



# **Community empowerment in emerging markets: A sustainable approach**

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## **Abstract**

This study describes a sustainable empowerment process used to mobilise, capacitate and sustainably empower communities.

An approach to unlock the potential of the high number of unemployed youth within the emerging markets was investigated. These unemployed youth do not have the correct skills, experience and opportunities to become productive citizens of a country. This research looked at methods used to enable the youth to contribute sustainably to the formal economy as a key to empowering the community.

The success factors for community empowerment and the contributions made by stakeholders were explored.

The research was based on exploratory research of a South African company, Next S and their operations within local communities. Next S was used because of their innovative and dynamic operations and long history with community projects.

## Keywords

Community, Empowerment, Bottom of the Pyramid, Emerging markets, Distribution.

## **Declaration**

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before in any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

**Hentus Swart**

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## List of Abbreviations

BEE Black Economic Empowerment

BOP Bottom of the Pyramid

CSI Corporate Social Investment

CSR Corporate Social Responsibility

EPOE Electronic Portfolio of Evidence

KPI Key Performance Indicators

LSM Living Standards Measure

MNC Multi National Corporation

NGO Non-governmental Organisation

NWU North West University

NWU CDT North West University Community Development Trust

TADT Touching Africa Development Trust

# 1 Introduction to the research problem

## 1.1 Research Title

Community empowerment in emerging markets: A sustainable approach

## 1.2 Research problem

The national planning commission of the presidency in South Africa released the Diagnostic Overview in 2011 (NPC, 2011). The document described the problems in South Africa as follow:

- High unemployment especially of youth in disadvantage communities.
- Substandard school education for disadvantage communities.
- Poorly located and inadequate infrastructure.
- South Africa as a divided society with a growing gap between rich and poor

Robert Prince from the Mail and Guardian described in his article “A bridge to far for school leavers” (Prince & Yeld, 2012) that the South African schools system has failed the youth and that very few matriculants are equipped for higher education or the job market.

These problems show that current solutions and thinking is not solving the problems of poor communities. Communities have major problems of unemployment; poor infrastructure and poor location are excluding them from the formal economy and a better future.

Prahalad and Hart (2002) placed a focus on the developing world and the poor at the bottom of the pyramid. Their message was focused on the private sector doing business in the world's poorest communities through radically rethinking current business processes, product development, financing and profit margins. They specifically focused on the role of and reasons why multinational corporations should lead and be active in this process and be the enabler of local entrepreneurs and collaborations within communities. They paint a picture of poverty relief, empowerment and upliftment of the world's poor through involving them in business and not only seeing them as the receivers of charity and the responsibility of Governments, NGOs and (Prahalad & Hart, 2002).

Karnani (2007a) with similar interests of alleviating poverty through business introduced the concept of seeing the poor as producers and increasing their income. His argument is that the only way to assist the poor is increasing their income through lowering prices of goods purchased by them or increasing their income by buying from them. He further states that to make this effort sustainable we need to help increase their capabilities and freedoms of social, cultural and political dimensions to empower them to take charge of their own futures (Karnani, 2007a) .

Davidson (2009) states that Prahalad and Hart (2002) only had it half right since they wanted to only focus on mainline business activities and not charity to the poor. Their argument is that charity is a peripheral activity of a firm without the required focus and support of mainline business activities. The half right lies in the fact the BOP activities can only be successful when the core elements of corporate social responsibility is understood and it can have the required impact of creating win-win situations for all stakeholders. Poverty relief is as much a goal as making profits (Davidson, 2009).

### **1.3 Research Aim**

All these authors have indicated that collaboration and stakeholder relationships are a large part of a successful BOP initiative. These collaborations can include a large variety of stakeholders ranging from government, local communities, community leaders, NGOs to local private business and large multinational corporations (Smith & Vachani, 2008,p. 82).

The problem identified is that by doing business with the goal off poverty relieve through selling to the poor and buying from the poor have many challenges. These challenges requires the core competencies and capabilities of a large range of collaborators that need to work together to make doing business with the world's poorest possible. Multinational corporations have the capability and resources to develop products for the BOP. They do not always have the correct knowledge and relationships for this market segment. The social entrepreneurs in this segment might even have the correct ideas and business models for the BOP but do not have the correct resources and education to be able to grow their businesses.

This report proposes that there is a critical element missing to enable radical growth in this segment that will both allow the social entrepreneurs to have access to education and resources and multinational corporations to have improved access to these markets. This report proposes that sustainable empowerment is enabled through mobilising the community to the benefit of the community. The report focuses on the

basic understanding, focus and mindset required to be able to mobilise a community and then to recreate viable business opportunities that will benefit both the community and business. The business opportunities were framed in a discussion of distribution channels between communities and business. Special attention was also given to the stakeholders and the contribution of these stakeholders to the empowerment effort. The major focus in the study was on stakeholders from the community, since it is mostly the involvement of the internal stakeholder that makes sustainable community development possible.

The research was based on a local South African company, Next S that has more than 15 years of experience within poor and rural communities. Next S has been able to create a business model that can be mobilised, capacitate a community and in the process create sustainable distribution channels to the community that enable a sustainable empowerment processes within the community. The research therefore aimed to understand the underlying principles to their business processes that Next S use to unlock the potential of unused resources within communities.

The literature through Prahalad and Hart (2002) and Karnani (2007a) focussed on multinational corporations driving the relationships and business growth in emerging market communities. What this report proposed was that communities should be driving the growth in their own areas. Improving skills levels within the communities and empowering the communities and their leaders will drastically improve access for business in these communities. The improved access would improve the natural distribution channels within the communities (Griffith, Chandra, & Fealey, 2005) and will enable both the social entrepreneur and the multinational corporations to do business within these communities.

The logic is that by empowering the people within a community and improving the use of the few financial resources available to them it will be possible to improve their access to more affordable products. This will help to keep some of the profits from the distribution of these products within the community and assist in the future empowerment and upliftment of the community.

The research will focus on the key success factors that are required to mobilise and sustainably empower communities.

## 1.4 Research objectives

- Determine the key stakeholders and stakeholder contributions involved in community empowerment.
- Define the critical success factors for sustainable community empowerment.

## **2 Theory and Literature Review**

### **2.1 Introduction**

Distribution channels in emerging markets traditionally evolved through necessity. These channels have evolved from using the natural resources that were contained in the environment and have been defined as natural distribution channels (Griffith et al., 2005). With these channels lacking in regards of infrastructure, specialised intermediaries, regulatory systems and lack off local skills (Khanna, Palepu, & Sinha, 2005) it is difficult for outside firms to sell directly to the end client.

There are significant forces for change in distribution channels that are changing the rules of channel management. The three forces that are driving the change are diversified customer needs, shifts in channel power and changing strategic priorities (E. Anderson, Day, & Rangan, 1997). With these forces at play intermediaries try to gain power by consolidating their buying power and suppliers try to sell directly to end customer.

The key to this study is to see how communities can be empowered to be part of their own intermediaries within the supply chain, how they can gain power within the supply chain and how they then can use and improve the natural distribution channels within the communities to the advancement of the communities.

The BOP literature field have been very successful in attracting private sector business to the fortune at the bottom of the pyramid (Prahalad & Hart, 2002). The BOP literature was broadly reviewed from starting in 2002 to its current format in 2012.

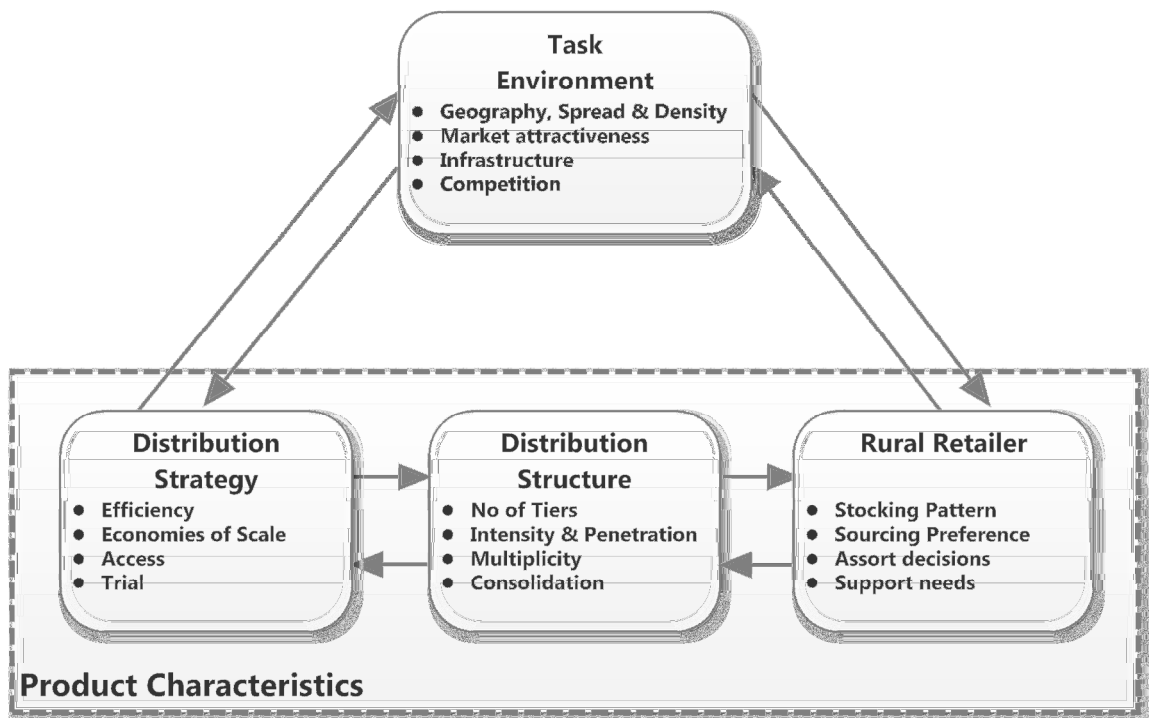
A complete section was devoted to define and understand the different partners needed for the BOP proposition and the distribution intermediary. The literature reviewed for this section was focused on the BOP literature starting Prahalad's BOP proposition in 2002.

### **2.2 Distribution Channel Structure**

The distribution channel structure theory is needed to gain a better understanding of the distribution channel and the different factors influencing the channel. For this a conceptual framework from Aithal and Vaswani (2005) that was developed for rural areas was used. The framework was not directly applicable to the current conditions since it was focused on rural areas, but Aithal and Vaswani (2005) have develop the framework on a broad basis and then narrowed it down in the end focusing on the



specific characteristics of rural areas. Therefore the model will be used in its broader form, which will allow us to refine the framework through the research for our current use (see Figure 1).



**Figure 1 Conceptual framework for the distribution channel structure in rural area (Aithal & Vaswani, 2005)**

### 2.2.1 Task environment

The external environment is the differentiator between different distribution environments (Aithal & Vaswani, 2005). The task environment is both the social and physical factors in the external environment that are relevant or potentially relevant to the strategy and goal setting of the organisation. The most important factors are the geographical location of the target market, the population density, infrastructure and competition. The frame work suggests the following:

- Distribution is a function of the task environment.
- An increase in the target market population and accessibility to these markets will decrease the channel length and intensity will increase.

## **2.2.2 Distribution strategy**

The distribution strategy refers to the effects of the strategic objectives of key channel members on the distribution channel structure (Aithal & Vaswani, 2005). The distribution strategy is related to the long term goals of the channel members and their responses to the market shifts, product mix, market opportunities and competitors. The framework suggests:

- The channel length and the number of intermediaries would be different for products of different companies within the same product type.
- A product with high unit costs and high service needs will have a short channel and low intensity.

## **2.2.3 Rural Retailing**

The logic behind the impact of channel structure on rural retailing is that the greater the assortment structure between the producer and the end-user the greater the relative efficiency will be of an indirect channel. The economies of scale dictate that high volume products will follow direct channels while small to medium will follow indirect channels based on the economics of servicing the customer (Aithal & Vaswani, 2005).

## **2.2.4 Product Characteristics**

The determining factors for products are the transportation cost, storage cost, replacement rate, consumer buying behaviour, consumption and gross margin which plays a larger role since supplier mostly trying to minimise the distribution costs. These product characteristics have a large influence on distribution strategy, structure and retailing and are indicated in the framework by drawing the product characteristics block around them (Aithal & Vaswani, 2005).

## **2.3 Marketing influence on supply chain**

With the change in the business models of companies the integration of strategic decisions across a network from customer to supplier has become a requirement. Therefore the integration of marketing strategies with supply chain strategies has become more and more important (Jüttner, Christopher, & Godsell, 2010). This integration is a collaborative effort between marketing, operations processes and available skills in an organisation. Therefore it is important to integrate the overall

strategy with the characteristics of the natural distribution channels utilised to competitively reach the intended end customer.

When looking at the overall supply chain management the marketing component has the biggest influence on the logistics and manufacturing business functions (Jüttner et al., 2010). With logistics being a fundamental part of distribution it has become important to focus on the complete demand chain and not only the supply chain.

The demand chain defines the demand processes needed to understand, create and stimulate customer demand (Hilletoft, 2011). There is no difference in the chain of organisations between supply and demand, but there is a change of perspective from the flow of demand from the customer to the supplier and the flow of goods back to the customer (Hilletoft, 2011).

## **2.4 Incentives**

Arora and Kapil (2010) who did case studies on Nestle in India reported that Nestle had problems to maintain competitiveness. Nestle gave very low compensation to its direct sales people. This caused performance issues of sales people and a high turnover rate. Nestle further found it difficult to match their distribution system to the changing market conditions.

The problems described at Nestle framed the issues with distribution to emerging market communities. The question was how do you incentivise a sales force that operates in low income communities in highly competitive environments with low margin goods? The recommendations from the case study (Arora & Kapil, 2010) were broken up into three parts: standard financial compensation, performance linked compensation and investment in enabling activities like training. They also commented that the long term strategy will require strengthening and modernising of the sales team to keep up with the changes in the environment.

## **2.5 Fortune at the bottom of the pyramid**

Prahalad and Hart (2002) started the gold rush to the fortune at the bottom of the pyramid in 2002 and a lot of companies not understanding their intent have incurred great losses (Karnani, 2007b) and (Karnani, 2007a). Prahalad's vision was that through doing business with the communities at the bottom of the pyramid instead of seeing them as charity it would be possible to uplift the communities. The incentive that he gave business was that 4 billion people living at the BOP with a \$2-\$6 dollar a day income can bring business significant turnover. He suggested that by rethinking

the product mix, product price and margins business would be able to profitably do business with this ignored market segment (Prahalad & Hart, 2002).

Karnari (2007a) stated that the fortune at the bottom of the pyramid does not exist and that the only way to reduce poverty at the bottom of the pyramid is to increase the income of the poor. He also challenges Prahalad's estimate that 4 billion people lives at the bottom of the pyramid. Karnari's major contribution was his insight in seeing the poor as producers instead of customers and that buying from them will increase the poor's income (Karnani, 2007a).

Anderson, Kupp and Van der Merwe (2010) reframed Prahalad's proposal to say that doing business in a customer centric way can be profitable and socially rewarding. They placed emphasis on the fact that products should be specially designed and manufactured for the customers at the bottom of the pyramid and that companies that get into BOP markets first will gain a first mover advantage and loyalty from their customers. They further state that customer-focused activities in emerging markets are also applicable in developed marketplaces (J. Anderson, Kupp, & Van der Merwe, 2010). This fact in itself can have significant impact on the future of companies that gain new innovations and efficiencies in emerging markets and then apply them in developed markets.

Prahalad (2012) returned to the BOP case by stating that BOP markets can be seen as a new source of radical innovation and that these innovations can be brought back to developed markets. Although this was not a new statement it showed Prahalad's intention of bringing business to the BOP markets that will improve the BOP market activity and bring relief to the world's poorest people.

The BOP proposition was focussed on attracting private sector business to the BOP and the literature focus on why, how and what the private sector has to do, to do social responsible business with the BOP.

## **2.6 Social responsible distribution**

With distribution being one of the largest barriers to serving the poor (Prahalad & Hammond, 2002, p. 50) it is important to look at distribution to the BOP. The most comprehensive research on base-of-pyramid distribution was done by Smith and Vachani (2008). They introduced the term of "Social responsible distribution" which they explained as:

*“We refer to socially responsible distribution to describe initiatives that provide poor producers and consumers with market access for goods and services by helping neutralize the disadvantages they suffer from inadequate physical links to markets, information asymmetries, and weak bargaining power. Governments, civil society, and the private sector can all play a role in providing socially responsible distribution.” (Smith & Vachani, 2008)*

Smith and Vachani focused on what Government, civil society and the private sector can do to overcome barriers for doing business with poor communities through social responsible distribution. They propose three market based alternatives to massive government intervention. The first is lowering the cost of distribution to increase access. The second is reinventing the distribution channel through innovation and technology. The third is taking the long term view of investing for the future through private sector or CSR investment (Smith & Vachani, 2008).

Smith and Vachani (2008) also indicated that to overcome the obstacles to higher income and lower priced products for the poor the following was required:

*“...bridging the infrastructure gap, aggressively controlling costs, leveraging distribution, empowering the BOP with education and information, harnessing technological advantages, collaborating across sectors, and ensuring scalability.” (Smith & Vachani, 2008)*

Their final contribution came in the form of a principles for setting up rural distribution channels to poor communities which will form an important part of this study to evaluate the distribution channels created by the proposed intermediary (Smith & Vachani, 2008).

- The distribution delivery systems should be scalable.
- A strong centralised service design is required to leverage economies of scale and lower cost. The design should also contain strong supervisory and control systems to ensure reliability and efficiency of the system.
- Cluster retail locations together to ensure the efficiency and sustainability of a specific distribution channel before targeting a new area.
- Only create distribution channels in areas that reach the minimum benchmark requirements for financial performance and activity level.
- Share distribution channels to reduce cost.
- Ensure community approval and support before entry.

- Selected retail representatives that are trusted within the community.
- Select the product mix and product by focusing on the price, features trade off.

Smith and Vachani (2008) recognises the importance of setting up and managing distribution channels within rural communities, but still do not see the community as one of the distribution players. They only refer to payoff and inputs from Government, private sector and NGO's. They leave out the most important partner, the community.

## **2.7 Partners in the collaboration**

The BOP literature focus on the private sector and MNC (Multi National Corporation) as the main driving force in the collaborative effort to do business with the poor (Prahalad & Hart, 2002). Smith and Vachani (2008) specifically state that community engagement was one of the critical steps to setup a sustainable distribution channel within a community.

The stakeholders that were focused on was Government, private business through doing business including MNCs, Private business CSI programs, Community and community leaders, NGOs and academic institutions. Each one of these stakeholders had an important part to play in the collaborative effort to create social responsible distribution channels within communities. Each stakeholder has unique capabilities and resources to assist this effort and by applying their combined resources in an effective structured manor will produce the best result for upliftment and empowerment for the targeted communities.

### **2.7.1 Government**

Government needs to ensure the correct infrastructure and regulations to facilitate the private sector in labour intensive industries of the economy (Karnani, 2007a). The traditional role of government is to safeguard the non-economic freedoms (social, cultural, political) of the individual and communities (Karnani, 2007a). Karnari (2007a) warns that the BOP proposal de-emphasis the role of the government for providing basic services and infrastructure, since the BOP proposal sees the government as poor and inefficient and therefore place this burden on the private sector.

### **2.7.2 Private sector**

The private sector as described by Prahalad and Hammond (2002, p. 48) only has to do business at the bottom of the pyramid for the company's own benefit to be able to help the poor. Karnani (2007a, p. 102) added that by seeing the poor as producers and raising their income was the best way of assisting the poor. The poor's income can be improved in two ways: reducing prices or raising the poor's earnings. There were three ways of reducing prices namely reducing profits, reducing costs without reducing quality and reduce costs by reducing quality and features (Karnani, 2007a, p. 100).

Prahalad and Hart (2002) indicated that multinational corporations need to drive the economic growth in the BOP market since they have the required resources, knowledge and skill that they can leverage to be successful in the BOP market. Prahalad (2012, p. 6) then states that the BOP market can be seen as an enabler for radical innovation, which can lead to transferable competitive advantages within developed markets.

### **2.7.3 NGOs**

NGOs' main contribution was in the understanding of the communities that they work in. They became important partners to help the private sector to setup distribution channels within the targeted communities (Pitta, Guesalaga, & Marshall, 2008). NGOs are funded through CSR contributions and charity organisations. The BOP proposition of uplifting the poor by increasing economic activity might create problems between the goals of NGOs and MNCs (Davidson, 2009, p. 30). Prahalad (2012, p. 9) state that many BOP solutions and activities done by NGOs are not scalable because of the lack of resources and lack of global standards.

NGOs have something to contribute when setting up distribution channels in local communities because of their local knowledge and relationships. There also seems to be a perception that looking at the BOP proposition, that NGOs are not the correct vehicle to uplift and empower the BOP (Schrader, Freimann, & Seuring, 2012).

### **2.7.4 Private sector Corporate Social Responsibility**

Davidson (2009, p. 23) states that the true nature of CSR consists of two related principles, the first was that profit maximisation was not the only purpose of a firm and that other environmental metrics should also be considered. The second principle was

that managers do not only have a responsibility to shareholder but that there were also other important stakeholder that they are responsible for.

The CSR proposition was not that different from the BOP proposition that Prahalad had proposed. CSR was all about sustainable business activity and Prahalad wanted to do business with the BOP communities to ensure that they are uplifted through the economic activity. Both these proposals include the welfare of local communities through responsible sustainable business practices

The South African government introduced additional measures as part of Broad Based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003). The generic BEE scorecard was set in place to measure a company's performance to the act focusing 40% of the score on indirect empowerment ("BEE Scorecard," 2012). The scorecard gives preferential treatment to government tenders and companies use it to improve their own scorecards through preferential procurement.

The indirect empowerment can be seen as scoring companies on their CSR activities. The scorecard allows the state and companies to give preferential treatment to companies with good CSR performance, focusing on the large number of disadvantage communities in South Africa. South African companies therefore have large incentives to do CSR projects based on their scorecard requirements.

### **2.7.5 Community**

The BOP proposition are related to the poor communities, community leaders (Prahalad & Hart, 2002, p. 12), the BOP community (Davidson, 2009, p. 28) and community welfare (Pitta et al., 2008, p. 396) to name a few. These sources stated that the BOP communities should be the end receiver of the economic benefit generated from doing business with the BOP.

Smith and Vachani (2008, p. 78) stated that one of the critical success factors for social responsible distribution was to only engage respected individuals within local communities. He state that communities are organised, have leadership structures and that it is possible to engage with these communities. Therefore the question was raised why the community was not seen as the most important partner within the collaborative effort of doing business and uplifting the poor.



### 2.7.6 Academic Institutions

There is very little reference from the BOP literature on the effects and contributions of academic institutions to the BOP proposition. The secondary effects of the involvement of academic institutions can be summarised as follow:

- *Carrier of knowledge and best practice.* Through the research of organisations that are active at the BOP these institutions help to spread the knowledge related to the successes and failures to focus new BOP initiatives.
- *Publicity and change agents.* Through focusing on the BOP, people like Prahalad, Hart and Hammond focused the world on the problems and possibilities at the BOP. Even though their ideas and statements were not always widely accepted they were able to focus the eyes and ears of the private sector on the BOP for 10 years and therefore have made a major contribution in the efforts of supporting the world's poorest communities.

### 2.8 Conclusion

The literature review was very broad and covered a range of subject areas related to the BOP proposition that were required to evaluate the company being researched.

The rural distribution framework and social distribution setup principles were used to evaluate the selected company and were aimed to provide a deeper insight into their operations.

### **3 Research questions**

The purpose of this study is to investigate a sustainable approach to community empowerment. The research is based on exploratory research in which the following questions were explored.

#### **3.1 Research question 1: Stakeholders and stakeholder contributions**

##### **Who are the stakeholders and what are their contributions to community empowerment?**

This question was required to help create a better understanding of the contributions of the different stakeholders to the empowerment process. Next S is one of the key stakeholders investigated and an understanding was sought of their operations and their boundaries.

By better understanding the stakeholders involved, the relationships between stakeholders and the stakeholder management required in the empowerment process can be explored.

The initial outcomes of this question were unsure but focused on driving the exploratory research into the Next S operations. During the research process question outcomes were refined to focus on defining a stakeholder relationship diagram and focusing on stakeholder management.

The reason for ending with these outcomes was based on the lifecycle stage and the challenges that Next S had during the period of the interviews. A lot of these challenges have been addressed over the three months the research was completed. These changes were captured in the research and contributed to the learning captured in this research.

The research found that the internal stakeholders in the community played a very important role in mobilising and creating an enabling environment for sustainable empowerment. Therefore a lot of the results and discussions were concentrated on internal stakeholders.

## **3.2 Research question 2: Success factors for community empowerment**

### **What were the critical success factors for sustainable community empowerment?**

This question's focus was to determine the principles, processes, mindset and business models that Next S used to make them successful in the community.

This question intends to prove that doing business in poor communities was only part of the solution and that a more holistic approach was needed for the empowerment of communities.

## **4 Research Design and Methodology**

### **4.1 Introduction**

The study aimed to explore a sustainable approach to community empowerment.

This study was qualitative and based on exploratory research of a single case. The case selected was on a South African company, Next S, which focusses on empowerment of BOP communities. The qualitative research was used with the intent to get a holistic view of the operations within Next S. The study aimed to determine the key factors that makes the Next S case unique and will contribute to this area of study.

The study looks at the roles of the various stakeholders involved in community empowerment. Emphasis was placed on the strategies employed and how these strategies contribute to a sustainable approach for community empowerment.

Awareness was created of the success factors related to Next S and the X2O programme. The study focused on the benefits of individuals within the community being trained to taking a more active role in their own development and futures. This has a positive impact on the whole community.

### **4.2 Research Design**

A literature review was used to get an overview of community development, which was used as a starting point for exploring the Next S case.

An exploratory case study was used to generate data that provided insight into the case. The objective was to find principles within the Next S case that can be used in other communities within a similar context (Hofstee, 2006, p. 123).

The weaknesses related to exploratory case study research according to .Hofstee (2006, p. 123) are:

- The risk of not having clear boundaries.
- Difficulty to generalise results.
- The subjectivity of findings.

The focus in this research was maintained by carefully defining the boundaries of the study.

Exploratory research was done as this technique helps the researcher to discover general information about a topic that is not yet clearly understood. The findings of the study provided tentative answers to the initial question, further research are needed to provide more dependable answers (Saunders & Lewis, 2012, p. 110)

Primary data were collected through semi-structured interviews. Semi-structured interviews are used because of the complexity of the case and the adaptive advantages of exploring topics using this structure. One of the challenges of using open ended questions is to keep the interviewee on the topic (Hofstee, 2006, p. 136). Data collected through interviews are also subject to recall error (Patton, 2002, p. 306).

The sampling method is a convenience sample, because of the difficulties to gain access to the different stakeholders. This type of sampling is in line with exploratory research.

### **4.3 Methodology**

Qualitative research was conducted based on a single case. The company was selected, because of its innovative and dynamic operations and long history with community projects. The company are further very customer centric and have been able to adapt their business to the fast changing South African emerging market context. The company has a strong academic history, and provide access to the key decision makers, investors and customers.

The investigation was guided by the literature review that discuss the required capabilities, resources and relationships needed to find the key success factors for creating and improving distribution channels within communities.

An in-depth investigation was made into the company's stakeholders and strategies. Interviews were help with a number of stakeholders internal and external to the company.

Interviews were conducted with individuals involved in the operation of the community development programme. Seven interviews were held with people involved in different areas of the project. A small sample was selected to obtain in-depth information from the interviewees (Miles & Huberman, 1994, p27). This was done to gain insight into how the project operates as a whole.

### **4.3.1 Research Instruments**

Interview questions were developed to guide the interview (see Appendix 1). The questions were based on the understanding gained through the literature review. The interviews' durations differ and are decided by the level of involvement of the person being interviewed.

Interviews were recorded and transcribed. Each individual interviewed were asked for permission to record the interview. Questions were broad and open ended. An audit trail is available to add trustworthiness to the case and research.

The interview guide and interviews were used to collect data and explore the operations and stakeholder relationships of the case company. The interviewees have not been pressured into the interview and had no financial rewards from the interviews. Therefore the interviews were a reliable method to collect data from the case company.

### **4.3.2 Data**

The data that have been collected in through the interviews has been in-depth and sufficient. The data was further verified through internet research on the company and through observations of the company's activities between interviews. The data could also be verified through older case material from Wöcke and Yiannakis (2010).

With the combination of interview data, observations, previous case data and internet research on the company the data could be verified and can be used to make reasonable conclusions.

### **4.3.3 Analysis**

The data collected were consolidated into a case study in chapter 5 that was used to create the context of the study. The case data was then used to extract the key elements related to each part of the Next S operations to create a better understanding of the success factors embedded within the Next S business model.

The interviews were firstly used to extract the data related to the stakeholders and their contributions within the Next S operations, with special focus on their project in Ikageng. The stakeholder information was used to create an understanding of the boundaries of the Next S operation. The second part of the data analysis focused on the reasons why the Next S business model was successful and the reasons why they were able to empower large numbers of individuals within a community. The final

outcome of the analysis was to define the contributions current academic literature on community empowerment that can be found within the Next S case.

This data was verified in the final interview as well as internet base discussions with Unre Visagie. Mr. Visagie also provided supporting documentation and links to websites as supporting information. This information could then be used to get a more complete understanding of Next S and its business model.

#### **4.4 Research Limitations**

The interviews were mostly focused on the internal stakeholder of Next S' operations within Ikageng. Interviews with external stakeholders would have given more insight into their experience of the programme and if the programme does create win-win scenarios for them in the community.

The research was based on a single company. A comparison of this project with other developmental projects will help to better isolate the key elements that contribute to community empowerment.

The research might be biased, since the research was based on the opinion and findings of the researcher. A cross comparative case study has to be done before results can be viewed as less subjective in order to be generalised.

A more extensive analysis of learner's experience of the programme and the success they enjoy will create a better understanding of the X2O program.

The current research has provided the context and understanding to be able to more quantitative analysis of the empowerment effort. A quantitative study can help to more clearly understand the precise impact of the Next S operations in a community.

#### **4.5 Ethical Procedures**

The research was strictly done within the ethical procedure subscribed by the Gordon Institute of Business for completion of the requirements of the degree of Master of Business Administration.

The procedure covered getting consent for the research from Next S to do the research within the company including interviewing their staff and stakeholder. Further consent was obtained from the interviewees to ensure them that their information will be confidential and only used for this specific research project.

## 4.6 Conclusion

The context and results of the interviews were presented as a case study in chapter 5. The first part of the case information was focused on the background and history of Next S to provide some context to the case. The body of the case was on the business processes of Next S with special focus on their impact on the community. The stakeholders and their contributions to the Next S and their empowerment efforts were presented at the end of the case.

The case information was discussed in chapter 6 focusing on the research question. The first question around stakeholder management was discussed to find the stakeholder interactions and to capture these interactions on a stakeholder diagram. The question was concluded through a discussion on stakeholder management.

The second question focused on the success factors related to the Next S approach to sustainable empowerment. The discussion focused on the core elements and understanding required for empowerment, mobilisation and education. The last part of the question was based a comparative discussion on the Next S distribution channels compared to current literature, that aimed to get a better understanding of the contributions Next S can make to current academic literature.



## 5 Results

The results of the interviews are presented in a case study of Next S. This is followed by an in-depth discussion of their business and educational models. The stakeholders and their contributions to Next S are discussed to gain a better understanding of the complexities of South African communities and the challenges and stakeholder management required by Next S. The chapter ends by looking at the critical success factors identified from the Next S case that can be used for other community empowerment projects within South Africa.

### 5.1 Next S in Ikageng Case Study

The case study is based on Next S's activities in Ikageng based in Potchefstroom in the North West province. The current project is a partnership between Next S and North West University (NWU) through the North West University community development trust with ABSA as the investor.

#### 5.1.1 Next S Overview

Next S is a private company that specialises in creating a sustainable income stream for BOP community members through career and business development. The company acts as a business intermediary for multinational companies, local business, CSR investors, academic institutions and government to BOP communities.

Next S was established on the belief that South Africa has to look after the communities trapped at the bottom of the pyramid to avoid political and economic instability in South Africa. It is therefore important to engage these communities and empower them. Empowerment can be achieved, not through charity, but by doing business with these communities.

The community consists of the individual, households, schools, churches and other institutions in a specific area. Within the empowerment process Next S unlocks opportunities between individuals and private business to engage these communities as customers, labour, producers and business partners.

Next S is committed to reinvest 75% of all profits made through the empowerment process in the community.

They prize themselves on being race, religion and politically independent.

Beliefs held by Next S:

- BOP communities are an untapped source of skills and labour.
- The correct long term initiatives will empower communities to increase their buying power.
- By empowering an individual you are empowering a household and if you empower enough households you empower the community.
- Charity has a negative effect on empowerment.

Next S operates on the following principles:

- Potential is unlocked through a personalised process based on the history and requirements of the individual.
- Individual empowerment is achieved through focused career development.
- Career development is a supported journey of the individual who benefits from the correct education, skills and experience.
- Individuals need to work for what they want and in the process they will gain the necessary skills, pride and motivation to become and empowered individual.

To achieve this Next S had to drastically rethink the way people are educated and capacitated. The programme has to support thousands of learners with very little funding and low numbers of employees. The programme had to be designed for low overheads, high efficiency and strong processes.

Next S has put in place systems, processes and platforms to support their empowerment efforts. The X2O, Exposure to Opportunity programme captures the processes used. The processes are supported by the [www.socioeconomic.co.za](http://www.socioeconomic.co.za) platform. The platform consists of a number of websites that regulated the processes to ensure scalability and efficiency.

### **5.1.2 Company History**

The CEO, Unré Visagie and other team members created Next S based on years of collective experience and experimentation within poor South African communities. Next S Business Development is the latest of Unré Visagie's long list of BOP initiatives (see Appendix 3 for current project details).

Unré became involved with a group of individuals in Mabopane in 1997 where they started a programme called ENRUTE (Entrepreneurship: Rural and Technology). The

programme's outputs were focussed on improving entrepreneurial skills in communities and delivering work-ready and study-ready people to industry.

Ebio was established in 1999 and started with its first project in Mabopane, northwest of Pretoria. The Ebio learning methodology was developed during this time. The aim of the methodology is to get learners to start earning as soon as possible. Ebio was disbanded in 2011. The Ebio learning methodology is still used within Next S.

Some of the most important lessons learnt from Ebio are:

- *People's believes and values are important.* In the first programmes Ebio tried to teach the youth western believes and values. Parents did not agree with the changes that they saw in their children and removed them from the programme.
- *Community and family have to be involved.* Learners who do not have the support and understanding of their immediate family have a very low success rate in completing the programme. By involving the family members and community from the beginning a support structure is created for the learners.
- *Each person has unique requirements and needs a custom programme.* The programme is designed around the individual. Each individual who comes into the programme has different skills and different levels of education. Therefore the training modules have to be flexible and the duration of the module can be adapted for a learner.
- *People need an income while learning.* It was found that people dropped out of the programme to find work because they have to support themselves and their families.
- *Sustainable funding is needed.* It can take an individual between one and three years to complete the programme. Long term sustainable funding is needed to ensure the individual's outcomes are met.
- *The programme have high employee turnover.* The programme had an employee turnover of 60 percent. Although this shows the success of the programme since people moved on to better opportunities and higher salaries, it significantly affects the momentum and income capability of the programme.
- *Entitlement mind set:* Learners within the programme need to work for the career goals they want to reach. Simply assisting the learners with funding for training courses is not sufficient to empower them. They also need work experience in a business environment where they can practise what they learn. By working for what you want teaches the learner good work ethic, makes them

proud of what they have accomplished and gives them confidence that they can influence their own futures through hard work. The opposite is also true. If a learner only receive without investing anything themselves, they develop an entitlement mind-set telling them that they need to receive to be empowered and that they cannot guide their own futures.

From the experiences gained at Ebio, Next S Business Development was born. The teachings of the past were integrated and the company restructured into a more sustainable format. The X2O programme used the Ebio learning methodology as its core but supported it through a business model that allows learners to gain income and experience while working and growing.

The result is that people are sustainably empowered to become part of the mainstream economy. The Ebio Learning methodology and X2O programme will be covered in more detail in the sections to follow.

### **5.1.3 Next S: X2O programme in Ikageng**

Next S is currently running an X2O Exposure to Opportunity programme in Ikageng. The programme has a number of investors of which ABSA's corporate social responsibility programme is the biggest. ABSA's objective is to sustainably empower 10 people from the Ikageng community. The participants have to be placed in sustainable jobs and the value add to the participants will be measured throughout the programme. Individual's skills and level of education is measured at the start of the project by the North West University Resource centre.

The money invested by ABSA is channelled through the North West University Community Development Trust. The North West University provides the corporate governance resources and lends credibility to the programme through the NWU brand.

The programme also receives corporate social investment through the Touching Africa Development Trust (TADT). The TADT is a non-profit organization started in 1989 that identifies needs within communities and through their large support network facilitates the funding and project management. The TADT has a similar function as the North West University Community Development Trust, but is supported by a different group of private companies.

## 5.2 Next S Business Process

A deeper understanding is needed of the processes and tools that Next S uses within the X2O programme.

### 5.2.1 Recruitment and induction processes (Foundation Model)

Next S engages communities through an agency system where individuals are recruited as agents. As part of each agent's induction process they are required to create a supporting framework of family, friends and community leaders to support them in their career aspirations.

The induction process helps the recruits to better understand themselves and their strengths and then assist them in selecting a career based on these strengths. During the induction process the recruit's education and skills levels are measured. This information is used to identify the gaps the recruit has to bridge to meet their career objectives. A personal career development plan is developed based on these gaps.

Within the programme the learner agents are recruited and capacitated to work within the programme to support the operational functions of the company.

The core of the Next S X2O programme is the recruitment and induction processes. It is in these early stages where the X2O programme assists the learner to lay the foundation required for success. The learners become familiar with the culture and values of the programme. They then work on setting up their own support structures consisting of family, relatives or community leaders to support them through their career progression.

The X2O programme do not use fixed generic training courses to assist the learners but instead uses a self-discovery process where the learner discovers their own skills, capabilities, level of education and natural capabilities. This process helps learners to focus on their strengths and allow them to choose a career path in-line with these strengths.

All these processes are captured in the Ebio learning methodology. Progressing through the three stages of the methodology assists the learner to understand:

- Their core strengths.
- The career that they want to follow.
- The gaps in their education.

- The necessary actions needed to bridge the gaps.
- A clear career path.

This process ensures that requirements for each learner's education and learning outcomes are customised as per the learner's individual needs. The process does not only assist the learner in choosing a career but also empower the learner to make the necessary decisions when wanting to change careers, how to find information on the internet and how to make choices. This effectively helps the learner to bridge barriers to gain information and knowledge required to build a sustainable career.

One of the most important parts of the recruitment and induction process is to emerge the learner into the Next S culture, values and mindset. The Next S culture is one of empowerment and not of charity; it teaches the learner that they need to work for what they want and that the work can be fun and fulfilling. It teaches the learner to have pride in their achievements and that they are in command of your own destiny. It shows the learner that the world is bigger than their own community and that they can tap into the larger society through the internet and social media and create win-win situation for their own career paths, businesses and interests.

## 5.2.2 Ebio learning methodology

Ebio learning methodology is a unique way of combining theory, thinking skills and practical work experience. The programme sees the learner's career growth as building and climbing a ladder. Where the one leg of the ladder is theory and thinking skills and the other is workplace experience and production. Learners have to know and understand the theory and then implement it before they are able to move on to the next level.

Each learner's path is different and is decided by the learner's education, experience and career goals.

The Ebio programme engages the learner and ensures a dynamic learning environment focussed around the learner's own goals and requirements. It is through this process that Ebio is able to deliver learners that are work-ready to industry.

The Ebio learning methodology is the part of the programme that is used to engage and motivate the learner. The engagement happens through a process of self-discovery to determine the participant's strengths, skills level and career goals. During this process the learner is capacitated with tools to help them through the learning process. This include computer and internet skills to give them access to information, language skills to help them communicate more effectively and business related terminology to help them to get access into their career of choice.

### 5.2.2.1 What is the Ebio learning methodology?

The method uses self-discovery where the learner follows clear steps in the Ebio learning guides with information from the internet to discover and reach each of the steps shown in Figure 2. The implementation is done in the form of three levels supported with workbooks that help guide the learner through the process. The outcomes for each level are shown in Figure 3.

The final output is a personal career plan and guide that the learner can use to focus their development.

One of the advantages of the process is that there is a lot of self-preparation and learning that the learner can do to prepare them for their careers that do not require any kind of formal education. (Visagie, 2012)

The Ebio learning process does not require a large amount of external resources, which makes it such a powerful tool to engage and motivate large numbers of recruits.

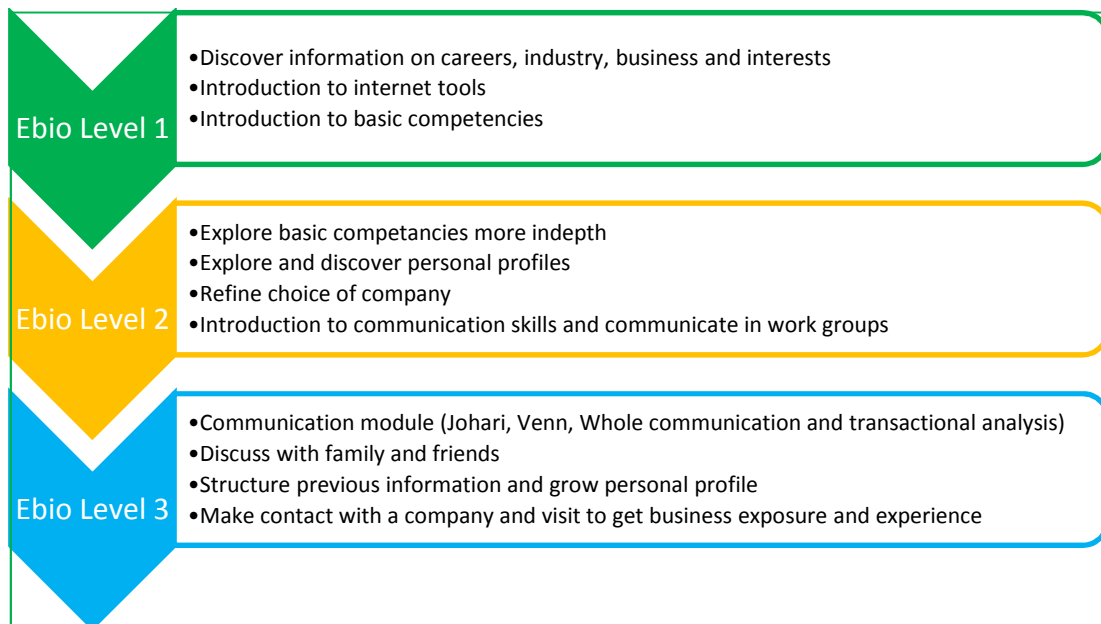
Learning relies on access to the internet with support by a trainee team member. Group work is also used as well as discussions with family and friends.

The Ebio programme uses a networking element that helps the learner to create a network of companies, mentors and professionals based on their personal career choice. It is this network that gives learners the support and experience that they will require to grow and get access to their selected career and industry.



**Figure 2: Ebio career planning steps from Ebio website. (Ebio, 2012)**





**Figure 3 Outcomes from each level of the Ebio learning methodology**

### 5.2.2.2 The link between Ebio and X2O

The Ebio learning process fulfils the following elements in the X2O programme:

- It engages the learner.
- It places the learner on a career path.
- It motivates the learner to become a X2O customer for education.
- It motivates the learner to become a X2O employee for gaining experience.
- It filters large numbers of recruits according to skills and experience levels.
- It effectively ranks learners capabilities to be employed within the X2O programme.
- It effectively does all these functions at a very low cost and overhead.

In summary Ebio fulfils the HR function of the X2O programme through the recruitment and induction process by creating a large number of engaged learners ready for employment. The second function of Ebio is marketing. It recruits learners into the programme and lock them in as customers to the X2O programme as paying learners.

In this case Next S has been making good customers of the poor by creating a win-win situation between learners and the X2O programme as described by Anderson, Kupp and Van der Merwe (2010).

### 5.2.3 The X2O programme

X2O contains the operational environment and processes to support the Ebio learning methodology. This environment supports the HR functions and platforms required for the recruitment and induction of new recruits. X2O extensively uses IT platforms for the recruitment, induction and administration processes of new learners. These platforms give the programme the scalability and efficiencies required to handle large number of new recruits. X2O is also providing the platform for the learners

The programme has a hierarchical structure for control. It starts at the bottom with new recruits, trainee teams, community teams, regional teams and the advisory board.

Trainee teams are responsible for operations. These teams are staffed by learners who are actively working in the programme. Trainee teams support the following processes:

1. Recruitment of new members and new agents.
2. Facilitating new members through the Ebio process to become agents.
3. Engaging community leaders and community stakeholders.
4. Managing CSI community projects.
5. Staffing Next S' business ventures with agents.
6. Maintaining the platforms that are used to facilitate the different processes.
7. Maintaining infrastructure.

X2O adopted a number of key concepts to make the programme functional and sustainable.

- **“Earn-and-learn”**: Provision is made to ensure that learners earn an income as agents while on the programme. The income is required to sustain the learner while learning and to ensure that the learner’s education is not disrupted through lack of income. The learner is not guaranteed a continuous income but is paid according to the work the learner delivers in the X2O programme. The work ensures that the learner gets business exposure while learning and in the process builds their own CV.
- **“Learn-by-doing”**: The X2O programme recognises that the most natural way of learning is through doing. Therefore the programme focuses on gaining practical work experience. Not only are learners given opportunities to work within Next S, but they are also encourage to volunteer time to private companies or projects that can gain them experience in their career plans.

- **“Train the trainer”:** This concept was built into the induction process where learners going through the induction process, learn to work in teams and through the process learn to be the facilitators for the next group of recruits. Although the process is supported by a hierarchical structure the management structures is very small in comparison with the large number of recruits, agents and trainee teams. This leads to a situation where recruits are facilitated by trainee teams, which in turn are backed up through mentoring by the community team.
- **Entrepreneurial attitude:** The programme focus on changing the agent’s mindset, emphasising that work has to be done before you can get paid. Agents are not paid for work, but for outcomes. Payment will take place when these outcomes are sold to a customer. People tend to think that if they work they are entitled to an income. The entrepreneurial attitude requires individuals to realise that it is not only the work that matters, but the quality, type and need for the work that plays a role.
- **Folklore:** The programme uses stories and folklore to bring life lessons into the programme. These stories and folklore becomes that culture in the programme that effectively embeds the values of the programme into its members.
- **Networking:** The X2O programme relies heavily on networking and develops this skill in their members. The programme utilises its network for starting and sustaining its business ventures and community empowerment ideals. The learner uses networking to connect to businesses and professionals globally through social media to get the experience and mentoring required to build their careers.
- **Community values:** The programme focusses throughout its induction, learning programmes and business ventures to set the community centre stage in its customer focused strategies. This will allow them to build and improve community cohesion, which is important both for the community’s growth and for doing business with the community.

The X2O programme at its core is focussed on empowering learners through career guidance, education and practical work experience which are the backbone of the programme. The second part of the programme is to sustain the Next S business ventures within the community, which allow the learners to get practical experience while earning an income. These business ventures forms part of X2O’s funding model.

#### 5.2.4 Business Ventures

What do you do with large numbers of engaged, driven employees within a community that needs work experience and income to sustain their career plan? The simple answer is you put them to work.

Next S have been partnering with private companies in a number of business ventures over the years. Next S also has a large network of learner agents. These agents serve as a distribution channel for products and services to their communities.

Smith and Vachani (2008) indicated that there are alternatives to charity and that doing business with the BOP is the best way to tap into the economic potential of these poor communities. They state that the critical barrier to rural regions is access and that social responsible distribution is the key to overcome this barrier.

The X2O programme does not have an age or education level on their recruitment process and therefore they are able to use a wide variety of people with different education levels and ages. X2O has direct access to large numbers of households. These households become the agents of the programme. This model enables X2O to reach all households within a community.

Next S created an integrated, online community distribution system that allows them access to every household in the community. This distribution system makes them the ideal partner for private companies that distribute, market and branding within communities. This shows that Next S has created the social responsible distribution system that Smith and Vachani (2008) were referring to.

Next S agents have been involved in the distribution of Wifi internet access, pre-paid airtime, dictionaries, educational accessories and household goods. They started programmes for consolidated shopping for school books, household goods and educational services.

Next S has a customer focused approach when selecting new products and services. They do not only aim to distribute products for private companies, but also pull products from the market required by the community. This means that they will source specific products from the market based on requirements from the community. They are actively engaging their market through their community network and will find solutions at the prices and quality that are acceptable to the community. They therefore pull products into the community as required and in the process create

efficiencies through direct buying and consolidated shopping to allow communities access to quality products at a much reduced price.

Unre Visagie is one of the founding members of Inala Technologies a high technology company in South Africa. The company is renowned for being on the forefront of technology innovations into South Africa and it is this experience that Unre have brought to Next S. With this background Unre is able to use Next S as a business incubator for new business ventures within the BOP market segment and effectively start, grow and spin out new business into the community. With 99% of members in the X2O programme coming from the community new ventures create huge opportunities for the community and effectively help the community in creating jobs and a sustainable income streams.

Next S and the X2O programme created a large workforce within the community that are focused on their careers and motivated to succeed. This workforce is utilised for the operational process of the X2O programme and the business ventures of Next S. Next S has in essence created a connected community that enable entrepreneurs and private companies to do business with these communities. Next S is further capable of mentoring and supporting new business ventures from entrepreneurs in the community and the X2O programme and connecting them to the community and the rest of the world through their partner, professional and social networks.

### **5.3 Next S Funding**

Next S built up various income streams that allow them to sustainably plan and operate in the long term.

#### **5.3.1 Corporate Social Investment**

CSI of private companies in South Africa are the main source of income for Next S. Private companies are currently contributing R2.7bn to CSI per year in South Africa (CSMR, 2012). This is a large funding mechanism for community empowerment within the country.

The funding processes for CSI to Next S happen through community development trusts. The North West University Community Development Trust (NWU CDT) is the biggest of these trusts. The trust ensures the governance and transparency required by private companies and are fully resourced and supported by the North West University. Nest S is also supported by the Touching Africa Development Trust that

was started by a number of private companies as a non-profit vehicle to develop and touch societies in Africa.

Private companies use these trusts as an intermediary that allows them to transparently invest into communities. The trusts assist them in both resources and governance and provide them the required resources to effectively and efficiently invest in communities. Each project is investigated and assessed by the trust. This enables the trust to measure the impact made by the project on the community.

### **5.3.2 BBEE Scorecard Investments**

The purpose of the Broad Based Black Economic Empowerment Act (53/2003) of the South African government is to ensure that previously disadvantaged groups are given an equal chance to economic empowerment in the new South Africa. To regulate that private companies follow the act the BBEE Scorecards are utilised and consists of nine subsections focusing on black ownership and socio economic development in a number of areas.

Companies who fund Next S initiatives can get points on their BBEEE Scorecard. Next S is able to package the work that they do in their community empowerment efforts to be sold to companies for points on their BBEE scorecards. Points can be purchased on an online web-shop. Points can be used towards three subsections of the BBEE Scorecard, code 400 Skills Development, code 600 Enterprise Development and code 700 Socio-Economic Development. Next S will send companies who purchase points the complete documentation required for the BBEE auditors the same day.

Through this innovation, Next S has effectively put socioeconomic development in reach of every business within South Africa. The private company do not only get the points required for his scorecard but also know that the efficiencies the Next S have built into their X2O programme will be effectively utilised into sustainable empowerment initiatives within the community.

### **5.3.3 Providing services**

Next S provides different services to individuals and private companies. Next S and their programmes run large numbers of working, learning and driven entrepreneurs within local communities. These entrepreneurs have the hunger to succeed and have the skills, mentorship and support to be successful. Next S provides entrepreneurs with incentives to start new ventures.

The services provided to private companies include distribution of products to the community like airtime, internet access, consolidated shopping services, municipality billing advisory services, distribution of dictionaries for Pearson and recruitment services. The possibilities are endless for Next S to work with private companies to deliver services or products to the community. Each service or product distributed to or from the community have a different income model. Not all of these ventures needs to be income generating, but can be value adding to the operations or community.

Next S' Career Maker Programme helps people to select a career and then support them to reach their goals. Trainee teams assist new recruits with career guidance. Through this process they gain a lot of experience and confidence enabling them to market this service to people outside their community.

Next S generates income from the sales of training services. Training is paid for by the learner or through funding obtained by selling BBBEE points. Learners who are funded are required to contribute by working within Next S.

Next S therefore has been able to build a very efficient sustainable platform to train and upskill individuals. The programme is not based on charity but on empowering individuals to work and take pride in what they do.

#### **5.3.4 Next S Funding Summary**

Looking at all these income streams it is difficult to see how they are utilised and integrated within the X2O programme and its process. This will be explained by looking at the process from the perspective of a learner.

Learners can gain access to the X2O learning modules by purchasing the modules or by using a voucher. These vouchers can be obtained from an agent or requested online by going to the Social Economic Development Website (<http://socioeconomic.co.za/>) and completing the voucher application. By completing the voucher application the learner acknowledges that they cannot pay for their own development.

The expenses incurred when training these learners are calculated and translated to BBBEE scorecard points.

The learner is required to do work in the programme as a form of payback for the voucher received.

An agent who supplies a learner with a voucher will ensure that the learner has the opportunity to use the voucher by providing the learner with access to a computer and internet.

Learning modules are purchased from the socioeconomic.co.za web shop. The learner is signed up to join the X2O connect.socioeconomic.co.za connect community. The learner is given access to their own personnel blog which enables them to connect with other community members within the programme.

For the learner to continue on the programme there are two choices; the learner can either pay for his education with cash or through working in the programme. When working in the programme the learner's training is paid for by external funding, which can be linked to CSI, BBBEE scorecard point purchases or other income generating business ventures within the programme. The learner does not receive charity at any point in the process.

The learner continues through the 3 levels of the Ebio programme supported by the trainee teams to discover their strength, skills, gaps and career goals. Throughout this process the learner is required to contribute to the programme through engaging their households, family and personal community leaders.

Once the Ebio programme has been completed, learners are ready to start bridging the gaps identified to meet their career goals. This will be done through training and experience gained by contributing to projects as agents within the X2O programme.

The learner is not required to pay cash for training received. Each learning module is however equated to a monetary value.

Learners want to bridge their gaps in terms of skills and experience as fast as possible to reach their career goals. For this they require training, experience and income, which they can gain within or external to the X2O programme. Learners are motivated to stay within the programme because of the opportunity to earn while gaining experience.

The learners progress through the programme until they are ready to exit the programme into higher education, sustainable employment or entrepreneurial business. Next S' vision is to build a national and global presence. This will give members an option of permanent employment within one of the Next S programmes or business ventures.



From the perspective of an unemployed youth, school pupil, single mother, grandmother or student the X2O programme creates an opportunity to identify a career path and improve your knowledge and skills to make this goal a reality. The only risk is the investment of their time.

### 5.3.5 IT platforms and Tools

The IT platforms allow the X2O programme continuous recruits and invest in the socioeconomic development of individuals in the community. These platforms and tools become the scalable tools for recruitment, induction, administration, sales, project management and essentially any function within Next S that requires structure and scalability. These platforms become the process enablers that can reach individuals and households within the community and allow the X2O programme to support its operations with very low overheads.

The following platforms are widely used within the programme

- **socioeconomic.co.za:** This is the main website aimed at investors.
- **connect.socioeconomic.co.za:** The X2O Career Community connects people involved in the programme. The site allows people to blog or form groups to discuss topics they are interested in. This helps to engage and motivates them through finding people with the same interests and also to make their actions transparent. The site enables private companies or individuals to connect to groups who share common interests or for support.
- **shop.socioeconomic.co.za:** The X2O programme uses the web shop to sell training to learners.
- **Tribecentric.com:** Tribecentric.com assists companies in optimising their web exposure through social media. Tribecentric.com was founded by Nicholas Grobler who is the creator and maintainer of socioeconomic.co.za website.
- **Nest S.teamworkpm.net:** This is a project management platform which Next S utilises to connect their teams and work together within a structured controlled environment.

## 5.4 Education principles

Education is one of the largest factors excluding people from the mainstream economy and job market. It is not possible to put every uneducated person back into school and put them through the schooling system. There is further no guarantee that the current

educational system will give these people the skills that they require. Formal education is only one way of achieving empowerment. Alternative approaches to education are required and have to be investigated.

Next S and Ebio focuses on a process to effectively empower a person through information, skills, experience and mentorship regardless of what the individual's background is. The success to this way of education is in the use of business principles and an integrated support programme with financial support.

The following elements are built into the education process used by Next S:

- **ABC GO:** ABC Go can be described in the following steps:
  - a) Become aware of possibilities. Identify your skills and gaps that exist.
  - b) Gather information about the work that you want to do. Read about the work that you are interested in; get the correct vocabulary to be able to talk to people within that industry.
  - c) Connect with people that are in the industry or profession you are interested in. Build a network around this industry and profession.
  - d) GO. Do something. This can include an internship, training course, or active self-training process.
- **Business principles:** The education process is guided by clear project management processes and time management principles. The project further focusses on sustainability and profitability to ensure the long term success of the programme.
- **Entry assessment:** Each person goes through an entry assessment that will determine their skills and education levels. The entry assessment identifies the gaps in their skills and education that has to be bridged. This creates a clear starting point in the programme and allows for proper planning and mentorship support in the programme.
- **Continuous assessment:** Participants are continuously assessed on work output. The platform uses an electronic portfolio of evidence (EPOE) that allows for a transparent evaluation and assessment process.
- **Access to information:** The traditional learning environment that use packaged material and examinations create a very rigid environment that do not teach people to find their own information and solutions. The Ebio principles teach individuals that information are freely available and embed self-learning principles within the education process. They further provide learners with access to the internet to ensure access to information.

- **Practical experience:** Through working in the X2O programme learners both learn and gain practical experience. They learn communications skills, how to work in teams and use business and industry specific language.
- **Incremental process:** Each learner follows the process at their own speed according to their own capabilities and progress. The process allows the learner to focus on their own career path and skill acquisition, without the added pressures of examinations. Where assessments are required, portfolios are used.
- **Income support:** The programme allows the learner to earn an income while studying. Earning while learning is an important success factor of the programme.
- **Family support:** Learners' immediate family is included in the programme to ensure that their family understand what they are working for and what their goals are. It is important that the learner's families agree and support them from the beginning of the project. Learners without family support have a very low success rate.
- **Community support:** The community leaders are included into the programme. These leaders need to understand and be committed to the programme, since it is these leaders that oversee order in the community. The leaders are the role models and advisors in the community. With these leaders' support the learner and their family feel obliged to make the most of opportunities that benefits the community.
- **Outcomes based:** The learner's progress focuses on their own predetermined objectives and goals. The outcomes are assessed and monitored through the programme and thus supports each learner to reach their goals.
- **Mentorship:** Learners get access to business professionals through a social portal that links them to professionals and other learners in their field of interest.
- **Social support programmes:** The learners gain access to social support programmes like drug, alcohol, single mothers and abuse programmes.

These principles and dimensions have been tested through experimentation and experience in the field over many years. It was found that all these dimensions are important to effectively educate or ready someone for work. If one of them is lacking, it can effectively derail the programme. None of these dimensions are new, but the effective implementation and stakeholder network makes this a difficult process to create and manage.

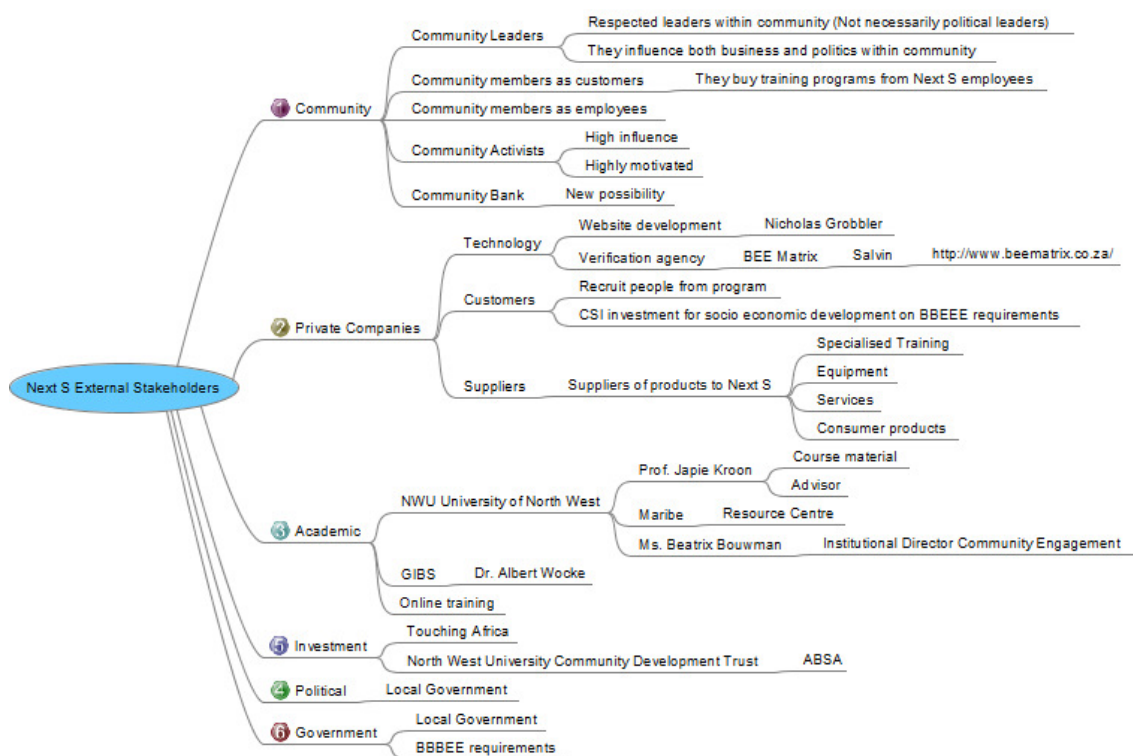
This educational process is not limited to age, race, culture or LSM group. This process can effectively be implemented in most environments where the need is high and there is a need to empower people.

## 5.5 Stakeholders

This research project specifically focusses on different stakeholders within a community and the stakeholders they have interactions with. Through the analysis of the stakeholder contributions a better understanding is gained of the opportunities and challenges related to community empowerment.

The stakeholders are divided into two groups. The first group are stakeholders internal to the community. Community for the purposes of this research is defined as a cohesive group of people living in a specific area.

The second group is external stakeholders. These stakeholders are the private companies, government, NGOs and MNE that interact with the community.



**Figure 4 Next S stakeholders**

## **5.5.1 Community**

The community is the core stakeholder in the empowerment process.

Next S is focused on engaging and working with all the groups in the community starting with the community leaders. The community leaders are those people in a community who are respected and who are able to influence people within the community. They are the gate keepers of the community and without their support, and acceptance the programme will not be successful.

Examples of the other stakeholders are schools, churches and community forums.

The focus of the programme is to recruit members into the programme that are able to represent the programme with all these different stakeholders. By establishing long term relationships and open lines of communication to these stakeholders the programme maximises its support and long term sustainability.

To understand the functioning of the community it is important to understand the different sub groups and stakeholders within the community.

### **5.5.1.1 Community Leaders**

In South Africa each community have community leaders that supports the community and who has the respect of the community. These leaders are not democratically selected, but are members from the community that have gained the respect from the community and are able to influence the community through their opinions and actions.

The community leaders are not democratically selected and can be seen as any person within the community that have influence in the community or a sub group within the community. With this definition of community leaders it makes it very difficult to identify or engage a new community. Next S identify these leaders through the recruitment and induction process of the programme. The induction programme ensures that the recruit has gained both the support of his immediate family and his community leaders. The recruits in this process are required to sign up his support to the program as clients. This effectively becomes the recruits support structure in the programme and was also one of the biggest success factors in the programme.

The programme effectively focuses on including the community leaders in the process and to keep them informed of progress, opportunities and obstacles in the programme. The transparency of the programme and the regular communication to these leaders throughout becomes one of the corner stones of the programme. These leaders are

both the key to the community, as well as the authority structure to the recruits. The respect that recruits have for their leaders both motivates them and disciplines them to be successful. It is very difficult for a recruit to drop out of the programme without upsetting their family and community leaders if they gained their support at the beginning of the programme.

### **5.5.1.2 Religion (Churches)**

In South Africa churches have a very strong influence on the community and it is therefore important to include all the churches in the effort to empower individuals and the community. Next S is an independent organisation that is not linked to any specific religion or church. They work with churches that have community outreach programmes and pull the initiatives of the different churches together for a more uniform and focused intervention within the community.

The inclusion of churches is currently a very new approach in Next S and the stakeholder management aspects will still have to be explored and perfected.

### **5.5.1.3 Schools**

Schools are one of the key stakeholders, since the importance of reaching and empowering the youth is one of the most important factors in empowering communities and countries. The programme has a number of school projects:

1. Learner education through the normal processes of the X2O programme
2. Teacher education through the normal processes of the X2O programme
3. Matric Bridging for learners that want to continue their studies.

The first step in accessing schools is to gain access to the headmaster, the headmaster opens doors to the teachers and the teachers to the learners. The X2O programme focusses on teaching language, numeracy, computer literacy and entrepreneurship though using resources available on the World Wide Web. Both learners and teachers are taught that the internet gives them access to information on various topics, which allows them to empower themselves.

The programme is able to support both the growth of the teacher and the student's career and therefore create sustainable empowerment of the community.

#### **5.5.1.4 Community Forums**

In the case of Ikageng the community police forum is a well-supported and important part of the community leadership. The forum effectively becomes the voice of the community to police and being on the police forum is a much respected position.

The forum leaders in essence are also community leaders and therefore these types of forums are an important stakeholder for Next S.

#### **5.5.2 Political leaders**

Political leaders in communities do not always have the same influence as community leaders. The political leaders' power is established by people and activists within the communities. In most cases the politicians also have to answer to the community leaders. They do however require special consideration.

These political leaders have access to local government funding, services and property like community centres. They hold the key to gain access to resources.

The programme tries to recruit community activist within the community. As these activists usually have a high drive and high community influence they become an important part in both recruitment as well as communication to political leaders.

#### **5.5.3 Private companies**

Private companies are instrumental in both providing the resources and funding required for community empowerment, but they also benefit from community empowerment.

##### **5.5.3.1 Private companies as contributor**

Private companies are required by government regulation to do social economic development within local communities. These regulations contribute to the primary external source of funding for Next S programmes. The regulations for CSI and BEE scorecard requirements effectively force private companies to invest in education, enterprise development, employment equity and preferential procurement. The fact is that it is very difficult to comply with these regulations since the skills, enterprises and educational structures are not sufficient, without a significant investment in time and resources to establish enterprises and upskill individuals for employment equity. Next S therefore focuses on combining private companies' efforts to create a more efficient platform for delivering the required outcomes.



### 5.5.3.2 Private companies as beneficiary

Private companies also look at communities as potential customers and therefore require the correct distribution network with local knowledge and efficiencies to distribute and create awareness of their products. Next S and their integrated community network of recruits and employees therefore are the ideal partners to ensure ease of entry into local communities and building brands within these communities.

Private companies also look to local communities for labour and skills required within their businesses. With Next S focusing their efforts on career guidance, upskilling and work readiness of individuals they become a preferred recruitment partner. They can provide a full history of a recruit's history, progress and capabilities, since they are both the educator and employer of the recruit. As the programme is unable to support all recruits throughout their career paths, the recruitment of individuals from the programme by private companies is an important opportunity that ensures the sustainability of the programme.

Private companies also assist with providing bursaries to individuals to allow them to complete their education. With Next S focusing on career guidance they assist private companies with preselecting individuals with the correct skills, education and talents. They therefore improve the private company's chances of finding and funding the correct learners.

Next S provides efficient and transparent access to local communities for private business and government. They operate on a sustainable business model where they use sound business principles to ensure that they can effectively use and employ investor funding. This model embeds trust from private business which results in funding and development of business partners.

### 5.5.4 Employees of Next S

Next S creates a number of job opportunities within the community. A hierarchal structure is used to allow for a more effective and sustainable operation.

The structure:

- *The wider community.* This includes all the families, households and individuals within the community.



- *New recruits team.* The new recruits are the individuals that are recruited into the programme from the community and effectively become the communication channel to the community, while actively working on the discovery of their own career path and goals. These recruits go through an induction process. Not all recruits will become part of trainee teams.
- *Trainee teams.* Trainee teams support the operation functions of the programme. They are the recruiters, programme managers and facilitators of the programme. With most of the programmes being computer based they offer support for these programmes. (Active community engagement, recruitment of new trainees and facilitators of the induction of new recruits)
- *Community teams.* They support and manage the efforts within a community. These teams need passionate, driven individuals that are completely committed to the community empowerment effort. It is preferred that community members that have progressed through the programme and are grounded in the culture, values and folklore of the programme is used in these teams. People who have not progressed through the programme themselves can risk the goals and values of the programme and need to go through an extensive validating and induction programme.
- *Regional teams.* These teams are similar to the community teams, but they look into the regional strategy and integration of all the community team efforts.
- *Standing committees.* These committees preform the functional support to the teams and provide the governing function of the programmes. The functions include fundraising, legal, financial, accounting, quality, human resources, information technology and, research.
- *Advisory board and trust managers.* They focus on the strategy and governance of all regions.

**Table 1: Hierarchical structure of Next S**

<b>Level</b>	<b>People</b>	<b>Actions</b>	<b>Support</b>
Community	Leaders, Families, community members.	Talent pool for recruitment, customers of products.	Supported by recruits, Trainee Teams and Community Teams.
New recruit teams	People newly recruited into the programme.	Engaging immediate family and personal community leaders. Focus on career choice and induction programme.	Supported by the Trainee Teams and Community Teams.
Trainee Teams	Recruits that have passed the first level of Ebio and are actively working within the programme for a salary.	Actively engaging the wider community. Assisting new recruits through first level of Ebio training. Gaining work experience in programme. Gaining knowledge and skills as outlined in their personal development plan.	Supported by Community and regional teams. Supported by private companies through in service training or outsourced work. Academic institutions.
Community Teams	Permanent employees in the company.	Actively engaging community leaders. Focus on profitability and growth of the programme.	Supported by Regional teams and standing committees.
Regional Teams	Permanent employees in the company.	Actively managing Community teams. Regional integration. Interface between Standing committees and Community teams.	Supported by standing committees.
Standing Committees	Permanent employees of the company.	Ensuring the functional support to the teams. Finance, Legal, Investor relations, Human Resources and Operations.	Supported by Advisory board.

The idea of the structure is to gain high levels of efficiencies through the use of centralised management and lowering the overhead costs. Additional efficiencies are gained by the use of IT platforms for management, recruitment and training.

The new recruit teams and the trainee teams have multiple functions in the organisation:

- They are customers as they purchase training.
- They are employees involved in recruitment, operations and facilitation.
- They are products through recruitment and social development.
- They are representatives of the community.

The permanent employees provide the continuity in the organisation and provide the required discipline and support to effectively run the business.

### **5.5.5 Academic**

Academic institutions have a lot to offer to empowerment projects through training material, funding and resources. Institutions like the North West University have put in place processes and resources to effectively support sustainable community projects. The next sections will better describe these processes and resources and how they support sustainable community development.

#### **5.5.5.1 NWU Community Engagement**

The NWU community engagement office focused on community development projects is run by Ms. Bibi Bouwsman. Ms Bouwsman is responsible to ensure that the NWU internal processes and resources are aligned with the NWU constitution that requires the university to support sustainable corporate social investment. NWU is committed to developing skills into Africa. They are not only focused on community service and charity.

The engagement office is currently shifting their focus to only support sustainable community development projects. According to Ms Bouwsman NWU found that from the 300 projects that they are currently involved in only five or six are really sustainable. The engagement office is therefore starting to focus their efforts to these more sustainable projects.

The university has access to resources that they can use for empowerment projects. All faculties are required to commit a number of hours to community projects. This requirement has been specified in their KPIs (Key Performance Indicators). The university also encourage students to get involved in community projects, both from a social responsibility perspective and the innovation centre for developing and implementing new technology. The innovation centre of the university is the keeper of

all intellectual property (IP) and patents of the university and as a directive from the Minister's office they are required to use these IP and patents. The university also has access to private company funding where private companies invest into the North West University community development trust (NWU CDT).

The NWU CDT is an important vehicle created by the university to ensure that the private company funding is utilised correctly and transparently. The trust ensures that all funds are used and spent according to the private investment companies requirements and that a full audit can be done on the spending. The core function behind the trust is to act as a funding tool for the university's community projects. The funding fills the gap that prevented the university from using their resources effectively.

The engagement office also started a community project resource centre. The centre keeps a database of available resources and projects to allow easy allocation of resources to projects. The allocation process involves the complete investigation of the project, people, requirements and environment, which allows the effective matching of resources to a project. The centre monitors the projects to ensure that the projects are healthy and on track. The resources in the database do not only include university resources, but also that from the private business, government, public and independent service providers. The resource centre therefore is a powerful tool for establishing, resourcing and monitoring a community project. The resource centre supports the NWU CDT with resources to enable the corporate governance required for the invested funds.

New projects that are funded by the NWU CDT goes through a complete induction or vetting process to ensure the project gets the correct resources and funding to make it sustainable and successful. The trust sets clear targets and outcomes that has to be reached and are used to measure the success of the project. The trust regularly accesses the project until its completion. At the end they measure the value gained by comparing measurement results from the start and end of the project. The private company investing their CSI funds into the trust therefore get improved efficiency by working through the trust. The company benefits from the experience, resources and governance of the trust and therefore can have a much higher impact on society with their available time and funding.

#### **5.5.5.2 Lecturers**

Professor Japie Kroon is an example of the valuable contribution that academics can have on empowerment projects.

Prof. Japie has a long history with Unre and the Ebio learning programme. They share an eight year journey where they focused on social upliftment. Japie currently teaches business management and entrepreneurship at NWU and is very passionate about empowerment through education. He has developed courses related to Interpersonal relations, time management, stress management, money management, communication, networking, self-awareness and self-presentation. The courses use a format of paper manuals and lectures which is very different from Unre's methodology of ABC GO. This difference is causing significant problems in their relationship, since Unre's believes that his process of education is much faster, efficient and outcomes based than a formal course.

Currently Prof. Japie is acting as an advisor to the programme and is not directly involved in the programme at this time. From the interview with him he put forward a number of key elements that impact on the X2O programme:

- *The acceptance process into the programme is the key to the success of the programme.* He feels that the incorrect people were allowed in the programme in the past. Significant improvements have been made in the selection process. This will drastically improve the success of the programme.
- *Personal issues of learners.* The people that come into the programme mostly have personal issues stopping them from being successfully integrated into the programme.
- *Gaps in their skills foundation.* The students that are accepted into the programme have gaps within their upbringing. They lack some of the skills that you learn from your father or mother, which formal education is not able to provide. The X2O process strives to address these gaps.
- *Support structures.* Students require a support structure to ensure that they are successful at their studies or work. This support structure can include family, friends or other relatives. The support structure has to provide both financial and emotional support.
- *Self-control and deferred gratification.* Students have a problem in controlling themselves when they want something. They will borrow money to get it. This causes numerous problems and comes back to the fact that the students do not have an internal locus of control.
- *Lack of stories as a child.* Children that have been told stories while growing up perform better than those that did not. With the urbanisation of communities they have lost some of their traditions including story telling.

With the universities focusing on social economic development and incentivising the lecturers through their KPI's to spend time on social economic projects. An enabling environment is created for research and innovation within the community empowerment field. Lecturers can have a number of positive contributions on community empowerment projects:

- They can improve the knowledge in the field through person and student research.
- They can spend time on assisting community empowerment projects through consulting and practically implementing academic theory.
- They can assist in mentoring students on community projects.
- They can make community projects part of the standard curriculum to expose students to community empowerment.

### **5.5.6 Government**

Governments are the regulators of societies and therefore are an important stakeholder in community empowerment efforts. Governments in general and specifically in South Africa struggle with a number of shortcomings, making them very slow to react and very inefficient as implementers of new policies.

Current weaknesses include:

- Slow to react to changing environment because of their size.
- Very slow to innovate processes and systems.
- Education has numerous issues. Shortage of qualified teachers. Unable to control and motivate teachers. Low pass rates and deteriorating standards.
- The power teachers' unions have over government.
- Providing insufficient supporting structures for social issues affecting learners.
- Teachers are not rewarded on output and have very low efficiency.
- Education does not prepare learners for the work environment.

Although governments have high influence in communities they do not have the required structures and business acumen to successfully turn around the educational system in South Africa. South Africa has a large number of unemployed youth that do not have the necessary experience and education to become productive citizens. With the private sector being much closer to local communities, being more business minded and output focused they can have a much larger impact on the unemployment and skills problem.

The positive contributions the government makes to improve employment in South Africa:

- *BEE regulations.* The BEE requirements aim at improving inequality between the rich and the poor. This legislation specifically focuses on the disadvantaged black communities of South Africa to ensure these communities get the required opportunities to empower and uplift them.
- *Corporate Social Investments.* South Africa currently spends 2.7bn on community development projects (CSMR, 2012). Next S spends roughly R3 000 per year per learner. With a budget of 2.7b.n they can reach 900 000 learners per year, which can effectively double the higher education output per year.
- *Legislator.* The government creates new legislation to force private companies to improve their business models to include empowerment and upliftment of communities.
- *Regulator.* The government put in place regulatory agencies to ensure that private companies implement and follow the legislation.
- *Investor.* The government invests in private and non-government organisations (NGO) to help improve community development and job creation. They do this through subsidies, tax breaks and providing infrastructure.

The government alone will not be able to change the skills shortage in South Africa and will require public private partnerships. They are currently focusing on improving the education system, but still have a long way to go. They are faced with gaps in education, unskilled youth and a large unemployment rate. With the government's current track record in implementing change in education and health care it can take years for the problems to be solved, this while the numbers of unemployed youth grow each year.

## **5.6 What does empowerment mean?**

The section wants to look at what empowerment means in the South African environment and that of Ikageng. The following reasons contribute to people not being able to study or find suitable employment:

1. *A lack of understanding of the community's culture and values.* A community's identify is based on their culture and values. These may be different from the

western culture, but should not exclude them from the mainstream economy or from employment.

2. *A lack of education.* Inadequate education excludes a large part of the population from employment.
3. *A lack of funding or financial resources.* Opportunities are often only available to those who can afford them.
4. *A lack of understanding of business process, terminology and culture.*
5. *A lack of access to information and knowledge.*
6. *A lack of mentorship in life and career skills.*
7. *A lack of home and community support.*
8. *A lack of language skills.*
9. *A lack of group and team work skills.*

Whenever a person lacks one of these dimensions it limits them in some way in career growth and earning potential. Therefore to empower someone all these dimensions have to be built into the programme. There are many reasons why these factors occur in BOP communities, but the purpose of this report is only to identify them.



The purpose of the research is to better understand empowerment of communities within emerging markets. The BOP proposition introduced by Prahalad and Hammond (2002) caused the world to view the bottom of the pyramid as a group with significant buying power.

“The critical barrier to doing business in rural regions is distribution access, not a lack of buying power. But new information technology and communications infrastructures- especially wireless-promise to become an inexpensive way to establish marketing and distribution channels in these communities.” (Prahalad & Hammond, 2002, p. 50)

Unre Visagie and teams have been involved in bridging these barriers with information technology and communication infrastructure for more than 13 years and through their experience have learned some valuable lessons for empowering and doing business with these communities. This discussion will aim to extract the processes, models and core competencies required for community empowerment projects.

Two questions were asked to explore the topic of community empowerment within emerging markets. The data will be discussed by comparing it to the relevant theory that was reviewed in chapter 2.

## **6 Discussion of results**

### **6.1 Research Question 1 Stakeholders**

Question one aims to define the stakeholders and their contributions within community empowerment programmes. This research question is an integral part of this research, because it assisted with defining the interview schedule and afterwards to help map the interactions and processes of Next S and their community based projects.

The discussion and outcome of this question aims to define a generic stakeholder diagram and a table listing the major contributions of each stakeholder to community empowerment projects.

#### **6.1.1 Observations from the Next S case**

Next S has been able to create an enabling environment within the community to empower the individuals in the community through education and business experience. They identified the gold at the bottom of the pyramid as the people. By creating an environment where community members are used to empower themselves as well as the rest of the community a positive environment is created for business. They have created an environment where the gold mines themselves at the bottom of the pyramid and enable business to flourish within this environment.

The difficult part of this process is to ensure that the positive outcomes are utilised for the benefit of the community and that there is a healthy balance between the power of stakeholders internal and external to the community. It is therefore important to create a clear organisational structure and transparency of financial results within these projects to allow the stakeholders to have a clear understanding of their contributions to the results achieved.

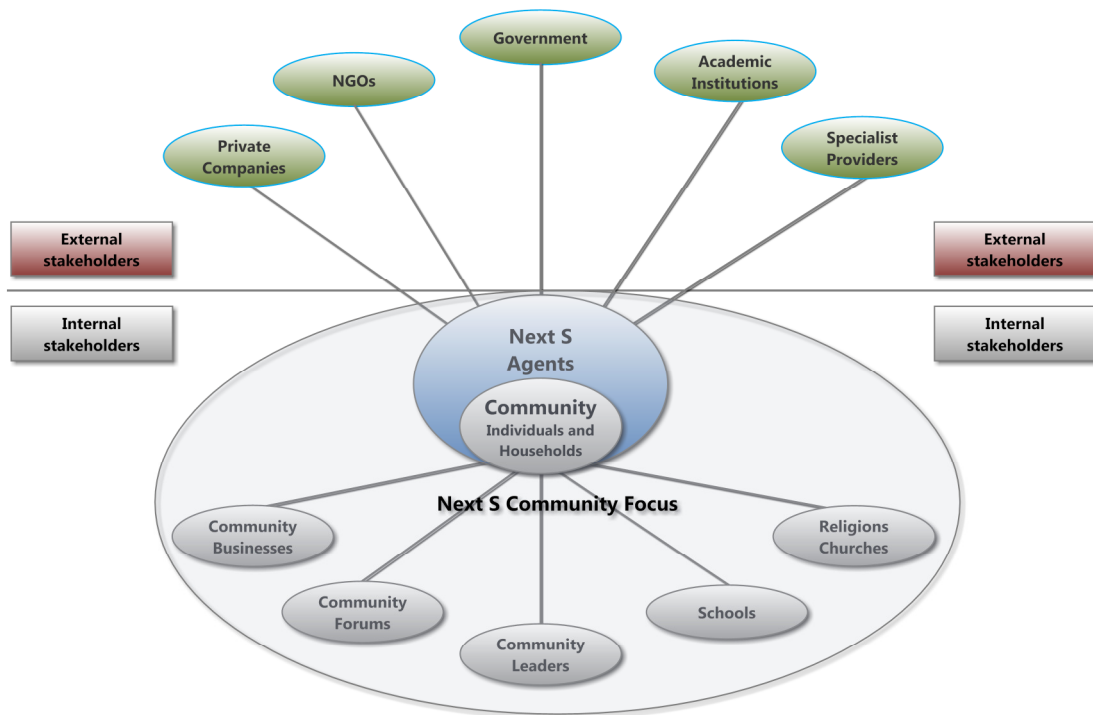
Stakeholder management is a core competency that is required where positive sustainable empowerment is created within communities. With the development and empowerment of a community it is important that the community is protected against exploitation (Garrette & Karnani, 2010, p. 29). Business and government that should be the caretakers of the community is filled with power hungry individuals that would like a larger part of the value created and therefore these community projects needs clear servant leadership (Chatbury & Beaty, 2011, p. 57), business structures (Seelos & Mair, 2007, p. 49) and transparency (Esposito, Kapoor, & Goyal, 2012, p. 523).

Servant leadership is characterised by moral authority, humility, service and sacrifice to foster respect and trust. (Chatbury & Beaty, 2011, p. 58)

Next S has been able to establish a clear process to mobilise, capacitate and utilise community members. Going forward they have to focus more on the external stakeholders to ensure that they can keep the balance of power between the community and external stakeholders. This balance is especially important in the early stages of mobilisation where the community members are more vulnerable while trapped within hopelessness and a small locus of control.

### **6.1.2 Stakeholder diagram**

The stakeholder diagram in Figure 5 illustrates Next S' focus on the community. Next S mainly focuses on the community and the stakeholders within the community which allows them the connectivity required to mobilise the community. The diagram starts in the centre with the Next S agents surrounding the Community, which indicate that the agents are connecting the community to its stakeholders. The diagram shows that the community is much closer to their internal stakeholders than their external stakeholders. Next S is focusing on bridging the gap between the community and external stakeholders. Next S has a smaller role to play in connecting of the internal stakeholders. The focus is on mobilising internal stakeholders in their empowerment efforts. Communication and integration with these stakeholders is the key to accessing and connecting the community. The diagram also clearly shows that the Next S agents are part of the internal stakeholders, since all agents are from the community.



**Figure 5 Community Stakeholder Diagram with Next S operations**

Figure 5 shows that the community has to be mobilised to enable the community to become empowered. It further shows that by creating agents with a common vision and mindset within the community, it is possible to mobilise the community as a whole and unite them with a common goal of community empowerment. These agents should have ties to all the different internal stakeholders,

The diagram illustrates that the focus should be on the community and the community requirements. This can be interpreted in a number of ways looking at customer-focused approach of servicing the poor (J. Anderson et al., 2010), the community internalising their locus of control (Unre Visagie, 2012) or social responsible distribution (Smith & Vachani, 2008, p. 52).

The customer-focused approach puts the customer first, which is the community in this case. Through their empowerment lifecycle the community's needs will evolve. They will require different levels of services and types of products. Next S' agency system helps to pull products into the community as they are required. It assists the community to find quality products at a lower cost. In essence they are creating and advancing the natural distribution channels within the community and in the process assist in helping the community to increase their income through lowering the cost of products and services (Karnani, 2007a, p. 91).

The third point is that Next S agents become the link between external stakeholders and the community. Next S provides the processes and tools to connect, manage and train agents to fulfil the requirements of a specific distribution channel and supplier.

### **6.1.3 Stakeholder management**

Stakeholder management is one of the core management areas that are required for empowerment projects. Through the empowerment effort in a community the stakeholder engagement require clear structures and transparent financials to ensure that the power balance are kept between stakeholders throughout the empowerment process.

The community is the biggest stakeholder in the empowerment process. To manage the relationships between community leaders and internal stakeholders are the largest and most difficult element in the stakeholder management process. During the process of empowerment, individuals will start to experience and understand their own power and competencies. With create power comes create responsibility and when this power is used incorrectly can cause a lot of harm to the programme and the community.

Clear structures and transparent financial results will create the stability and understanding within the wider community that is required to successfully implement the empowerment process. The same is also applicable to external stakeholders that have more experience and resources than the community and therefore have more power than the community to lay claim on the benefits created.

It is important to understand that a clear structure and transparency in operations and financials are required to keep the power balance between internal and external stakeholders. The main objective for maintaining a power balance is to have a positive environment to create win-win situations between stakeholders within the community. It further creates the efficiencies (Prahalad & Hammond, 2002, p. 51), productivity (Esposito et al., 2012, p. 520), political stability (Hemphill, 2010, p. 111) and sustainable opportunities (Schrader, Freimann, & Seuring, 2012, p. 296) that the community and business need to grow and positively contribute to the country's economy.

The focus of this section is on the findings from the Next S case and not on the other requirements like, servant leadership (Chatbury & Beaty, 2011, p. 57), social responsible distribution (Smith & Vachani, 2008) and the customer focused approach

(Anderson et al., 2010, p. 46) to name a few. These elements all have to be built into the stakeholder management process to ensure the power balance.

## **6.2 Research Question 2 Key success factors for empowerment**

### **6.2.1 Poor as Producers**

Karnani (2007a) states that the poor must be seen as investors, entrepreneurs and producers, which indicate that the poor cannot be helped through charity, but only through sustainable business practices. Many authors looked at uplifting the poor through business, many of their approaches focused on reducing the cost of distribution or increasing the income by buying from the poor.

The most important resource the poor has is people. In most cases the poor has large numbers of literate and semi-literate youth that is desperate to find their way. They are looking for ways to start their own careers, finding work, finances to study and mentors to assist them to make a contribution to their family and society. This is the raw material of emerging market communities and this raw material is young, energetic, driven and committed to make it in the world.

Unre Visagie call this raw material the gold of the emerging market and by focusing the efforts of these young, energetic, driven and committed gold you can get the gold to mine itself. Visagie has proven this in his business ventures over the last 13 years and Next S business practices are focused on empowering the community to become sustainably self-sufficient. By seeing the poor as producers and unlocking their potential a lot of value can be created for business and communities.

The question is, “How is this value unlocked?” The authors like Prahalad and Hart (2002) said that doing business with the poor will uplift the poor, Prahalad and Hammond, (2002) said that business should follow their own interest, Karnani (2007a) said that the poor should be seen as producers, Anderson, Kupp and Van der Merwe (2010) said that it is a customer-focused approach that is required and Smith and Vachani (2008) said that social responsible distribution is the answer. Garrette and Karnani (2010) claimed that there are very few large businesses that can profitably market socially useful goods in low-income markets and that the only examples are companies that are exploiting the poor.

The solution according to the Next S methodology is not a simple answer, but a combination of these concepts. Business is required, but should not be pushed into the community but pulled into the community through a customer focused approach.

The products and services that are pulled into the community should be contributing to the empowerment effort or increasing the income of the community. Increasing the income of the community can be done through increasing the work opportunities within the community or through lowering the cost of the products and services. The community has to be mobilised and capacitated and the value created in the process should be equally shared between the stakeholders.

### **6.2.2 Mobilising the Community**

The first step in mobilising the community is to recruit people from the community to be used as agents in the community. This recruitment process is focussed on recruiting high potential individuals in the community that is linked to influential community leaders and internal stakeholder of the community. These recruits are then capacitated to become agents of Next S that operate within the community as sole traders. Sole traders are paid when their products and service are sold to customers inside or outside the community.

The agent's efficiency and productivity is boosted by providing information technology platforms to connect and assist them in their business and career growth. The IT platforms provide the enabling processes to allow the agents to focus on their careers and businesses to deliver customer-focused products and services.

The support structures for the agents are instilled through the induction and capacitation phase of the agents. During this stage they engage their community leaders, family and friends to be their support structure. This support structure also becomes the agent's first network and that allows them to start building their own business.

### 6.2.3 Education versus Career Guidance

Education and training is one of the most discussed issues in the media with South Africa having large numbers of unemployed citizens.

To capacitate citizens they need to gain skills through training. Next S is using the Ebio learning methodology to help focus, motivate and keep the learner on a career path. The educational and career guidance approach of training will be compared to understand the success of this methodology.

The education process helps people to develop skills and capabilities that they will use throughout their career. The problem is that large numbers of people complete their schooling and are then jobless and stranded without the correct skills, mindset, finances and career plan to be able to help themselves. The normal education system is inflexible and it is very difficult to ensure that all learners will get through the system with the required skills they will need for their careers. The South African education system are very focused on delivering engineers, doctors and other specialist individuals, but do not assist the bulk of the learners that have to be the artisans, entrepreneurs and general workers.

Career guidance first helps the learner to understand their own strengths and weaknesses. This knowledge allows the learner to choose a career that is aligned with their strengths and interests. The learner selects a career and the industry that the learner wants to work in. Career guidance is used to assist the learner in creating a career plan that includes the skills required to get to the selected career. The final step is to help the learner identify the gaps in their own skills. This focused career plan will allow the learner to progress to their selected careers.

The indirect advantage of the Next S process is that learners do not only get a career plan, but are also empowered to use the same process to make changes to this plan during their careers. They master techniques to discover what they want and the process that they require to get there.

The question is how a fixed standard education system can deliver focused career driven individuals that will be able to positively contribute to the economy. There is no clear answer to this question, but Next S have proven that career guidance according to the learners specific strengths and a clear process to get to your intended career create motivated and focus learners.



The standard education system has failed many learners in the past. Many were left stranded without the required education while only a few progressed to the mainstream economy. This has left South Africa with a large number of unemployed individuals of all ages. Next S has proven that individuals of any race, age, religion and background can make a positive contribution to their community and their country through a focused process of career planning and training.

Next S processes will not replace school and education systems, but they have shown that by implementing their career driven processes at schools for both the learners and teachers they can make a positive contribution to the school's deliverables.

#### 6.2.4 Rural Distribution Setup Principles

The mobilisation phase of the community is to mobilise and capacitate the agents what will form the distribution channels into the communities. These initiatives should be based on clear principles, (Smith & Vachani, 2008, p. 77), which will be used to verify if these principles are in line with the Next S setup strategy. This is also an opportunity to see if there are additional principles that Next S can add to the Smith and Vachani (2008, p. 77) approach. Table 2 describes the principles from literature and is used to see if Next S has implemented these principles and then to note the differences between the literature principles and the Next S approach.

**Table 2: Rural distribution principle verification**

Setting up rural distribution (Smith & Vachani, 2008, p. 77)	Next S approach	Comparison of Next S to rural distribution
The distribution delivery systems should be scalable	Next S uses IT platforms to connect. The recruitment and capacitation process is run by agents within the community and do not require external resources	Applied
A strong centralised service design is required to leverage economies of scale and lower cost. The design should also contain strong supervisory and control systems to ensure reliability and efficiency of the system.	Next S uses IT platforms and an agency system of recruits within the community to allow scalability. The IT platforms help to connect agents, suppliers and customers and new agents can get instant access for start-up. The platforms also ensure strict management and control process and procedures.	Applied

<p>Cluster retail locations together to ensure the efficiency and sustainability of a specific distribution channel before targeting a new area.</p>	<p>Next S creates community forums and connects sites for agents within a certain area of expertise or distribution channel. With the relative low cost of setting up these channels they can effectively start more products and services in parallel.</p>	<p>Next S focuses on connecting the agents directly to the supplier through the platforms and connect sites, which allow them improved efficiencies and scalability when starting new distribution channels within the community. They have effectively minimised the entry barrier to multiple products.</p>
<p>Create distribution channels in areas that reach the minimum benchmark requirements for financial performance and activity level.</p>	<p>Next S has a very customer focused approach of pulling products into the community. The agents are further only paid on the sale of the product to the customer which improves their motivation and the entrepreneurial culture within the distribution channel</p>	<p>Next S follows a customer focused approach of pulling products into the community at the correct quality and cost. This process is further improved by the agents being in the community with direct access to the supplier. The supplier therefore can improve and optimise the offering to the community.</p>
<p>Share distribution channels to reduce cost.</p>	<p>Next S platform allows the agents to communicate with each other and to the suppliers and therefore allow efficiencies to be reached within the distribution channels as costs between products and services are shared.</p>	<p>Next S has the access to the agents to implement distribution channel optimisations. Next S further has the training infrastructure to train and capacitates agents in new processes.</p>
<p>Ensure community approval and support before entry.</p>	<p>Next S builds community support and acceptance through their agent recruitment and induction programme. This process builds the support framework for the agents and X2O programme within the community.</p>	<p>Community approval and support is an on-going process and therefore Next S has built communication channels to the community leaders to allow them to voice their concerns. This allows Next S the chance to handle concerns before they escalate.</p>
<p>Select retail representatives that are trusted within the community</p>	<p>Next S helps the agents to create a support structure. This support helps to motivate the agents.</p>	<p>Motivation and trust is ensured by building a support framework for the agent consisting of community leaders, family and friends. It is this support framework that helps to keep the</p>

		agents motivated and honest. With large numbers of agents it is difficult to only get trustworthy agents.
Select the product mix and products by focusing on a price versus features trade off.	Next S has a customer-focused process of deciding on product mix, price and features. This combined with a low cost distribution channel allow them to test new products and services before full rollout.	Next S has all the processes, customer access and communication channels to optimise product mix.

The main difference in the two approaches is that Next S mobilises the community to become the distribution system. They effectively build a distribution system that pulls products into the community with the agents being fully responsible for their own profitability and income. Next S created a very low cost distribution channel to market, sell and distribute products to the community. Agents are sole traders and are only paid if they are successful in proving a profit on selling a product. Profitability and customer-focus are the objective. Profitability at this point in time ensures comparitavely low marketing and distribution resulting in a low cost distribution system.

### 6.2.5 Rural Distribution Framework

The rural distribution framework from Aithal and Vaswani (2005) will be used to verify that Next S has the required structures and controls to ensure an effective distribution channel to the community.

The discussion will be done through discussing the Next S distribution channels within the context of the distribution framework in Figure 1.

**Table 3: Rural Distribution Framework**

<b>Rural Framework</b> (Aithal & Vaswani, 2005)	<b>Distribution</b>	<b>Next S approach</b>
<b>Task environment</b>		
Geography, spread & density		The Next S approach is a customer-focused and works for a wide range of communities. It is not race, language or education level dependent. The processes and IT platforms allow the rural worker to be as connected as the suburban worker and therefore is independent of the the geography. The appeal of rural communities are large numbers youth and high unemployment that create high potential environment to implement the X2O programme.
Market attractiveness		The attractiveness of the market is not equal to the income of the specific area or market, but the amount of resources in the communities that can be mobilised and capacitated to become productive citizens. Therefore Next S not trying to get a bigger slice of the pie, but to increase the size of the pie.
Infrastructure		Infrastructure require access to high quality broadband internet. This allow the Next S IT platforms to connect the individuals within the community to each other and to the rest of the world. It further becomes the infrastructure for communication, education, career planning, distribution channels and personal access to information. It creates the enabling environment required for empowerment.
Competition		The Next S approach creates a first mover advantage, but also has management who has experience in managing projects within communities that will give them an advantage. Local businesses in the new communities that Next S approach benefit as Next S will work with them to improve their businesses. Income also increase which improve the total buying power of the community. The effects of direct competition of companies with similar business models are unknown. It will definitely be an interesting scenario to investigate, since large numbers of empowered online individuals will be able to very quickly change their supplier or providers. In this case the competition can be local or global and the player with the best platform and best connections will be able to win this game.
<b>Rural Retailer</b>		
Stocking Pattern		The stocking patterns are based on the product and effectiveness of the distribution channel. Very efficient online services with a large number of agents create very efficient distribution channels. These high efficient distribution channels lead to channel innovations that can change the normal channel structures (Hemphill, 2010, p. 120). The outcome of stock keeping are highly efficient demand driven distribution centres that deliver the purchased items to your doorstep. The Next S innovations bring the demand driven information that companies like Walmart require right into household.
Sourcing Preference		Single or multi sourcing depend on the requirements of the community. The quality, price and variety play a large role.
Assort decisions		Assort decisions are driven by online decisions and therefore becomes driven by individuals within the community.

Support needs	Next S provides connectivity, operational support and training to their agents that allow the agents to operate as sole traders.
<b>Distribution structure</b>	
Number of Tiers	Number of Tiers determine the distribution channel length and is a function of the product characteristics. This will be product specific.
Intensity & Penetration	Next S creates complete connectivity of the community that will allow them high penetration within the community.
Multiplicity	Next S works with the local business owners to improve their logistics and cost. This helps the customer to be able to buy from multiple sources.
Consolidation	Next S manages multiple channels and can consolidate some of their distribution channels based on product characteristics.
<b>Distribution Strategy</b>	
Efficiency	The agent structure with the IT platforms of Next S allows for high efficiencies.
Economies of Scale	Communities have many people that require the same products and services that creates the economies of scale required for profit. The agency structure then assist with mining these opportunities.
Access	The agents are from the community and therefore have complete access to the community.
Trials	Trial products and services can be provided at low cost. Next S provides the training services and platforms required to conduct trials. With their agents' direct access to the end customer they are able to optimise the product according to the customer's requirement.

### 6.2.6 Community Empowerment

This research defines a sustainable empowered community as a community that has control over their future and access to education, work opportunities, communication, information and too quality products and services at reasonable prices.

The BOP literature has placed the focus on doing business with the poor, although business is a pivotal ingredient in empowerment it is not the core. Business has a choice to empower communities or exploit them (Garrette & Karnani, 2010, p. 29) and therefore the focus for empowering communities should be on the community and not business. Communities have the resources, potential and buying power that business requires to create profits and therefore communities should have an equal say and share in the value created within the communities.

The Next S case has shown that by mobilising and connecting the community through the X2O programme and the Ebio learning methodology they can unlock the potential within the community. More importantly they can do this with relatively few external resources and create a sustainable low cost process for empowering individuals within the community. Next S has further estimated that through building economies of scale

the empowerment process can become self-sustainable and will be able to run without any external funding from private companies other than social responsible distribution.

## 7 Conclusion

### 7.1 Key findings

The emerging markets have large numbers of unemployed youth that do not have any education or hope for a better future. This study has indicated that a few mindset changes will be required to attack this problem.

The first mindset change required is to view large numbers of unemployed youth as a resource that can be mobilised to create value for themselves, the communities they live in and the formal economy of the country.

The second mindset change is that unlocking the value of the youth does not have to take a long time to start adding value. Initiatives can be started and implemented within a relative short period of time. Changes will be visible quickly. Next S has proven that they can mobilise 5000 people within one year in a single community with very little external funding.

The third mindset change that has to be made is to realise that semi-literate individuals can become productive and can create value for themselves and the community surrounding them. Next S has been able to assist individuals through the Ebio learning methodology to become career focussed and assist them to systematically improve their literacy while earning an income. It is important to understand that a basic focused educational process can empower a learner to be a productive member of society without the need for higher education. Education is a tool not an outcome.

The first step in the empowerment processes was to engage and setup the correct infrastructure to mobilise the community. Next S has a clearly structure process to engage new communities and setup the required infrastructure and agents to support their activities within a community.

The next step in the empowerment process is to create an enabling environment where the individuals can be mobilised to start their own businesses as sole traders and earn a living while they are bridging their skills and experience gaps.

The final step in the empowerment process is to create ample opportunities within the community to use these sole traders. Next S has created a large network of business partners and suppliers that they connect to the traders through their information technology platforms.

The other success factors from the case were related to the Next S business processes and the models and principle they have incorporated. Next S heavily depends on information technology platforms that connect them through high quality broadband to communities. During the last five years high quality broadband changed the communication environment and allowed for Next S to implement technology platforms to help them control and management large numbers of agents and subscribers. These platforms create the backbone of the company and provide scalability and structure to their business processes.

One of the main success factors for community engagement is to have a deep understanding for the culture, values and history of a community. Next S has deliberately designed their recruitment and induction processes around this understanding, which creates a support structure and communication channel for the agents and subscribers. These processes cement their activities within the community and help to maintain the culture and values of the community.

Stakeholder management is one of the more difficult processes to implement and control. The learnings from the Next S case has indicated that a clear agent and stakeholder structure with transparent financials go a long way to keep the power balance between stakeholders. Stakeholder management is a dynamic on-going process that requires people with knowledge and experience and should get the required attention and resources to keep stakeholders functioning together.

## **7.2 Recommendations**

Academics should focus on research that puts community at the centre of the empowerment process. The research should explore how the community has to be mobilised to create their own future and how this can be done sustainably. Institutions like North West University are leading this new focus of creating sustainable community projects from the perspective of the community. These institutions are taking action by focussing their attention on sustainability. They are only starting new projects that have a positive chance of being sustainable.

It is important for this new line of literature to create an awareness of the potential that is lock within the emerging market communities and that it is possible to find sustainable approaches to unlocking this value. The research should further focus on changing the mindsets of individuals and organisations to allow more support for establishing and growing sustainable community empowerment projects.



New research can focus on the following areas:

- Quantitative research to identify and measure the impact of community projects on the lives and productivity of community members.
- Quantitative research to define the value added by sustainable community projects to the formal economy.
- Quantitative research on the employment levels and income level of community members through the project lifecycle.
- Quantitative research on the effectiveness of the Ebio learning methodology to engage, motivate and capacitate people within the X2O programme.
- Qualitative research on the possible opportunities that can be created through lowering the distribution channel cost to communities.
- Qualitative research on the required information technology and communication structures needed to create a scalable and efficient platform for distribution channels to communities.
- Longitudinal study of sustainable community projects in different regions with different cultures and values.

### **7.3 Limitations**

The research was based on a single company and community within South Africa. This limits the learnings and general conclusions that can be made from the case. The company is currently expanding into other communities and therefore future research on the company's success in these new communities will be of significant value.

This study was very focused on the internal stakeholders and lack data from external stakeholders. By including the external stakeholders it will contribute to the accuracy and understanding of the stakeholder contributions, relationships and power.

The study was qualitative and finding has to be quantified and tested to be able to confirm the impact on the community.

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## Appendix 1: Interview guide

These questions is only to guide the conversation, but it is required that the most of these questions be covered through the conversation to allow a proper understanding of the relationship factors and requirements at play.

- What is the current involvement of the interviewee with the intermediary company under discussion?
- How does the interviewee feel about the intermediary company? (Committed, Sceptic, Excited...)
- How long have they been involved with the intermediary company?
- What do they expect from the intermediary company as part of their collaborative relationship in their BOP initiative?
- What does the intermediary bring to the collaborative relationship? (Knowledge, capabilities, relationships)
- What does the interviewee's company provide to the collaborative relationship? (Resources, funds, information)
- How does the intermediary benefit from the collaboration from the interviewee's perspective, and how do they feel about it?
- How does the interviewee's company benefit from the relationship?
- What does the interviewee perceive as the most critical success factors related to the collaborative effort?
- How does the interviewee perceive the role of the community in the effort?
- How does the interviewee perceive the role of community leaders in this effort?
- How does the interviewee feel about funding a profit generating business instead of a NGO for BOP projects?
- What types of distribution channels does the interviewee's company trying to establish within targeted BOP communities.
- What does the interviewee perceive as the most important outcomes from the BOP initiative?

## Appendix 2 Interview Schedule

Ike De Wet	Next S Project Manager	25-Aug-12
Kaka Masui	Next S Area ELF	25-Aug-12
Japie Kroon	NWU Professor Business and Entrepreneurial studies	24-Aug-12
Ms. Bibi Bouwman	NWU Institutional Director	25-Aug-12
Unre Visagie	Next S Managing Director	10-Oct-12
Maribe Mamabolo	NWU Resource Centre Manager	08-Sep-12
Nkosinathi Machine	NWU Sife leader	08-Sep-12

## **Appendix 3 Next S project details**

The project details are based on the latest Next S rollout started November 2011

### **Current projects**

Dr Kenneth Kaunda district (Ikageng/Potch in Tlokwe municipality) has 5000 clients including Leaders, Learners and community members. The area is currently supported by 11 learner agents in various levels of training. The latest project is to supply 19 individuals as Telecom techs the individuals will be recruited from the area, capacitated and deliver.

Nkangala district (KwsMhlanga) currently 3 agents and 500 clients.

### **New areas being lauched**

Tshwane Region 7 (Bronkhorst area) in launch phase

Three other areas in negotiation for launching

### **Industry investments into Next S projects**

About R1 million invested into Dr kenneth Kaunda district (Ikageng/Potch in Tlokwe municipality)

R15 000 Tshwane Region 7 (Bronkhorst area)

R130 000 Nkangala district (KwsMhlanga)