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When private sector investment creates a social impact

Government and businesses should develop shared value to address socio-economic challenges. Building shared value is an important quality for accelerating social and economic change, especially in times of economic difficulty.

Shared value is about co-creating solutions to complex social challenges through forging partnerships between government, business, and communities. It is a utilitarian idea that places normative emphasis on mobilising resources and capabilities beyond government, to complement state capabilities in overcoming socio-economic deprivations, and to overcome development deficits. It underpins much of what is referred to as stakeholder model of capitalism, where private sector investment is harnessed towards creating social impact.

Such investment can be non-financial, and in the form of shared latent knowledge, business models, and technology to generate more efficiencies in how government utilises its resources or to plug gaps directly in areas of need in society. Social enterprises are sometimes used as delivery mechanism for what would be policy solutions especially where government suffers implementation deficit as a result of shortages in human capital.

Social enterprises tend to be better geared for delivering social impact because of their hybrid structure – they exist primarily to address a social challenge while generating profits, and sometimes are run by people with vast experience in running complex corporate firms. They straddle both the private sector and the social sector and tend to draw skills and resources much quicker than government would.

Shared value between government, businesses, and communities through the use of social enterprises has other positive effect: it helps to enrich the civic culture and deepens a sense of ownership rather than over-reliance on government. Without a doubt, government will always be seen as a primary driver for socio-economic development, to perform redistributive functions and to deliver critical public services. However, it is unhelpful to over-estimate state capabilities, even under the best of circumstances. Government can achieve more and at better value by co-creating solutions and tapping into the emerging ecosystem of social enterprises for delivering certain services. A shared value model could also help in limiting the use of consultants who act more like mercenaries and are emotionally invested in the solutions they are creating.

The reality is that South Africa's socio-economic challenges will not, in the foreseeable future, be solved through policy alone. Given weak institutional capabilities within the state and scarcity or limited pool of talent, creating shared value with other social actors offers an innovative way of coordinating resources that are diffused. It builds an ethos of service delivery through social innovation by working with business leaders, social entrepreneurs, and community organisations that are at the coalface of community challenges. This is not to mean we should let government off the hook, or to view government as a helpless agent, but that we should be realistic about its limits. We should instead expend energies on identifying critical areas around which broadly shared and legitimate social interests could converge, and where resources could be pulled towards productive use.

Finding avenues that allow society to take greater responsibility for the country's progress is better than waiting in vain hope that government will solve all our problems or even worse to remain permanently frozen in a state of cynicism. William Eggers and Paul Macmillan point out in their book, *The Solution Revolution*, that in healthy societies "citizens, businesses, entrepreneurs, and foundations often turn to each other rather than relying solely on the public sector to coordinate solutions to every problem". Many countries are increasingly tapping into this notion of shared value creation to address both immediate socio-economic challenges and to

In 2014, the Indian government launched a $1-billion inclusive innovation fund, aimed at spurring private sector solutions to some of the country's knottiest problems. This initiative was approved by cabinet and anchored by the National Innovation Council and the Ministry of Micro-Small-and Medium Enterprises. The $1-billion fund sought to leverage the model of venture capital to transform the lives of those at the bottom of the social rung. At the time this was described by the Hindu Times as "a unique concept that seeks to combine innovation and the dynamism of enterprise to solve the problem of citizens at the base of the economic pyramid".

Another example is the government-created social investment market in Britain, seeded with 600m Pounds in 2011, to create what the then Prime Minister David Cameron called a "Big Society" – an idea that blends free markets with values of social solidarity, encouraging people to be more involved in creating solutions to local economic challenges, and to support social enterprises and cooperatives as drivers of change. Empowering local communities to run their own amenities, create new social services that are responsive to the needs of local communities, and helping bring new markets to communities are some of the specific goals that were targeted in this experiment.

In 2010 the Obama administration piloted the social enterprise model through the Social Innovation and Civic Participation that was located in the White House and headed by an executive hired from Google with a background on philanthropy. This was underpinned by a Social Innovation Fund created to support various local initiatives. Subsequently, government announced 11 initiatives supported under the Social Innovation Fund across health care, financial education for communities, helping young people from poor backgrounds to transition to colleges, and creating employment for young people. The following year, a National Robotics Initiative, which was a $70-million multi-stakeholder effort to accelerate the development and use of robots that could work cooperatively with people was launched. This is to demonstrate that shared value between government, business, and social enterprises is not just about putting out fires, but can also be imaginative, forward-looking, and encourage leaps of innovation.

In South Africa, there are at the moment very few initiatives that reflect shared value. Part of this deficiency could be attributed to low levels of trust within society, as well as between government and business. One initiative that has huge potential and that I wrote about recently is the Youth Employment Services, which was launched by President Cyril Ramaphosa and is based on partnership between government, business, and trade unions to address unemployment amongst young people. Even though there are enlightened business leaders who champion this collaborative initiative, it has taken longer to get off the ground due to transactional mindset in many business organisations – they would not commit until there is a legislative framework that guarantees them BEE credits. Nonetheless, this programme could build bridges of trust over time, and broaden the basis for creating shared value.

Two weeks ago, I had a discussion at Symphonia South Africa on models of shared value between social actors, especially to improve performance in underprivileged schools. The model that underpins Symphonia's flagship programme – Partners for Possibility – was launched in 2010 with one partner school and is based on bringing together business leaders into a voluntary partnership to co-create solutions that would improve performance in schools. Today it boasts over 800 partner schools, and is actively supported by business leaders. This initiative brings together business leaders to share expertise with school principals in areas that are under-performing, with a view to improve school performance. It is a model that has a multiplier effect in improving the quality of leadership in schools and encouraging communities to be more engaged in schools.

Even without government, strategic linkages between the private sector and non-profit organisations are important, as the case of Symphonia South Africa shows, since social impact depends largely on the effectiveness of the delivery mechanism that can be structured in the form of a not-for-profit organisation. In his work on the strategic role of corporate social investment, The Harvard University business guru Michael Porter underlines the fact that corporations can create value for society by improving the delivery capacity of the not-for-profit organisations, far more than they are able to achieve through narrow corporate social responsibility programmes.

Governments in the 21st Century have to find creative and innovative ways of accelerating delivery of quality services and maximising substantive freedoms at local levels by supporting a new ecosystem of social enterprises. There is a need for a shift in paradigm in how we see the role of the state in development. We should think more in terms of how we can best tap into the potentialities that lie in the business community and social enterprise to create social value, including delivering quality services to communities, expand economic activity by mobilising markets at the base of the pyramid, and build an innovation-driven society. **DM**