CURRENT PERCEIVED STATE AND UNDERSTANDING OF CREATING SHARED VALUE (CSV) AMONG BUSINESSES OPERATING IN SUB-SAHARAN AFRICA: A SOUTH AFRICAN AND KENYAN PERSPECTIVE BY

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# Table of Contents

**LIST OF ABBREVIATIONS**

**MOTIVATION FOR THE STUDY**

**01: INTRODUCTION**

1. The Emergence of Creating Shared Value
2. How is Shared Value Created?
   1.1 Reconceiving products and markets
   1.2 Redefining productivity in the value chain
   1.3 Local cluster development
3. How is Creating Shared Value measured?

**02: Research Method**

**03: Interview findings**

1. What does purpose mean for your organization?
2. Does your organization have a purpose statement?
3. Do you believe that business can make money out of addressing social issues?
4. From a strategic perspective, does your organization create social impact?
5. What is your understanding of Creating Shared Value?
6. Who do you believe should drive CSV within the organization?
7. “Businesses cannot succeed where society is failing.” Do you agree?
8. Do you believe that CSV can bring about change at scale?

**04: Conclusion**

1. CSV must be driven by top management if it is to work
2. Partnerships contribute towards CSV
3. CSV is deeply personal
4. Lack of participation of smaller businesses in CSV
5. Clear measurement is still a challenge
6. Implementation is not always so clear
7. CSV provides an easier way for businesses to meaningfully create social impact

**REFERENCES**

**APPENDIX A: PARTICIPANT ORGANIZATIONS**

**APPENDIX B: INTERVIEW GUIDE**
## List of Abbreviations

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>CBK</td>
<td>Central Bank of Kenya</td>
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<td>CEO</td>
<td>Chief Executive Officer</td>
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<td>CSR</td>
<td>Corporate Social Responsibility</td>
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<td>CSV</td>
<td>Creating Shared Value</td>
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<td>EAC</td>
<td>East African Community</td>
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<td>ESG</td>
<td>Environmental Social and Governance</td>
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<td>FSG</td>
<td>Foundation Strategy Group</td>
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<td>GRI</td>
<td>Global Reporting Initiative</td>
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<td>HBS</td>
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<td>IFC</td>
<td>International Finance Corporation</td>
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<td>KBA</td>
<td>Kenya Bankers Association</td>
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<td>KCB</td>
<td>Kenya Commercial Bank</td>
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<td>LATIS</td>
<td>Lagos Traffic Information System</td>
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<td>NGO</td>
<td>Non-Governmental Organization</td>
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<td>SBS</td>
<td>Strathmore Business School</td>
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<td>SDG</td>
<td>Sustainable Development Goal</td>
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<td>SME</td>
<td>Small and Medium Enterprise</td>
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<td>SVAI</td>
<td>Shared Value Africa Initiative</td>
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<td>UNGC</td>
<td>United Nations Global Compact</td>
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<td>UNHCR</td>
<td>United Nations High Commissioner for Refugees</td>
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<td>WWF</td>
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Motivation for the study

The purpose of this report is to establish through a select group of Private Sector companies, what the current state and understanding is of Creating Shared Value CSV is among businesses operating predominantly in South Africa and Kenya. The report discusses the various emergent perspectives on the state of (CSV) drawn from select organizations in South Africa and Kenya. Thirty six percent of the participants are recognised Shared Value Practitioners (of which 88% are Shared Value Africa Initiative members), and the remainder are organisations that are focused on social impact that aligns to the Creating Shared Value. Creating Shared Value – a business management concept developed by Harvard professors Mark Kramer and Michael Porter, and makes a case for embedding social issues strategically within corporate business models. The current state of research on CSV is predominantly drawn from large organizations based in developed economies which while informative, overlooks narratives that illustrate how businesses operating in emerging economies e.g. in sub-Saharan Africa, approach CSV. Therefore, the goal of this report is to provide a contextually relevant discussion as to how businesses operating in a sub-Saharan environment perceive CSV, specifically whether they perceive the concept as beneficial to creating long term firm value. This research report has been commissioned by the Shared Value Africa Initiative (SVAI) in partnership with Strathmore Business School (SBS).
This first part of the report provides an overview of how CSV is currently conceptualized and discussed in mainstream research. The background to the study is divided as follows: The concept of CSV and its rationale is defined and elaborated on in section 1.1. The 3 main forms of CSV: reconceiving products and markets, redefining productivity in the value chain and local cluster development are discussed in section 1.2. Section 1.3 introduces measuring shared value which essentially entails linking business results to positive social outcomes.

1.1 THE EMERGENCE OF CREATING SHARED VALUE

Corporations have been at the forefront of increased public scrutiny owing to their history of prioritizing short-term profitability often at the expense of the well-being of the broader societies they are embedded in. Global challenges of poverty, resource depletion, exploitation of minority groups and climate change have been shown to be associated with corporate activity. Often businesses are viewed as benefactors of societal failure; there are several cases that illustrate how companies have been responsible or complicit in widespread market failure, destruction of natural resources utilized for their production processes, and the unfair treatment of their employees among other issues. A capitalistic orientation towards business is often viewed as incongruent to societal well-being. Consequently, attempts made by businesses to bear some responsibility for their impacts on both communities and the surrounding ecology have often been met with much cynicism. Mining and oil and gas corporations for instance, are frequently cited as engaging in irresponsible and socially harmful activities, while at the same time issuing sustainability and/or corporate responsibility reports, a practice commonly referred to as ‘green washing’. How then can corporations align their activities and decisions to the well-being of the communities they work in? Can economic incentives be aligned to broader social needs?

Creating Shared Value (CSV) proposes that such an alignment is possible. CSV is a concept developed by Harvard University School of Business professors Michael Porter and Mark Kramer states that companies can deliver economically beneficial strategies that simultaneously solve societal challenges. As Porter and Kramer argue, the main problem begins with the failure of businesses in innovating their approach to value creation. Economic value is often equated directly and solely to short-term financial performance. While this approach to doing business may have worked in the past for businesses, its viability in the long run is doubtful. As explained most aptly by Larry Fink, CEO of Black Rock, “To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.” Hence, Milton Friedman’s renown commentary on social responsibility being a “fundamentally subversive doctrine in a free society” and on businesses have one sole responsibility which is ultimately to orient their resources in activities designed to increase profitability seems disconnected and outdated.

7 cf. De Vries et al. (2013); Kapelus (2002).
9 ccf. Ibid.
There is compelling evidence drawn from both academia and practice that indicates stakeholders expect the private sector to take a pro-active role in addressing social issues that have been the primary domain of governments and non-governmental institutions in the past.\textsuperscript{12}

Therefore, the changing nature of society and the unique challenges that characterise our world, require a fundamental shift from business as usual. Managing the relationship between corporations and communities has been predominantly driven through Corporate Social Responsibility (CSR) initiatives, which tend to treat societal issues as peripheral to core business operations.\textsuperscript{13} A shared value approach to conducting business argues that the relationship between business and society is one of mutual dependence.\textsuperscript{14} CSV is precisely those “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.”\textsuperscript{15} Creating Shared Value therefore, provides a framework that organizations can use that creates societal impact while simultaneously securing and enhancing competitiveness. How then is shared value created? Porter and Kramer propose three main ways termed as follows: reconceiving products and markets, redefining productivity in the value chain and enabling local cluster development.

\section*{1.2 \textbf{HOW IS SHARED VALUE CREATED?}}

Businesses that create value for the society also create economic value.\textsuperscript{16} A shared value approach requires embedding social needs into the value propositions businesses have;\textsuperscript{17} value creation, therefore, goes beyond the conventional calculation of revenues earned relative to costs incurred and rather, conceptualizes value more holistically by connecting corporate success with societal improvement over time.

\subsection*{1.2.1 Reconceiving products and markets}

The first pathway suggests that corporations looking to create shared value can begin by considering environmental and social benefits that can be delivered through product offerings. Reconceiving products and markets entail creating economies of scale by offering products and/or services that address unmet social needs, e.g. housing, healthcare, education, etc.\textsuperscript{18} A pertinent example would be Safaricom’s innovative M-PESA\textsuperscript{19} mobile money transfer and payment service that has fostered financial inclusion in Kenya and other sub-Saharan territories.\textsuperscript{20} As of 2019, the platform had over 37 million active users who carried out over 11 billion transactions in the year.\textsuperscript{21}

\subsection*{1.2.2 Redefining productivity in the value chain}

The next alternative businesses can consider, is redefining productivity in the value chain. Such activities would involve evaluating supply chain productivity in terms of logistics, resource utilization, energy use and employee productivity among other actions.\textsuperscript{22}

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\begin{thebibliography}{99}
\bibitem[12]{Dylick & Muff (2016); Fink (2018); Garcia-Rodriguez et al. (2013). Kolk & Lenfant (2010); Porter & Kramer (2019).}
\bibitem[13]{Michelini & Fiorentino (2011).}
\bibitem[14]{Ibid.}
\bibitem[15]{Porter & Kramer (2019), p. 331.}
\bibitem[16]{Porter & Kramer (2019).}
\bibitem[17]{Coraiza, Scagnelli, & Mio (2017).}
\bibitem[18]{Spitzeck & Chapman (2012).}
\bibitem[19]{M-Pesa which means ‘mobile money’ (‘pesa’ is the Swahili word for money), is a money transfer system enabling users to deposit, send and withdraw money using their mobile phones.}
\bibitem[20]{Buku & Meredith (2013).}
\bibitem[21]{https://www.vodafone.com/what-we-do/services/m-pesa}
\bibitem[22]{Michelini & Fiorentino (2011).}
\end{thebibliography}
The impetus within this approach is that sustainable value chains can create competitive advantages for businesses. Take for instance the example of Wal-Mart cited by Porter & Kramer.\(^\text{23}\) Wal-Mart has been able to lower both operational costs and ecological degradation by reducing plastic packaging of its products and rerouting trucks to make deliveries more efficient. Another example would be Nando’s Peri-Peri farming initiative. By ensuring that small scale farmers in Mozambique who supply African Bird’s Eye Chillies to the company are equipped with necessary tools and expertise necessary to sustain their farms, productivity and motivation of farmers improve which ultimately pays off for the company.\(^\text{24}\)

### 1.2.3 Local cluster development

The final option involves creating and/or building clusters. This approach appears to be the most comprehensive approach to CSV as it encompasses developing institutions and infrastructure that surround corporate organizations e.g. suppliers, service providers, logistical infrastructure such as roads, ports, etc. Enabling local cluster development also encourages partnerships between businesses, governmental and non-governmental institutions which if executed well can deliver scalable social impact and corporate profitability.\(^\text{25}\) Yara International, a mineral fertilizer company invested in improving logistics, infrastructure, training and education facilities for small-scale farmers in Tanzania through a multi-stakeholder project called the Southern Agricultural Growth Corridor of Tanzania (SAGCOT).\(^\text{27}\)

### 1.3 HOW IS CREATING SHARED VALUE MEASURED?

Another aspect that must be considered is how can companies be certain they have engaged in Creating Shared Value (CSV)? From a reporting and communications perspective, the capacity to measure and track shared value becomes an essential task. As with other forms of non-financial information, reliably measuring CSV is not without its complexity. Is it then possible to reliably track both social and business results? Possibly. Measuring CSV is an iterative process that entails linking business results such as increased revenue, increased market share, reduced operational expenditures, improved distribution channels to social results such as reduced carbon emissions, improved nutrition, improved education and improved incomes among other social benefits.\(^\text{28}\) Though indicators that measure social impact and economic value are apparent in ESG [environmental, social and governance] reporting and/or sustainability reporting, they are often provided on an aggregated basis. The problem with aggregating such indicators is that businesses miss out on those ESG measures that link directly to both their economic performance and to areas where they create the most social impact.\(^\text{29}\) CSV provides a potential solution to this problem by encouraging corporations to consider which ESG indicators that are material to their economic performance. Rather than focusing on incremental performance across a diverse set of ESG indicators, CSV requires organizations to tie social impact directly to their core business strategies ultimately securing competitive advantage and economic performance.\(^\text{30}\) Measurement is incredibly important as it provides an evidential basis and case for CSV’s adoption.

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26 cf. Ibid.
30 Ibid.
For this report, 28 individuals were interviewed and constituted as follows: thirty four percent of the respondents were current members of SVAI, thirty six percent were shared value practitioners and other participants had implemented shared value initiatives within their respective organizations. Sixty four percent of organizations participating had been recognised as companies that had implemented social impact activities. Prior to conducting interviews, letters requesting formal permission for participation were sent out to all respondent organizations.

The findings discussed in this report include only those from organizations that gave the research team express permission to carry out the interviews and publish the research findings. Several of the respondents interviewed worked in various leadership positions in the companies they were based in, thus displaying expert knowledge in the key precepts underpinning CSV. Appendix A summarises the organizations that the interviewees for this study were drawn from.

The interviews were conducted between November 2019 and February 2020. They took place mainly at the interviewee’s offices in Johannesburg and Nairobi. In a few cases, some interviews were conducted over the phone or through various video conferencing facilities. Each interview lasted for approximately 45 minutes to 1 hour, following a semi-structured format with questions pertaining to their understanding of shared value, the ways their respective organizations defined purpose and the viability and importance of scaling social impact among other questions. The interview guide is provided in Appendix B. Several of the respondents were very collaborative during the research process and expressed a keen interest in the main findings from the research report.
Interview findings

Since the interview process followed a semi-structured format, the interviews provided a diverse and detailed view as to how various organizations understand, practice and prioritize Creating Shared Value (CSV). Approximately 73 percent of respondents had a clear understanding of what purpose was and how it linked to CSV. There were some varied responses regarding the role organizations play in solving social issues. While some individuals felt there were authentic ways to go about delivering meaningful social impact while realizing positive economic outcomes, others believed that the responsibility for resolving societal challenges was better placed in the hands of governmental institutions. Several pertinent examples on how organizations created social impact from a strategic perspective were also highlighted by the respondents. The findings are summarised from Section 3.1 to 3.8 and are categorized based on the main questions posed by the research team.

3.1 WHAT DOES PURPOSE MEAN FOR YOUR ORGANIZATION?

In the last decade, there has been a substantial shift towards defining or in some cases re-defining corporate purpose. As discussed in Section 1.1 of this report, the form and scale of challenges that affect our world call for a stakeholder-oriented approach that demonstrates how businesses delivers value to both society and investors. Such a feat, therefore, requires an examination of corporate purpose. The interviewees perceived this shift towards defining purpose in insightful and diverse ways. One of the respondents defined purpose as “what our why and how is”. Interestingly, this response echoes the scholarly and practical definition of purpose which addresses the question: why do we exist? Another interviewee felt that purpose could only be defined by those activities, projects and strategies organizations undertook that “contributed to social and economic well-being” or as another respondent stated purpose is what their firm does to “make the future more meaningful” for their clientele. In a similar vein, another interviewee suggested that purpose is twofold: it must address the needs of various beneficiaries while simultaneously securing a firm’s brand identity and reputation.

An implicit observation made by the main researcher was that there were some interviewees who felt that being a purpose-driven organization was a novel and emergent idea, whereas approximately forty percent of participants felt that they had always been purpose-driven. Essentially, the idea of embedding social impact within corporate strategy was not new. As one respondent passionately stated, “we have always embodied purpose”. However, some organizations gave a different perspective on purpose, preferring to link it to activities that generate corporate profitability in the short, medium and long term. In a few cases, some individuals stated that purpose was similar to an organization’s vision statement. From an academic perspective, a vision statement typically articulates what an organization wants to be in the medium to long term, for example, the Swedish company Ericsson identifies its vision as being “the prime driver in an all-communicating world.” Purpose goes a step further and rather expresses the organization’s impact on improving the lives of a wider range of stakeholders; purpose places the organization in the position of its stakeholders and describes “what we are doing for someone else”. Another interesting remark made by an interviewee was that purpose is not static, it requires constant revision: “it’s like a living organism and it will evolve over time as long as it remains true in terms of the impact you want to make on the world.” The interviewee’s statement spoke to the implicit and explicit need for authenticity when crafting out one’s purpose.

3.2 DOES YOUR ORGANIZATION HAVE A PURPOSE STATEMENT?

Though there is a growing emphasis on the necessity for clearly articulating what purpose is, most global firms do not have a purpose statement. According to Michael Porter, in 2019 only 47 companies out of the Fortune 500 had a corporate purpose statement. In addition, only about 100 of Fortune 500 companies had a statement that included a purpose or mission or values, indicating that while these concepts are emerging, their application is still at an early stage. There was some dichotomy in the responses regarding this question as some organizations had clearly defined purpose statements, whereas others were able to describe their organization’s purpose even though the statement itself was not formalized and cascaded across the entire organization.

Certain interviewees had concise and clear purpose statements, take for instance Absa’s “bringing possibilities to life” or similarly Safaricom’s “transforming lives”. Discovery’s purpose statement is also clearly articulated: “Discovery’s core purpose is to make people healthier and enhance and protect their lives.” Other purpose statements such as the one described by a respondent on behalf of Kenya Commercial Bank (KCB) Foundation focused on specific stakeholder groups. As the interviewee articulated, “For KCB Foundation, our purpose is to create bankable communities [...] to graduate communities from handouts to self-sustenance.” A respondent from Radiometer also described the organization’s purpose from the perspective of the clientele they serve: “When we look at purpose we are looking at our client at the end of what we do [...] we are a medical devices company and our goal is to ensure that life is realized through giving medical attention.”

Another consideration that comes with having a purpose statement, is thinking through how purpose is understood within and outside the organization. For Vodacom for example, purpose is defined as “we connect for a better future” and the firm has chosen to focus on three areas: Digital Society, Inclusion for All and Planet. As part of ensuring consistent understanding of what purpose is across the organization, Vodacom has designed its office space in creative, bold and eco-friendly ways that ensure purpose is not just communicated orally but also visually. For JCDecaux Africa, the message for all stakeholders is that the firm is not an advertising company but a service provider. As one interviewee articulated “we use advertising to pay for the services we offer [...] we install bus shelters, toilets [...] which we develop ourselves [...] citizens don’t have to pay for it.” Thus, ensuring that all stakeholders grasp what organizational purpose is comprised of is a central tenet of CSV. Though there is much diversity in how the selected respondents understood and defined purpose, there was an implicit agreement as to

3.3 DO YOU BELIEVE THAT BUSINESS CAN MAKE MONEY OUT OF ADDRESSING SOCIAL ISSUES?

One major critique of CSV is that it does not always adequately address the inherent tensions between social and economic objectives; the concept also does not appear to critically question the embedded self-interest of corporations, yet it attempts to restructure corporate purpose which appears paradoxical. However, over 70 percent of those interviewed thought differently and most felt that companies could find legitimate ways to contribute to social value creation in a way that would simultaneously generate growth for the business. One respondent stated, “People want their money to be impactful [...] it is the responsibility for organizations to find out how people can invest in their firm and make it sustainable. I think it’s easier for companies that are purpose-driven to make an impact in the world than it is for non-profits to make an impact going forward.”
The urgency and need for creating social impact in Africa are well known; the scale and complexity of the challenges faced in the region require large scale interventions by government, the private sector and civil society. As one interviewee remarked, "When you think about Africa rising\textsuperscript{35}, the continent was averaging growth at 6\% [...] but this growth has not yielded anything substantial [...] several African countries still use the same infrastructure developed during the colonial period." Another interviewee also pointed out the immense challenges most countries face in educating young people: "we are aware that the education system is not aligned to the skills needed for our industry [...] there are several social ills, poverty, unemployment, lack of skills." There is therefore an abundance of unmet needs on the continent, which according to CSV could present new opportunities for business.

According to one interviewee, the short answer is that businesses can indeed make money from addressing societal problems, however one caveat remains as the interviewee explained: "when you are addressing social issues, it is more of a long term vision and return [...] unfortunately there is much friction between looking at social issues while at the same time securing profitability." 76 percent of the interviewees felt that addressing social issues required a long-term commitment and investment by their organizations, which could prove challenging given that performance measurement was largely focused on short term profitability. At the same time, other respondents emphasized the changing nature of stakeholder preferences that required businesses to look beyond short-term gains. As one respondent passionately expressed, "times have also changed [...] purpose is at a turning point. As a business it would just be suicidal to think you can just talk about profit."

Yet, another question arising is whether corporations are best placed to deliver social improvement for the continent. In other words, should companies make money from addressing social ills? Businesses, unlike governments are not democratically elected institutions, hence the public interest need not necessarily align with their own objectives. There are also several events in recent history that illustrate how businesses have often made decisions at the detriment of the wider society, take for example the Global Financial Crisis of 2008.\textsuperscript{36} For one respondent, companies would only purport to address social issues as part of a PR campaign: "it makes CEOs sound caring and important [...] it makes brands seem un-capitalistic." When prodded further, the interviewee elaborated by saying, "I believe us paying taxes is enough. We are not in the business of uplifting society." Therefore, the question that still lingers is whether corporations can address social issues in a way that is authentic.

In the seminal article on CSV written by Porter and Kramer,\textsuperscript{37} the first line states, "The capitalist system is at siege." The wider debate on the pros and cons of capitalism has been apparent in scholarly literature,\textsuperscript{38} but a practical and local research perspective on whether businesses in sub-Saharan Africa should contribute to uplifting society is necessary.

There are three overarching points of view deliberated on in research that make a compelling case for the normative proposition, that is, that businesses operating in Africa should address societal challenges.\textsuperscript{39} First, a combination of weak regulatory structures, poor governance and neoliberal policies levied on post-colonial African countries, have resulted in governments being incapable of fulfilling their mandate of providing public goods for the citizenry, hence creating a gap.\textsuperscript{40}

\textsuperscript{35} "Africa Rising" was an article published by The Economist in 2011 described Africa as a region experiencing elevated economic growth and the integration of several countries within the global economy. The full article can be found here: https://www.economist.com/leaders/2011/12/03/africa-rising
\textsuperscript{36} cf. Crotty (2009).
\textsuperscript{37} cf. Porter & Kramer (2011).
\textsuperscript{38} cf. Cohen (2017); Mazzucatto (2016); Giridharadas (2019).
\textsuperscript{39} cf. Amaeshi & Idemudia (2015); Idemudia (2014); Wachira (2019).
\textsuperscript{40} cf. Idemudia (2014)
Next, solving social problems leads to tangible and intangible benefits for both business and society, essentially the arguments made by CSV as described in section 1.1 of this report. Finally, there is the societal expectation argument; businesses are linked to the communities within which they operate, and as such are only as valuable as their contribution to those communities. Failure to meet social expectations has the potential to trigger a legitimacy crisis and lead to a loss of the “social license to operate.”

Some of the responses from those interviewed were reflective of these three arguments. For instance, one respondent from a restaurant chain who described the firm’s relationship with their suppliers as more than a standard transactional relationship, but one of mutual trust and investment: “We are not here just to write a cheque [...] we will grow you and train you and then we will buy from you at fair market value.” Another respondent stated that full reliance on governmental would not be enough to generate inclusive economic growth given the multiplicity of challenges on the continent, specifically “It is imperative that we create economic growth, that we still increase employment and incomes [...] in our case we have identified specific social problems that can help society and save money for us as well.” In the same way, another interviewee representing the financial sector stated, “If businesses concentrate on solving the problems of Africa, they themselves become the beneficiaries.”

3.4 FROM A STRATEGIC PERSPECTIVE, DOES YOUR ORGANIZATION CREATE SOCIAL IMPACT?

As a follow up to the prior question, the interviewees were asked to give some examples on how their organizations generated social impact. In other words, what are the concrete ways businesses can create value for society while sustaining and growing profitability? One respondent explained the story of Nando’s engagement with small scale farmers in Mozambique. Nando’s has an agricultural academy that trains prospective farmers on how to grow chillies—the ingredient used to make the peri-peri used in the chain’s recipes. The company then buys the chillies from the farmers which ultimately leads to fewer disruptions in their supply chain, while at the same time providing employment opportunities; a classic case of redefining productivity in the value chain. Another pertinent example of creating social impact in a strategic way would be the case of Discovery. Discovery is among the first companies to pioneer a shared value insurance model. The firm combines its behaviour change program-Vitality—into its insurance offerings across business lines, incentivising members to improve their health and wellness and therefore impacting the price of their insurance. The results have been profound and documented in a case study by Harvard Business School (HBS). In 2019, new entrant Discovery was recognised as the world’s second strongest insurance brand, South African health insurer logs impressive 85.97 out of 100 Brand Strength Index (BSI) score. For firms in the financial sector, creating social impact is linked to the ways in which capital is invested. An interviewee representing Old Mutual stated, “We have various ways in which we create social impact [...] we are one of the major investors on the continent and we want to make sure our investments create social value.” The interviewee went on to describe how the fund’s investment in renewable energy provides alternative routes for communities to access power outside the national grid. Another example would be Absa’s engagement with small and medium enterprises (SMEs) in Kenya. As is the case in many sub-Saharan countries, most businesses are small and often face challenges with accessing capital, thus hindering their growth and connection to global markets. As the interviewee explained, the solution to this problem is not simply providing unfettered

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41 cf. Garcia-Rodriguez et al. (2013); Wachira (2019).
access to capital, “we recognize financial needs are an issue [...] but SMEs require training on the standards needed to compete globally so they can scale.” Other issues respondents from financial institutions expressed, were to do with the low rates of domestic savings observed across the continent. 46 An interviewee representing Sanlam stated: “Savings is a massive issue. As a financial services organization if we can address the savings issue, there will be more people with money to invest in our products [...] they will be better off, and we will be better off.”

Financial institutions in sub-Saharan Africa appear to take the lead when it comes to societal engagement. Take for example the Kenya Bankers Association (KBA) which serves as the advocacy group for financial institutions licensed and regulated by the Central Bank of Kenya (CBK). In 2019, KBA published a Shared Value Report which documented how banks in Kenya support enterprise development, financial inclusion, technology transfer and economic growth. 47 The report also gave several examples of how different banks have aligned their operations towards contributing to the Sustainable Development Goals (SDGs). The group has also developed Sustainable Finance Guiding Principles which aim to achieve the twin aim of making Kenya and the East African Community (EAC) more competitive while building social and ecological capital in the region. While there are international principles that guide responsible banking, 48 the KBA launched its own guiding principles in 2015. A respondent from KBA explained, “We realized several of the international guidelines are not localized [...] we wanted principles that could touch on Kenya, on our situation.”

While 84% of interviewees agreed on the possibility of creating social impact from a strategic perspective, some felt that impact would be best delivered through partnerships with governmental or non-profit organizations. The World Wide Fund for Nature (South Africa) works with several businesses to implement a wide array of social and environmental projects. As a respondent from the WWF explained “We work with business in our programs through Corporate Social Responsibility, through marketing, through transformational partnerships [...] they fund the cause and we implement the project. We also help businesses in reducing their ecological footprint, for instance reducing water and managing waste.” Such partnerships enable WWF to achieve their purpose which is to create a greener world, while ensuring corporate entities also minimize their usage of natural resources. A similar example would be the work the United Nations High Commissioner for Refugees (UNHCR) does in collaboration with private sector organizations is to ensure solutions for refugees endure. “What we have been trying to do is to encourage companies to open up their value chains to build more durable solutions and impact.”

Partnerships, therefore, are critical for CSV to be successful, however building solid partnerships requires a deep sense of integrity and a long-term view to doing business. JCDecaux Africa embodies such an approach. The organization is present in 20 African countries and works in partnership with African governments to build state of the art bus-stop advertising systems and billboards among other products, also referred to as street furniture. Not only do these assets transform and beautify the landscape of African cities, they also solve a major urban challenge-traffic congestion. In Nigeria, JCDecaux has partnered with the Lagos State Government to build a real time traffic information system called LATIS—Lagos Traffic Information System, thereby aiding commuters in navigating and avoiding traffic. As the interviewee emphasized: “We are an ethical business [...] we are in it for the long term. We sign 20-year contracts with governments [...] for us we play the long game.”

47 cf. KBA (2019).
48 cf. There are several frameworks for responsible banking. For instance, the United Nations Environmental Programme Finance Initiative launched the Principles for Responsible Banking in 2018. Others include the Equator Principles, the International Finance Corporation (IFC) Sustainability Framework and the Global Reporting Initiative (GRI) Reporting Guidelines among other frameworks.
3.5 WHAT IS YOUR UNDERSTANDING OF CREATING SHARED VALUE?

Porter and Kramer define Creating Shared Value (CSV) as “policies and operating practices that enhance the competitiveness of a company while simultaneously advancing the economic and social conditions in the communities in which it operates.”49 Most of the responses from the interviewees reflected a similar understanding of CSV relative to the standard definition. For instance, one interviewee said, “Shared value in my view is being able to address social issues through my business.” Another interviewee felt that shared value went beyond social investment by saying, “shared value lies on a different level […] it’s a different reciprocal relationship that takes place between society and business.”

An implicit observation made by the researcher was that most of the responses given referred to the need for organizations to look towards meeting stakeholder expectations. As one interviewee aptly said CSV is about “how you can tailor your service so that it meets what your stakeholders want […] it’s about finding that common interest.” From a theoretical perspective, stakeholder theory proposed by Edward Freeman appears to provide a good lens for understanding the rationale underpinning CSV.50

First, the premise of stakeholder theory hinges on two things: First, defining what the purpose of a firm is. This aids organizations in defining, “the shared sense of value they create, and what brings its core stakeholders together.”51 Second, stakeholder theory encourages businesses to reflect on what responsibility they have to their stakeholders. To be specific, how do companies want to do business, and what kind of relationships do they want to build with their stakeholders to achieve their purpose?52 Yet, there was some concern from a few respondents as to how best to balance the several and often divergent needs of stakeholder groups when engaging in CSV. As one respondent said, “For me the fundamental question becomes who gives you the social license to operate as a business, is it the society or is it the authority?” Another question that arose during the interviews was on how to define the scope of the targeted impact an organization wanted to create: “The problem you do have is where do you stop in terms of support […] when it comes to supporting local communities […] what is local?”

The answer potentially lies in purpose. If organizations articulate their purpose clearly and it underpins everything they do, then balancing stakeholder needs becomes easier and CSV becomes part of the business’ DNA. CSV requires that organizations think through specific social issues that are most connected to their core business; shared value cannot arise from general statement or propositions, but rather from aligning core competencies towards generating social impact. In other words, CSV is about doing business in a way that creates social impact and is at the same time generating economic value. In a speech by Michael Porter,53 he explained Authenticity is also a term that came up during several of the interview sessions. According to most of those interviewed, CSV and authenticity are inextricably linked. As one respondent playfully remarked, “What happens when purpose and commerce meet in a dark alley? That is when [CSV] is authentic.”

Finally, there was some divergence of opinion when it came to the novelty of CSV in relation to other concepts such as Corporate Social Investment (CSI) and Corporate Social Responsibility. Some respondents used the term CSV interchangeably with CSR, while others felt CSV was not necessarily an entirely new concept. As one interviewee stated, “shared value has the risk of becoming another exercise in tick-boxing and compliance.”

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51 Ibid, p. 364.
Another critique of CSV has been its similarity to other frameworks that underscore corporate sustainability and CSR. And yet, CSV has garnered much attention among all sorts of business enterprises, ultimately being embraced as a symbol of change for several organizations around the world. CSV differentiates itself from other frameworks by providing a strategic view on how to place the corporation within the society, by fundamentally reshaping and redefining corporate purpose.

### 3.6 WHO DO YOU BELIEVE SHOULD DRIVE WITHIN AN ORGANIZATION?

As is the case with all novel ideas, buy-in from all stakeholders, especially those who are internal to the firm is imperative. For 92% of those interviewed there was a common view that CSV had to be driven from top management, specifically the CEO. One interview stated, “It comes from leadership, it has to be driven from the top of the organization [...] that is how mindsets change.” Another respondent affirmed this by stating that the CEO needed to believe in the concept: “If the CEO just does it to tick a box, it stagnates [...] they need to see that CSV is good for the business.” For another interviewee, shared value could only be driven by a CEO because they are the custodians of value. As the respondent iterated, “the CEO is the custodian of shareholder value [...] the custodian of share price, if we are serious and sold to the idea that shared value creates economic value, the CEO owns the responsibility for all value that is created.” Corporate leadership sets the tone and culture for business, which is why Larry Fink—CEO of Blackrock commits to writing annual letters encouraging CEOs to rethink the various ways they do business, that is in terms of governance purpose leadership and climate action.

However, some respondents felt that commitment from the CEO to shared value was a work in progress. This finding is unsurprising since areas to do with corporate responsibility, stakeholder engagement and non-financial reporting are often relegated to marketing or sustainability departments, making the issues peripheral to the core operations of the business. A potential solution to this issue is to organize regular forums or roundtable sessions where issues aligned to CSV can be discussed. One respondent gave an example of how the United Nations Global Compact (UNGC) organizes sessions for finance managers that touch on the sustainable development goals and how they align to their organizations’ activities and strategies. Most of the interviewees were in agreement that if the role of business is to change, then corporate leadership must drive the change.

### 3.7 “BUSINESSES CANNOT SUCCEED WHERE SOCIETY IS FAILING.” DO YOU AGREE?

The late Bob Collymore, former CEO of Safaricom, gave a poignant speech during the Africa Shared Value Summit in 2019. In his speech, he deliberated on the various challenges confronting Africa and the rest of the world, specifically growing inequalities, modern day slavery and crippling poverty in several regions. This state of affairs he emphasized, was not sustainable and he went on to say, “over the long term, businesses cannot succeed where societies are failing. The existing model of business is not generating enough value to contribute to societal good.” The aim of this question, therefore, was to get some insights as to how participants felt about the changing roles and expectations surrounding businesses today. The responses to this question were incredibly insightful and thought provoking.

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54 cf. Crane et al. (2014).
56 Ibid, p. 364.
For some participants, the statement made by Bob Collymore was timely and necessary. One interviewee explained the paramount importance of grounding the business, specifically multinational entities within the local realities of the individuals they serve: “We need to start asking where we choose to do business and how we choose to do business. When we go into different regions, are we going there because we see it as a potential cash cow or, are we going there because we want to make a difference?” Another interviewee also discussed the idea around the supposed tension between solving social problems and profitability by saying “there should not be a tension, both are possible.” In particular, the interviewee discussed the evolving risk of climate change and argued that if businesses did not collectively address this crisis, they too would suffer in the long term. Interestingly, three interviewees referenced and commended environmental activist-Greta Thunberg’s strong approach in calling for joint action in reducing global emissions, demonstrating an understanding that the future of business hinges on addressing ecological safety.

Some interviewees strongly felt that the statement was out of touch with reality, especially for companies operating in sub-Saharan Africa. As one respondent from the financial sector aptly stated, “People are struggling right now but companies are still flourishing […] people are taking home huge bonuses, it seems like a paradox of sorts.” Similarly, another interviewee said bluntly, “Businesses do succeed in societies that are failing, some businesses make a lot of money in a society that is hardly doing well, where several basic services are not provided.” The interviewee went on to explain that much more concrete action is needed to create scalable social impact, rather than focusing on ideals which would not take any shape or form. For another respondent, issues to do with the public good fall squarely within the government’s docket, not business: “The burden to sort social issues is not ours, we are not in the business to sort out education for instance […] that is what NGOs are for”. If CSV is to be implemented by corporations successfully, then the remarks above warrant some attention, especially for businesses in sub-Saharan Africa. While businesses should strive for high ideals, the complexity and uniqueness of the environment they work in must be taken into consideration. A balance must be struck between meeting short term objectives of the business, while keeping in mind societal issues that could affect continuity in the long term.

3.8 DO YOU BELIEVE THAT CSV CAN BRING ABOUT CHANGE AT SCALE?

Another dimension of CSV is the issue of scalability of social impact. Most of the case study examples of shared value feature large global corporations who are well placed to deliver social impact that is scalable.\(^{57}\) While there are several examples of how large organizations have leveraged on various opportunities for innovation, growth and scalable social impact, is there room for smaller businesses to participate in CSV? According to data from the World Bank, small and medium enterprises (SMEs) represent 90% of businesses and more than 50% of global employment.\(^{59}\) In Africa, these businesses contribute to 80% of the continent’s employment.\(^{60}\) Furthermore, there are some initiatives that could potentially create social impact that is meaningful, however scalability would prove to be difficult without continuous re-investment.

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\(^{58}\) cf. Porter et al. (2014).


One interviewee strongly felt that a profound opportunity would be missed if small businesses did not engage in CSV: "I think small businesses have a role to play, small businesses have the potential to turn the tide in CSV, they will drive the economy moving forward." For another interviewee it wasn’t a matter of large versus small organizations, but the willingness and capacity for businesses to innovate and consequently, bring about scalable social impact: "I think a new breed of businesses need to enter the fray, with new thinking, new ways of doing things, businesses that are not tied to history." Equally, another respondent said, "it is easier to embed CSV when you are starting your organization." They then went on to explain that the myriad of challenges in Africa offer several potential opportunities for new enterprises wanting to pursue a shared value business strategy.

Other interviewees pointed out the constraints smaller enterprises faced: "Small businesses often don’t have much disposal income. Their ability to fund shared value initiatives is much smaller or almost non-existent because they are trying to get lines of credit to grow their business." The scale and type of impact created therefore is debatable. Another respondent felt that the impact created by SMEs did not need to be scalable for it to be meaningful. As they explained, "I don’t think shared value for SMEs needs to be scalable […] we should move away from this fixation that small businesses should grow." This issue of scale is one that requires further reflection and analysis. If indeed one of the underlying arguments for CSV is about solving widespread global challenges, then scalability of social impact must preoccupy any discourse on shared value in Africa. Possibly the answer to this question for organizations working in Africa is through partnerships. As one participant iterated, "there needs to be a lot more partnerships around these issues, we need to work together." In fact, one of the main case studies published by Harvard Business School on CSV demonstrates how partnerships between multiple organizations has aided in fostering agricultural development in rural Tanzania.61

61 cf. Porter et al. (2014). The specifics of the case study are also found in section 1.2 of this report.
04. Conclusion

The findings give a holistic picture as to the current state and understanding of CSV among businesses operating in a sub-Saharan context. Clearly, there are several rich examples of African businesses that have been practicing shared value, long before the concept was coined by Michael Porter and Mark Kramer. The research also identified a number of trends in how businesses understand CSV, how they implement it and the opportunities and challenges with embedding it successfully. The findings provide several key learnings for businesses looking to begin their shared value journey and some insights for organizations who are already pursuing a shared value strategy. The next sections summarize the main conclusions derived from the interviews.

4.1 CSV MUST BE DRIVEN BY TOP MANAGEMENT IF IT IS TO WORK

The results illustrate that clarity of corporate purpose leads into a shared value approach to doing business. It is therefore for corporate leadership to clearly define and deconstruct what purpose means for their respective organizations if CSV to work. As demonstrated in the interviews, some organizations have clearly defined purpose statements, while others seem to be in the process of examining what purpose can mean for their organizations. Another key finding is that purpose is not static, it tends as the nature and complexity of the business environment shifts. Corporate leaders who drive CSV are well placed to effectively advocate for their ideas, take on new challenges and have the willingness to take risks to propel their organizations forward.62

4.2 PARTNERSHIPS CONTRIBUTE TOWARDS CSV

There are also some strong examples of companies that create shared value predominantly through the first two pathways, that is, reconceiving products and markets and redefining productivity through the value chain. As iterated by almost all those interviewed, the form of challenges that confront African economies are immense and require urgent interventions, mostly in form of deliberate partnerships between businesses, governments, non-governmental institutions and civil society. While there was some scepticism concerning the differing roles played by government and businesses, there was a shared concern among all participants as to the necessity and urgency for positive change in Africa, for more equal societies, better and affordable healthcare systems, inclusive education and good governance. Transforming African society, therefore, cannot be achieved without the participation of business enterprises; all must work together to deliver meaningful change.

4.3 CSV IS DEEPLY PERSONAL

While there is a strong business case for CSV, there was the implicit tone throughout the interviews that CSV came down to something deeply personal. One respondent described it as being ‘a heart thing’. This is an intriguing idea and connects to the first point regarding the role of corporate leadership. While there are several arguments that support a business case for CSV, most of the interviewees who were passionate about the concept seemed to have a personal interest and deep conviction that businesses could contribute towards uplifting the society. This finding therefore implies that CSV is a normative concept hinged on putting societal well-being first, then profitability afterwards.

62 cf. https://www.fsg.org/blog/what-do-shared-value-leaders-have-common
4.4 LACK OF PARTICIPATION OF SMALLER BUSINESSES IN CSV

The findings also indicated the need for more reflection surrounding the participation of smaller businesses in CSV, especially given the informality that characterises most African economies. While CSV is a management strategy seemingly designed for large organizations, Africa’s context is different given that its informal economy contributes to 40% of the region’s GDP. There is therefore an opportunity to think creatively on ideas around creating collective impact meaning, shared value is most successful through the collaborative efforts of several organizations rather than the siloed contributions of few individual enterprises. There has also been some deliberation by the Foundation Strategy Group (FSG) on how best SMEs can create shared value, for instance thinking innovatively on how to identify specific industry and customer segments where shared value can be created.

4.5 CLEAR MEASUREMENT IS STILL A CHALLENGE

As discussed in the introductory section of this report, there is much room for improvement when it comes to linking economic outcomes to social impact. This is not a unique issue to CSV since impact measurement is a constantly evolving field. While academia has a central part to play in designing impact measurement systems and identifying indicators that are better predictors of value creation in the context of CSV, there are some firms that have shown much leadership in this space. Discovery’s novel approach – its shared value equation – effectively defines the value created per member, by linking financial incentives to behaviour change, behaviour change to improved risk, and improved risk to enhanced value creation – which businesses may find useful when thinking through implementing or fostering measurement systems that can capture CSV. Understanding the connection between meeting societal needs and improving business outcomes over time is thus, essential to unlocking value creation.

4.6 IMPLEMENTATION IS NOT ALWAYS SO CLEAR

There is also some lack of clarity on how to implement CSV. First, from a conceptual level it appears there is some difficulty in establishing what differentiates CSV from other models such as CSI and CSR, which definitively complicates implementation. Next, it is not clear how various business decisions may be affected by CSV. The social issues to address are also quite complex and so is the scope. Specifically, it is a difficult task to identify which social issues to address and how they are prioritized. Social problems are inherently multifaceted; well-intentioned shared value initiatives could create a whole new set of complexities. Finally, the extent of the impact created also matters. In tandem with choosing which issues to address how should companies define the scope of their activities and finally their impact? These are still questions that require some reflection for shared value practitioners.

4.7 CSV PROVIDES AN EASIER WAY FOR BUSINESSES TO MEANINGFULLY CREATE SOCIAL IMPACT

Finally, CSV exhibits transformative potential for the region. Shared value is not an all-encompassing silver bullet that will solve all societal issues in Africa; such a feat at present is impossible. However, unlike most frameworks on corporate responsibility, CSV provides an easier way for businesses to meaningfully create scalable social impact, while at the same time re-thinking and re-designing core strategy. Shared value offers viable opportunities for corporations to go beyond seeking legitimacy to championing social progress. It could be part of the solution towards a greener and more equitable world.

References


# Appendix A: Participating Organizations

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<td>United Nations High Commissioner for Refugees</td>
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Appendix B: Interview Guide

1. What does purpose mean for your organization?
2. Does your organization have a purpose statement and can you share it?
3. Do you believe that business can make money out of addressing social issues?
4. From a strategic perspective, does your organization create social impact?
5. What is your understanding of CSV?
6. Who do you believe should drive CSV within the organization?
7. “Businesses cannot succeed where society is failing.” Do you agree with this statement?
8. Do you believe that CSV can bring about change at scale?