



**SHARED
VALUE**
AFRICA INITIATIVE

COMPETITIVENESS: SOCIAL PROGRESS AND SHARED VALUE

BREAKAWAY SESSION 01

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THIS DOCUMENT PROVIDES A SUMMARY REPORT ON #ASVS19 BREAKAWAY SESSION 1:
COMPETITIVENESS; SOCIAL PROGRESS AND SHARED VALUE



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COMPETITIVENESS: SOCIAL PROGRESS AND SHARED VALUE

SUMMARY Attendees: 65 | Duration: 75 minutes | 24 May 2019

FORMAT:

- Open Conversation
- Q & A and Audience Idea-Sharing

FACILITATOR:



AFETSI AWOONOR
SVAI Africa Council
of 8 (Ghana)

PRESENTER:



DR AMIT KAPOOR
Chair, Shared Value
Initiative India

Societies everywhere are facing significant social, environmental and economic development challenges. Businesses can drive social progress by looking at Shared Value as a competitive strategy. Comparisons are made in the African and Indian economic landscapes. The central idea here is to compel companies to compete based on value creation, innovation and strategy. This is through the identification of core elements of Shared Value intended to ease innovation, replication and implementation of models that create value for business and society concurrently. This will eliminate inadequacy of knowledge in businesses' role and convergence in alleviating low-income communities needs while simultaneously realizing profitability and shareholder value goals.



OPENING COMMENTS



An introduction was made by Afetsi Awonoor, the session's moderator, who gave a brief biography of Dr. Amit Kapoor and his achievements. Dr. Kapoor is the author of bestsellers **Riding the Tiger** and **The Age of Awakening: The Story of the Indian Economy Since Independence**, as well as his latest book, tentatively titled **India's Competitiveness**, co-authored with Bibek Debroy. He is the chair for the Social Progress Imperative and the Shared Value Initiative in India and sits on the board of Competitiveness initiatives in Mexico, Netherlands, Italy and France and the University of Vermont's SEMBA Advisory Board. He is the Honorary Chairman at the Institute for Competitiveness, India and President of India Council on Competitiveness and Editor-in-Chief of Thinkers. He is also an affiliate faculty for the Microeconomics of Competitiveness & Value Based Health Care Delivery courses of the Institute of Strategy and Competitiveness, Harvard Business School, and an instructor with Harvard Business Publishing in the area of Strategy, Competitiveness and Business Models.

He has been inducted into the Competitiveness Hall of Fame, which is administered by the Institute for Strategy and Competitiveness at Harvard Business School, in addition to being the recipient of the Ruth Greene Memorial Award winner for writing the best case of the year, by the North American Case Research Association (NACRA). In his opening statement, Dr Kapoor highlighted that he seeks to understand how the world functions by looking at how the economy functions and how he can make the world a better place to live in. In his view, the challenges that the world is facing right now are driven by an absolutist view on religion and how things function, among other factors.



CONTENT OF DISCUSSION



SHARED VALUE

As captured from the breakaway session on building Africa's most powerful Shared The need for Shared Value arises especially when social objectives and economic objectives don't go hand in hand. This is especially because problems in the society always create economic costs in a firm's value chain. Many problems facing democracy today are a result of disparity. Shared Value can be used by companies to solve problems using social and economic objectives. The Prime Minister of India, for instance, made a statement that in India there are only two segments of people: first, the poor people and second, the people improving economic life of the people. It's a powerful example of Shared Value, in that there is a societal challenge and the corporation should solve the societal challenge.

The challenge today is improving the quality of life of the people, especially in African countries. Business initiatives should create models to solve the problems of the poor. For example, a challenge in India is solving the disparity that exists. For example, Gujarat Narmada Fertilizer Corporation (GNFC), a fertilizer company, is the largest urea manufacturer. However, there were a lot of leakages, which were stopped by infusing it with neem oil so that the urea could not be used anywhere apart from the farming system. The corporation had to come up with ways to collect the neem seeds from one of the states in India and hence they had to go to villages and employ women to collect these seeds. Ten thousand women were employed and their income levels increased. The corporation also managed to create other products from the neem seeds, for example soaps, and hence they managed to solve a problem and in return reduced disparity in terms of employment. This created local cluster development.



This is a good example of Shared Value in terms of establishing a connection between societal and economic progress. Dr Kapoor's book **The Age of Awakening** notes a very powerful idea: that planning is good up to a certain level, but it also must be revised. It is therefore mandatory to understand first the reality of every country. Each area should have solutions on its own progress. For example, in Kenya we have counties and districts and each geographical location must be understood, and solutions created based on the context. Most challenges that we are facing today as democracies are due to issues of disparity that exist.

SOCIAL PROGRESS, COMPETITIVENESS & SHARED VALUE

Social progress involves improving the quality of life of people. There exists a nonlinear relationship between the social progress index scores and GDP per capita. GDP per capita is an incomplete measure of a country's overall performance. Social progress, on the other hand, is a critical enabler of long-term economic performance. This dimension of social progress involves a focus on basic human needs. This focuses on how well a region can cater to its people's essential needs by measuring access to nutrition, basic medical care and other utilities such as housing and water. Measuring social progress also involves tracking whether the citizens of any given country have access to education and can access information and knowledge. Thus, investments should be made in such sectors. Competitiveness at the national level relates to the set of institutions, policies, factors, resources and competencies that enhance the productivity of the nation and prosperity of its population.

The continuous endeavor of any government is to improve the competitiveness of the country and lives of the people. In the Indian context, the Union Budget is an exercise that gives an indication of the direction in which the country is moving. Budget 2017 set a logical direction: to take care of both aspects of nation-building, productivity of the nation and prosperity of the people. The impact of the latest Union Budget on India's competitiveness can be understood from the following five key themes:

- Focus on infrastructure
- Consumption growth
- Ecosystem support for industries
- Increase in competition and fund flows
- Transparency



Competitiveness deals with how resources such as land and labour can be used in order to obtain maximum value. Shared Value is used to bridge the gaps by enhancing the competitiveness of the company as well as the social conditions in the communities. One better option for addressing challenges, for example, would be to create opportunities for the communities.

SHARED VALUE CONCEPT IN INDIA

India is subdivided into 29 states differing in terms of their productive potential and the type of industry they can support. The actualization of their potential holds the key to increasing the competitiveness of the nation. The potential of the states drive the diversified competency of the nation, where regional specialization provides the impetus for national growth. India has experienced phenomenal economic growth in the last decade, but this growth has not been inclusive. Indian companies have a unique opportunity to generate Shared Value to help address India's significant social problems while strengthening their competitiveness.

By applying Shared Value thinking to the Indian context, large and small companies in healthcare and sanitation, agriculture, and financial services demonstrate that market-based solutions to social problems can and do create competitive advantage. In healthcare, companies such as General Electric and Vaatsalya are creating Shared Value by extending rural access to healthcare and developing innovative medical devices tailored to low-income populations. In agriculture, companies such as Jain Irrigation and Amul are increasing agricultural productivity and collectivizing small and marginal farmers while generating lasting economic value. Finally, financial services companies such as PayMate and the State Bank of India are working to bring formal services to the unbanked. India's strong economic growth, as well as severe social challenges and a national desire for change, put the country in a unique position to demonstrate how, through Shared Value, companies can meaningfully contribute to building an inclusive society where the future is bright not just for some, but for all citizens.

Dr Kapoor felt he wanted to create a bigger impact, since in academic institutions he would only reach out to twenty or sixty students, which was not satisfying to him. Today, he specializes in a full-time competitiveness agenda and he can access 1,3 billion people on a daily basis. The agenda has enabled him to move ahead, make a bigger impact and grow awareness about the concept of Shared Value.



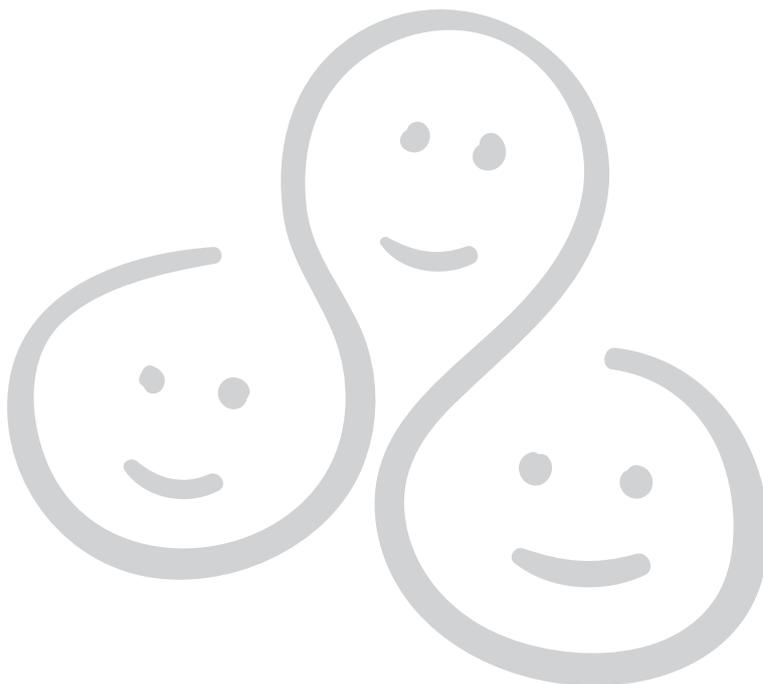
SOCIAL PROGRESS & SHARED VALUE

One crucial component of a thriving society involves setting up the right strategy within organizations. Strategy is considered a building block of competitiveness and derives sustainable advantage in driving business models. This ensures alignment of company goals and reinforcement of activities and, in so doing, brings forth social and economic progress.

First, businesses/corporations should try to meet the unmet needs of a society. An example is internet access in India. There is an unmet societal need, i.e. access to information. Businesses have tapped into this need (device manufacturers and internet service providers) and co-created immense value by serving the poor at the same time as earning revenues.

The second type of Shared Value is redefining productivity along the value chain and reducing risks. An example could be that of the environmental consulting firm Green Order, GE altering its business products to be more efficient and thereby reducing carbon emissions and environmental footprint. Productivity should be looked at and measured not only in value terms but also in ecological and societal terms.

A third pathway to Shared Value creation is enabling local cluster development. This means corporations can invest in developing skills through training with their suppliers in clusters. An example could be the strong automotive clusters that were enabled in specific parts of India because of firms helping the ancillary units in their vicinity.





CONCLUSION



ROLE OF GOVERNMENT

The government can perhaps give direction and ensure that there is no exploitation by setting the overall policy framework while enabling open competition.

ROLE OF CORPORATIONS & ENTERPRISES

Corporations should make the difference by creating unique models that combat social problems. It is not the government's job to do everything. Small enterprises can also contribute majorly. Synergies can be created between these enterprises, to scale up the idea and introduce it to the market.

Shared Value and its implementation allow businesses to develop the next wave of innovation as managers become aware of the internal costs of social deficit and the needs of society that are unmet. For economic and management experts, Shared Value and its creation are redefining the boundaries of traditional capitalism. Companies are learning that there are competitive advantages to be gained from Shared Value creation. With the genesis of Shared Value creation, managers are required to develop and further their knowledge of skills, while the governments of many nations are having to reconsider regulations deemed to work against this concept.

Focus on a small sector and ask what products can do well in a geographical setting. Geographic concentrations of firms, suppliers, and other related institutions in particular fields will enable productivity and innovation.



WAY FORWARD



Competitive federalism is a concept that refers to local and regional governments competing with the state and vice-versa, and states competing with each other in their joint efforts to develop a country. This brings about the idea of moving ahead and making a bigger impact. This concept has been practiced in India and we see that the country has been able to make processes easy for doing business in their state and expediting the pending project clearances.

Another way is to invest more in developing new products that meet the needs of the new markets and further create opportunity for employment and private enterprise along its distribution value chain. To better reach underserved markets, companies should be open to cocreation of new products through community participation in idea generation, product test runs and identifying ways through which the market can be employed for growth and greater mutual benefits.

For competitive advantages to be attained, the Shared Value innovations should be an opportunity creator of win-win value propositions. This will assure long-term growth and profitability, coupled with long-term customer loyalty. Job creation and entrepreneurial opportunities creation are means of creating a long-term demand through increased disposable income, which leads to greater consumption of and loyalty to a company's products.

Offering cheap and lower quality products to low-income people is not a sustainable competitive approach; at minimum it is an exploitative conventional business approach. More attention needs to be paid to wealth creation through scalable Shared Value innovations if the business sector is to be instrumental in bringing low-income people out of poverty. There should not be information asymmetry; the free flow of information on results and process needed for value-based competition must be widely available.