Norda Industries – Nairobi, Kenya

Decent work and responsible supply chain management: Measuring Norda’s impact on people and the planet

IMPACT CASE STUDY | DECEMBER 2019
About Seed

The Stanford Institute for Innovation in Developing Economies (Seed) partners with entrepreneurs in emerging economies to build thriving enterprises that transform lives. Operating throughout Africa, India, and Sri Lanka, Seed’s vision is to end the cycle of global poverty. The flagship offering is the Seed Transformation Program, a one-year intensive entrepreneurship education program for leaders and their teams. Upon completion of the Transformation Program, leaders can access Seed Network services such as coaching, consulting, student interns and various networking and skills building events. Seed offers unique access to training which challenges leaders to reassess their company’s vision and make ambitious changes towards growth that will ultimately transform lives.

Introduction

Norda Industries (Norda) is a Nairobi, Kenya-based consumer goods company specializing in corn and potato-based packaged snacks. In September and October 2019, Stanford Seed carried out an impact case study on Norda Industries. The study’s goal was to gain a broad understanding of Norda Industries’ economic, social, and environmental impact, with an emphasis on direct and indirect job creation throughout the company’s value chain.

The study examined the following research questions:

1. What is Norda Industries’ impact on people and the planet?
2. What is Norda Industries’ contribution to the UN Sustainable Development Goals, especially Goal 8: Decent Work and Economic Growth?
3. How has Norda Industries’ impact changed since participating in the Seed Transformation Program?

For the first eight years of the company’s existence, Norda experienced fairly rapid and stable growth, achieving a compound annual growth rate of 14.8% during the 2012 to 2016 period. Unfortunately, in June 2017, the company’s main production facility was struck by a serious fire, and Norda ceased production for the rest of the year. The company resumed production in 2018, gradually regaining previous levels of production and recapturing lost market share. While the emergence of new competitors in Norda’s absence posed obstacles to the company’s post-fire growth, Norda is projected to match pre-fire annual sales revenue in 2019.

Because the 2017 fire occurred shortly after Norda’s participation in the 2016 Seed Transformation Program, we are unable to provide an unbiased quantitative evaluation of the effects of the Seed Transformation Program on Norda’s growth. Thus, pre-fire and post-fire comparisons made throughout this report are meant to serve as a depiction of Norda’s change over time rather than as causal claims about the direct effects of Seed.
Methodology

The methodology for this study was developed from a critical analysis of various sources in the impact assessment literature. To frame Norda Industries’ impact, the United Nations Sustainable Development Goal (SDG) framework and the Impact Management Project (IMP) Impact Template were used. Interviews were conducted with Norda leadership and employees using tools such as the B Impact Assessment (developed by the non-profit B Lab) and an employee satisfaction survey designed using guidelines from the United Nations, Gallup-12, and research firm 60 Decibels. Interviews of the company’s direct suppliers and distributors contributed to an estimation of the direct and indirect jobs supported by Norda.

Impact at a Glance

Guidance from the Impact Management Project’s “impact of an enterprise template” was used to create a summary of Norda’s impact across five main stakeholder groups: suppliers/distributors, workers, customers, community, and the planet. Figure 2 depicts the results.

Figure 1: Norda revenue growth, 2012-2018. Decrease in ‘17 due to fire and subsequent shutdown
Figure 2: Norda’s Impact at a Glance (condensed set of IMP dimensions of impact)

<table>
<thead>
<tr>
<th>Who experiences the outcome?</th>
<th>Suppliers &amp; Distributors</th>
<th>Workers</th>
<th>Customers</th>
<th>Community</th>
<th>Planet</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>What outcomes occur, and for which UN SDGs?</td>
<td>Job creation (positive)</td>
<td>Job creation &amp; decent work (positive)</td>
<td>Health effects (positive and negative)</td>
<td>Charitable giving (positive)</td>
<td>Waste &amp; carbon (negative)</td>
</tr>
<tr>
<td>How Much scale and depth?</td>
<td>Distributors: 30-90 indirect jobs</td>
<td>Direct staff: 41</td>
<td>Customers per week: 910,000</td>
<td>Cash: $2,800 USD/yr</td>
<td>N/A</td>
</tr>
<tr>
<td></td>
<td>Suppliers: 177 indirect jobs</td>
<td>Outsourced staff: 70</td>
<td></td>
<td>In-kind: $5,800 USD/yr</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change since 2016</td>
<td>5% decrease</td>
<td>35% decrease</td>
<td>10% decrease</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Figure 3 depicts the results of another tool used in this study; the B Impact Assessment. The assessment quantified Norda Industries’ impact through a series of questionnaires completed by Norda’s management team, which were then compared against similar-sized companies. Norda’s score was similar to benchmarks. The company exceeded the benchmark in the “community” category, while scoring below benchmark in the “workers” category. It is important to note that the benchmark scores are based on a cohort of mostly North American and Asian companies, and might not reflect the average impact scores of Norda’s peers in East Africa.
Figure 3: B Impact Assessment Summary

<table>
<thead>
<tr>
<th>Summary</th>
<th>Benchmark Score</th>
<th>Norda Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance</td>
<td>4.2</td>
<td>1.6</td>
</tr>
<tr>
<td>Workers</td>
<td>25.1</td>
<td>20.2</td>
</tr>
<tr>
<td>Community</td>
<td>13.9</td>
<td>21.0</td>
</tr>
<tr>
<td>Environment</td>
<td>8.3</td>
<td>7.8</td>
</tr>
<tr>
<td>Customers</td>
<td>2.0</td>
<td>2.8</td>
</tr>
<tr>
<td>B Impact Score</td>
<td>53.5</td>
<td>53.6</td>
</tr>
</tbody>
</table>

Job Creation throughout the Value Chain

Takeaway 1: For every direct job at Norda, approximately 3.14 direct and indirect jobs are supported throughout the supply chain. This represents an increase from a jobs multiplier of approximately 2.50 in 2016.

The main quantitative aspect of this study is the estimation of Norda Industries' job multiplier, which represents the ratio of direct to direct and indirect jobs in the supply chain. To calculate a jobs multiplier, interviews were carried out with a set of Norda’s key suppliers and distributors, gathering information about total employment, as well as the share of revenues coming from Norda. This enabled an estimation of the number of supplier jobs that are attributable to doing business with Norda.

Investigations revealed that Norda currently supports 177 jobs at its suppliers, of which 92 are supported at potato suppliers. Norda also supports 30 to 90 jobs at its distributors and wholesalers. Therefore, in total, Norda supports approximately 237 jobs outside of the company, and 111 jobs at the company, or 348 total jobs.

Figure 4: 2019 Jobs Estimation Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Jobs Supported (2019)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norda Industries (direct and contract jobs)</td>
<td>111</td>
</tr>
<tr>
<td>Potato suppliers</td>
<td>92</td>
</tr>
<tr>
<td>Other suppliers</td>
<td>85</td>
</tr>
<tr>
<td>Distributors and wholesalers</td>
<td>~60</td>
</tr>
<tr>
<td>Total:</td>
<td>~348</td>
</tr>
</tbody>
</table>
Using this accounting, it is estimated that for every job at Norda, approximately 2.14 jobs are supported outside the company, meaning that for every job at Norda, there exist 3.14 direct and indirect jobs.

Notably, Norda’s job multiplier has increased since the company completed the Stanford Seed Transformation Program, mostly due to increased efficiencies within the company. After recovering from the 2017 fire, the company rebuilt its main factory floor, restructured certain staffing hierarchies, and streamlined its production processes. As of fall 2019, the company has reached pre-fire sales volumes by weight and is purchasing approximately the same amount of product from key suppliers. At the same time, the number of employees has declined, while revenues are slightly higher than before the fire. Therefore, we observe that Norda’s jobs multiplier has increased from approximately 2.50 in 2016 to approximately 3.14 in 2019.

**Takeaway 2: Providing good trade terms to small suppliers and distributors allows Norda to support growing businesses and maximize impact.**

Interviews with two of Norda’s major potato suppliers revealed that Norda provides opportunities for potato aggregators and the farmers they work with to dramatically increase their incomes and improve livelihoods. One supplier stated that prior to 2014, he was working a job that brought in around $4,800 USD per year. He then learned about potato farming from a friend, saved money, and took a bank loan in order to lease a plot of land on which to farm. He took his first harvest directly to Norda, and sold the potatoes on the spot. Soon, his yearly income had doubled to approximately $9,600 USD per year. With this extra income, this supplier was able to pay off his bank loan, save money, transform his farming practice into an aggregation business, move into a better home, and engage in charitable giving to support several local children’s school fees. Today, his company’s yearly revenue is approaching $100,000 USD per year, of which trade with Norda accounts for about 50%. In addition to the farmers this supplier sources from, he regularly contracts 5 employees, each earning about $1,200 USD per year. This supplier is just one example of the many small businesses Norda supports.

Two suppliers separately expressed that Norda Industries is outstanding in its business practices; Norda sustains long-term relationships with suppliers, offers them substantially higher rates for potatoes than they could get elsewhere, provides them with flexible payment schemes, and treats them with kindness and respect. Rather than treating suppliers as dispensable, Norda works with them collaboratively. One supplier noted that “even [if] the quality is not what they wanted from your farm, they will always chip in and tell you, ‘Look, there is something else we can do with your potatoes’... They have quite a variety of products, they have other cheaper products. So it’s very hard for you to come with potatoes and [be] turned away.”

It is this level of support for small-scale suppliers that allows Norda to not only buy high-quality raw materials, but also to build the company’s economic and social impact.

“I have worked with other processors, and I can say without unfairly favoring this place that Norda has the best relationships with their suppliers, especially us farmers.”

- Norda potato supplier
Decent Work at Norda

In line with UN Sustainable Development Goal 8: Decent Work and Economic Growth, this report aims to evaluate not only the number of jobs directly and indirectly attributable to Norda, but also the quality of employment offered. To do so, an employee satisfaction survey was deployed at Norda to measure direct employees’ sentiments about job satisfaction, commute time, safety, workplace social relations, and opportunities for growth and professional development.

**Takeaway 3:** Norda provides stable jobs with decent working conditions for its direct employees.

As of 2019, Norda Industries employs 111 staff, of which 41 are direct full-time employees and of which 70 are outsourced full-time employees managed by a local outsourcing and logistics company. While wages and working conditions vary across departments and across direct and outsourced workers, workers at Norda report earning decent wages and experience working conditions at or above industry standards.

These findings were bolstered by the results of the employee satisfaction survey. Workers at Norda expressed a high level of satisfaction with day-to-day working conditions, and these levels of satisfaction have risen significantly since 2016. While some key indicator areas showed low satisfaction, even these indicators (for which 2016 data is available) have also shown significant improvement over the last three years.

Because direct comparison to 2016 data is only available for unskilled workers, only responses from this group are included below.

*Figure 5: Norda Employee Satisfaction Survey - highest satisfaction areas (unskilled workers only)*
Other Impact Areas

**Takeaway 4: Health effects of Norda products are undetermined**

Without detailed knowledge of consumer opinions and behavior, it is difficult to know whether Norda is having a positive, negative, or neutral effect on health. If, for example, customers are substituting Norda’s products for healthier foods, then Norda could have a marginal negative effect on their health. However, if customers are substituting Norda products for other similar or other unhealthier foods, then Norda may generate a slightly positive impact. It is likely that both effects are at play, but we did not investigate this question for the purposes of this report.

**Takeaway 5: Norda’s charitable activities positively impact its community.**

In 2018, Norda contributed over $8,500 USD in recurring donations to local charitable institutions, not including various ad-hoc and one-time donations throughout the year. Prior to the 2017 fire, Norda set company goals to institutionalize charitable giving as a set percentage of net income. While the company was forced to sideline those goals in 2017, it has continued its charitable giving post-fire and hopes to institutionalize such activities in the near future.
**Takeaway 6:** Norda is actively taking steps to reduce its environmental footprint.

In addition to the increased operational efficiencies achieved since rebuilding from the 2017 fire, Norda has also worked to increase environmental efficiency. The company has also taken steps to monitor its environmental impact in terms of energy, water, and raw material use, and is in the process of installing a wastewater filtration and reuse system on-site to reduce its water use.

Because Norda’s products are fast-moving consumer goods, there is a relatively large amount of waste generated with each sale. Some of this waste, most notably the plastic wrapping of individual bags of snacks, ends up in public spaces. The company has trained some of its distributors and wholesalers on encouraging end users to properly dispose of used products, and hopes to scale up these efforts moving forward. As with nearly any company, Norda has an inherently negative impact on the environment, but it is taking steps to reduce the magnitude of that impact.

**Conclusion**

Norda Industries has faced a myriad of challenges in the past few years, starting with the direct aftermath of the 2017 fire, and continuing with the hurdles of gaining back market share and rebuilding supplier relationships after increased activity from competitors. However, each of these challenges has also been an opportunity to innovate: to rebuild its factory more efficiently, to develop smarter marketing and deeper knowledge of consumers, and to increase employee satisfaction and retention. While this report does not explicitly attribute impacts to the Seed Transformation Program, nearly all of the company’s leadership note that the company’s takeaways from Seed were imperative in their ability to rebuild strongly and intelligently.

As Norda continues on its path of transformation, its increased efficiency will not only benefit the company, but also enable expansion of positive impact on its stakeholders and community. With a higher job multiplier and increased employee satisfaction compared to 2016, there is an opportunity to scale decent work for workers, suppliers and distributors and scale positive impact in the community.

Lastly, the company’s responsible supply chain management is notable when compared to many small and medium sized enterprises in developing economies. Since its founding, Norda has sought to improve the livelihoods of its small-scale suppliers and distributors through favorable trade terms, agricultural training and inputs, and other forms of support. As a result, the company has helped strengthen small businesses as it grows, building shared value. This practice of treating business partners with compassion and respect has resulted in benefits to Norda and its stakeholders.

**Authors**

**Luke Miller**  
MS Candidate ’21  
Stanford University

**Sonali Rammohan**  
Evaluation and Learning Lead  
Stanford Institute for Innovation in Developing Economies

Please contact Sonali Rammohan at sonalir@stanford.edu with inquiries.