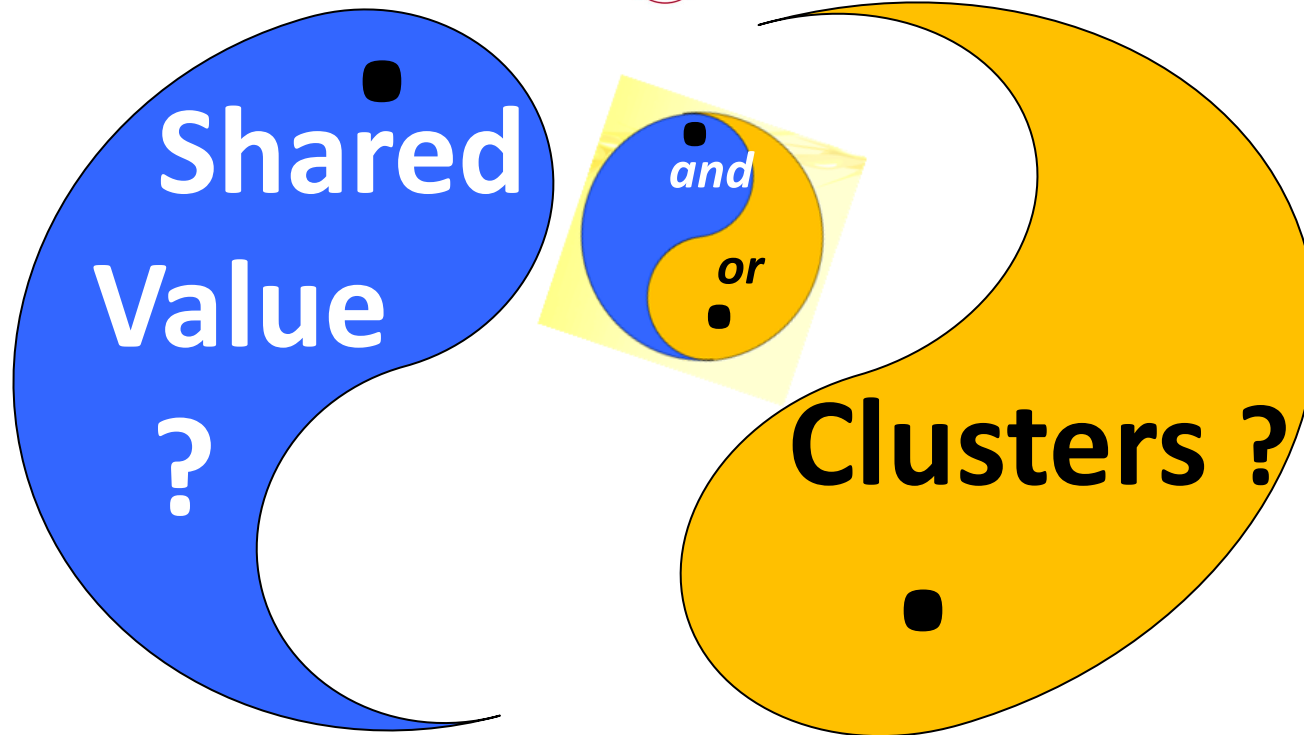


# Case Study Schär Gluten-Free 2022-25

should  build



**Dear MOC Affiliates**

**GET INVOLVED**  
**Make A Difference**  
**in this Living Case!**

This presentation of Jan. 14, 2022 (to Prof. Porter's MOC Affiliates) & case study (2022) by M. Domenghino & I. Pleser build on on the work of M. Porter/M. Kramer, F. Alberti/F. Belfanti and case protagonist U. Ladurner, owner & president of Dr. Schär SpA ([drschaer.com](https://drschaer.com))

Corresponding author: [mike.domenghino@post.harvard.edu](mailto:mike.domenghino@post.harvard.edu) The case materials are on <https://glutenfreecase.info>

# Why Study & Teach the Living Case?

Porter 2011 "Capitalist system ....is under siege...

**Business prospers... at the expense of the community"**



**How to Fix Capitalism**



by

**Creating Shared Value**

**The Schär Case shows your Students:  
How capitalism can & should work**

at the firm level with CSV, disruptive ideas & cluster building

# Why Engage Your Students in the Live Case?

A successful Italian family business and worldwide leader faces challenges in 2022

Your Students can learn & apply concepts, make proposals to Schär and create Shared Value by doing so.

Your Teaching Shared Value → Creating Shared Value





**It's a pleasure to have  
with us today  
the case Protagonist  
U. Ladurner &  
co-author I. Pleser  
Welcome!**

U. Ladurner: Druggist by trade,  
self-educated businessman from  
Merano, Italy, long-time CEO,  
now owner/president of Dr.  
Schär SpA .

**Next:**

**A conceptual recap & update on 2021 publications  
to ensure we use the state-of-the art  
concepts & tools for Schär**



# Introduction & Process Overview

1

## **Conceptual update 2011-2021**

Porter / Kramer & Alberti / Belfanti (MOC) papers

2

## **Schär's evolution towards CSV**

Case study 1980 => 2022 issues

3

## **Schär's future: Disruptive innovation? How? With cluster building? ?**

4

## **Up to you: Q&A, discussion. Proposals for Schär? How to fix capitalism?**

# Authors, Disclosure, Acknowledgments, Caveat

## Authors

Mike Domenghino, PhD: Professor (em), U. of Applied Sciences Switzerland, ex Novartis, Procter&Gamble  
Ingo Pleser, PhD: Owner/president of Lucullus Backzutaten GmbH & Co. KG, Germany (until 2022)

## Disclosure

- **The authors have no financial ties with Dr. Schär SpA (BZ/Italy) nor its owner/president, U. Ladurner, who is a cousin of the co-author I. Pleser.**
- **The case study «Schär Gluten-free: Disruptive Food Innovation» on [glutenfreecase.info](http://glutenfreecase.info)**
  - **was written for solely academic purposes at students' requests for European cases**
  - **was not commissioned nor financially or otherwise supported by Dr. Schär SpA, nor by U. Ladurner, nor any other party.**
- **The website [glutenfreecase.info](http://glutenfreecase.info) is the authors' site, independent of the Schär site [drschaer.com](http://drschaer.com)**

## Acknowledgments & Thanks

The presentation builds on and liberally uses the frameworks and materials from the seminal work of Porter 2021, Kramer 2016 and Porter/Kramer 2011; Alberti/Belfanti 2021, 2020, 2019 (MOC Affiliates)

## Caveat

The following presents the author's (M. Domenghino) views, based on the papers of the above authors, who may not agree with contents of the presentation slides. Errors are the responsibility of the author.

# Recap: Porter CSV 2011

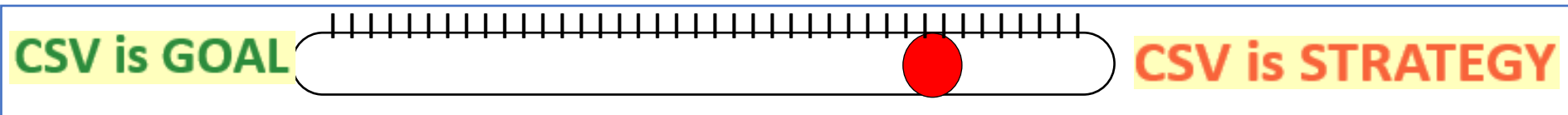
- Definition 2011 in Porter's words

What is shared value? Corporate policies and practices that enhance the competitive advantage and profitability of the company while simultaneously advancing social and economic conditions in the communities in which it sells and operates. Shared value is not corporate social responsibility, philanthropy, or even sustainability, but a new way to achieve economic success.

- Future impact: »CSV represents the largest unserved markets«
  - “CSV is the most important new dimension of firm strategies”
  - “CSV is the most powerful path to social progress”
- CSV is not charity, CSR! CSV is «a new way to economic success»!

## Interpretation (of author): Issue of goals vs. strategy?

- Goal of CSV: Enhance Firms' competitive advantage => profitability
- Strategy: Solve social & environmental problems with profitable business models





# Update (1): Porter's 2021 CSV Papers

## Porter reconfirms CSV & goes further in two papers

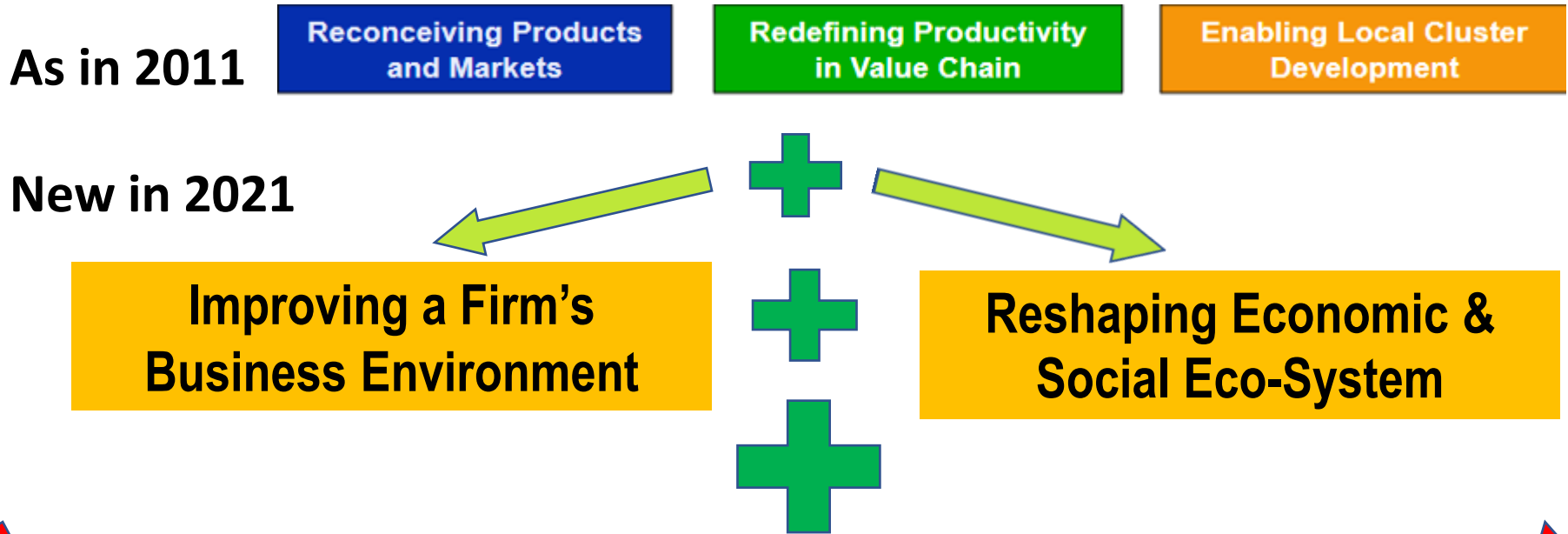
- **The Changing Role of Business in Society**: Working paper, July 2021
  - a NO to Friedman “the social responsibility of business is to increase profits”,
  - “making our society a better place for all citizens”
  - “business must now act to enhance America’s economic & social outcomes”
- **Business Leaders Must Take Action On Climate and Voting...**
  - business is to act on social issues “where Government fails”, HBR Nov.-Dec. 2021
  - but “companies ... are not backing their words up with action”.
  - proposes that the Business Roundtable “lead a large-scale campaign to support the most ambitious climate provisions in the Biden administration’s proposed budget...”

Business Roundtable (BRT) is “America’s most prominent business group” (M. Porter) comprising 200 CEOs of leading US firms. BRT “promotes a thriving U.S. economy and expanded opportunities for all Americans through sound public policies.” (brt.org)



# Update (2): New in Porter 2021

## How to Fix Capitalism with CSV



**Engage in Politics where Government fails**

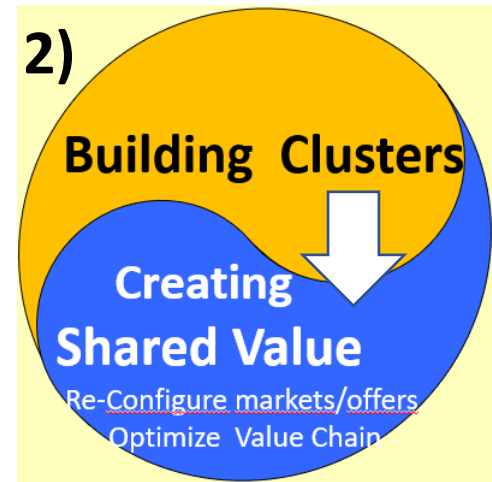
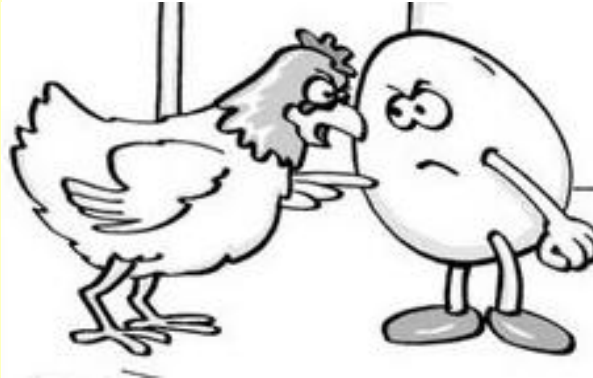
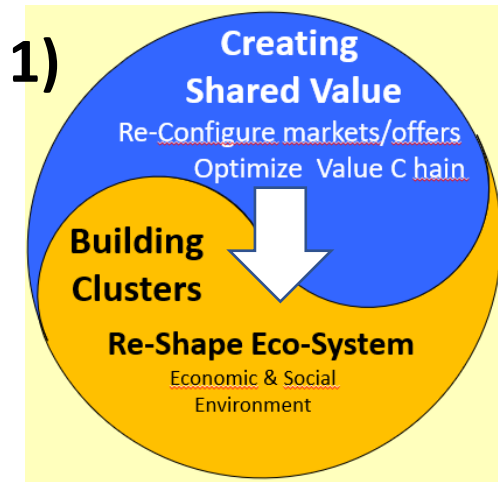
"Bold innovation by business has long been a source of American competitiveness. Now we must summon our courage and apply the same innovation in business engagement in policy and politics.. HBR, Nov.-Dec. 2021

A different paradigm? **Fix Society with Capitalism ?**

Special case USA or general?

# Update (3): Alberti/Belfanti 2019-21

» Question of CSV ↔ Cluster relationship is under-researched»



## 1) Porter 2011

Reconceiving Products  
and Markets

Redefining Productivity  
in Value Chain

Enabling Local Cluster  
Development

## 2) Alberti/Belfanti's 2019-21 research on Italian clusters shows

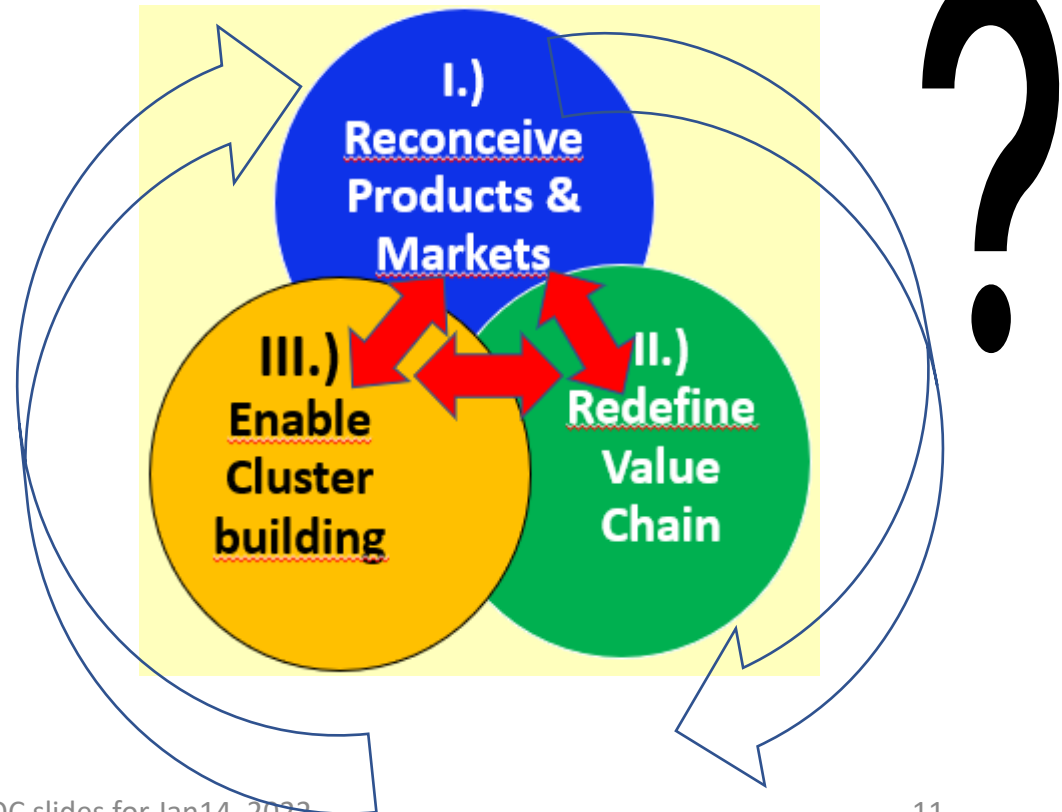
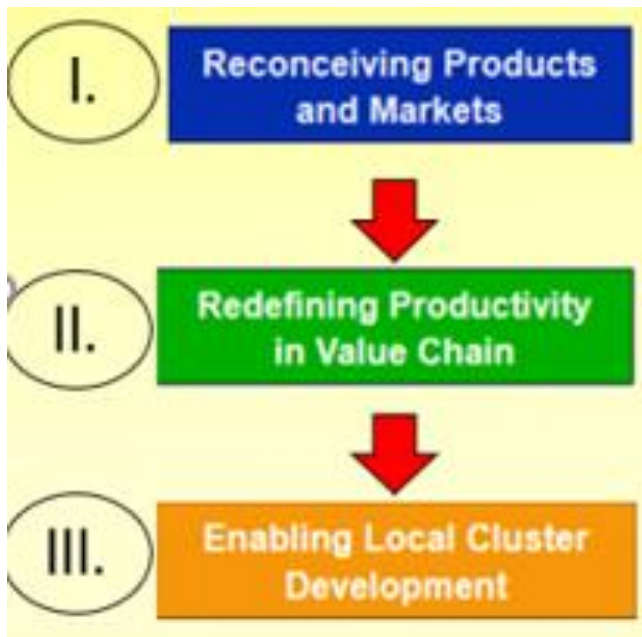
- the famous sportscar cluster (Ferrari etc.) creates shared value
- A recent Food Waste Avoidance Cluster Initiative created shared value initially. It later faded: why? Because the anchor firm exited?

# Update (4): Alberti/Belfanti 2019-21

«Question of CSV  Cluster relationship is under-researched»

Author's understanding of  
Porter / Kramer2011  
**Sequential & Linear !**

Author's understanding based on  
Alberti/Belfanti 2019-21  
**Coincidental & Circular?**



# Update (5): Clusters Help in Crises

Porter/Delgado (2021) : [Clusters and the great recession](#)  
validate cluster effectiveness in the 2008-10 crisis (and now?)

”strong clusters ...

improve regional employment growth over time ...

improve the resilience of regional economies to downturns.”

## Key Take-Aways for Schär:

**CSV & clusters work & can foster innovations**

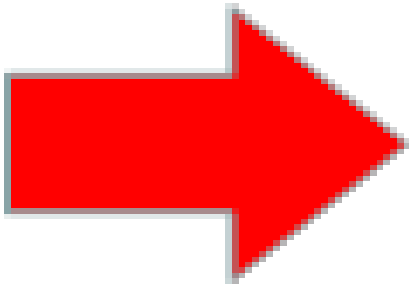
# Where Are We? Overview

1

Conceptual update 2011=>2021



State-of-the-art take-away for Schär's plans: CSV & clusters work!



2

**Schär's Path towards CSV**

1980 - now

3

**Schär's future: Disruptive Innovation!  
With Cluster building?**

4

**Q&A, Discussion. Your ideas**

**HELP WANTED**

Explore further

**Fix Society with Capitalism ?**

# Summary & Relevance for Students

## History Dr. Schär SpA 1980 – now:

- Up to 1980: a declining artisanal grain processor in South Tyrol, Italy
- Druggist U. Ladurner buys Schär in 1980; notices gluten allergy issue
- Develops gluten-free products, makes Schär the world leader (2020)

## Benefits for students: master concepts + practice skills

- Schär's path exemplifies 10+ Porter strategy concepts, especially
  - Success of a start-up with disruptive value proposition and value chain
  - Usefulness of 5-Forces analyses of past – present – future for strategy
- The case trains students' skills to apply concepts in a real-life setting

• Practice

Reconceiving Products  
and Markets

Redefining Productivity  
in Value Chain



• Evaluate

Enabling Local Cluster  
Development



CSV

# Gluten/Wheat Sensitivity => Celiac Disease

- Genetic allergies => damage to intestinal lining => pain, diarrhea, fatigue, weight loss, bloating => serious problems for 1% - 5?% of populations, less in Asia (rice)
- No medication: niche so far too small for pharma firms
- Earlier remedy : eat only rice/potatoes => low compliance
- Production of gluten-free needs 'cleanroom' technology



**In 1980, gluten was an unsolved problem**

for patients, doctors, pharmacists, health insurances (reimbursement for ineffective remedy), health systems, economy



# Schär's Steps 1980 - 2022

in 1980 & by chance, case protagonist Ladurner:

- 1) Recognized unmet nutritional needs of gluten intolerant people
- 2) Innovated with gluten-free, healthy and palatable products
- 3) Created a completely new niche market disruptively
- 4) Grew his artisanal Italian company into a worldwide business
- 5) Helped millions of gluten/wheat sensitive people world-wide improve their health, enjoy savory food & a normal life
- 6) Produced value for patients/medical community world-wide
  - 1) for health systems: health outcomes up, costs down
  - 2) for local communities: 1400 jobs and above avg. remuneration
- 7) Became one of the wealthiest entrepreneurs in South Tyrol.



**Take-away: Capitalism at its best**

# Start 1980 : Poorest Province in Italy

## Unfavorable Diamond Conditions

Helpful: Only Agriculture & Tourism

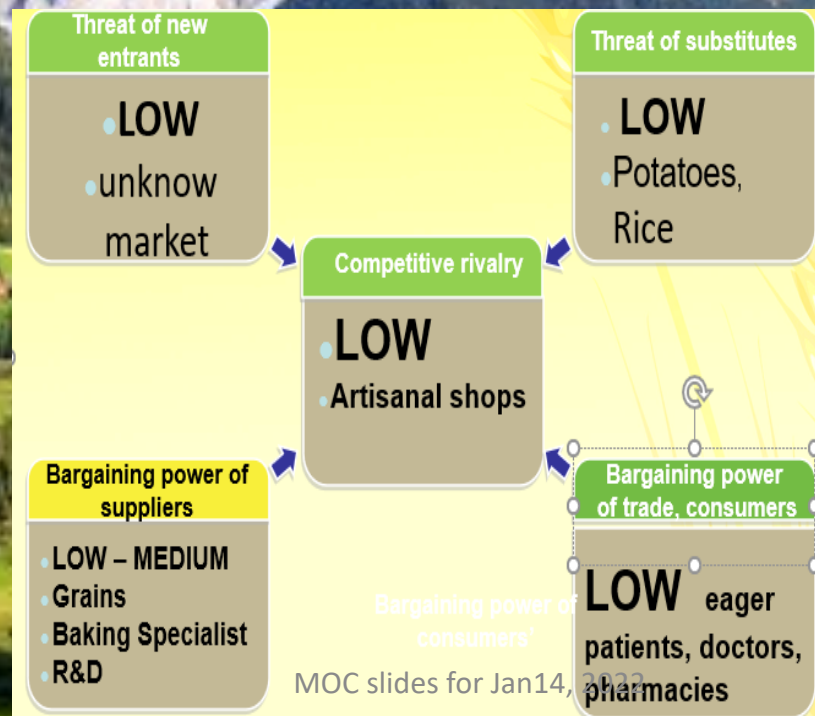
Context for  
Firm  
Strategy  
and Rivalry

Factor  
(Input)  
Conditions

Demand  
Conditions

Related and  
Supporting  
Industries

# But: Favorable 5 Forces in 1980







# 1980: Disruptive food innovations for unserved gluten-allergy patients

Prior to 1980: Doctors/artisanal firms made their own rice/oatmeal mixes

In 80s, Schär started marketing the 1st line of gluten-free convenience foods



Near-monopoly in disruptively created new niche market in pharmacies, drugstores



# Disruptive Business Model (1)



Creating a **unique** value proposition

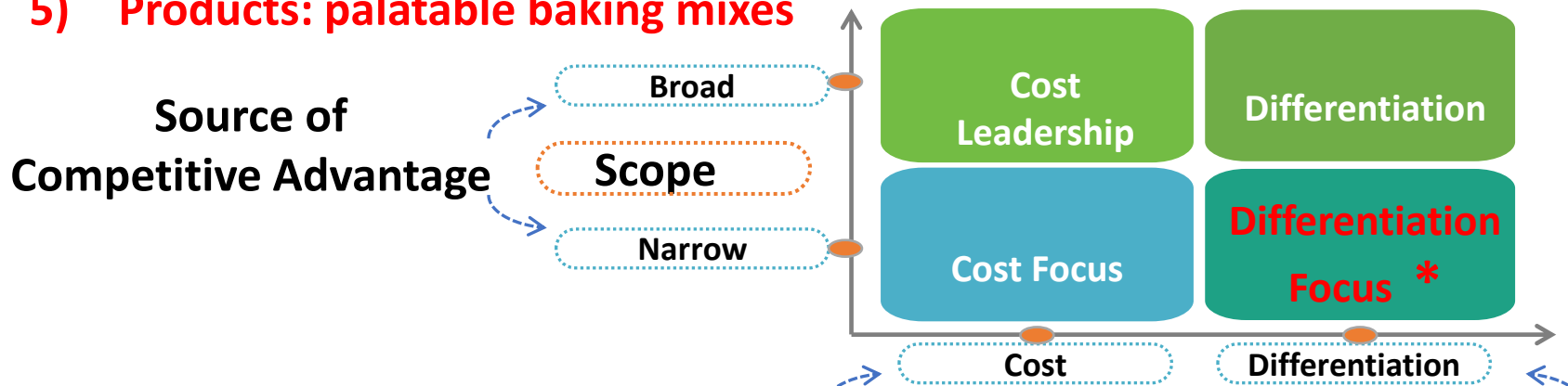


Doing things **differently** to deliver superior value

## Unique, Disruptive Value Proposition

Re-configure offer

- 1) Focussed target group: gluten intolerant patients (esp. babies),
- 2) Highly desirable benefit: painfree digestion, well-being;
- 3) Competition: few small artisanal cottage producers;
- 4) Competitive advantage: focussed differentiation;
- 5) **Products: palatable baking mixes**





# Health Care Value Creation

**Porter's Goal: Deliver high value for patients while keeping costs under control**  
**Value for patients = desired health outcomes achieved per dollar spent**

Porter's equation

$$\text{Value} = \frac{\text{Health outcomes that matter to patients}}{\text{Costs of delivering these outcomes}}$$

Schär delivers same value worldwide but products differ



**Tastier products + more variety + convenience**  
**Painfree digestion => Health => Better life**

**Schär's Value = -----**

**Lower costs of health system/insurances, dampens premiums**  
**Lower consumer prices due to mass production & distribution**

# Disruptive Business Model (2)



Creating a **unique** value proposition



Doing things **differently** to deliver superior value

## Disruptive Value Chain/ Marketing-Mix





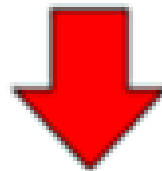


# Only Worldwide Brand & Actor

## Worldwide Sourcing, Positioning & Local Products

- Branding, Communication
- Transfer Knowledge, People
- **Cooperation w/farmers: better raw materials, R&D for better cereals, less waste,**

**Higher value for farmers & Schär:  
«Farm to Fork»**

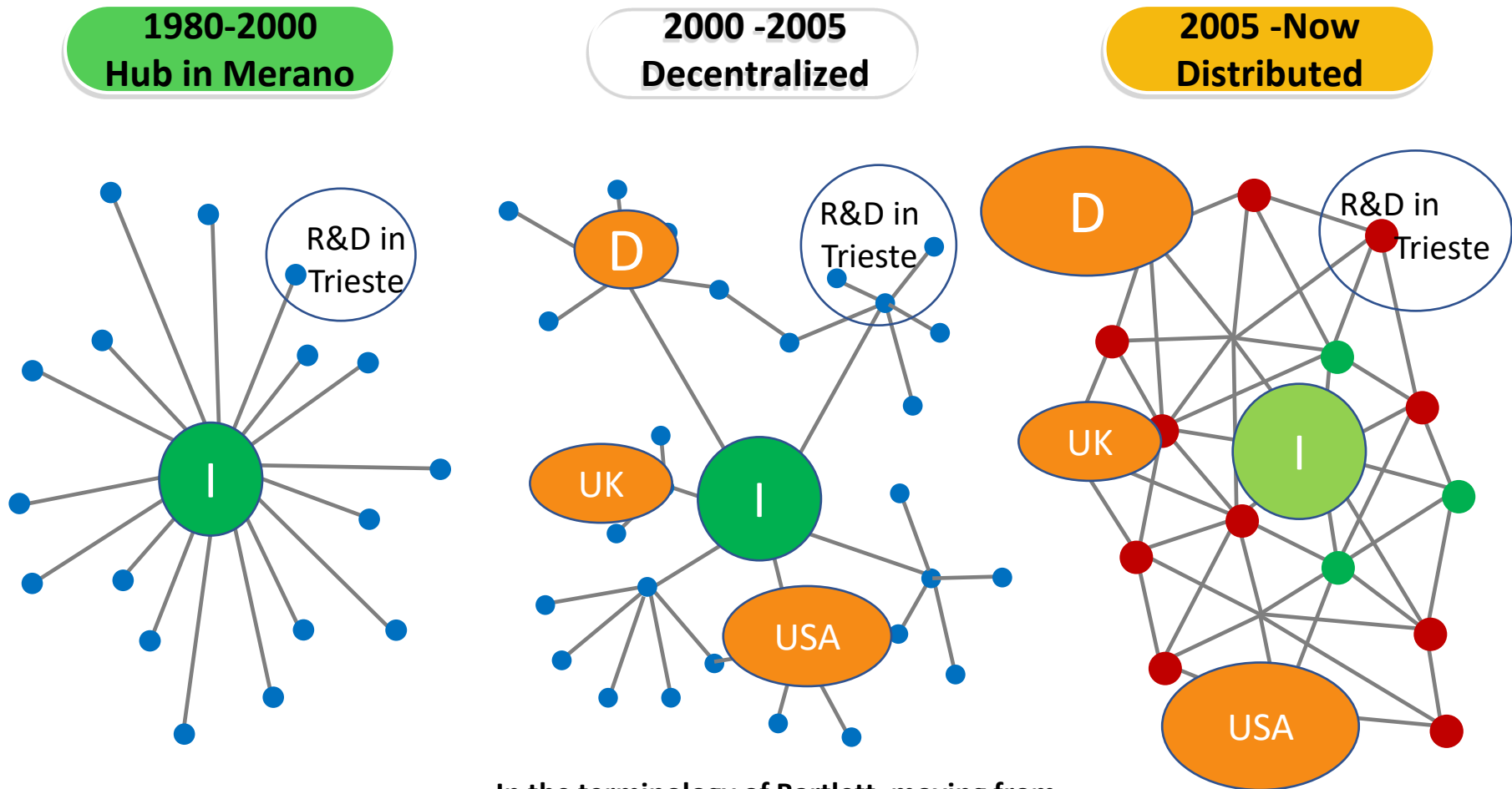


## Economies of Scale & Scope



# Unique Worldwide Network

HQ Merano, R&D Trieste, other activities dispersed in “Good Clusters”



In the terminology of Bartlett, moving from  
global to international-multinational and now to transnational

# Positioning issue mid-2010: Health or Lifestyle?

Quack doctors & celebrities reposition gluten-free as lifestyle panacea

Lady GAGA, Paris Hilton etc. tempt up to 30% of consumers in the US and Ladurner to yield to lifestyle benefits, like Ulysses



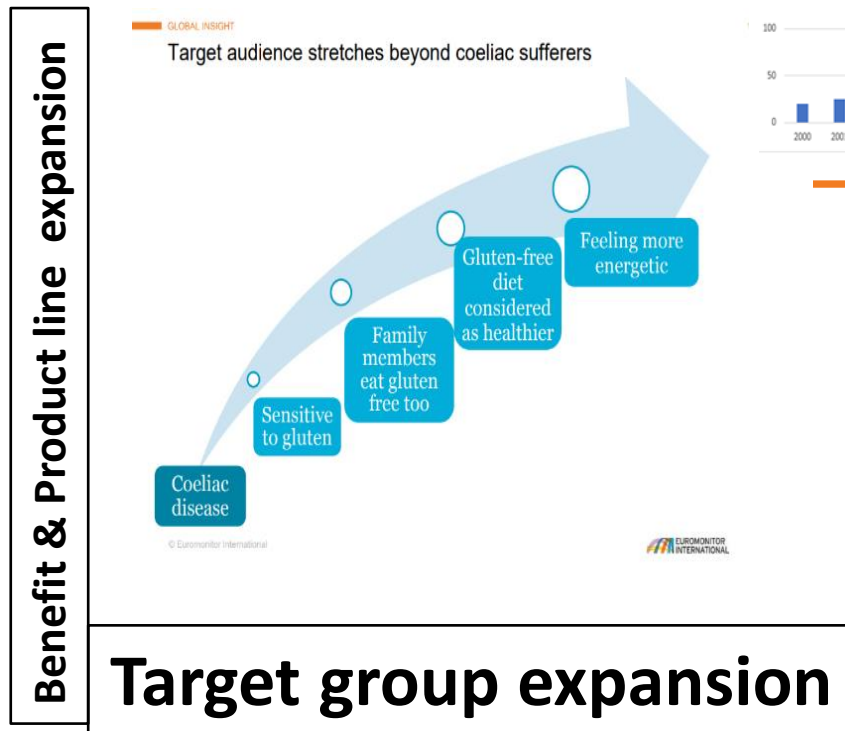
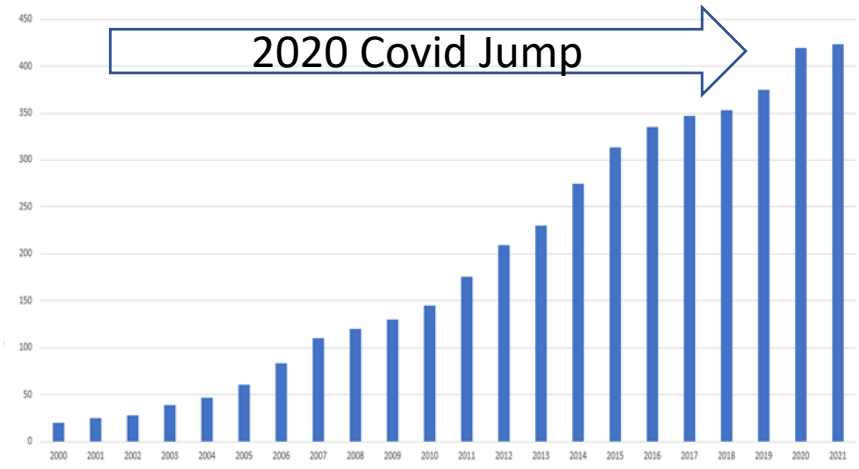
**Ulysses Ladurner stayed with Health Value Creation**

# Sales Growth from \$ 20 to \$ 450 mio

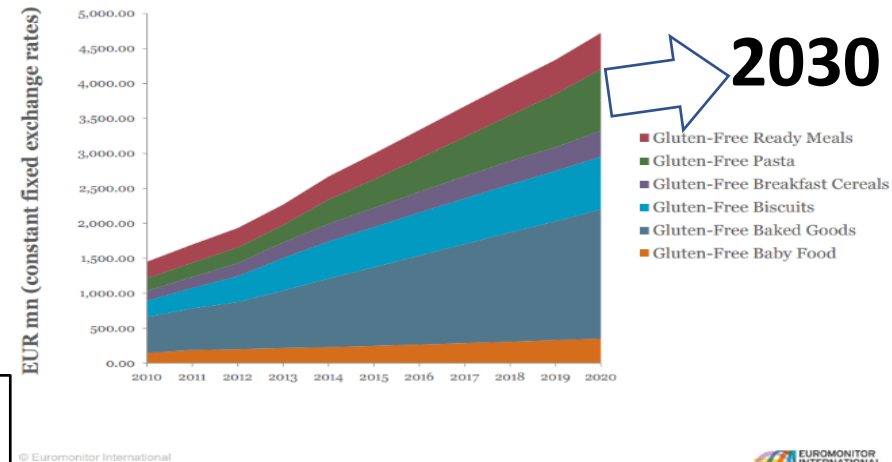
## 2000-2021

### Drivers of Growth: Expansion of - Geography to Germany/USA

- «Share of Stomach», product line expansion covering all meals, snacks & organic food &
- Diversification & Covid



GLOBAL INSIGHT  
Global retail sales of free from gluten by product, 2010-2020



# Schär Meets Porter Criteria for «Good Strategy»

- A **unique value proposition** compared to competitors  
*Creative destruction with disruptive value proposition* ✓
- A **distinctive value chain** embodying choices about how the organization will **operate differently** to deliver on its value proposition  
*From Rx – Pharmacies/ Drugstores – Supermarkets  
From local Italian to only world brand* ✓
- Making clear tradeoffs, and choosing what **not to do**  
*Not pharmaceuticals, not lifestyle fad (not Lady GAGA)* ✓
- Activity choices across the value chain that **fit together** and **reinforce each other** Drivers: Push: Doctors => Trade  
=>Pull: Consumers ✓
- **Continuity** of strategic direction  
*Tasty food, health. normal life for gluten sufferers* ✓



# Clouds are moving in Deterioration of 5 Forces

Since 2020 Threat from Pharma Substitutes

**Lower  
Entry  
Barriers**

**Stronger  
Supplier  
Power**

**Rivalry  
Heated**

**Medication  
Possible**

**Stronger Power  
of Trade**

# Where Are We? What's Next?

1

**Conceptual update 2011=>2021**

2021 Porter & MOC papers



2

**Schär's evolution towards CSV** Case study 1980

=> 2022 issues



3

**Issues 2022,  
Alternatives,** Your ideas &  
proposals to Schär

4

Outlook future issues circular? Spiral up down porter2021  
business engagement poter corporatism



# SWOT 2022 => Conclusions?

## STRENGTHS



- World market leader 2020, Sales growth continuing
- New CEO; succession issues solved
- Financial strength! Willing to invest in innovations!

## WEAKNESSES



- “One product firm”: gluten-free 95% of revenue
- Market share declining, sales growth slowing? Asia no-go
- Diversification disappointing, dry pipeline, smug culture

## OPPORTUNITIES

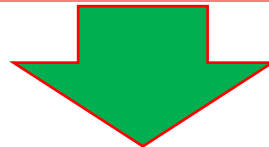


- Post Covid needs: Re-configure products/markets, v-chain
- Acquisitions/cooperations. Penetrate Russia, S-America
- Needs of aging populations; Digitization, Medicine 3.0, AI

## THREATS

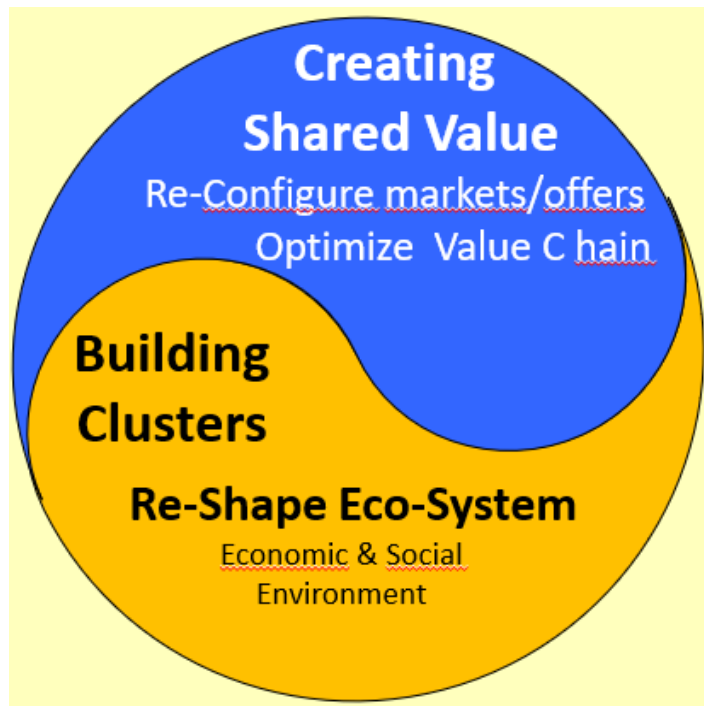
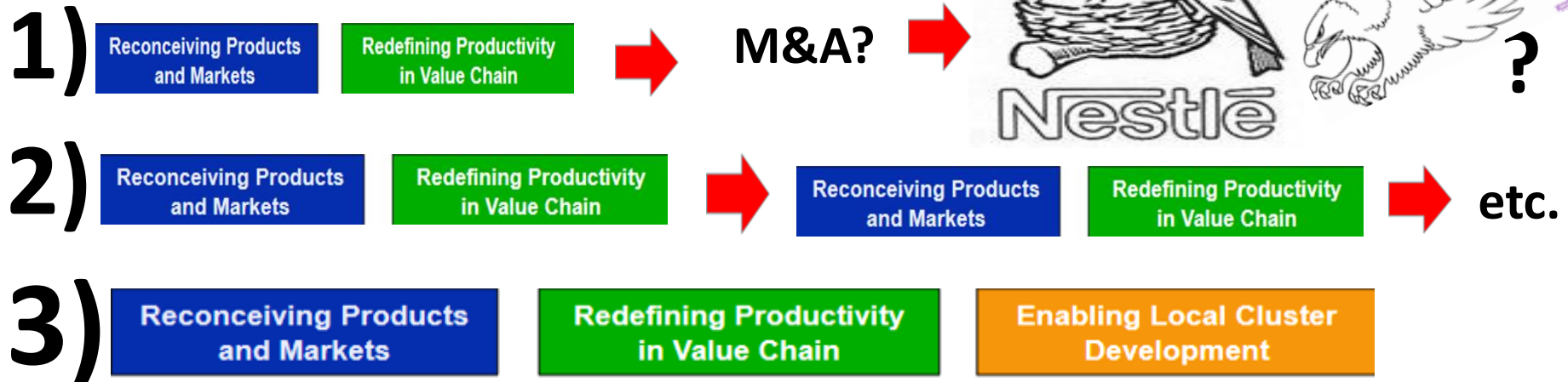


- Substitutes (medications/vaccines) mid-term
- Market saturation, competition, store brands
- Digitization, Medicine 3.0, AI, Augmented Reality



**Renew innovation push: find disruptive solutions for unmet needs of (new) customer groups?**

# Options ?



?

**Health Food Cluster Building**

?

# Option (3)

Reconceiving Products  
and Markets

Redefining Productivity  
in Value Chain



Cluster Building

## Sequentiel ?

Timeline 2022 =>2025 =>2030

Re-Configure  
Markets/Products

Optimize  
Value Chain

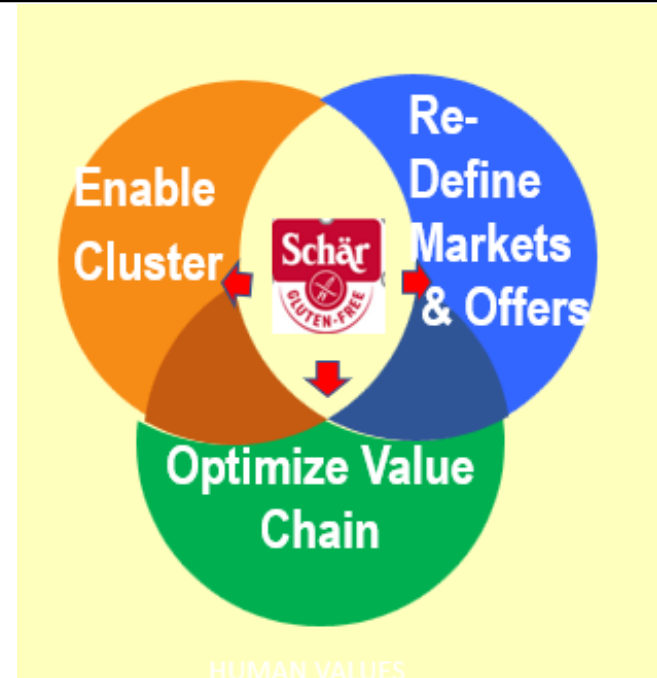
Cluster Building



## Too slow?

## Simultaneous ?

Start 2022 Resources?



## Management resource issue?

# Health Nutrition Ideas from audience & students ?

## Porter's Process for Discovering the Shared Value in Products



**Covid?** -  
pills,  
pre-  
vention

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

**Long Covid**  
Patients, Health  
systems  
**Chronic Fatigue  
Symptom?**

**Home Office  
Needs?**

**Personalized  
Health  
Nutrition?**

**Worcation?**  
Remote **Working** in  
**Vacation** location  
**New Needs?**

## Please DO Disrupt!



- How to improve employee well-being & productivity? (US “Resignation Wave”: new “work & life balance”)
- «Working from home» where possible & productive?
- Digitization where useful & possible?
- Zoom meetings with customers & suppliers (vs. travel)?
- «Re-Shoring»? Pull supply chain closer after problems?
- Implement new laws: environmental, social (child labor)?



**Enable post-Covid** **Health Food Cluster Building** ?

# Key Steps Towards Cluster Building

**Terms in red have been found critical for success**

Adapted from Porter/Kramer 2021/2016 & Alberti/Belfanti 2019/2021.

- 1) Find & appoint the «Champion», the driver and helpers, e.g. IDM Devel. Agency, U. of Bolzano, [regional.development@eurac.edu](mailto:regional.development@eurac.edu)
- 2) Assess competitiveness of post-Covid South Tyrol
- 3) Define clusters (Agro + Industry + Tourism?), borders , participants, cluster map
- 4) **Communicate advantages of clustering.** Line up key firms
- 5) **Reach agreement on «Preferred Future»** for cluster + each member
- 6) **Decide on how to measure progress & success.**
- 7) **Do a SWOT analysis of above and**
- 8) Evaluate competing alternatives to reach **Preferred Future**



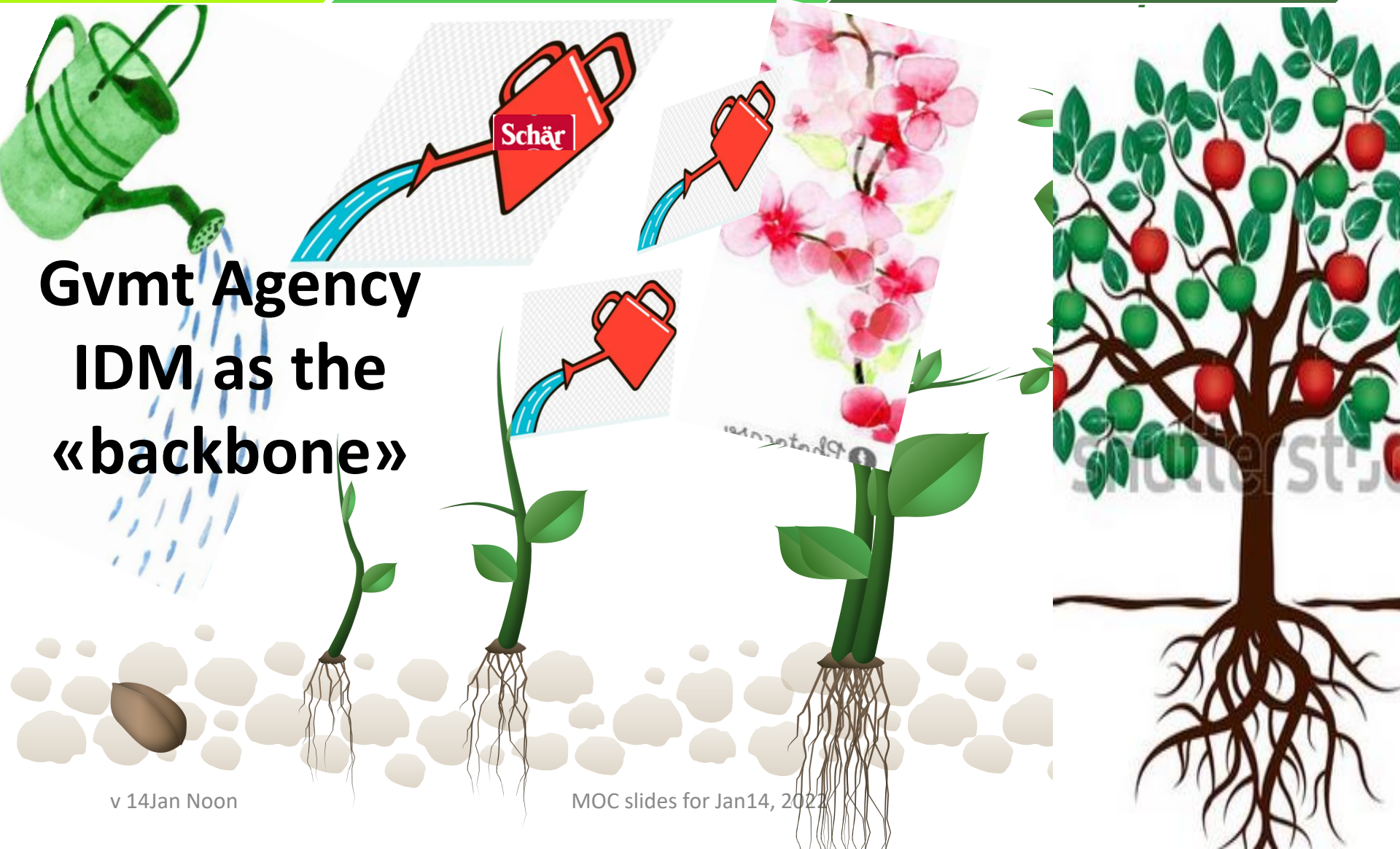
# Vision Cluster Growth 2022 – 25 - 30?

Jumpstart

Firms Join

Harvest

**Gvmt Agency  
IDM as the  
«backbone»**





# Cluster Building Why Should Participate?



## Going it Alone?

- **With/without Consultants?**
- Immediate, Independent, in control of

Reconceiving Products  
and Markets

Redefining Productivity  
in Value Chain

- Can create innovations, disruptive breakthroughs

**BUT:**

**No breakthroughs recently**

**Strain on Schär's resources**

## Join Health Food Cluster?

- **Stimulates/enables innovation**
- **Increases productivity and operational efficiency**
- **Creates knowledge spillover**
- **Makes use of supporting institutions, e.g., universities, joint training efforts**
- **Generates collective impact for**



**Reshaping Eco-System  
(Economic & Social)**



# Where Are we? Last Point

4

1

**Conceptual update 2011-2021**



2

**Schär's evolution towards CSV**

Case study 1980 => 2022 issues



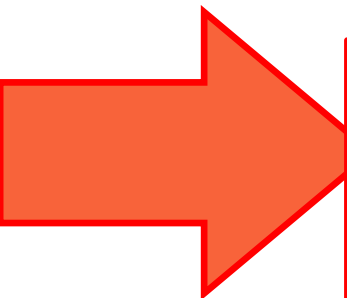
3

**Schär's future: Disruptive Innovation!  
With Cluster building?**




4

**Up to you: Q&A, discussion, Your  
Ideas? Questions?** Explore further



# Suggestions How to Proceed

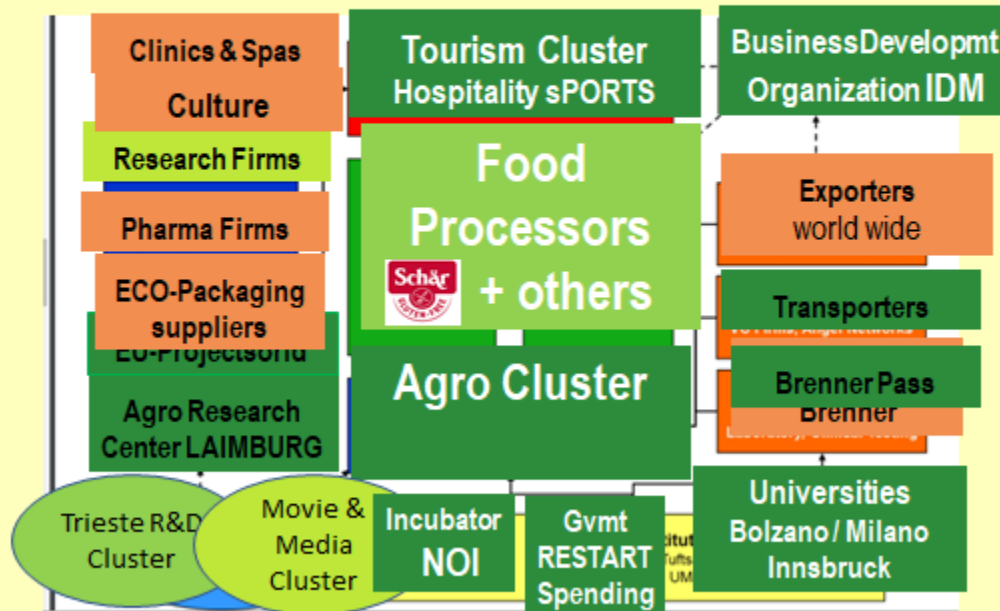
- 1) Interview with U. Ladurner to kick us off!
- 2) Your spontaneous Q&A?
- 3) Why should Schär join a cluster building effort?
- 4) Ideas on Schär SWOT & corresponding actions?
- 5) How to use the  case in your teaching? Assign papers, make proposals to [manuela.covi@drschaer.com](mailto:manuela.covi@drschaer.com)
- 6) Expand/deepen other points of presentation?
  - 1) Porter on «Business to step in where Government fails»?
  - 2) CVS  $\Leftrightarrow$  cluster  $\Leftrightarrow$  CVS as upward spiral?
- 7) Our collective next steps amid the Covid crises
  - 1) Collect anecdotal evidence on cluster & CSV performance?
  - 2) Continue conceptual work
- 8) Plan a follow-up session on.....?

# Interview with Mr. U. Ladurner

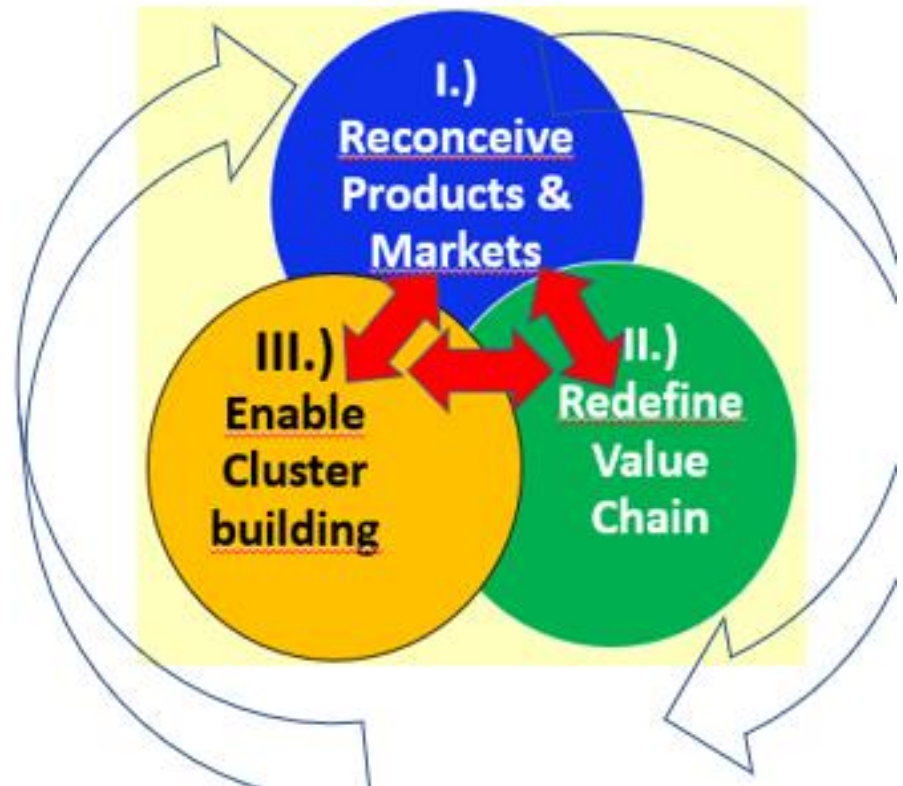
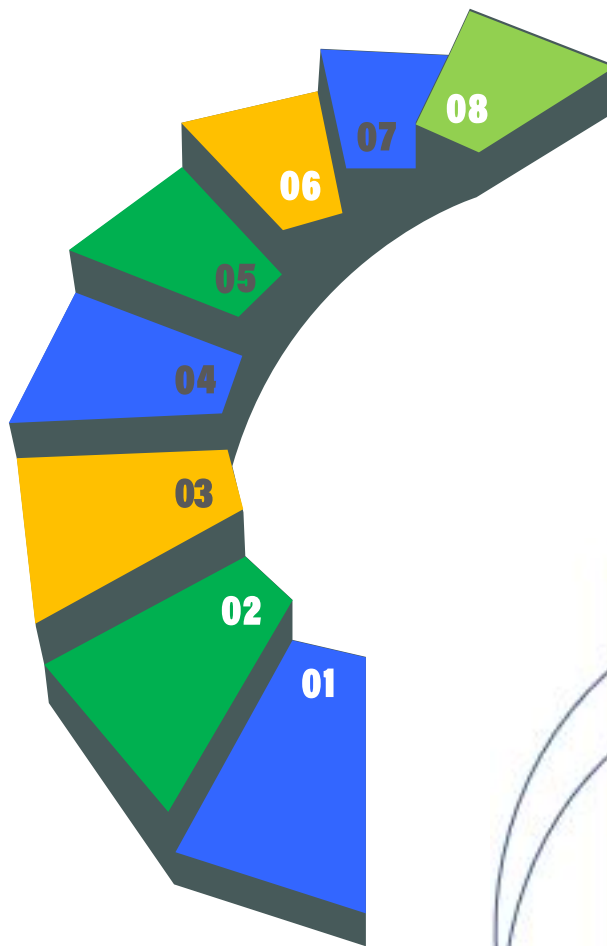
# Backup Slides

# A HIDDEN Health Food Cluster

## Spanning Agro – Processors - Hospitality







# My Understanding of Porter 2021

For discussion later

## 1.) Porter agrees with the Business Roundtable (?)

New **‘Purpose of Corporation’ => Stakeholder Capitalism**

= customers, employees, suppliers, the communities & shareholders.

## 2.) CSV: near reversal Goal – Strategy (?)

Goal of CSV: solve societal problems

Strategy: Use Capitalism's business models

CSV is GOAL



CSV is STRATEGY

## 3.) »Business to engage in policy and politics where government fails«

**Fix Society with Capitalism?**



## Porter 2021 New Phase

How to Fix  
Capitalism



