strategies for Inner-City Economic Development," *Economic Development Quarterly* 11, no. 1 (February 1997), Thousand Oaks, California: Sage Periodicals Press.

"What is Strategy," *Harvard Business Review*, November-December 1996. Excerpted in *Spotlight on Performance* 12, no. 1, Northfield, MN: Fine Lines Creative Communications. Also reprinted in *Delivering Results: A New Mandate for Human Resource Professionals*, D. Ulrich, ed., Boston: Harvard Business School Press, 1998. Also reprinted in *The International Library of Critical Writings in Business and Management Strategic Management*, J. Birkinshaw, Cheltenham: Edward Elgar Publishing (2004). Also reprinted in *Annual Editions: Management* (F. Maidment, ed.), New York: McGraw Hill (2003). Also reprinted in *Strategic Management* (Volume 1), J. Birkinshaw (ed.), Cheltenham, England: Edward Elgar (2004).

"Competitive Advantage, Agglomeration Economies, and Regional Policy," *International Regional Science Review* 19, nos. 1 & 2 (1996), Regional Research Institute, West Virginia University.

"Competitiveness in Central America," in *Competitiveness in Central America: Preparing Companies for Globalization*, a publication of the Latin American Center for Competitiveness and Sustainable Development, INCAE, Costa Rica, July 1996.

"Capital Choices: National Systems of Investment," in *As If the Future Mattered*, Neva R. Goodwin (editor), Ann Arbor: The University of Michigan Press, 1996.

"Comment on 'Interaction Between Regional and Industrial Policies: Evidence From Four Countries,' by Markusen", in *Proceedings of The World Bank Annual Conference on Development Economics 1994*, Supplement to The World Bank Economic Review and The World Bank Research Observer, Michael Bruno and Boris Pleskovic (editors), Washington, DC, 1995, The International Bank for Reconstruction and Development/THE WORLD BANK.

——— and Claas van der Linde. "Toward a New Conception of the Environment-Competitiveness Relationship," *The Journal of Economic Perspectives* 9, no. 4 (Fall 1995). Reprinted in *A Reader on Environmental Law*, edited by Bridget Hutter, Oxford Readings in Socio-Legal Studies, Oxford: Oxford University Press. Excerpted as "Toward a New Paradigm," in *Perc Reports* 15 (October 1997), Bozeman, MT. Summarized in *Sustainable Human and Economic Development* (6<sup>th</sup> volume of series *Frontier Issues in Economic Thought*), Washington, DC: Island Press (2000). Also reprinted in *Corporate Strategies for Managing Environmental Risk*, (T. Tietenberg and K. Segerson, eds.), Hampshire: Ashgate Publishing Group (2004).

*"Restoring U.S. Competitiveness"*

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——— and Claas van der Linde. "Green and Competitive: Ending the Stalemate," *Harvard Business Review*, September-October 1995. Also published in *The Earthscan Reader in Business and the Environment*, edited by Richard Welford and Richard Starkey, Earthscan Publications Ltd, London, 1996.

——— and Rebecca E. Wayland. "Global Competition and the Localization of Competitive Advantage," *Proceedings of the Integral Strategy Collegium*, Graduate School of Business, Indiana University, JAI Press, Greenwich, Connecticut, 1995.

"The Competitive Advantage of the Inner City," *Harvard Business Review*, May-June 1995. Also excerpted in *The City Reader*, second edition, Richard T. LeGates (ed.), New York: Routledge (1999).

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——— with Elizabeth O. Teisberg and Gregory B. Brown. "Making Competition in Health Care Work," *Harvard Business Review*, July-August 1994.

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"Applying the Competitive Advantage of Nations Paradigm to Norway," *Praktisk økonomi & Ledelse: et Konsurransedyktig Norge* 1 (February 1993), Oslo, Norway: Bedriftsøkonomens Forlag A/S.

"Capital Disadvantage: America's Failing Capital Investment System," *Harvard Business Review*, September-October 1992. Also reprinted in *The Quest for Loyalty: Creating Value through Partnership*, edited with an introduction by Frederick F. Reichheld, Harvard Business School Press, 1996.

"Capital Choices: Changing the Way America Invests in Industry," *Journal of Applied Corporate Finance*, September 1992. Also in *Studies in International Corporate Finance and Governance Systems: A Comparison of the U.S., Japan, and Europe*, Donald H. Chew (ed.), New York: Oxford University Press, 1997.

"Korea in the Middle," in *Korean Competitiveness: A Shortcut to an Advanced Nation*, Dong-Sung Cho, Seoul, Korea, 1992.

"Towards a Dynamic Theory of Strategy," *Strategic Management Journal*, special winter edition, John Wiley & Sons, Ltd., Chichester, England, 1991. Also reprinted in *Fundamental Issues in Strategy: A Research Agenda*, edited by Richard P. Rumelt, Dan E. Schendel, and David J. Teece, Harvard Business School Press, Boston, MA, July 1994.

America's Green Strategy," *Scientific American* 264, no. 4 (April 1991): 168. Also reprinted in *The Company Leader*, a publication of the St. Paul Fire and Marine Insurance Company, August 1994. Also published in *The Earthscan Reader in Business and the Environment*, edited by Richard Welford and Richard Starkey, Earthscan Publications Ltd, London, 1996.

"The Competitive Advantage of Nations," *Harvard Business Review*, March-April, 1990. Also reprinted in *From Adam Smith to Michael Porter: Evolution of Competitiveness Theory*, Dong-Sung Cho & Hwy-Chang Moon, World Scientific Publishing Company, Singapore, 2000. Also reprinted in *Organizational Capability and Competitive*

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## **HBS Research and Reports on U.S. Competitiveness**

### **1. Harvard Business Review, March 2012: *The Looming Challenge to U.S. Competitiveness***

The United States is a competitive location to the extent that firms operating in the U.S. are able to compete successfully in the global economy while supporting high and rising wages and living standards. Trends indicate the latest cyclical downturn, the Great Recession, is merely a symptom of longer-term structural challenges to U.S. competitiveness. America’s crucial economic strengths are weakening and cracks are visible in its macroeconomic foundations. If government and business leaders continue to react only to the cyclical downturn without confronting America’s structural challenges to its business environment, they will revive an economy with weak long-term prospects. A coordinated effort by business and government to pursue a national economic strategy can reverse the erosion of U.S. competitiveness and restore an upward trajectory to American living standards.

### **2. Harvard Business School 2011 Survey on U.S. Competitiveness: *Prosperity at Risk***

As part of the U.S. Competitiveness Project, Harvard Business School asked its alumni to complete an in-depth survey on U.S. competitiveness. Nearly 10,000 business leaders responded worldwide, resulting in a first-of-its-kind analysis of data from a broad group of central actors in the global economy. The survey results provide strong evidence that America faces a deepening competitiveness problem and help pinpoint where the roots of the problem lie.

- 71% of survey respondents expect U.S. competitiveness to decline over the next 3 years.
- According to more than 1,700 respondents personally involved in business location decisions, the United States competed with virtually the entire world and fared poorly, losing two-thirds of the decisions that were resolved.
- Facilities involving high-end work and large numbers of jobs moved out of the U.S. much faster than they moved in.
- Respondents saw the underlying businesses environment in America as still strong in critical areas, but not keeping pace with other economies, especially fast-growing emerging economies.
- Respondents identified America’s greatest current weaknesses as its tax, code, political system, and K-12 education system.

### **3. The Economist: The World in 2013. *What Washington must do now: An eight-point plan to restore American competitiveness*, by Michael E. Porter and Jan W. Rivkin**

Our research indicates 8 strategic priorities for federal policy that the president and Congress should enact now that would dramatically improve the U.S. business environment and, with it, America’s economic prospects. Each is highly achievable and can be implemented in 2 or 3 years. Most business leaders and policymakers – both Democrat and Republican – agree on the essence of these policies, at least behind closed doors. The 8 priorities are:

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

- Ease the immigration of highly skilled individuals, starting with (but not restricted to) international graduates of U.S. universities.
- Rewrite the corporate tax code with lower statutory rates and no loopholes.
- Create an international taxation system for multinational companies that taxes overseas profits only where they are earned, without additional taxes on profits repatriated to the U.S.
- Aggressively use established international institutions to address distortions and abuses in the international trading system that disadvantage the United States.
- Streamline regulations affecting business by focusing on outcomes while simplifying reporting and compliance, reducing delays, and minimizing the need for litigation.
- Enact a multiyear program to improve logistics, communications and energy infrastructure.
- Agree on a federal regulatory and reporting framework to guide the responsible development of newly accessible American gas and oil reserves.
- Create a sustainable federal budget through a combination of revenue increases (including reducing deductions) and less spending (through efficiencies in entitlement programs and revised spending priorities), embodying a compromise such as Simpson-Bowles or Rivlin-Domenici.

These 8 strategic priorities are not all that America must do to restore its competitiveness. There is, however, wide consensus on these 8 priorities and making progress on them will profoundly change the trajectory of our economy.

**4. Harvard Business School 2012 Survey on U.S. Competitiveness: *Competitiveness at a Crossroads***

Second in the series of U.S. Competitiveness surveys, Harvard Business School gleaned responses from nearly 7,000 alumni and more than 1,000 members of the general public. The survey not only provides an updated view of the U.S. business environment, largely consistent with the 2011 survey findings, but also illuminates specific actions that business leaders and policymakers can take to improve U.S. competitiveness. Across the political spectrum, business leaders and the general public strongly called on the President and Congress to put the federal budget on a sustainable path, reform the corporate tax code, improve America's infrastructure, address distortions of the international trading system and craft a responsible framework for developing new energy sources.

**5. Fortune: *What Business Should Do to Restore U.S. Competitiveness***

Every firm draws on the business environment in the communities where it operates, or the "commons". Government has a profound impact on the health of the commons and must do its part to make the U.S. a competitive location for business. At the same time, business leaders influence the commons on which they draw. Historically in the U.S. business and government collaborated to build the strongest commons the world has ever seen. Globalization opened up the entire world to business, and many companies forgot the importance of local conditions for their productivity and growth. But now a growing number of U.S. business leaders are rediscovering the critical role of the local business

*"Restoring U.S. Competitiveness"*

Testimony by Michael E. Porter, Bishop William Lawrence University Professor, Harvard Business School  
House Committee on Small Business, United States House of Representatives,  
July 9, 2013

environment to their companies' success. Businesses can lead in restoring U.S. competitiveness by engaging in the following:

1. Vigorously pursue productivity and profitability in the business: Position the company to draw on U.S. strengths. Move back to the U.S. business activities that can be productive here.
2. Improve the commons:
  - Improve skills, by creating or expanding an apprentice and training programs, and partnering with a community college, technical school, or university.
  - Upgrade supporting industries, by identifying and increasing sourcing from capable local suppliers, and mentoring local suppliers to upgrade their capabilities.
  - Support innovation and entrepreneurship by participating in research collaboratives, and investing in or incubating promising startups related to the company's business.
  - Bolster regional and cluster development by participating in a regional or cluster competitiveness initiative in the company's field.
  -
3. Shift the business-government relationship: Advocate business-wide improvements rather than lobby for special interests.