



INTERSECTION OF SOCIAL PROJECTS AND ECONOMIC DEVELOPMENT: BUILDING SUSTAINABLE MODELS

A CASE FOR SHARED VALUE CONCEPT

PRESENTED AT THE UNIVERSITY OF NAIROBI CONFERENCE
ON PROJECT PLANNING AND MANAGEMENT

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▶ SOCIAL PROJECTS:

- ▶ Traditionally, social projects have been defined as projects related to public services provided by governments to the public either for free or for a nominal charge. This would include education, healthcare, water, roads etc.
- ▶ This view of social projects has over the past several been challenged by the emergence of the concept of SHARED VALUE, a term coined in 2011 by Harvard Business Professors Michael E. Porter and Mark R. Kramer whose focus is the idea that companies could bring business and society back together if they redefined their purpose as creating '**shared value**' thereby creating economic value while generating value for societies by solving societal challenges.

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- ▶ Companies therefore find business opportunities in societal problems and the solutions to those societal problems should empower specific members of the society who are targeted by projects funded by organizations.
 - ▶ **Shared value** is therefore not about philanthropy or even corporate social responsibility. It is about creating meaningful economic and social **value**.



Porter and Kramer have identified three key ways in which “shared value could reshape capitalism and its relationship to society”.

They are as follows:

▶ **Reconceiving products and markets**

Is there a new client base you can target that is currently not being served? What does the market look like for a different demographic? How can you adapt your current product offering to serve a more diversified group of customers: Serve the unserved or the underserved

The idea here is to think outside the traditional constructs of traditional products and markets. By being creative, you see opportunities in societies that you otherwise would not see and develop strategies to address the gaps in the market while working to identify any societal challenges that the organization can address through deliberate and methodical projects.

2. Redefining productivity in the value chain

- ▶ *Can you turn by-products from your business into a new product?*
- ▶ *Is there a way to use the waste your community is generating and repurpose it into something useful?*
- ▶ *Can you operate your business in a more sustainable and environmentally friendly manner?*
- ▶ *Can you create products that would lead you to create new demand thereby increasing the economic imprint along the product value chain?*
- ▶ *Can this new product or service create a new ecosystem that creates a sustainable business model ?*

3. Enabling local cluster development

- ▶ *Can you source more products locally?*
- ▶ *Is it possible to adapt your business model to fit your local environment better?*
- ▶ *What local skills and assets can you incorporate into your business?*
- ▶ *How can you develop an empowerment program within the value chain to enhance the value created by this new business to the local communities and who are the beneficiaries?*

This is especially critical when you are deliberate and methodical in the choice of the beneficiaries be they women, youth, rural communities, marginalized areas etc.

Current Approaches to Engaging with Communities

Philanthropy

- Philanthropy or traditional volunteerism to “do good” in the company’s local communities

Strategic CSR

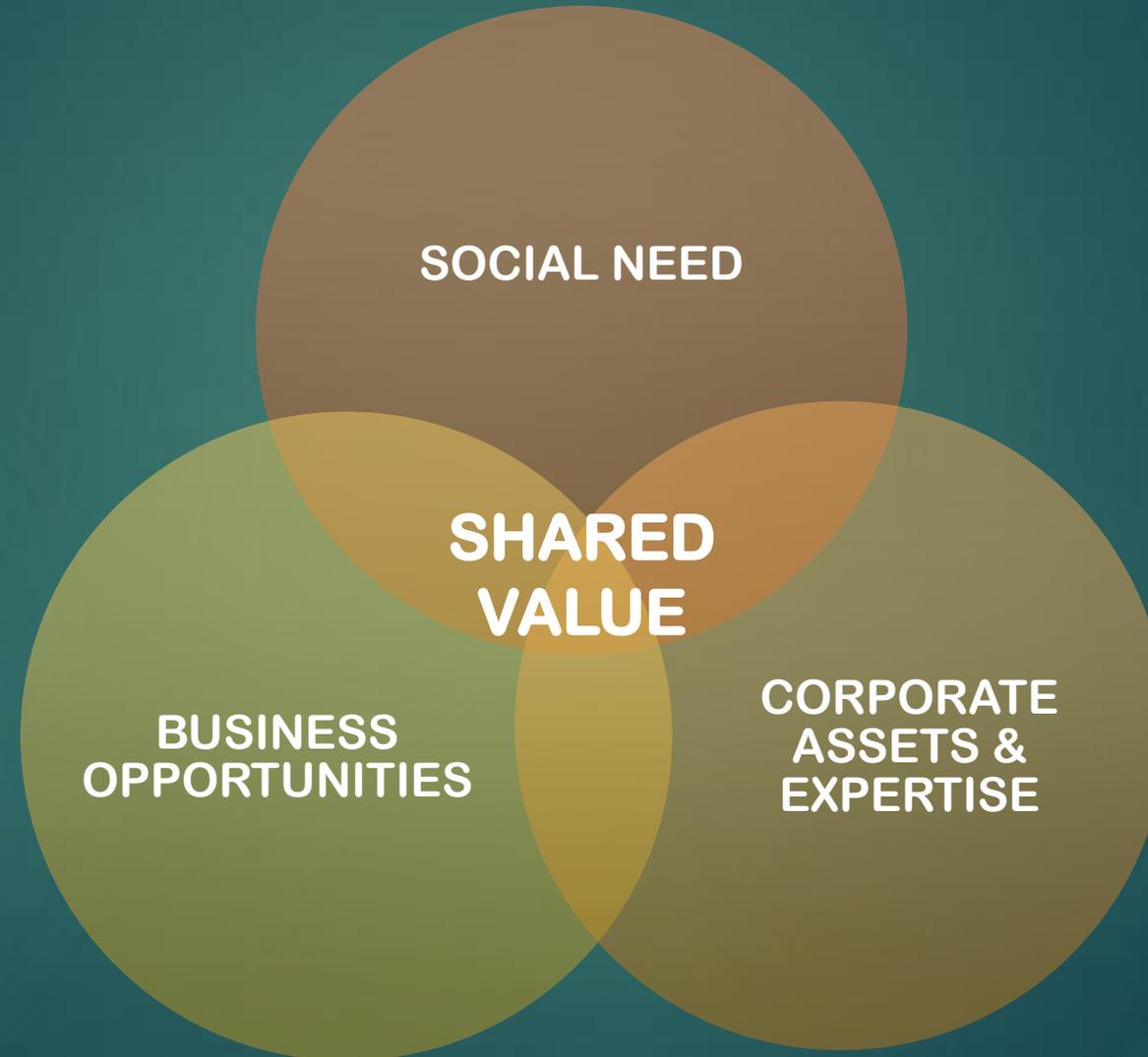
- Engaging on societal and environmental issues that are aligned to business strategy and operations

Shared Value

- Intentional investments into solving societal problems that result in strengthened competitive advantage

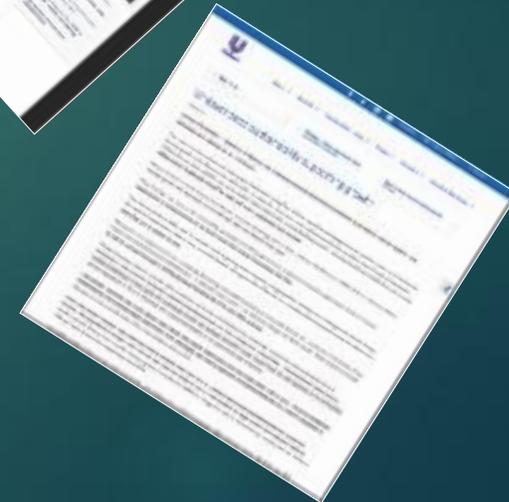
	Philanthropy	Strategic CSR	Shared Value
Motivation	Be generous	Be responsive	Be competitive
Issue Selection	Community Needs	Stakeholder wants	Strategic positioning
Resources	Funding, Volunteer time	CSR Budget, Staff skills	Corporate Budget
Corporate Home	Foundations	Cross functional	Cross functional
Look and Feel	Projects	Programs/Initiatives	New Business model
Social Value	More resources	Better resources	Enduring solution
Business Value	Goodwill	Reputation	Long term profitability

Shared value Overlap

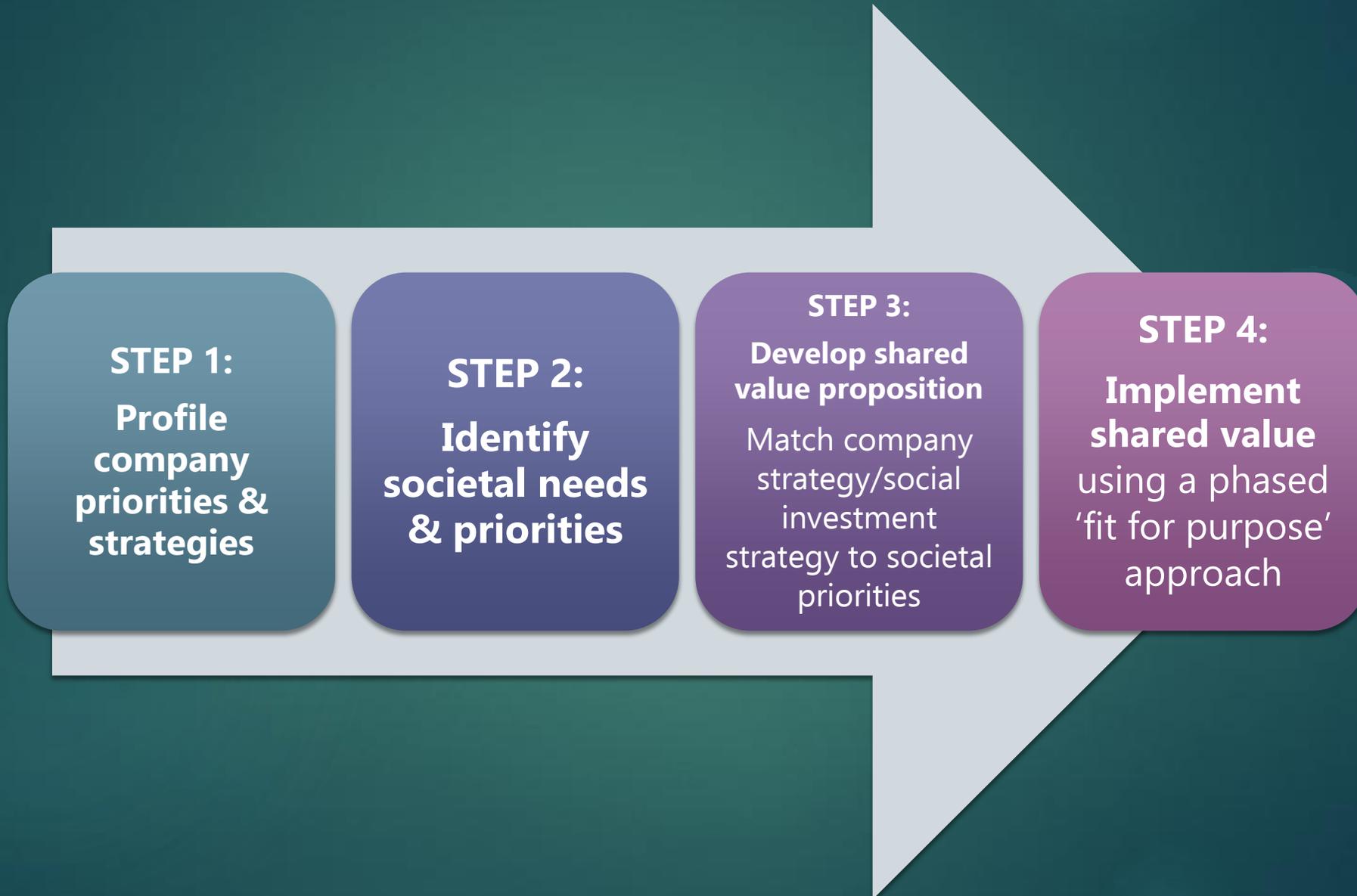


Department	Driver	Shared Value Proposition as expressed through Real World Examples
Finance	<ul style="list-style-type: none"> • Cost-Cutting • Saving Money 	<ul style="list-style-type: none"> • In 2011, Johnson & Johnson saved USD 250 Million in lost man hours by investing in an employee wellness programme
Human Capital/ Resources	<ul style="list-style-type: none"> • Maximizing Employee Productivity • Inspire a sense of purpose • Developing & Transmitting Corporate Culture/ Values 	<ul style="list-style-type: none"> • 68% of employees do not feel companies do enough to inspire a sense of purpose • Socially responsible companies record up to 13% improved productivity and 50% reduction in staff turnover
Marketing	<ul style="list-style-type: none"> • Client Acquisition • Improving Brand Value • Premium Pricing 	<ul style="list-style-type: none"> • Up to 43% of all new clients are influenced by the corporate citizenship profile of a firm
Corporate Communications	<ul style="list-style-type: none"> • Risk Management • Reputation Enhancement • Investor Relations 	<ul style="list-style-type: none"> • 50% of new investors will not consider companies that lack a reputation for social responsibility
Board/ CEO	<ul style="list-style-type: none"> • Company Value • Legacy 	<ul style="list-style-type: none"> • Brands associated with social responsibility are recording up to 50% faster growth

SOURCES



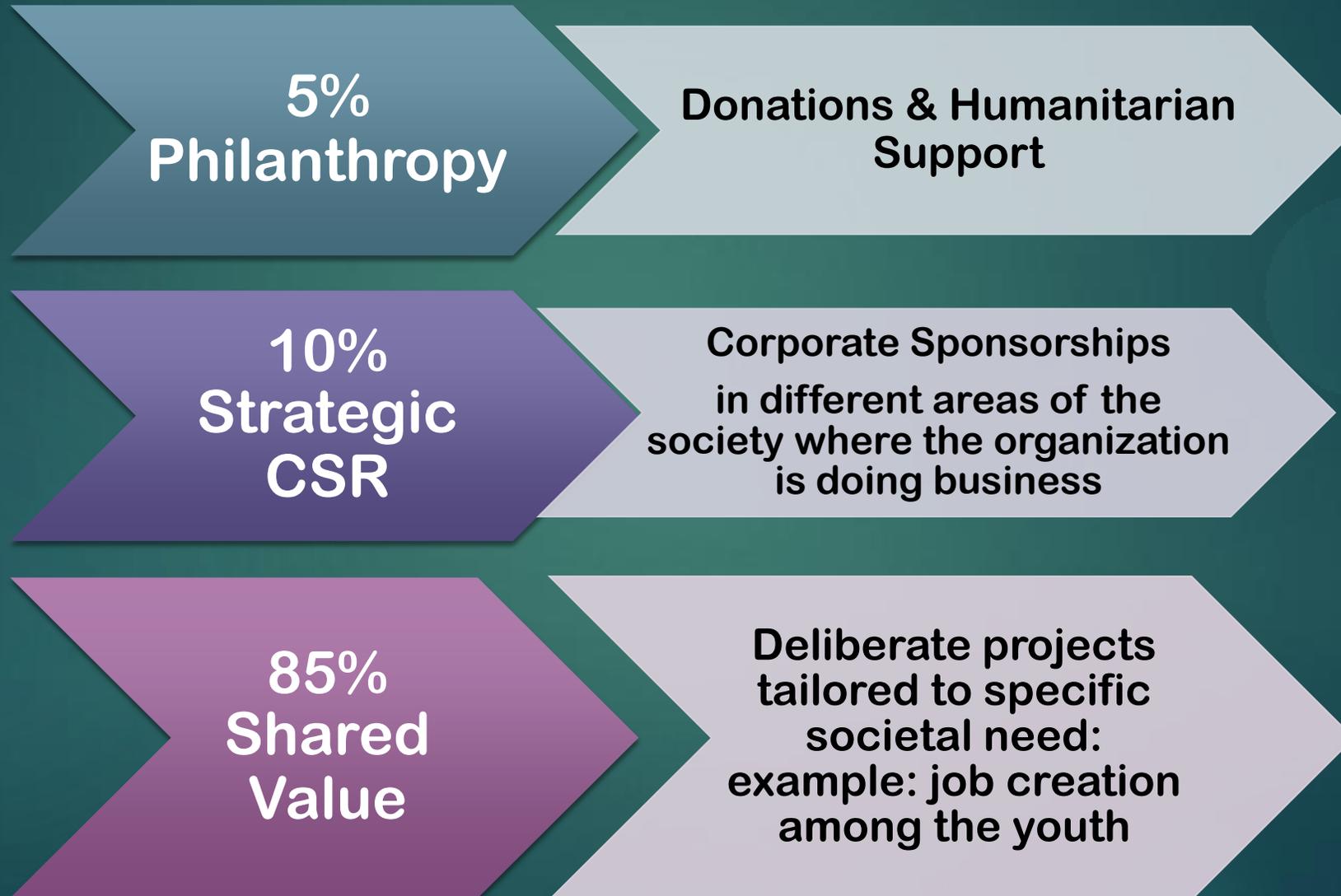
Developing Shared Value



Challenges

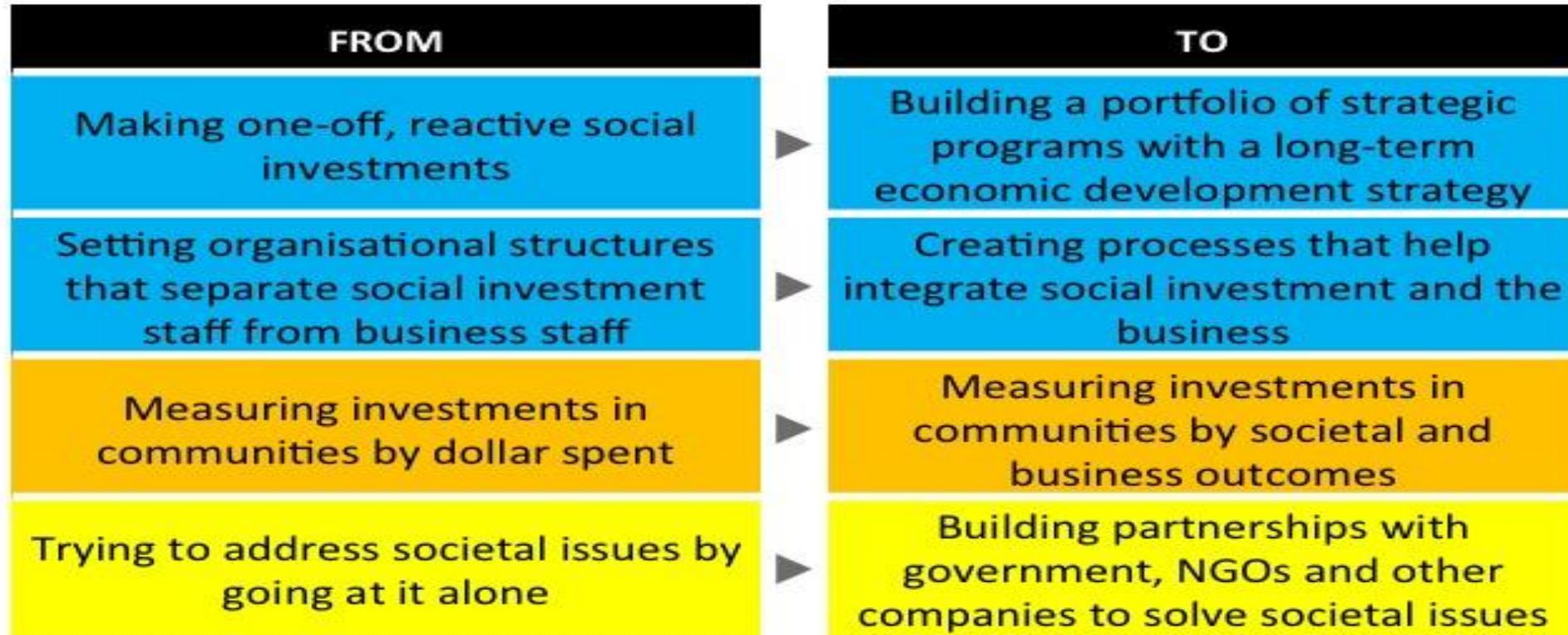
- Shared Value is NOT A SILVER BULLET that will address all corporate citizenship obligations
- Shared Value requires additional time and resources to:
 1. Gather Data
 2. Engage Stakeholders
 3. Assess
 4. Negotiate
 5. Implement
- Shared Value priorities may not fully address the needs of all stakeholder groups e.g. Youth, minority or marginalized groups

Ideal Program structure



KHULISA CREATING SHARED VALUE THROUGH A SYSTEMIC APPROACH

What should be done differently?



Adapted by Linda Wedderburn from Shared Value Initiative:
sharedvalue.org

- Across Africa, young people are entering the labour market at a higher rate than jobs are being created.
- In most African economies, start-up businesses in the informal sector account for over half of new jobs that are created.

The question to ask ourselves is how can organizations address these two societal issues in ways that create sustainable models and spur economic growth in these communities?

Over two-thirds of these new enterprises fail within the first year leading to job losses due to:

- Inadequate Enterprise Management skills
- Unavailability of certified technical skills
- Unaffordability of the required Machinery by the informal sector
- Insufficient start-up capital to facilitate take-off
- Limited working capital to boost viable production levels

HOW DO WE USE PROJECT BASED MODELS THAT CAN ADDRESS THESE ISSUES THAT CONTINUE TO HOLD THE CONTINENT BACK IN TERMS OF SOCIAL AND ECONOMIC DEVELOPMENT?

ALL ACTORS FROM GOVERNMENTS, CORPORATES AND CORPORATE FOUNDATIONS, NGOs, DEVELOPMENT PARTNERS AND SOCIAL ENTERPRISES HAVE TO WORK TOGETHER TO CREATE SHARED VALUE WITHIN EACH SOCIETY WHERE THEY ARE ACTIVE.

IF WE INVEST IN THE FOLLOWING:

1. Creating economic wealth for the Entrepreneurs, who will of necessity, hire more Youth:
2. Formalizing the Informal Sector into the mainstream economy
3. Creating a durable solution for youth unemployment that is anchored in long term profitability for Companies

WE CAN START TO ADDRESS THE ISSUE OF SOCIAL PROJECTS AND THEIR IMPACT ON ECONOMIC DEVELOPMENT

MASTERCARD FOUNDATION'S YOUNG AFRICA WORKS (YAW) PROJECT: A SOCIAL PROJECT WITH A SHARED VALUE CONCEPT

The project is funded by MasterCard Foundation (USD125m) to create 1.5M jobs in Kenya: This is how:

- ▶ Train 114,000 young people in agriculture (hydroponic farming), manufacturing and construction
- ▶ Age 18-35
- ▶ Gender: 70% women, 30% men
- ▶ 6 Regions across Kenya
- ▶ Agriculture to create 1.3M jobs across the food production value chain thereby representing 82% of the project in terms of societal and economic value
- ▶ KCB BANK provides loans for the greenhouses
- ▶ Off taker contracts given to the young farmers for the food produced

THE PROJECT IS ABLE TO...



- 1. Skill and up-skill Existing Entrepreneurs (Agripreneurs, construction and manufacturing)**
- 2. Improve their access to Financial Services & Products (SME Loans, Asset Financing, Working capital)**
- 3. Improve their levels of Financial Literacy**
- 4. Enhance their Enterprise Development Skills**
- 5. Create jobs across the country and spur economic growth within the communities**

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