“THE NOTION OF CREATING SHARED VALUE AND ITS APPLICABILITY AND IMPLICATIONS FOR CORPORATE SOUTH AFRICA”

By:

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DECLARATION

By submitting this thesis electronically, I declare that the entirety of the work contained therein is my own, original work, that I am the sole author thereof (save to the extent explicitly otherwise stated), that reproduction and publication thereof by Stellenbosch University will not infringe any third-party rights and that I have not previously, in its entirety or in part, submitted it for obtaining any qualification.

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ABSTRACT

The overarching goal of this thesis is to explore how to enable a consistent uptake, by companies in South Africa, of shared value as a means of creating value, with a specific focus on legislative requirements as an enabler. The overarching research goal is however augmented by the following research objectives:

Objective 1: Understand the current context of creating shared value. This includes understanding how it's defined, its current voluntary implementation and whether the existing policy and legislative environment promotes its use.

Objective 2: Explore the barriers associated with using legislation as an enabler to increase the uptake of shared value creation.

Objective 3: Identify recommendations that relate to policy and legislation that would enable an uptake of shared value creation.

Although it is acknowledged that there are several ways to embed strategy or increase the uptake of a shared value strategy, by corporate South Africa, this thesis focuses specifically on legislation, as an enabler.

This thesis considers the traditional financial value creation strategies adopted by corporate South Africa, including societal and environmental impact management methodologies employed; such as Corporate Social Responsibility as well as philanthropy. The opportunities and constraints of the aforementioned value creation and impact management methodologies, are discussed and based on the constraints, a case for a shared value creation strategy is made.

Thereafter, examples of national and international legislation and policies that support the implementation of shared value creation are presented. The illustrative examples provide the foundation for the research query, that legislation and policy frameworks can be used to increase the uptake of shared value creation in corporate South Africa.

To meet the overall goal and the supporting research objectives, the following research methods were employed:

- A literature review was undertaken to determine the existing documented information relating to shared value creation definition, implementation and existing policies and legislation that supports the notion of shared value creation;
- Illustrative examples were used to reflect the way a shared value creation strategy has been implemented; and

- Interviews were conducted, to determine, whether the notion of shared value creation was being implemented in corporate South Africa and whether legislation and policies could trigger an uptake of a shared value creation strategy in this sector. For the purpose of this research, a grounded theory approach to data analysis was utilised to interpret the data.

The research undertaken identified several constraints in the use of legislation and policy that can hamper the uptake of shared value creation by corporate South Africa. The constraints identified pertain specifically to the way legislation is framed, the over reliance on reflecting and monitoring procedural compliance by corporates and the emphasis on meeting minimum legislative requirements, as opposed to the intent and spirit of the legislation or policy.

Recommendations identified to address the constraints revolve around the inclusion of financial incentives in shared value creation legislation, as well as the inclusion of market- related performance assessment incentives, beyond compliance. The recommendations are associated with framing and drafting legislation in a specific manner; to increase the uptake of a shared value creation strategy in corporate South Africa, were presented and discussed. The recommendations aim to enhance the legislation and policy that supports the notion of creating shared value.

OPSOMMING

Die oorkoepelende doel van hierdie tesis is om te ondersoek hoe om die konsekwente benutting van gedeelde waarde deur maatskappye in Suid-Afrika moontlik te maak as ’n manier om waarde te skep, met ’n spesifieke fokus op wetsvereistes as ’n bemagtigende element. Die oorkoepelende navorsingsdoelstelling word egter deur die volgende navorsingsdoelwitte aangevul:

Doelwit 1: Verstaan die huidige konteks om gedeelde waarde te skep. Dit sluit in om te verstaan hoe dit gedefinieer word, die huidige vrywillige implementering en of die bestaande beleid en wetgewende omgewing sy gebruik bevorder.

Doelwit 2: Verken die hindernisse wat verband hou met die gebruik van wetgewing as 'n instaatsteller om die opname van gedeelde waardeskepping te verhoog

Doelwit: 3: Identifiseer aanbevelings wat verband hou met beleid en wetgewing wat 'n opname van gedeelde waardeskepping moontlik maak.

Hierdie tesis oorweeg die tradisionele finansiële waardeskeppingstrategieë wat deur korporatiewe Suid-Afrika gebruik word, insluitend samelewings- en omgewingsimpakbestuursmetodologieë wat aangewend word, soos korporatiewe maatskaplike verantwoordelikheid en filantropie. Die geleenthede en beperkinge van bogemelde waardeskepping- en impakbestuursmetodologieë word bespreek, en aan die hand van die beperkinge word ’n saak vir ’n strategie vir gedeeldewaardeskepping uitgemaak.

Daarna word illustratiewe voorbeelde van nasionale en internasionale wetgewing en beleide wat die implementering van gedeeldewaardeskepping ondersteun, aangebied. Die gevallestudievoorbeelde verskaf die basis vir die navorsing navraag, naamlik dat wetgewing en beleidsraamwerke gebruik kan word om die benutting van gedeeldewaardeskepping in korporatiewe Suid-Afrika te verhoog.

Ten einde die oorkoepelende doelstelling en die stawende navorsingsdoelwitte te bereik, is die volgende metodes gebruik:

- ’n Literatuuroorsig is onderneem om die bestaande gedokumenteerde inligting ten opsigte van ’n definisie vir en implementering van gedeeldewaardeskepping te bepaal, asook bestaande beleide en wetgewing wat die idee van gedeeldewaardeskepping ondersteun;
- Illustratiewe voorbeelde is gebruik om te besin oor die manier waarop ’n strategie vir gedeeldewaardeskepping geïmplementeer is; en

- Onderhoude is gevoer om te bepaal of die idee van gedeeldewaardeskepping in korporatiewe Suid-Afrika geïmplementeer word, en of wetgewing en beleide kan veroorsaak dat 'n strategie vir gedeeldewaardeskepping in korporatiewe Suid-Afrika benut word. Vir die doel van hierdie navorsing is 'n gegronde teorie benadering tot data-analise gebruik om die data te interpreteer.

Die navorsing wat gedoen is, het 'n aantal beperkinge in die gebruik van wetgewing en beleide op hierdie manier geïdentifiseer, wat die opname van gedeeldewaardeskepping deur korporatiewe Suid-Afrika kan benadeel. Die beperkinge wat geïdentifiseer is, het spesifiek betrekking op die manier waarop wetgewing uiteengesit is, die oormaat van vertroue op besinning oor en monitering van prosedurele nakoming deur maatskappye, en die klem op voldoening aan minimum wetsvereistes eerder as aan die bedoeling en gees van die wetgewing of beleid.

Aanbevelings wat geïdentifiseer is om die beperkinge te hanteer, het gehandel oor die insluiting van aansporings in wetgewing oor waardeskepping, asook die insluiting van aansporings wat verband hou met 'n markevaluering van prestasie wat verder as nakoming strek. Uiteindelik word al die aanbevelings wat geïdentifiseer is en met die vaslegging van gedeeldewaardeskepping by hoofstroommaatskappye verband hou, verbind met die uiteensetting van wetgewing op 'n manier wat innovering fasiliteer en bevorder.

Die aanbevelings word geassosieer met die opstel van wetgewing op 'n spesifieke wyse; om die opname van 'n gedeelde waarde skeppingstrategie in korporatiewe Suid-Afrika te verhoog, is aangebied en bespreek. Die aanbevelings beoog om die wetgewing en beleid te verbeter wat die idee ondersteun om gesamentlike waarde te skep.

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It is with great pride and satisfaction that I write this note of acknowledgement. This thesis is the culmination of a three-year journey filled with introspection, reading, engagement with peers, time away from my family and late nights. I could not have arrived at this point without significant support and prayer.

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LIST OF ACRONYMS AND ABBREVIATIONS

BBBEE	Broad Based Black Economic Empowerment
BEE	Black Economic Empowerment
BLSA	Business Leaders of South Africa
BOP	Base of the pyramid
BP	British Petroleum
CSI	Corporate Investment
CSR	Corporate Social Responsibility
DMR	Department of Mineral Resources
ESG	Environment, Social and Governance
IFC	International Finance Corporation
J&J	Johnson & Johnson
JSE	Johannesburg Stock Exchange
LGTAS	Local Government Turnaround Strategy
MDGs	Millennium Development Goals
MPRDA	Mineral and Petroleum Resources Development Act, 2002, (Act No. 28 of 2002)
NBI	National Business Initiative
NDP	National Development Plan
NGO	non-governmental organisation
NPO	Non-profit organisation
PwC	PricewaterhouseCoopers
SALGA	South African Local Government Association
SDG	Sustainable Development Goals
SLP	Social and Labour Plan

SVA	Social Ventures Australia
UN	United Nations
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNGC	United Nations Global Compact

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KEY CONCEPTS

Creating Shared Value	The business value creation strategy geared to addressing societal needs and challenges whilst gaining corporate economic benefit (Porter & Kramer, 2006).
Value Creation	The practice of creating value for stakeholders including consumer, shareholders and employees, with the objective of increasing revenue and output; thereby increasing revenue and value in the company brand and the associated company share value (Zenger, 2013).
Corporate Social Responsibility	Activities undertaken by an entity to manage its impact on the biophysical and social environment. It takes into account the way companies make a profit and goes beyond philanthropic activities and legal compliance, by not only addressing impacts, but also the relationships with all stakeholders; thereby positively influencing the reputation and trust associated with the company (Cochran, 2007).
Corporate Social Investment	Is the investment in projects geared to the upliftment of a specific community and is not directly linked to increasing profits nor company marketing. These initiatives give effect to the CSR mandate (Hidalgo, Peterson, Smith & Foley, 2014).
Philanthropy	Donating money and/ or time to a social course focused on the promotion of social welfare (Cochran, 2007).
Reconceiving needs, products, and customers	Meeting societal and environmental challenges by redefining and reconceiving the products and services provided to a consumer to address identified societal challenges and generating revenue, e.g. changing packaging to environmentally friendly material, to reduce the plastic content (Porter & Kramer, 2011).

Redefining productivity in the value chain	Reassessing and exploring innovative means of supplying services or producing products to reduce resource consumption and improved productivity across the supply chain, e.g. implementing energy and water efficiency measures to reduce consumption (Porter & Kramer, 2011).

1 BACKGROUND AND RATIONALE FOR THE RESEARCH

"The big shared value question is whether behaving virtuously makes firms more profitable. Believe me, if it were clear that virtue paid off handsomely, all corporate doings, indeed all human history, would have unfolded very differently than it has" (Giardini, 2015)

Anne Giardini, former president of Weyerhaeuser Canada, current chancellor of Simon Fraser University

1.1 Introduction

This report is a highlight in a journey that started in 2014 during the Sustainable Enterprise module, which was one of the requirements for the Post Graduate Diploma in Sustainable Development and was presented at the Sustainability Institute. During the module, the notion of creating shared value was presented and the potential opportunities for corporates were highlighted. At that stage it was a new terminology for me, but it immediately sparked a thought process, which can be summed up as - "this is awesome! ... but why are more corporates not doing this?"

Fast-forward to 2016 and with a new career in corporate sustainability, this concept became more prevalent and my initial thoughts on the concept were still relevant. However, what was evident in the corporate environment that I found myself in, was that corporations do not necessarily always "do good for the sake of doing good." My experience was that societal and legislative pressures do play a role in encouraging corporates to address environmental and social challenges, as well as the impacts associated with their activities, products and services. In addition, based on my experience, I realised that corporate entities are more amendable to address societal and environmental challenges if there are tangible benefits accruing to the entity.

I acknowledge that there are several ways to increase the uptake of a shared value creation strategy in a mainstream corporate strategy in South Africa. These opportunities include increased training and awareness, appealing to the moral and social obligations of executives, as well as piloting smaller projects to show positive or early wins (Bertels, et al., 2016). For this thesis, I focused on legislation and policy as a means of embedding a shared value strategy into corporate South Africa.

The overarching goal of this thesis is, therefore, to explore how to enable:

A consistent uptake, by companies in South Africa, of shared value as a means of creating value, focussing on legislation as an enabler.

However, prior to addressing the overall research goal, the research will also consider whether the notion of creating shared value is practiced in South Africa and whether there are benefits to its implementation.

The overarching research goal is however, augmented by several supporting research objectives and questions and these are reflected in Section 1.8.

To articulate the context for the project rationale, this section will explore the following elements of corporate sustainability and creating shared value:

- The evolution of corporate sustainability and the placement of creating shared value within the historical context;
- The characterisation of financial value creation within the corporate environment, together with an understanding of what shared value creating is defined as;
- The articulation of various perspectives of creating shared value;
- Illustrative examples of the way shared value creation can be applied, even though these examples are not specifically referred to as shared value creation initiatives; and
- The role corporate governance policy and legislation can play in enabling the implementation of a shared value creation strategy.

1.2 Corporate environmental management and sustainable development historical context

This section provides a brief overview and background to the evolution of corporate sustainability. The objective of the information provided is to position the discussion around creating shared value in this thesis, within the context of corporate sustainability. The section will illustrate the evolution of corporates' engagement with societal and environmental challenges.

According to Berry and Randinelli (1998), corporate environmental management and sustainable development practices can be characterised by three distinct phases, namely:

Phase 1: Limited management of environmental impacts and mitigation, as well as avoiding environmental compliance;

Phase 2: Concerted efforts to comply with "rapidly changing" legislative requirements and mitigating the cost of compliance (Berry & Randinelli, 1998: p39); and

Phase 3: The implementation of proactive environmental management practices and "finding positive ways of taking control of their environmental problems and even turning them into competitive opportunities" (Berry & Randinelli, 1998: p39).

The section below is informed by Haywood (Undated) and further unpacks the characteristics of the latter two phases. For ease of reference, the periods as identified by Haywood (Undated), are linked to the phases, as detailed by Berry and Randinelli (1998) above.

The phases identified and further explored below are:

- **Phase 2a:** Environmental legislative compliance to promote environmental management;
- **Phase 2b:** Incorporating environmental management into a strategic business strategy;
- **Phase 3a:** Environmentalism as a pathway to corporate sustainability; and
- **Phase 3b:** Promotion of system resilience as a cornerstone of sustainability.

The last emerging phase identified by Haywood (Undated), relates specifically to building resilience in an ever-changing societal and biophysical environment.

1.2.1 Phase 2a: Environmental legislative compliance to promote environmental management

In 1962, Rachel Carson published "The Silent Spring", a book which triggered the rapid advancement of environmental management practices (Lutts, 1985). The publication described the impact human activities and innovation had had on the environment up until that time, with emphasis on the contamination of "air, earth, rivers, and sea with dangerous and even lethal materials" (Carson, 1962: p12). In this instance, the lethal materials referred specifically to chemicals utilised in the food production, agricultural (particularly pesticides), chemical warfare and industrial processes in America (Carson, 1962). The publication resulted in the widespread mobilisation of activism against the threat associated with the use of harmful chemicals (Lutts, 1985). In response to the outcry, legislation governing the use of pesticides was initiated by the American government. This legislation is considered one of the first policy regulations published by the Environmental Protection Agency (EPA) controlling industrial pollution (Hoffman, 1999).

A second event which influenced the public expectation and perception of industry environmental management was the first celebration of Earth Day on 22 April 1970 (Hoffman, 1999). This event highlighted the societies' concerns with environmental issues and raised the profile of the concerns within the government policy and regulatory sphere (Hoffman, 1999). According to Gottlieb (1993), by the late 1970s, the environmental legislative policy environment was designed to control; as opposed to just reducing, the level of pollution by industries.

1.2.2 Phase 2b: Incorporating environmental management into a strategic business strategy

According to Ihlen (2013), corporate social responsibility (CSR) gained traction in the 1970s in response to the criticism levelled at corporations. The criticism centred on the concerns of the environmental impacts associated with businesses, as raised in Section 1.2.1. Ihlen (2013: p3), defines CSR as the need to consider – "and seek to either avoid or rectify" - the environmental and social impacts associated with an entity's activities, products or services. It is therefore expected that "companies do and will behave ethically," and "engage in discretionary and philanthropic activities" (Ihlen, 2013: p3). The strategic importance of CSR is linked to the belief that a societal "licence to operate" is required, to improve the entity's sustainability (Ihlen, 2013).

According to Engert, *et al.* (2015: p2833), CSR encompasses "considering a company's needs, while protecting, sustaining and enhancing the human and natural resources that will be needed in the future." The rapidly changing environmental and social changes is considered as the driver for incorporating social responsibility and environmental management into strategic corporate management strategies (Engert, *et al*., 2015).

This phase saw corporate sustainability evolve to include "alternative or complementary concepts and themes such as corporate social responsiveness, corporate social performance, public policy, business ethics, triple bottom line and stakeholder theory/management" (Carroll, 2008: p34). These terms and concepts supported the notion that CSR is a process, as opposed to an outcome (Carroll, 2008).

According to Carroll (2008), Phases 2a and b were characterised by three stages, namely:

- The awareness stage (1953–67), in which there was a growing recognition that business has a responsibility to address societal challenges (Carroll, 2008);

- The issues stage (1968–73), in which companies actively started addressing societal challenges such as “urban decay, racial discrimination, and pollution problems” (Carroll, 2008: p25); and
- The responsiveness stage (1974–78), in which companies started implemented strategic management measures and actions to address societal challenges.

1.2.3 Phase 3a: Environmentalism as a pathway to corporate sustainability

According to Chang, *et al.* (2017), the 21st century heralded the inclusion of the green economy and green growth into corporate sustainability matters, as well as international and national policy discussions. The concept of a green economy and growth was first introduced at the Fifth Ministerial Conference on Environment and Development (MCED) in Asia and the Pacific, held in 2005 (Chang, et al., 2017). The United Nations Environment Programme defines a green economy as one which results in “improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities” (United Nations Environment Programme, 2010). Chang, *et al.* (2017: p52), argues that “environmental progress cannot be separated from economic growth and development,” and that “green growth results from the investment in the upgrading of the entire production system to environmental and resource-saving processes and products.” The green economy is seen as influencing and informing corporate sustainability and societal sustainable development (Chang, et al., 2017).

The concept of creating shared value, which is the focus of the thesis, emerged during this phase and is mostly aligned with the principles that characterise Phase 3. The notion of creating shared value as defined by Porter and Kramer (2011), provides the framework within which corporates can engage with environmental and societal challenges. This phase emphasizes the need for corporates to participate in addressing societal and Environmental challenges.

1.2.4 Phase 3b: Promotion of system resilience as a cornerstone of sustainability

Haywood (Undated), identified an emerging corporate sustainability phase, which is evolving to focus on increased corporate resilience, as a means of promoting sustainability. According to Haywood (Undated), societal and environmental challenges such as climate change and access to natural resources, such as potable water impacts on the sustainability and resilience of corporates. Haywood (Undated: pg7), defines an emerging risk as “a risk that is a new or a familiar risk in new or unfamiliar conditions, for which their uncertainty and unpredictability is a consequence of the complexity of the system in which they originate.”

According to Fiksel (2006: P16), the "dynamic and unpredictable business environment" has increased the need for corporate resilience. Within the business context, enterprise resilience can be defined as "the capacity for an enterprise to survive, adapt, and grow in the face of turbulent change" (Fiksel, 2006: p16). Folke, *et al*. (2002: p440), argues that sustainability is enhanced when managing for resilience, as it increases "the capacity of a social-ecological system to cope with surprise." The basis for this argument is the belief that resilience is essential for the development of society. The theory is further supported by investigated case studies which support "the tight connection between resilience, diversity and sustainability of social-ecological systems" (Folke, *et al*., 2002: p437).

1.3 Corporate Value Creation Strategies

In this section, the notion of value creation in the corporate context will be discussed, to explore the rationale for a shared value creation strategy.

The evolution of value is described in terms of three phases:

- The traditional financial value creation practices;
- The traditional corporate social responsibility practices; and
- An alternative value creation strategy: Shared Value Creation.

1.3.1 Traditional value creation practices

Zenger (2013), defines value creation as the practice of creating value for stakeholders including consumer, shareholders and employees, with the objective of increasing revenue and output. Thereby increasing revenue and value in the company brand and the associated company share value (Zenger, 2013).

The art of creating financial value for shareholders traditionally comprises several aspects. One or more of the following strategies are used to create value (Bowman, Ward & Kakabadse, 2002; Zenger, 2013):

- Strict financial control;
- Scaling of activities;
- Acquisitions;
- Development of new products and services by reconfiguring support services;
- Replication of activities, products and services by sharing of innovative technologies; as well as;
- Knowledge transfer between business units and the sharing of experiences.

The financial value creation proposition of a company should generally be articulated in its strategic objectives. According to Zenger (2013: p73), corporate value creation strategy requires the identification and targeting of “attractive markets” and thereafter positioning the company to deliver a “sustained competitive advantage”. The primary goal of a company’s strategic objective should not be to obtain and sustain competitive advantage, but rather “to keep finding new, unexpected ways to create value” (Zenger, 2013). A value creation strategy needs to articulate the way a corporatisation can create value for stakeholders. Generally, value is created by combining a company’s unique value proposition with associated external stakeholders, who has a need for the value proposition.

It is believed that the restricted implementation of the capitalist value creation ideology, as discussed above, prevents business from harnessing the full potential of a capitalist system, in a manner which meets society’s needs from an environmental, social and economic perspective (Porter & Kramer, 2011). In other words, by not considering the shared value creation opportunities, as defined by Porter and Kramer (2011), there could be un-realised benefits and financial value to shareholders. Porter and Kramer defined the concept of creating shared value 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” (Porter & Kramer, 2011: p66).

According to Zenger (2013), financial value to shareholders can also be created by directing an entity’s unique value proposition to address external material challenges, such as community health care or environmental degradation.

Zenger (2013: p75) believes that a value creation strategy is centred on three strategic scenarios. The first relates to a company’s-based ability to have the “foresight” to identify future industry and stakeholder challenges and opportunities. The information gleaned is then utilised to develop value creation strategies, which address future challenges or exploits opportunities. Secondly, a value creation strategy can be based on, “insight” into which internal capabilities can be optimized, to address future challenges and opportunities. Lastly, a value creation strategy can also be based on “cross-sight”, which considers what assets, products or services can be re-arranged or re-aligned with potential acquisitions to create value.

Porter and Kramer’s (2011), critique of the capitalist system and the associated financial value creation model is based on the premise that the relationship between society and corporations is skewed to the advantage of the business sector. Leavy (2012: p15), argues that the legacy of the ‘‘shareholder value’’ premise is a perception that companies benefit at the expense of society.

1.3.2 Traditional corporate sustainability practices

Historically, businesses are largely geared towards meeting the financial and investment growth expectations of shareholders. The commitment to communities affected by the activities, products and services associated with businesses is mostly via Corporate Social Responsibility (CSR), which can be considered a philanthropic approach to social investment. Corporate social investment is referred to as the contribution, whether in time or finance that a company makes to the benefit of those associated with its core business (Hidalgo, Peterson, Smith & Foley, 2014). Porter and Kramer (2006), further argued that the potential financial benefits associated with meeting society’s needs are not realised within the corporate social responsibility framework and therefore proposed a system which integrates business and society.

According to Cochran (2007), traditionally, CSR contributed to increasing an organisations’ financial value creation ability. CSR is defined as the activities undertaken by an entity to manage its impact on the biophysical and social environment. It is not necessarily aligned to a way companies makes a profit and goes beyond philanthropic activities and legal compliance (Cochran, 2007). CSR not only addresses impacts, but also relationships with all stakeholders; thereby positively influencing the reputation and trust associated with the company (Cochran, 2007).

Cochran (2007), reflects that CSR was born because of the ideology that corporates need not only create financial value and be responsible to shareholders, but also to the broader community (i.e. stakeholders), who are influenced and serviced by the activities, products and services generated by the company. Corporate social spend was considered to be linked to philanthropic endeavours, which resulted in a social spend not directly linked to a company’s financial growth (Cochran, 2007). Therefore, the value proposition of the social contribution was the improvement of the larger society’s wellbeing, be it through donations to the arts, health care or sports (Cochran, 2007). With an improved reputational benefit directed to corporations (Cochran, 2007).

According to Friedman (1970), CSR should not be undertaken by corporates, as the obligation to meet societal needs rests with the government. Specifically, government as the collector of tax revenue and the custodian of the way that the revenue should be spent, is more qualified to determine the revenue spend for the greater good of society (Friedman, 1970). Friedman

(1970) believes any CSR spend impacts negatively on an entity's profitability and therefore contradicts the primary profit-generating objective of a corporate and its commitment to shareholders. Friedman (1970: p4), equates CSR to a socialist political view, where the allocation of resources is seen as "the acceptance of the socialist view that political mechanisms, not market mechanisms, are the appropriate way to determine the allocation of scarce resources to alternative uses."

In response to the Friedman paradigm, Mulligan (1986), argues that CSR can be an "integral element in strategic and operational business management" and can, therefore, contribute to meeting corporates' strategic objectives. In addition, Mulligan (1986: p269), considers Friedman's assumption that the businessman invests in CSR without due consideration to "return on investment, budgetary limitations, reasonable employee remuneration, or competitive pricing," as presumptuous. According to Mulligan (1986: p267), the CSR activities undertaken by business executives are guided by the business mission, goals and objectives, which are generally defined by the business "founders, board members, major stockholders, and senior executives."

Friedman (1970), does however, acknowledge that there are benefits to the implementation of CSR, such as a better workplace environment, which can facilitate retaining staff for longer; as well as potential tax incentives associated with CSR investments. Friedman (1970: p6), however, considers these initiatives to be "hypocritical window-dressing," as it's intended to "generate goodwill as a by-product of expenditures", however justified it might be considered by corporates and to the benefit of shareholders.

According to Lampikoski, *et al*. (2014), the sustainability value creation opportunities assoiated with implementation of sustainability practices, such as CSR, include the following:

- The recruitment and retention of staff and talent management as well as increased employee productivity;
- Positive impact on revenue associated with pollution reduction and resource (water and energy) use efficiency strategies; and
- Improving or mainlining the societal license to operate.

Visser (2011: p69), argues that Michael Porter and Michael Kramer's concept of creating shared value has given the concept of CSR "more structure and credibility – and with considerably less malice directed towards CSR."

Yoo and Kim (2017), articulated three limitations associated with CSR, which gave rise to the conception of shared value creation, namely:

- Societal challenges were considered to be external to the company and therefore, not linked to the business core operation or profit-making activities (Yoo & Kim, 2017). Therefore, “mechanisms for addressing them were regarded as costs, rather than as investments” (Yoo & Kim, 2017: p2)
- The focus of CSR was to create profit for shareholders and did not consider the need to regard “entities external to the firm as stakeholders, who should benefit from profit-sharing” (Yoo & Kim, 2017: p2); and
- The concern for societal and environmental challenges came about because of pressure from external sources, as opposed to the identification of environmental and social challenges that can be addressed with the implementation of an entity’s core profit-making model (Yoo & Kim, 2017).

A corporate sustainability practice to emerge during this period is referred to as the Stakeholder Approach, which according to Freeman, *et al*. (2010: p4), came arose as a result of the tension between capitalism - and the associated “value creation and trade” activities - and the impacts on stakeholders, over and above an entity’s shareholders. Freeman, *et al*. (2010), argue that organisations involved in some form of financial value creation and trade are responsible to all their stakeholder. In this instance, stakeholders are defined as “those groups and individuals who can affect or be affected by their actions” (Freeman, *et al*., 2010: p9). Stakeholder theory, therefore advocates that the “interests of these groups are joint and that to create value, one must focus on how value gets created for each and every stakeholder” (Freeman, *et al*., 2010: p9).

The approach is based on the premise that through an entity’s engagement with all of its stakeholders, and addressing “its effects on and responsibilities towards stakeholders”, company’s can address the concerns associated with the ethics of capitalism. In support of this concept, Freeman (2001) argued that not only do company management have a fiduciary obligation to shareholders and that obligation extends to all stakeholders. It’s by engaging with and considering and managing the impact on and by all stakeholders, by an entity, that the afore-mentioned a fiduciary obligation is met (Freeman, 2001).

1.3.3 An alternative value creation strategy: Shared Value Creation

Porter and Kramer (2002) introduced a new corporate social responsive framework. They argued that societal and corporate financial development goals are integrally linked and are not necessarily conflicting (Porter & Kramer, 2002). Porter and Kramer believed "many economic investments have social returns, and many social investments have economic returns" and therefore corporates should focus on projects "which have both significant financial and social returns," according to Cochran (2007: p450). Within this theory, corporate social responsibility investments were not merely considered philanthropic, nor a "do good" response to a societal need, but rather the investment of a company's resources into projects which would not only meet a societal challenge but would also realise tangible financial value to the company; hence the term "creating shared value" (Cochran, 2007).

In 2006, Porter and Kramer identified the phrase "creating shared value" (CSV) and later defined it in their article published in the Harvard Business Review in 2011. Porter and Kramer defined the concept of creating shared value 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" (Porter & Kramer, 2011: p66).

The article spoke to the limitations of the existing financial value creation framework; in particular in relation to the economic, social and environmental impacts of activities, products and services associated with corporates (Porter & Kramer, 2011). Specifically, (Porter and Kramer (2011), spoke to the economic model within which corporates in particular operate and generate financial value. As an alternative to what is perceived to be a failed economic system, Porter and Kramer (2011) proposed a business strategy that does not only focus on the short-term profits but is also aligned to creating societal value (both social and environmental) for all its stakeholders. Within this view, the proposition of creating value for all stakeholders is incorporated into a company's strategy, as it's considered a source of profit for the organisation (Cochran, 2007).

Yoo and Kim (2017), considers Porter and Kramer's shared value creation theory as an alternative to CSR, which was developed as result of the CSR limitations, as perceived by Porter and Kramer. Therefore, the objectives of shared value creation are for businesses to peruse 'financial success using a methodology that also yields benefits to society" Yoo and Kim (2017: p2).

In 2011, Porter and Kramer articulated the limitations of the existing economic framework; the economic, social and environmental impacts of corporates activities, products and services.

The limitations are associated with the lack of management and mitigation of social and environmental impacts associated with the activities undertaken by corporates. Porter and Kramer (2011) argued that the existing, and in their opinion outdated value creation strategy, which focuses primarily on the creation of financial value for shareholders, was mostly to blame for the perceived view that a capitalist environment promotes business growth at the expense of society and the environment. The notion of shared value and the creation thereof is seen as an opportunity to align societal needs with business opportunities (Hidalgo, Peterson, Smith & Foley, 2014).

According to Ghasemi, Nazemi and Hajirahimian (2014), shared value creation is largely implemented in an organisation to promote and enhance its competitive advantage. Additional objectives include “social awareness, compliance with regional, national and international rules and regulations, available standards”, as well as a desire by senior management to embark on a sustainability strategy which considers societal needs and challenges (Ghasemi, Nazemi & Hajirahimian, 2014: p5).

Shared value creation is therefore not considered philanthropy, although it should be noted that Porter and Kramer do believe that there is a role for philanthropic activities, as not all societal and environmental challenges can be addressed using the shared value creation strategy (SVA Consulting, 2013). The shared value creation strategy is also not considered a means of addressing CSR, as its main objective is not reputation management or building but is rather considered as a means of creating corporate financial value whilst addressing a societal need. It’s an ideology that is based on a premise that societal challenges can and should be addressed as a business proposition, to the benefit of society and the corporate entity (Incite, 2016).

According to Gibassier, Rodrigue and Arjaliès (2016: p6), creating shared value recognizes that corporates must actively reduce any negative impacts they have on society as well as, to unpack and engage around “how they can be part of progress on global challenges, such as climate change and the enforcement of human rights”.

Shared value is therefore created by enhancing the linkages between stakeholders and economic development (Porter & Kramer, 2011). According to Hamann (2012), the implications and impact of economic disparities between communities could be mitigated with the implementation of shared value. This is because an objective of the shared value creation strategy is to improve the economic and social conditions of stakeholders; including maintaining (and in certain instances increasing) competitiveness and profit margins

Bockstette (2013), considers that within the context of creating shared value, the word "value" specifically refers to creating societal worth, whether in the form of addressing societal and environmental challenges or in the financial value, as reflected on a financial statement. It is however, also important to note that it is an entity’s organisational values or guiding principles that can also define and enhance a company’s ability to create shared value (Bockstette, 2013). Salo (2015: p640), argues that the concept of creating shared value “rests on the premise that both economic and social progress must be addressed using value principles.” In this instance, “value” is defined as “benefits relative to costs, not just benefits alone” (Salo, 2015: p640). Therefore, shared value creation needs to consider societal and environmental challenges from a value perspective, to elevate the connectivity between economic growth and societal challenges (Salo, 2015).

Bockstette (2013: p1), further argues that by addressing societal and environmental challenges, corporates can achieve meaningful and measurable financial benefits. The implementation of a shared value creation theory allows companies to address societal challenges - based on a systematic process of identification of said challenges and the associated opportunities for value creation - rather than focusing on the “personal values or the moral convictions of management and shareholders” (Bockstette, 2013: p1).

Bockstette (2013: p1), states that defining a social purpose, as well as establishing a “set of common principles” relating to value creation at a corporate level, which is adhered to and implemented across business units, “can set the stage to create significant benefits for society and returns for companies”. On the other hand, a low commitment to the corporate values “across a company can undermine shared value creation” (Bockstette, 2013: p2). Therefore, a robust corporate value system, which is embedded in the company philosophy, can drive the implementation and the success of shared value creation (Bockstette, 2013).

A 2015 article written by Cairns, states that the benefits of shared value creation can be realised when companies move away from traditional CSR initiatives and invest in strategic community investments, geared to addressing societal challenges. Cairns (2015) argues, that companies expect a return on investments and therefore should realise that any investment into society should also provide a return on investment, to the mutual benefit of the company and the community. Determining or having a return from social investment into a community is an indication that the programmes and initiatives are effective and meet a societal need (Cairns, 2015).

1.4 Perspective on the notion of creating shared value

This section provides different perspectives on the concept of creating shared value, including criticisms and support of the concept. As indicated previously, Porter and Kramer defined the concept of creating shared value 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" (Porter & Kramer, 2011: p66), while, Epstein-Reeves (2012), calls creating shared value as "a strategy for developing the future market, while also strengthening economies, the marketplace, communities, and corporate coffers."

Crane, *et al.* (2014), however, questioned the ability of shared value creation, as defined above, to achieve fundamental change as expressed by Porter and Kramer. In summary, their critique of creating shared value is founded on the following aspects (Crane, et al., 2014):

- The term is considered unoriginal and a rehash of strategic "CSR, stakeholder management, and social innovation," as described in existing stakeholder management literature (Crane, et al., 2014: p134).
- The term ignores the tension that exists when trying to meet social and economic objectives simultaneously, specifically relating to the trade-offs that are required when dealing with social and financial value creation (Crane, et al., 2014). The creating of a shared value "win-win" scenario is criticised, as it does not provide "guidance for the many situations where social and economic outcomes will not be aligned for all stakeholders" (Crane, et al., 2014: p136), thereby, seeing shared value creation as an attempt to whitewash the problems associated with social and economic trade-offs and environmental and social impacts associated with a corporate's activities (Dyllick, 2014).
- Creating shared value assumes business compliance with legal and ethical standards as a prerequisite and a given for creating shared value. Crane, et al. (2014: p140), considered the assumption to be naïve, as it is based on research undertaken at that stage. The level of compliance with legal and ethical standards by corporations was considered questionable and "the absence of compliance with such standards is a key problem of multinational corporations." Therefore, a major underlying assumption for the creation of shared value is deemed to be problematic (Crane, et al., 2014).
- Crane, *et al.* (2014: p140), is of the opinion that the notion of creating shared value "does not tackle any of the deep-rooted problems that are at the heart of capitalism's legitimacy crisis." This opinion is based on the belief that a shared value creation

strategy would not necessarily address the inherent self-interest that is typical of a capitalist system.

Crane, *et al.* (2014) further argued that the application of the concept, could, as a minimum, realise project-level success. However, the project-level success can be realised without addressing the broader social and environmental impacts associated with the activities, products and services that are associated with the core business value creation model (Crane, et al., 2014). The Porter and Kramer (2011), approach is seen by Dyllick (2014), as another opportunity to meet societal needs, using traditional financial value-creation strategies. It will therefore not meet “Porter and Kramer’s aim to redefine the purpose of the corporation” (Crane, et al., 2014: p139).

In support of Crane, *et al.* (2014), Robins (2014: p18), opines that companies tend to contribute to societal development by “delivering goods and services, employing people and paying taxes.” In addition, proponents of the “business as usual” strategy are of the opinion that additional investment in shared value creation initiatives would result in a negative impact on an entity’s ability to remain competitive (Robins, 2014).

De los Reyes, *et al.* (2017), does however see some merit to the concept and opine that Porter and Kramer’s concept of creating shared value is founded on the notion that corporates are not moral saints and that the risks associated with a capitalistic system, which ignores society, warrants the implementation of a shared value creation strategy. They argue further, that Porter and Kramer seeks to supplement the Friedman principle (see Section 1.3.2) of “telling managers that their job is to maximize profits within the law,” by telling managers that “their job is to search for opportunities presented by society’s broader challenges and develop strategies,” which would not only enhance the profitability of the company but also address a societal challenge (de los Reyes, *et al*., 2017: p146); thereby, prompting managers to consider business opportunities, which would respond to environmental and societal challenges and potentially change mind-sets (de los Reyes, et al., 2017).

De los Reyes, *et al.* (2017: p146), commitment to creating shared value is founded in their agreement with Porter and Kramer that “what managers can achieve adopting this mind-set is absolutely worth seeking, celebrating, and furthering.” However, the authors are of the opinion that the notion of creating shared value should be framed within an ethical framework, which promotes and facilitates the decisions which need to be made, when a win-win CSV initiative is not an option (de los Reyes, et al., 2017). In this instance, the ethical framework would guide the decision around CSV initiatives, which has a social or economic trade-off (de los Reyes, et al., 2017).

It should, however, be noted that since the introduction of the concept of shared value creation by Porter and Kramer (2011), there have been several case studies that illustrate the manner in which shared value can be created (Yoo & Kim, 2017). Yoo and Kim (2017: p1), considers the concept to have value, as it changed conventional thinking regarding the trade-off between business and social value.

The rationale for using creating shared value as a strategy is therefore, based on the assumption that a CSV strategy can influence decision makers to consider addressing societal and environmental challenges, whilst implementing the core profit-making model (de los Reyes, et al., 2017).

According to McNeill and Burkett (2013: p3), over and above its objective of creating positive social impact, the shared value approach “includes exploring potential economic, social and environmental impacts, to identify opportunities to create positively reinforcing relationships, rather than competing against each other.”

Shared value is therefore considered a management strategy which encourages the identification of business opportunities in societal and environmental challenges. In contrast, philanthropy and CSR is geared to “giving back” to society or mitigating the impact a company’s activities, products or services might have on stakeholders (Shared Value Initiative, 2017).

The above-mentioned perspectives relating to the opportunities associated with the implementation of a shared value creation strategy, is considered justification to explore the implementation of the concept within corporate South Africa. In addition, there are existing examples of projects that are being implemented in South Africa and internationally, that are aligned to the implementation of a shared value creation strategy (see Section 1.5.).

1.5 Implementation of shared value creation

This section provides implementation examples, for illustrative purposes, of shared value creation projects in South Africa and internationally. The inclusion of the illustrative examples is to provide a context to support the implementation of creating shared value.

Porter and Kramer (2011) identified three strategies which could facilitate shared value creation. These shared value strategies include:

- The identification of new products or the provision of new services that address and meet significant societal needs as well as creating new markets and revenue streams;

- The re-evaluation of the value chain (including resource use) and thereby reducing cost, improving efficiency as well as reducing environmental degradation, to the benefit of society; as well as;
- Creating support services and activities in close proximity to the development or company, in order '"to improve the operating environment affecting business and alleviate social problems" (Porter & Kramer, 2011).

Porter and Kramer (2011: p67) argue that the three strategies are interrelated and "improving value in one area gives rise to opportunities in the others". The illustrative examples discussed below are in relation to these three value creation strategies. The illustrative examples provided below, illustrates how the notion of shared value has been implemented in various organisations. These strategies are considered to be supportive aspects of the financial value creation cycle, as the creation of value on one component generally results in opportunities in the others (Porter & Kramer, 2011).

In the business environment shared value propositions include "reorienting value chains for efficiency and accesses, introducing products which have a social purpose, seeking entry points to underserved markets and exploring longer-term developmental partnerships that improve societal conditions" (Incite, 2016: p2).

The illustrative examples are provided in this Chapter to motivate the rationale for the research. By presenting the examples of shared value projects, the applicability and potential of the notion is provided. The motivation for determining whether legislation can be used to enable the uptake of creating shared value, a strategy that the research reflects has been implemented successfully and is therefore presented.

I. Reconceiving products and markets

The foundation of this shared value creation pillar is meeting the needs of your consumers and the communities within which you operate. Porter and Kramer (2011), argue that the many unmet needs of society, which includes housing, nutrition, environmental management and healthcare, among others; are arguably the greatest opportunities for financial growth for businesses. This assertion is based on the premise that the capitalist system is based on creating demand for products and services, rather than considering whether the products and services are in fact good for consumers and whether they meet societal needs (Porter & Kramer, 2011).

In this instance the notion of reconceiving products and markets refers specifically to enhancing existing product and service offerings, to address a societal challenge (see illustrative example in Box 1**Error! Reference source not found.**). The shared value creation odel assumes that the enhancements would facilitate access to additional markets and thereby increase revenue or create a new revenue stream.

Box 1: Reconceiving products and markets illustrative example.

RECONCEIVING PRODUCTS AND MARKETS

DISCOVERY LIMITED ILLUSTRATIVE EXAMPLE

Societal need

Discovery Limited (hereafter referred to as Discovery) is a South African based insurance company, focusing on short and long-term personal insurance, health insurance, credit, savings and investment financial services (Discovery Limited, 2015).

The Discovery value creation model is based on the premise of "creating shared value from better health" (John Hancock Life Insurance Company, 2015). Initially, Gore and his business partner Swartzberg (Discovery Health founders), intended to reduce the demand for health care and in that way reduce medical care expenses by focusing on chronic diseases. The strategy was based on the fact that behavioural patterns greatly influenced the likelihood of contracting four significant chronic diseases i.e. cancer, cardiovascular diseases, diabetes and respiratory diseases (Porter, Kramer & Sesia, 2016).

Over and above the obvious health risks, the societal need, which drove this shared value creation policy, evolved around the fact that people are generally living longer than ever before and would potentially have additional medical requirements associated with ageing. According to Statistics South Africa (2016), male and female life expectancy increased by 3.7 percent and 3.1 percent respectively over a ten-year period (i.e. 2006 to 2016).

According to John Hancock Life Insurance Company (2015: p6), although this positive trend should be good news for policy holders and consumers, what frequently transpires, is that consumers and policy holders spend more years in "poorer health" as chronic health conditions become more complex and frequent and the associated medical demands and attention increases (John Hancock Life Insurance Company, 2015).

Reconceiving products

The Discovery shared value creation strategy is therefore based on “making people healthier” and thereby having a positive impact on the cost and financial value for the company, as well as their clients (Discovery Limited, 2015). The strategy inspires members to “improve their health-related behaviour, thereby having a positive impact on mortality and morbidity experience in the health insurance markets” (Discovery Limited, 2015: p20). In this instance the product offering (i.e. medical insurance) was reconceived with the inclusion of a wellness programme which promoted and rewarded healthy lifestyle choices. Thereby addressing health concerns of clients and reducing the medical payments made by Discovery Health.

The resulting savings, profit increase, healthy living and better quality of life can, therefore, be considered the shared value creation component of the Discovery model, which realises societal and financial value to clients, insurers and society (Discovery Limited, 2015).

Measurement of outcome and performance

The figure below reflects the shared value created because of the reconceived wellness programme product to society and clients, as well as Discovery.

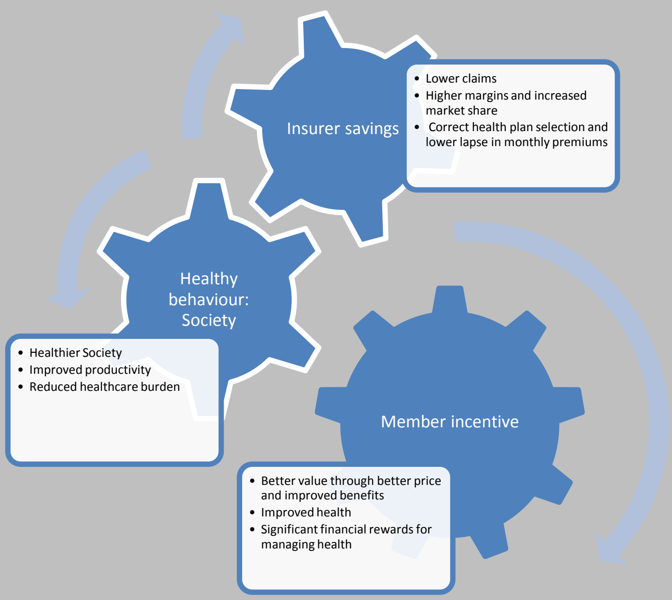

Figure 1: Discovery Health shared value creation benefits performance highlights (adapted from Discovery Limited, 2015: p22)

From a Discovery Health perspective, this shared value creation strategy had a significant impact on their market share as by 2014, “Discovery operated an open medical scheme and thirteen employer-based closed schemes with a total of 2.9 million members, which was more than the membership of its ten largest competitors combined" (Porter, Kramer & Sesia, 2016: p5).

Although Porter and Kramer, (2011), maintain that the demand for products to meet societal needs is rapidly growing; however, greater opportunities exist within developing countries and poor communities to introduce products and services, as there are potentially more societal challenges. However, Moon, Parc, Yim and Park (2011), argue that the "occupy movement[1]" as well as the "euro zone crises" has highlighted the fact that the need for shared value creation is applicable to developed countries as well as developing ones. The aforementioned social challenges and crises affected developed countries.

A critique of the creating shared value concept and specifically, that relating to the aspect of reconceiving products and markets, relates to the belief that this concept is not new, and is merely a "rehash of the social innovation debate" Crane, Palazzo, Spence and Matten (2014: p135). Although the critique does not refute the benefits of reconstructing products and markets to the benefit of society, it does question the acceptance that this particular component of creating shared value was discovered by Porter and Kramer. In addition, Crane, Palazzo, Spence and Matten (2014), cites the concerns around microfinance (which is highlighted as a positive example of creating shared value by Porter & Kramer, in 2011), as an example of a product not meeting the societal and environmental need as was originally intended. The intention of the microfinance approach is to facilitate access to loans for people living in poverty. The need for micro-financing arose as people on the lower end of the Living Standards Measure generally had no or limited collateral with which to secure a loan (Vethecan, 2014). Institutions engaging in micro-financing relied on borrowers' social standing or capital, to gauge whether a loan would be repaid as well as to ensure regular repayments. However, exploitative practices were increasingly evident in the micro-financing sector. The exploitative practices included:

- Non-disclosure of interest and repayment expectation of the loan;
- Furnishing of loans to individuals who do not have the means to repay it; and

[1] The occupy movement is a campaign against social, economic and political inequality and the promotion of democracy, with the primary objective is to advance social and economic justice (Wikipedia, 2017).

- Provision of credit for consumer goods that where not justifiable.

The above-mentioned practices resulted in the exploitation of an already vulnerable group (Vethecan, 2014). The financial viability of micro-enterprises is, therefore, questionable and the impact on equality and poverty alleviation has been negligible even though access to finance for micro-enterprises via micro financing is more widespread (Crane, Palazzo, Spence & Matten, 2014).

II. Redefining productivity in the value chain

According to Porter and Kramer (2011), business activities, products and services can have several societal impacts and may exacerbate certain societal and environmental challenges and needs. The impacts along a corporates value chain may relate to the use of natural resources, as well as the health and safety of employees and the communities within which an entity operates. According to Porter and Kramer (2011), the impact of greenhouse gases and packaging, together with its associated waste management impacts, are examples of activities in the value chain which can have a negative impact on society and the environment. Porter and Kramer (2011), cite Walmart's focus on its value chain, as an example of a shared value initiative, which resulted in reduced packaging and greenhouse gas emissions, thereby lowering air emissions associated with their activities and realising a saving of $200 million to the company.

Therefore, opportunities to create shared value along the value chain relates specifically to innovative ways to reduce costs to the organisation, improve access to resources and promote efficiency within the value chain, whilst meeting existing societal needs and environmental challenges (see illustrative example in Box 2).

Moon, Parc, Yim and Park (2011), cites greenhouse gas emissions and excessive packaging as externalities in the supply chain. These externalities in turn impact on society, thereby providing an opportunity for shared value creation when addressed by companies. This shared value creation opportunity requires regular assessment of the value chain and the external opportunities and challenges, which lends itself to creating shared value and is considered a trigger for innovation and increased competitive advantage (Moon, Parc, Yim & Park, 2011).

Box 2: Redefining productivity in the value chain illustrative examples.

REDEFINING PRODUCTIVITY IN THE VALUE CHAIN

NESTLÉ'S RESPONSIBLE WATER USE AND MANAGEMENT ILLUSTRATIVE EXAMPLE

Societal need

According to the United Nations Educational, Scientific and Cultural Organization (UNESCO) (2016), the global population is expected to increase by 33 percent by 2050 and the demand for food could potentially increase by 60 percent. An estimated 663 million people have limited access to improved[2] sources of drinking water, whilst the number of people without reliable access[3] to drinking water of good quality is in the region of 1.8 billion (UNESCO, 2016). This means that the need for reliable and suitable access to drinking water is increasingly challenging (UNESCO, 2016). Bearing in mind the existing drinking water access challenges, as well as the forecasted population growth and associated food demands, the need for suitable and reliable access to drinking water will be increasingly challenging.

According to Nestlé (2011: p2), considering the potential food demands, the key challenge will be water, which is considered "the scarcest natural resource on earth". At the current rate of water consumption, we can expect reduced and slower economic development, due to the lack of fresh water (Nestlé, 2011).

Redefining productivity in the value chain

Nestlé (2011), maintains that reliable access to fresh water throughout their value chain is paramount in maintaining their ability to meet increasing consumers' food and nutritional needs. To meet the existing and future societal need, in a manner that promotes Nestlé's economic development, the following strategic policies were implemented:

- Driving operational efficiency

Implementation of operational efficiency measures by "reducing water withdrawal, increasing reuse, using alternative water sources such as rainwater harvesting and continually working to improve the water efficiency of the production process" (Nestlé, 2011: p20). The mitigation

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[2] An "improved water source" is defined as a water source where the human use is separate from that used by animals and faecal contamination. However, an "improved water source" is not automatically free of bacteria or other contamination and therefore not necessarily safe (UNESCO, 2016).

[3] "Water access" is defined as having a minimum of 20 litres of drinking water per person per day within one kilometre of a dwelling (UNESCO, Undated).

measures implemented were based on the results of a societal and environmental risk and opportunity assessment.

- Supply chain management

On a watershed level, Nestlé engaged with local stakeholders to promote water preservation through its sustainable agricultural initiative (Nestlé, 2011). This initiative supports local farmers within the supply chain by assisting with projects that address water management and irrigation challenges (Nestlé, 2011: p24).

In addition, Nestlé has introduced “guidelines on the responsible use of water in agriculture”, which applies to all applicable agricultural and forest-based raw material suppliers in the value chain (Nestlé, 2011: p26).

- Community engagement

This initiative included developing sustainable community water management schemes within the communities within which Nestlé operates. These initiatives included water, sanitation and hygiene projects in schools and villages near their operations around the world (Nestlé, 2011).

Measurement of outcome and performance

The measurements of outcomes detailed below are examples of Nestlé’s value creation initiatives (Nestlé, 2011: p29):

- Driving operational efficiency, this resulted in a 35% reduction of water used by Nestlé Waters and significantly reduction in water consumption, even though the food production volumes increased by over 73% over the same period.

- Since 2007, improved “access to water and sanitation for over 100 000 people”, in association with the International Federation of Red Cross and Red Crescent Societies since 2007.

III. Enabling local cluster development

The premise for this particular strategy for creating shared value, is based on the argument that no company is self-sufficient or independent of the communities within which it operates. Porter and Kramer (2011: p70), argue that successful businesses are “affected by the supporting companies and infrastructure around them,” and most successful regional economies are characterised by successful development support clusters. Support clusters can be defined as the communal infrastructure or services utilised by industries within a specific geographical area or related industries (Porter & Kramer, 2011). Moon, Parc, Yim and Park (2011), argue that by building local economic and social collaborative cluster opportunities for shared value creation, companies have opportunities to improve productivity, whilst addressing challenges and inequalities.

Local collaborative clusters can include businesses, academic institutions, trade associations, and government, as well as shared infrastructures and communities (Porter & Kramer, 2011) (see illustrative example in Box 3**Error! Reference source not found.**).

To improve the competitiveness and revenue of an entity by supporting cluster development, Porter and Kramer (2011) suggest:

- Identifying where opportunities for cluster development exist (e.g. training);
- Focusing on those opportunities which characterise the biggest challenge to the entity's growth (e.g. impact of scares skills on productivity); and
- Determining which areas, the entity is best equipped to directly or indirectly influence (e.g. Collaborating with an educational institution to provide the practical training needed to acquire the relevant qualifications).

Box 3: Enabling local cluster development illustrative example.

ENABLING LOCAL CLUSTER DEVELOPMENT

SANTAM 'ADOPT-A-MUNICIPALITY' EDEN DISTRICT ILLUSTRATIVE EXAMPLE

Societal need

According to Ginsburg, Maytham and Maytham (2014: p2), the Communities in Eden District Municipality, South Africa, are increasingly affected by natural hazards such as "floods, interspersed with prolonged periods of very low rainfall and severe drought conditions, coastal subsidence with sea storms, and devastating wildfires".

The increased natural disasters not only influence and have impacts on the communities and businesses in the area, but also result in an increase in claims from Santam clients within the district. Damages from natural disasters have the potential to run into millions of rands every year, having potentially crippling effects on communities and businesses in the area (Ginsburg, Maytham & Maytham, 2014).

Enabling local cluster development

The Santam Adopt-a-Municipality initiative was triggered by a South African government drive in 2009 to partner with the private sector, to address capacity challenges in local government. The Local Government Turnaround Strategy (LGTAS) was considered the foundation for this government drive (Ginsburg, Maytham & Maytham, 2014).

Santam was motivated to participate in this initiative because of the increased insurance claims in the Eden District, which could be directly linked to the series of natural disasters plaguing the District. According to Santam (2014), the primary focus would be to mitigate the potential for insurance losses and where such losses have occurred, to potentially reduce their total insurance claim value.

The cooperative initiative to respond to natural disasters and risks in the Eden District had two distinct characteristics.

- Research collaboration

Santam initially decided to investigate and determine the driving factor/s associated with the disaster risks and "what the insurance sector could do to increase resilience across landscapes and for their own business" (Ginsburg, Maytham & Maytham, 2014: p3).

Two key findings of the research were that although climate change was driving the risks, human changes to the landscape were exacerbating these risks. Therefore, based on this research, it was determined that although the local municipality might not be able to adequately manage the impact of global climate change, there are several management measures which could be implemented, to mitigate the "man-induced" impact on climate change (Ginsburg, Maytham & Maytham, 2014: p4).

- The Business Adopt-a-Municipality initiative

Following the research mentioned above, Santam committed to adopting the Eden District Municipality through its "Adopt-a-Municipality" initiative in 2012. Through this partnership, the project was able to realise improved risk assessments undertaken by Santam prior to providing insurance cover. The improved risks assessment, in turn resulted in a reduction in the insurance claims received from the District and provided Santam clients with appropriate and effective cover (Ginsburg, Maytham & Maytham, 2014).

Measurement of outcome and performance

According to Ginsburg, Maytham and Maytham (2014), several benefits and successes were realised with the “Business Adopt-a-Municipality” programme. The benefits included the fire department’s ability to respond more effectively and efficiently to fire disasters as well as better understanding of the drivers of flooding and the potential management measures and response strategies.

Due to the success of the collaboration between the Eden Municipality, Santam and the South African Local Government Association (SALGA), this programme will be expanded to an additional ten district municipalities located throughout South Africa, which collectively comprises 54 local municipalities (Santam, 2014). The intention of the extended programme would be; together with associated industries, SALGA and the affected municipality, to focus on risk mitigation and reduction interventions. These interventions would specifically be focused in areas where historically, businesses and individuals had suffered flood related losses.

1.6 Status Quo of the Value Creation Strategy in Corporate South Africa

The objective of this section, is to explore the existing uptake of a shared value creation strategy by corporate South Africa, specifically those entities registered on the Johannesburg Stock Exchange.

To investigate whether South African corporates are implementing a shared value creation strategy, geared to meeting the societal challenges as per the Porter and Kramer (2011), value creation framework, the top ten Integrated Reports as awarded by Ernest and Young in 2016, were reviewed. The Integrated Reports for the following companies were considered:

- Kumba Iron Ore Limited
- Oceana Group Limited
- Liberty Holdings Limited
- Sasol Limited
- Redefine Properties Limited
- Truworths International Limited
- Vodacom Group Limited
- Nedbank Group Limited
- Anglo American plc
- Barclays Africa Group Limited

All the Integrated Reports reviewed clearly expressed that existing societal challenges can have an impact on their ability to create financial value. These companies, therefore, direct financial investments to address these challenges via their CSR initiatives. For the most part, the investments and projects presented were notable and worthwhile. However, I identified opportunities to align the corporate financial value strategy to the shared value creation framework, as defined by Porter and Kramer (2011). Several companies presented philanthropic initiatives, which could be enhanced or amended to promote a shared value creation strategy.

Most of the companies reflected a financial value creation strategy. The reports reviewed suggested that the financial value created for shareholders allowed for a social investment programme, geared towards meeting societal challenges. The societal challenges identified were as directed by industry charters and a broad-based economic development framework. Two of the Integrated Reports reviewed reflected projects which provided financial value to shareholders and addressed a specific societal need.

Although companies recognise the implications of the societal challenges experienced in South Africa, limited evidence was available which showed that corporates are seeing the opportunities associated with meeting these societal challenges. The literature review, presented in Section 3 presents national and international examples of companies implementing shared value creation, to the benefit of society and the profit margin. It can, therefore, be inferred that the shared value creation strategy is possible but not embedded in mainstream South African corporate strategy development and implementation.

Based on my experience with corporate South African and multinational companies, there are several factors which cause limited implementation of a shared value creation business strategy. The barriers include:

- The implications of a profit-driven business strategy;
- The limited knowledge base associated with the impact and opportunities associated with this specific value creation strategy; and
- The existing legislative framework that perpetuates the belief that CSR is the means within which to engage with societal and environmental challenges.

These observations are partially supported by the Social Ventures Australia (SVA) consulting (2013), who argued that the barriers identified by industry leaders attending an international Shared Value Leadership Summit in 2013, relate to the economic realities of implementation shared value projects or strategies. The barriers included the trend that shared value projects “take longer to pay-back than alternative investments” (SVA Consulting, 2013: p2). The implication of this barrier is that the financial benefits to a company might be greater, but the time to realise these benefits are longer when compared to traditional financial value creations strategies (SVA Consulting, 2013). The risks associated with shared value strategies “are frequently poorly understood, and a risk-averse board may overestimate the downside or discount the likelihood of success” (SVA Consulting, 2013: p5). Participants at the summit also argued that it’s not common for employees who engage and comprehend social issues within the broader community, to actively participate in business strategy development on an executive level. The knowledge base associated with social challenges tends to reside with the applicable Social Responsibility portfolios (SVA Consulting, 2013).

According to Juggernath, Rampersad and Reddy (2011), legislative requirements are considered a strong driver for change and this is evident in the level of implementation of the Broad-Based Black Economic Empowerment framework. A similar position is held by Blignaut (2017) who argued that legislation is an important enabler in meeting the requirements of the National Development Plan, as well as the commitments made as part of the Paris Climate Change Agreement.

1.7 Creating shared value governance and legislative enablers

This section explores existing policies and corporate governance initiatives, from both a government and a corporate perspective, which enables and facilitates the implementation of a shared value creation strategy. As the thesis considers the use of legislation as an enabler to increase the uptake of creating shared value, the opportunities associated with using legislation as a trigger, to increase the uptake of a shared value creation strategy, is explored.

1.7.1 Legislation as a trigger to adopt a shared value creation strategy

According to the Institute of Manufacturing (2009), laws and legislation can be designed and utilised to promote innovation, competitiveness and subsequent financial value creation. Laws and legislation designed to generate financial value creation products are referred to as “technology forcing legislation” (Institute for Manufacturing, 2009: p1). The incentive to innovate and develop technologies in response to a societal challenge “comes from the threat of punitive action if the required targets are not met” (Institute for Manufacturing, 2009: p1). According to the Institute of Manufacturing (2009), these types of legislation and laws can be considered a catalyst for change.

Interestingly, in 1991 Michael Porter indicated that there is an argument to be made for the theory that legislation can change corporate financial value creation strategies (Porter, 1991).

Porter (1991) argued that legislation can prompt the development of additional services and products, thereby generating an additional revenue stream and as presented below promote shared value creation.

Research has indicated that strict legislation and specifically environmental legislation does not necessarily result in reduced competitive advantages. In fact, increased legislation can trigger innovation and societal value creation (Porter, 1991). Porter (1991) utilises the legislation associated with air pollution control and abatement in Germany, as an example of an instance where the legislation was the driving force behind increased patents and exporting of air pollution abatement and environmental technologies, thereby creating financial value to corporates, as well as meeting a societal challenge relating to air pollution management and abatement.

The Clean Air Act of 1970 is a legislative framework which was considered a catalyst for change; as well as meeting societal needs by means of innovation and re-engineering products (Institute for Manufacturing, 2009). The Act enabled a mandate to reduce 90% of the emissions from car exhausts in the United States. The legislation resulted in the design and manufacture of catalytic converters for the US automobile market and later global market in the 1970's (Institute for Manufacturing, 2009). The uptake of the legislation was a result of businesses realising that there were commercial opportunities associated with compliance (Institute for Manufacturing, 2009).

According to Porter and van der Linde (1999), environmental - related standards and legislative requirements can facilitate innovation, which in turn, can reduce production related costs and increase financial value creation. This innovation value creation strategy could potentially extend to the efficient use of raw materials and energy as well as labour efficiency, thereby, "offsetting the costs of improving environmental impact" and positively contributing to the expenditure associated with complying with the applicable legislation (Porter & van der Linde, 1995: p1). Porter and van der Linde (1995), argue that the aforementioned strategy enhances resource efficiency, making companies more competitive, and not less, as is believed.

In addition, innovation to comply with specific environmental regulations and policies can also realise production cost savings and increase efficiency "by reducing unnecessary packaging or simplifying designs" (Porter & van der Linde, 1995: p219). Porter and van der Linde (1995), argue that although the efficiency innovations were promoted by legislative requirements, consumers have also been placing a higher financial value on resource-efficient products.

This consumer demand has allowed companies to increase competitiveness and revenue for "green products and to open up new market segments" (Porter & van der Linde, 1995: p219).

Porter (1991) argues that for legislation to act as a trigger for innovative solutions to societal challenges, the regulatory standard should be aimed at meeting a specific outcome, rather than the process to achieving a specific outcome. This legislative approach is considered a catalyst for innovation of activities, products and services. It does, however, require the right type of legislation, aimed at prevention rather than abatement and should include incentives to contain and mitigate additional costs (Porter, 1991).

Although this theory refers specifically to environmental legislation, I believe similar principles can be utilised for addressing social challenges as well. The South African BBBEE legislation is an example of how compliance can not only contribute to the financial value creation strategy of an entity but can meet societal challenges as well.

Porter and van der Linde (1995) identified six opportunities where the implementation of legislation can create shared value, namely:

- Legislation can assist companies with identifying the eminent social and environmental challenges at which innovation should be directed.
- Legislation can raise awareness of the impact a company has on the natural environment and thereby promote efficiency.
- Regulation can also reduce the uncertainty around investment into innovative social and environmental challenges.
- It creates the pressure and motivation required to identify innovative solutions to challenges.
- It can increase the competitiveness of an industry and allow for the offsetting of innovation costs during the legislation transitional implementation phase.
- It allows for improved environmental quality as not all impacts can be offset by innovation.

This theory has, however, been criticised for being disconnected from popular business economic theories, in which the primary objective of companies is to maximise profit (Ambec & Barla, 2005). Therefore, the need for regulations to prompt innovation which have a positive impact on the revenue and competitiveness is questioned by some (Ambec, Coheny, Elgiez & Lanoie, 2013). Ambec, Coheny, Elgiez and Lanoie (2013: p5), indicate that the Porter hypothesis assumes that companies ignore "profitable opportunities", which they argue contradicts the view that companies exist to maximise profits.

According to Porter and van der Linde (1995); not all legislation promotes innovation, only that which is designed with intent to create the maximum innovation opportunity. Porter and van der Linde (1995: p110), argue that maximum innovation opportunity is realised by "leaving the approach to innovation to industry and not the standard-setting agency". According to Porter and van der Linde (1999), innovation enhancing legislation should also include the following:

- A commitment to continuous improvement rather than stipulating the technology to be used to address the identified challenge; and
- Confirmation regarding the long-term strategy for dealing with the societal challenge, to promote investment into innovative solutions.

Ambec, Coheny, Elgiez and Lanoie (2013: p5), argue that this legislative approach is consistent with the "performance-based and/or market-based environmental regulations".

1.8 Research goals, objectives and questions

Taking into account the information presented and discussed in Sections 1.1 - 1.7, the overall goal of this, therefore, is to explore how to enable:

A consistent uptake, by companies in South Africa, of shared value as a means of creating value, focusing on legislation as an enabler.

However, prior to addressing this, the research will also consider whether the notion of creating shared value is practiced in South Africa and whether there are benefits to its implementation. The purpose for the inclusion is twofold:

- Firstly, to investigate whether entities in corporate South Africa are aware of the notion of creating shared value. This is important to the research, as it would provide an indication of the level of understanding, viability and an appetite for the implementation of creating shared value within the South African context; thereby proving a sense of whether the enabling legislation will be received more readily by the various stakeholders.
- Secondly, should the level of understanding, viability and appetite for the implementation of creating shared value be poor, utilising legislation as an enabler to increase the uptake, could potentially be considered premature in this phase of the shared value creation adoption journey.

Therefore, in support of the above-mentioned research goal, below are the research objectives, together with the supporting research questions:

Objective 1: To understand the current context of creating shared value. This includes understanding how it's defined, its current voluntary implementation and whether the existing policy and legislative environment promotes its use.

- **Question 1:** What is the meaning and definition of creating shared value? Are there examples of existing shared value creation initiatives that have been implemented?
- **Question 2:** Is there existing legislation that supports corporates engaging with societal and environmental challenges, as promoted in the shared value approach?

Objective 2: To explore the barriers associated with using legislation as an enabler to increase the uptake of shared value creation.

- **Question 3:** What are the constraints associated with utilising legislation or policy to enable the implementation of shared value creation?

Objective 3: To identify recommendations that relating to policy and legislation that would enable an uptake of shared value creation.

- **Question 4:** Based on the constraints identified, what are the recommendations for legislative improvement, to increase the uptake of shared value creation in corporate South Africa?

1.9 Conclusion

The objective of this chapter was to provide the background and rationale for the research. To meet this objective, the chapter includes a description of the research objectives and supporting questions.

The chapter articulated the evolution of corporate sustainability, to place the concept of creating shared value within the evolution spectrum. Four phases of the evolution spectrum were presented and the key characteristics thereof articulated. With the placement of the shared value creation concept considered to have emerged in the third phase.

Thereafter the various perspectives, both positive and negative, are presented. The opportunities and positive perspectives associated with the concept of creating shared value, form the basis for using the concept as a financial and societal value creation strategy.

The chapter defined the notion of shared value creation and illustrated how it could be implemented. The manner of implementation was further augmented with the use of illustrative examples. A brief analysis of the existing uptake of shared value creation in corporate South Africa was presented, and the opportunity to utilise legislative requirements to increase the uptake was explored.

Lastly, the role that governance and legislation can play in enabling the uptake of the concept is presented, by articulating the policy and legislative frameworks that trigger corporate environmental and societal engagement.

2 RESEARCH DESIGN AND METHODS

"The purpose of the corporate must be redefined as creating shared value, not just profit per se. This will drive the next wave of innovation and productivity growth in the global economy" (Porter, Undated)

Michael Porter (Bishop William Lawrence University Professor, Harvard Business School).

2.1 Introduction

This chapter presents the research methods implemented to address the research objectives and supporting questions. It includes a brief description of each of the research elements, to illustrate the rationale for each of the research components. This chapter also reflects the way data was collected and analysed. Lastly, an assessment of the effectiveness of the research methods in answering the overall research objectives as well as the associated research sub-questions is presented.

According to Mouton (2001: p72), the research design is the blueprint of how the research is undertaken and it should be aligned to the "type of question" the research aims to answer. The research method presented in this chapter is therefore specifically designed to address the objectives as detailed in Section 1.8 as well as the supporting questions listed in the aforementioned section. The research design described in this chapter is based on three elements:

- Undertaking a literature review, to determine existing documented information relating to shared value creation definition, implementation and the existing policies and legislation that supports the notion of shared value creation;
- Identifying illustrative examples that reflect the way a shared value creation strategy has been implemented; and;
- Conducting interviews to determine, whether the notion of shared value creation was being implemented in corporate South Africa and whether legislation and policies could trigger an uptake of a shared value creation strategy in corporate South Africa.

The above-mentioned research design elements were not used in isolation to answer a specific research question; but rather applied during the research process in a manner that not only answers the research questions but also facilitates meeting the research objectives. The table below reflects the research method in relation to each of the research objectives and questions.

Table 1: Research methods in relation to research objectives and questions

Research Objectives	Research Question	Method
Understand the current context of creating shared value. This includes understanding how it's defined, its current voluntary implementation and whether the existing policy and legislative environment promotes its use.	What is the meaning and definition of creating shared value? Are there examples of existing shared value creation initiatives that have been implemented? Is there existing legislation that supports corporates engaging with societal and environmental challenges as promoted in the shared value approach?	The literature review forms the basis for answering this question. The interview questions were aimed at supplementing the information derived from the literature review, as well as identifying additional policies not identified during the literature review process. The examples illustrate corporations which have implemented shared value.
Explore the barriers associated with using legislation as an enabler to increase the uptake of shared value creation.	What are the constraints associated with utilising legislation or policy to enable the implementation of shared value creation?	Constraints and barriers were extracted from the literature review and interviews.
Identify recommendations that relating to policy and legislation that would enable an uptake of shared value creation.	Based on the constraints identified, what are the recommendations for legislative improvement to increase the uptake of shared value creation in corporate South Africa?	Recommendations were extracted from the literature review and interviews.

2.2 Research methods

The sub-section below describes the actions taken and methods during the research process.

2.2.1 Research objectives

In support of the research objectives, several research questions were identified. To reiterate, the overarching goal of the thesis was to explore - how to enable a consistent uptake, by companies in South Africa, of shared value as a means of creating financial and societal value, with a specific focus on legislation as an enabler. This overarching goal expanded into the research goals, which were further supported by several research questions. The research objectives and supporting questions are reflected in Section 1.8.

2.2.2 Literature review

According to Mouton (2001), the objective of a literature review is to determine the scholastic information available in a particular research field. In addition, the literature review has the following objectives (Mouton, 2001):

- To ensure that the research is not a duplication of an existing body of work;
- To determine the most recent opinions, research information and theories; as well as;
- To ascertain the most commonly used definitions and concepts.

Therefore, the literature review provides a theoretical framework for the research and an indication of the information and knowledge applicable and available relative to the research aims and objectives.

The literature review for this thesis was incorporated into Chapters 1 and 3.

2.2.3 Literature review as a means of addressing research objectives and questions

The purpose of this section is to illustrate the way the literature review contributed to meeting the research objectives and answering the research questions.

Question 1: The literature reviewed provided a comprehensive body of work which defined the concept under investigation. The definition of creating shared value as provided by Porter and Kramer (2011), together with the way the shared value creation strategies can be implemented was articulated. The illustrative examples provided demonstrates where shared value creation strategies were implemented in South Africa and internationally.

Question 2: The literature review provided an indication of the South African and international policy and legislation that supports the notion of shared value creation.

Question 3: The literature accessed articulated the potential constraints associated with using legislation to promote shared value creation. The interview findings as detailed in Chapter 5, provided additional insight into the potential constraints.

Question 4: The literature review provided guidance on the way legislation should be framed, to promote an uptake of a shared value creation strategy. The literature review is augmented by the interview findings as detailed in Chapter 5.

The literature review was therefore instrumental in answering questions 1 and 2 and provided a foundation for answering questions 3 and 4. While every effort was made to undertake a comprehensive literature review, I cannot explicitly state that the literature reviewed is a complete list of available literature on the subject matter. The need for research for questions 3 and 4 is evident because of the limited literature available to address those questions.

2.2.4 Literature review search methods

According to Mouton (2001: p100), a literature review should be "exhaustive in its coverage of the main aspects" and should be undertaken in a systematic manner. The literature review is considered comprehensive: when reviews and searches result in the repetition of authors and references; no new opinions or thought leaders emerge; and when secondary data confirms the original authors and research cited (Mouton, 2001).

The literature review entailed searching for relevant articles, books, publications and other material, which would assist in theoretical insights or identify a theoretical framework. The literature review undertaken can be classified as a traditional review. A traditional review is defined as a review of available literature which is pertinent to the research subject with no prescribed or predetermined methodology (C. Kelly, pers. Comm. 13 November 2014).

The following resources were utilised in the literature review process:

- Stellenbosch University Library and Information Systems;
- Google Scholar search engine;
- ScienceDirect search engine; and
- Journal Storage (JSTOR) search engine.

The section below will describe the main concepts searched, what the objective of the search was, and which research question the literature search was intended to answer.

Table 2: Literature review concept search

No.	Key concept searched	Objective of concept search	Research question
1	Definition of creating shared value	Establish the definition of shared value and determine whether the Porter and Kramer (2011) definition is embedded in any other literature.	Question 1
2	Value creation	Determine what the literature states about corporate value creation strategies and whether it can be linked to value creation as defined by Porter and Kramer (2011).	Question 1
3	Value creation as a business strategy	Determine whether the value creation strategy is being implemented.	Question 1
4	Corporate Social Responsibility	Define Corporate Social Responsibility in relation to value creation.	Question 1
5	Corporate Social Investment	Define Corporate Social Investment in relation to value creation.	Question 1

No.	Key concept searched	Objective of concept search	Research question
6	Top 10 Integrated Reports 2016	Determine whether value creation strategy was being implemented in corporate South Africa.	Questions 1
7	Implementation of shared value creations	Determine whether value creation strategies were being implemented in corporate South Africa and internationally.	Questions 1
8	Shared value creation legislation	Determine whether there is any legislation which would promote addressing societal and environmental challenges	Question 2
9	Disadvantages of creating shared value	Determine whether there are any constraints associated with implanting shared value as a business strategy.	Question 3
10	Advantages of creating shared value	Determine whether there are any opportunities associated with implementing shared value as a business strategy.	Question 3
11	Supply Chain impact on society	Identify the opportunities and constraints associated with value creation in the supply chain.	Questions 3 and 4
12	Enterprise development strategies	Identify the value creation opportunities and constraints associated with enterprise development.	Questions 3 and 4

No.	Key concept searched	Objective of concept search	Research question
13	Creating shared value strategies	Determine how to implement shared value creation.	Questions 1
14	Nestlé Creating Shared Value	Illustrative example information to articulate the shared value creation strategy.	Questions 1
15	Santam Creating Shared Value	Illustrative example information to articulate the shared value creation strategy.	Questions 1
16	Discovery Health creating shared value	Illustrative example information to articulate the shared value creation strategy.	Questions 1
17	Legislation as a trigger to embed strategy	Determine the constraints and recommendations to use legislation as a trigger to embed strategy.	Questions 3 and 4

2.2.5 Identification of illustrative examples

The use of case studies in research can be used as a secondary source of data to support a particular theory (Bryman, *et al*., 2014). In this instance, illustrative examples are utilised to support the notion that creating shared value is possible and can lead to the creation of business, as well as societal value creation.

The illustrative examples identified are based on my experience and the most common shared value creation examples I encountered as a corporate sustainability practitioner. The examples identified illustrate the way shared value creation has been implemented and incorporated into the business strategy of the entity being discussed. The illustrative examples included Nestlé (International), Santam (South African) and Discovery Health (South African). The illustrative examples are reflected as boxed text in Chapter 1.

As shown in Chapter 1 each of the illustrative examples presented represented an element of the three pillars of shared value creation opportunities as described by Porter and Kramer (2011). The examples in this instance are, therefore, being used for illustrative purposes.

2.2.6 Interviews

According to Mouton (2001), there are several empirical data selection and identification sources. For this research, I used self-reporting, which is typified by semi-structured and structured interviews (Mouton, 2001).

The questions proposed which form the basis of the interviews and subsequent data gathering were pretested with my research supervisor and one of the interview participants. Subsequent to the pre-testing exercise, I, together with the research supervisor, made several changes to the questionnaire. The changes were made to ensure that the questions are unambiguous, structured and relate specifically to answering the research questions.

A semi-structured interview method was utilised to test the research hypothesis. According to Bryman, *et al*. (2014), semi structured interviews allow for set questions to be asked but not in the same sequence as would be required by a structured interview[4] methodology. In addition, a semi-structured interview method allows:

1) questions to be open ended;
2) for additional follow up questions; and
3) gives the interviewee the opportunity to answer as he/she prefers (Bryman, et al., 2014).

More importantly, the interview answers reflect the interviewee’s understanding and views associated with shared value creation within the corporate environment.

I. Interview questions

The interview questions were compiled by considering the research questions and objectives. Each question was developed by considering the way it would contribute to answering the research questions. More specifically, two of the questions were geared to eliciting opinions and experiences with legislation as an enabler of shared value creation.

[4] The process by which all interviewees are presented the interview questions, in the same order throughout the interview phase (Mouton, 2001).

The interview questions were not amended at any time during the data gathering process, although clarification and secondary questions were asked by the interviewer during the interviews. The clarification and secondary questions were not initially included in the questionnaire.

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TITLE OF THE RESEARCH PROJECT:	The Notion of Creating Shared Value, its applicability and implications for corporate South Africa
REFERENCE NUMBER:	SU-HSD-004106
RESEARCHER:	Karen-Dawn Koen
ADDRESS:	Sustainability Institute, Lynedoch
CONTACT NUMBER:	0834155927

Creating Shared Value Interview Questions (five minutes per question)

1. What is your understanding of Creating Shared Value?

2. In your company/entity, how do you create value and in what way does society benefit from it?

3. Do you believe that societal needs can be eased with the implementation of Shared Value?

4. In your experience or opinion how does implementing shared value change business practices and policies? Where have these been implemented successfully?

5. What are the legislative/business/policy opportunities and constraints associated with creating value that can benefit society?

6. What stumbling blocks do companies typically face in trying to create shared value and how does your company address any challenges it faces?

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7. Do you have any suggestions for improvements in the existing policy frameworks to facilitate and enhance shared value creation?

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Figure 2: Interview questions

II. Interview candidate selection process

The candidate interview selection process was facilitated with my involvement in the National Business Initiative (NBI), Western Cape Steering Committee. The NBI is a voluntary alliance of South African and multinational companies, "working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business action, thereby demonstrating business action for sustainable growth" (NBI, 2017: para 1). My participation in the NBI Steering Committee allowed me to access corporates and non-governmental organisations (NGO's) working within the corporate sustainability environment. With their participation in the NBI, these companies and NGO's characterise a commitment to sustainable growth, development and shared value creation.

The National Business Initiative membership includes a number of South Africa's Johannesburg Stock Exchange listed companies (such as Woolworths, Old Mutual, Investec and Anglo American), state-owned enterprises (such as Eskom and Transnet) and a variety of medium-sized firms (such as Environmental Resource Management, Carbon Trust and Promethium Carbon) (National Business Initiative, 2017).

Of the fifteen companies and Non-Governmental Organisations contacted, nine consented to participate in the research. Those individuals, who elected not to participate in the research, indicated that, due to time constraints, they would not be able to participate.

III. Interview method

I interviewed nine participants, one of which was a Nongovernmental Organisations and one a Non-profit Organization. The participants were all based in Cape Town, although all the corporations interviewed have national as well as international presence.

Each participant was called prior to the interview and the objective of the research was described. Permission was also gained for a one-on-one interview at the most convenient time and place for the interviewee. Following the agreement to participate in the research, the Application letter for institutional permission (see Appendix 1) and the Consent to participate in research (see Appendix 2) was emailed to the interviewee for signature and collection at the interview.

Table 3: Interview schedule, duration and industry category

No.	Date	Duration	Interview category
1	22 June 2017	21 minutes and 18 seconds	Pharmaceutical/ Retail
2	22 June 2017	28 minutes and 34 seconds	Non-profit organisation (NPO)/NGO
3	23 June 2017	46 minutes and 37 seconds	Corporate Advisory Consulting Services
4	23 June 2017	51 minutes and 46 seconds	NPO/NGO
5	7 July 2017	24 minutes and 41 seconds	Green Energy Services

No.	Date	Duration	Interview category
6	11 July 2017	12 minutes and 51 seconds	Sustainability Practitioner
7	20 July 2017	19 minutes and 46 seconds	Pharmaceutical
8	24 July 2017	17 minutes and 03 seconds	Sustainability Practitioner
9	30 August 2017	27 minutes and 17 seconds	Insurance

2.2.7 Data capture and analysis

The recorded interviews were transcribed into digital Microsoft Word format as per the questionnaire template. The results of the interviews were thereafter transcribed verbatim. The transcribed data formed the basis for the interpretation and analysis of the information gleaned from the interviews.

For this research exercise, a grounded theory approach to data analysis was utilised to interpret the data. It is important to note that only elements of Grounded Theory were used, specifically those elements relating to data analysis. Strauss and Corbin (1998: p12) defines Grounded Theory data analysis as “theory that was derived from data, systematically gathered and analysed through the research process”. With this approach, “data collection, analysis and eventual theory stand in close relationship to one another” (Strauss & Corbin, 1998: p12). Grounded Theory analysis is therefore characterised by the development of theory from the data collected as well as from the analysis of collected data.

According to Goulding (2011), Grounded Theory as a research analysis approach was developed by American scolars, Glaser and Strauss. The objective of their investigation was to determine a “more defined and systematic procedure for collecting and analysing qualitative data,” which is grounded in “the behaviour, words and actions of those under study” (Goulding, 2011: p3).

Grounded Theory is considered to be in contrast to the deductive research methodology. The deductive research approach builds a premise based on an existing knowledge base (Mouton, 2001). Grounded Theory, however, builds a premise by systematically analysing data obtained through social engagements, such as interviews and observations (Goulding, 2011). The application of Grounded Theory is commonly used to “generate theory where little is already known, or to provide a fresh slant on existing knowledge” (Goulding, 2011: p6).

The Grounded Theory analysis approach typically consists of several actions. The table below provides a description of the actions, together with an indication of the way this research approach applied these tools.

Table 4: Grounded Theory data analysis tools

Grounded Theory data tools	Research application in this thesis
<u>Theoretical sampling</u> The integrated process of collecting, coding and analysing data, which is used as a basis to determine whether additional data is required before data saturation, is achieved (Bryman, et al., 2014). Data collection is therefore guided by an evolving theory, based on the data collected at any given time (Bryman, et al., 2014).	During the data collection process new and repetitive concepts were noted. During subsequent interviews the applicability of previously identified concepts was queried. New themes are also compared to the literature reviewed. The results thereof are reflected in Sections 4 and 5.
<u>Coding</u> The process of interpreting the data to identify any emerging themes or codes (Bryman, et al., 2014).	All the data gathered during the interviews was coded in terms of the Open Code approach (refer to Appendix 2 for the results of the coding exercise). Bryman, *et al.* (2014), defines the Open Code approach as the process of examining, breaking down, categorizing, conceptualizing and examining the data. This process results in a descriptive portrayal of key concepts, words, phrases and themes linked to the research questions.
<u>Theoretical saturation</u> The point in the research data collection process where no additional concepts are derived (Bryman, et al., 2014).	Nine people were interviewed and based on the coding exercise completed, the data gathered was very similar and therefore additional interviews were not required.

Grounded Theory data tools	Research application in this thesis
<u>Constant comparison</u> The process of continually comparing the applicability of the data gathered with the emergent themes or categories derived from the interviews (Bryman, et al., 2014).	During the coding processes, the applicability and results of each interview question for every person interviewed were compared to the existing emerging themes. Where data was not deemed to be applicable to a specific theme, it resulted in the emergence of a new theme.

Please refer to Appendix 3 for the results of the data analysis, which was undertaken utilising the data analysis element of Grounded Theory

2.3 Effectiveness of the Research Design

The objectives of the research design and methods selected were to answer four (4) research questions. The table below provides a summary of how and/ or whether the research design met its intended objective.

Table 5: Research design effectiveness

Research question	Effectiveness of the research design
Question 1: What is the meaning and definition of creating shared value? Are there examples of existing shared value creation initiatives that have been implemented?	The research design enabled and facilitated the answering of this question. Particularly the literature review (including the illustrative examples) and interview components. Due to the time constraints, a sample of illustrative examples had to be presented. .

Research question	Effectiveness of the research design
Question 2: Is there existing legislation that supports corporates engaging with societal and environmental challenges as promoted in the shared value approach?	The research design enabled and facilitated the answering of this question. Particularly the literature review component
Question 3: What are the constraints associated with utilising legislation or policy to enable the implementation of shared value creation?	The interview components of the research design enabled and facilitated the answering of this question.
Question 4: Based on the constraints identified, what are the recommendations for legislative improvement to increase the uptake of shared value creation in corporate South Africa?	The research design enabled and facilitated the answering of this question - particularly the literature review and interview components - which supported my understanding of how legislation should be framed, to enable mainstream uptake of shared value creation

2.4 Limitation and Assumptions

I acknowledge that with any research there are inherent limitations and the research questions and objectives are framed by certain assumptions.

The assumptions that underpin this research are as follows:

- The implementation of shared value creation, as defined by Porter and Kramer (2011), is not fully and systematically embedded in mainstream corporate South Africa's value creation strategies.
- There are opportunities, for a shared value creation strategy, to address societal challenges. However, not all societal and environmental challenges can be addressed with the implementation of a shared value creation strategy. An example of a societal challenge that can be addressed with the implementation of a shared value creation strategy is reflected in the illustrative examples presented in Section 1.5.
- The implementation of shared value creation can be a meaningful growth strategy for corporate South Africa.

The limitations that underpin this research are as follows:

- Geographically, all the interviewees were based in Cape Town, although all the corporations interviewed have national as well as international presence.
- Due to the time constraints, the number of entities interviewed was limited to nine.
- The focus of the research was on the legislative framework that would facilitate the implementation of shared value creation.

2.5 Structure of Thesis

The table below reflects the elements of a typical thesis as described by Mouton (2001), together with an indication of the corresponding section/ chapter in this thesis.

Table 6: Thesis structure in relation to typical thesis

Typical thesis structure as described by Mouton (2001)	Corresponding chapters in this thesis
Introduction	Chapter 1 – Background and rationale for the research
Literature Review	Chapter 1 – Background and rationale for the research Chapter 3 – South African and International policy context that support the notion of creating shared value
Research Design and methods	Chapter 2 – Research design and methods
Research results: presentation and results	Chapter 4 – Impressions of shared value creation and its applicability to Corporate South Africa Chapter 5 - Constraints and recommendations associated with using a legislative framework to embed strategy and supporting recommendations Appendix 3 – Data analysis results
Conclusion and recommendations	Chapter 7 – Summary and Conclusion

2.6 Conclusion

This chapter provided the approach and research methods implemented to complete the research in a systematic manner. To this end, this chapter detailed the methodology utilised to meet the research objectives. Elements of the research design; literature review, illustrative examples and interviews, were considered the most effective means of meeting the overarching research goal. Therefore, the chapter reflects the rationale for the research design and highlights the effectiveness of the research design in meeting the research objectives and answering the research questions.

3 SOUTH AFRICAN AND INTERNATIONAL POLICY AND LEGISLATIVE CONTEXT THAT SUPPORT THE IMPLEMENTATION OF SHARED VALUE CREATION

"Companies that solely focus on competition will ultimately die. Those that focus on value creation will thrive" [5]

Edward de Bono (Author and thought leader on conceptual thinking).

3.1 Introduction

The purpose of this chapter is to explore the current legislative and policy context for the implementation of creating shared value. Specifically, to present examples of legislation and policy that encourages the creation of shared value by corporates in South Africa. Although the legislation and policy does not specifically require that shared value be created, its requirements and framing support this notion and its implementation

To address societal and environmental challenges, there are several global initiatives and policies, developed and spearheaded by governments, businesses, civil society and non-governmental agencies. This chapter provides examples of South African and international legislation and policy, which support the notion of creating shared value.

There is no legislation or policy that speaks specifically to creating shared value. For that reason, examples have been identified that are congruent with the concept; as they typically require businesses and civil society to assist in addressing societal and environmental challenges.

The chapter will also provide an indication of how the identified policies and legislation support shared value creation; as well as potential constraints associated with the legislation and policies.

3.2 South African Shared Value Legislation and Policy Context

The section below illustrates examples of South African legislation and policies identified which most embody the shared value ideology. The policies and legislation reflected below do not explicitly refer to the notion of creating shared value, as defined by Porter and Kramer (2006). However, it is my opinion that the identified policies and legislation enable the

[5] Reference: http://www.azquotes.com – accessed March 2017

implementation of a shared value creation strategy. The South African policy examples articulated include:

- The Broad-Based Black Economic Empowerment Policy; and
- The King IV Report on Corporate Governance for South Africa.

Whilst the examples of South African legislation that support the notion of shared value creation are:

- The South African National Development Plan; and
- The Social and Labour Plan, as required by the Mineral and Petroleum Resources Act (Act 28 of 2002)

3.2.1 National Development Plan

The South African National Development Plan was finalised in 2012 with the aim of reducing inequality and eradicating poverty in South Africa by 2030 (National Planning Commission, 2012). An objective of the National Development Plan (NDP) is to provide a platform for a collaborative effort, which includes society, the state and the private sector, to address societal challenges.

The need for a national development strategy was identified by the National Planning Commission in 2011, following its assessment of South Africa's "achievements and shortcomings," since 1994. The assessment identified several societal challenges (see **Box 4**), which impede South Africa's ability to realise the aims of reducing inequality and poverty (National Planning Commission, 2012: p14).

Box 4: South African societal challenges as identified by the NDP.

The Commission identified the following societal challenges applicable to South Africa in 2011 (National Planning Commission, 2012: p15).

1. "Too few people work";
2. "The quality of school education for black people is poor";
3. "Infrastructure is poorly located, inadequate and under-maintained";
4. "Spatial divides hobble inclusive development";
5. "The economy is unsustainably resource intensive";
6. "The public health system cannot meet demand or sustain quality";

7. “Public services are uneven and often of poor quality”;
8. “Corruption levels are high”; and
9. “South Africa remains a divided society”.

According to Zarenda (2013), the NDP is the South African Government’s roadmap for future economic development strategies.

The Business Leaders of South Africa (BLSA) are however of the opinion that the role of the private sector in the realisation of the goals of the NDP has not been clearly articulated nor considered. BLSA considers the private sector as a key enabler of economic growth and the addressing of societal challenges (BLSA, Undated).

The implementation of public private partnerships is seen as instrumental in the delivery of the NDP objectives (BLSA, Undated). BLSA argues that the absence of private sector involvement in certain NDP development focus areas “can seriously limit the success of priorities that the NDP identifies”, with the provision of infrastructure noted as the main area of development, which the private sector could make a significant contribution to (BLSA, Undated: p8).

PricewaterhouseCoopers (PwC) (Undated: p1), argue that the NDP “cannot be achieved and delivered by Government alone”, and requires collaboration between “public, private and non-governmental sectors, together with citizen participation and involvement”. In addition, the NDP can be considered “a platform for collaboration in a manner that presents an opportunity to redefine service delivery locally, map a course for future development, poverty alleviation and inequality reduction” (PwC, Undated: p2). The NDP can be considered a trigger and can guide the identification, development and implementation of projects by the private sector; which not only meets societal challenges as described by the NDP but creates business financial value as well.

3.2.2 Mineral and Petroleum Resources Development Act (Act 28 of 2002) - Social and Labour Plan

According to the Centre for Applied Legal Studies (2016), intervention was required to ensure that the wealth potential of the mineral resource sector is utilised to address the societal and environmental challenges in South Africa. The intervention was required to facilitate the implementation of shared value for mining houses, as well as the communities within which the mining houses operate (Centre for Applied Legal Studies, 2016).

To this end, the Social and Labour Plan (SLP) was considered the transformative tool, enabled by Section 22 of the Mineral and Petroleum Resources Development Act, 2002, (Act No. 28 of 2002) (MPRDA), to meet the South African Government's commitment to the transformation of the mining industry (Department of Mineral Resources, 2010). The SLP is a pre-requisite for the issuing of a Mining Right and details the applicant's commitment to transformation and to meeting the needs of the surrounding communities in the areas of "human resources development, mine community development, housing and living conditions, employment equity and processes to save jobs and manage downscaling and/or closure" (Department of Mineral Resources, 2010: p4). The intention of the SLP is to promote "employment and advancement of the social and economic welfare of all South Africans whilst ensuring economic growth and socio-economic development" (Department of Mineral Resources, 2010: p4).

The objectives of the SLP are as follows (Centre for Applied Legal Studies, 2016):

- The promotion of employment and the advancement of the economic and social development of all South Africans.
- To facilitate the development and implementation of activities which will contribute to the transformation of the mining industry as a whole.
- To hold mining right holders accountable to the local economic development of the communities within which they operate.

According to the Centre for Applied Legal Studies (2016) the requirements for SLP, as stipulated by the Department of Mineral Resources (DMR), include three mandatory shared value creation opportunities. These include, firstly, a commitment to, and strategy for the development of labour skills; in a manner that allows for "portable skills", in other words, skills which can be utilised outside of the mining industry. The requirements necessitate the compilation of skill development strategies, which applies to the skills requirements specific to the mine and the mining industry, as well as those that can be utilised outside the mining environment (Centre for Applied Legal Studies, 2016).

The second component of the SLP, which promotes shared value creation, entails the development of strategies that will demonstrate during the life of a mine, the way the mine would "contribute to the socio-economic development of mining communities" (Centre for Applied Legal Studies, 2016: p28). The development strategy would be applicable to the community within which the mine resides, as well as the areas from which the mine sources labour (Centre for Applied Legal Studies, 2016).

The objective of this specific component is to allow for sources of employment, other than mining, for the local community's local economic development, as well as employment opportunities in the event of mine closure. According to the Centre for Applied Legal Studies (2016: p28), the local economic development strategies should align with the municipal Integrated Development Plan and should "facilitate development of economic linkages to sectors other than mining," for the collective promotion of economic development within the community affected by the mining development.

The third component of the SLP that promotes shared value creation relates to the strategies that are required, to ameliorate the impact of mine closure on the communities affected by the closure (Centre for Applied Legal Studies, 2016).

I believe the SLP elements which relate to human resource and local economic development are largely aligned to meeting societal needs, to the benefit of the mining entity. The skills, infrastructure and economic development opportunities associated with the SLP, provide a vehicle to implement initiatives that benefit the mine as well as the community within which it resides. However, the opportunity exists to further align the implementation of the Social and Labour Plan as per the requirements of the DMR, to creating shared value as described by Porter and Kramer (2006) and outlined in Chapter 1 of this thesis.

3.2.3 Broad-Based Black Economic Empowerment Policy

Since 1994, the South African government has introduced several initiatives to address the imbalances that arose because of apartheid. Apartheid essentially prevented and reduced the participation of Black[6] South Africans in the "country's economy and society through systematic discrimination in education, ownership, access to resources and opportunities" (Ponte, Roberts & van Sittert, 2007: p948).

One of these legislative initiatives was the promulgation of the Black Economic Empowerment (BEE) Act, No. 53 of 2003 (hereafter referred to as the BEE Act) (Ponte, Roberts & van Sittert, 2007). An element of the BEE Act is the involvement of corporates in "promoting social cohesion and in addressing problems associated with the historical exclusion of Black

[6] In this instance "black people" are defined as "Black Africans, Coloureds and Indians and included provisions to ensure that they must have been South African citizens prior to 1994" (Department of Trade and Industry, Act 53 of 2003).

communities from the mainstream economy" (Arya & Bassi, 2011: p1). According to Arya and Bassi (2011), the objectives of the BEE Act are twofold; firstly, to increase the number of black South Africans engaging in the economy, both in the owning and managing context; secondly, to contribute to significantly decreasing inequality within the South African society.

The implementation framework for the BEE Act came into being with the development and application of the Broad Based Black Economic Empowerment (BBBEE) - Codes of Good Practice. The BBBEE approach to corporate engagement in the societal challenges indicated above, was with the promotion of a preferred behaviour in relation to employee engagement, as well as with society at large. The preferred behaviour was specifically in relation to "direct and indirect empowerment of historically disadvantaged people and building a diverse workforce" (Arya & Bassi, 2011: p678). The intent of the legislation is therefore, to enable and promote "socially responsible behaviour", resulting in a domino effect throughout the South African economy (Arya & Bassi, 2011: p683).

The Codes of Good Practices which are applicable to all industries provides the following guidance and transformation standards (Arya & Bassi, 2011):

- expected transformation targets;
- opportunities for meeting these targets; and
- performance measurements, against which to monitor application of the transformation targets.

The empowerment strategies of the BBBEE Codes of Good Practices for which specific transformation targets are included are as follows (Department of Trade and Industry, 2007):

- The level of corporate management control on a board level, reflecting black South Africans at management level. With the level of transformation at board level reflecting the ownership and economic control of black South Africans;
- The employment equity element, seeks to eliminate discrimination and promote equitable representation of black people throughout an organisation; measures the commitment to employment equity, in relation to black South Africans at all levels within an organisation;
- The skills development element, measures an organisation's commitment to improving the skills and development of black South Africans in an organisation;
- The preferential procurement reflects an organisation's commitment to indirect empowerment of black-owned enterprises, through their suppliers;
- The ownership element, targets the percentage of black ownership in a corporation;

- The enterprise development element is aimed at reflecting an organisation's commitment to assisting in the development of black-owned business; and
- The socio-economic investment element seeks to reflect an organisation's commitment to the promotion of community development initiatives in Black communities.

As the Codes of Good Practice are linked to a legislative requirement, they are considered legally binding to state and public entities and not private companies (Arya & Bassi, 2011). However, should a private company wish to engage with the South African Government as a supplier or seek grants, permits or a license to operate, they would be required to show their level of compliance with the requirements of the BBBEE Codes of Good Practice (Arya & Bassi, 2011).

In addition, should an industry develop and adopt a Transformation Charter, the specific requirements are gazetted by government and considered legally binding (Arya & Bassi, 2011). A Transformation Charter is referred to as a sectoral transformation charter, which charters have been developed and agreed to by most stakeholders within the sector (Department of Trade and Industry, 2007). Section 12 of the BEE Act gives effect to the development, approval and implementation of the Sectoral Transformation Charters. The Financial Sector Code for Black Economic Empowerment is an example of a sector code undergoing the gazetted transformation charter process. At the time of writing this thesis, Financial Sector Code was gazetted in draft form in 2012 and therefore not legally binding (Department of Trade and Industry, 2012).

A criticism of the BBBEE Codes of Good Practice is that the prescriptive compliance element of the requirements has resulted in a "focus on process and system management, rather than overall objectives" of the BBBEE requirements and therefore is not necessarily meeting the intent and spirit of the legislation. (Ponte, Roberts & van Sittert, 2007: p950).

3.2.4 King IV Report on Corporate Governance for South Africa

The first iteration of the King Report on Corporate Governance (hereafter referred to as the King Report) was published by the King Committee on Corporate Governance in 1994. The report advocates and sets principles and guidelines for "an integrated approach to good governance in the interests of a wide range of stakeholders" (Cliffe Dekker Hofmeyr Incorporated, 2002: p5).

The objectives of the King Report are to promote and encourage sustainable development, integrated thinking, corporate citizenship, stakeholder inclusivity and enunciating a company's role and responsibility in society (Deloitte, 2016).

From a shared value creation perspective, the King Report defines value creation as "the positive consequence of an organisation's business activities and outputs on the triple context in which the organisation operates, and the capital it uses and affects" (King Committee, 2016: p11). The King Committee (2016) links the need for corporate economic value creation in a sustainable manner, to the need to create societal value, as described in the South African National Development Plan and the United Nations Sustainable Development Goals. The King Report requires that corporations acknowledge that they operate in a "triple context" of environment, society and the economy (King Committee, 2016: p18). The activities, products and services associated with corporations can, therefore, impact on that triple context and in turn, the triple context can impact on the activities, products and services associated with corporations.

Although the requirements of the King Report speak to the ideology that companies should create societal value, they however, do not dictate the way value should be created. The King Report is based on the premise that as a corporate citizen, corporations have obligations, rights and responsibilities to society and the natural environment, on which society depends (King Committee, 2016). The implementation of these obligations, whether in managing impacts of a corporation's activities, products or services or the implementation of initiatives which would be to the benefit of all stakeholders, reflects its shared value creation possibilities. The best practice engagement, as a good corporate citizen, with society and the environment on which a corporate depends is articulated in seventeen governance principles (see **Box 5)** (PwC, Undated). The governance principles are aimed at achieving the governance outcomes that empower it to meeting the King Codes, objectives (PwC, Undated). A summary of the seventeen principles are reflected below (PwC, Undated).

Box 5: Summary of the King Report on Corporate Governance Principles.

- Principle 1 – speaks to the ethical and effective leadership requirements.
- Principle 2 – speaks to the establishment of a corporate ethical culture.
- Principle 3 – speaks to the need to be a responsible corporate citizen.
- Principle 4 – requires of the Board of Directors to take cognisance of the fact that all material risks and opportunities, business strategy and growth as well as sustainable developed are all interrelated.

- Principle 5 – requires that the Board of Directors ensures that all reports presented in the public domain include all the short, medium and long-term risks and opportunities to enable an informed decision by stakeholders.
- Principle 6 – speaks to the expectation that the Board of Directors is considered the guardian of the corporation governance strategy and compliance.
- Principle 7 – refers to the Board of Directors composition.
- Principle 8 – speaks to the governance expectation of the Board of Directors itself.
- Principle 9 – refers to the need for performance measures and evaluation of the Board of Directors.
- Principle 10 – speaks to the Board of Directors' responsibility in terms of the appointment of and delegation to management.
- Principle 11 – refers to the way risks are managed.
- Principle 12 - speaks to the Board of Directors responsibility in relation to information and technology.
- Principle 13 – refers to the Board of Directors' responsibility in relation to legal compliance.
- Principle 14 – speaks to the remuneration policy requirements.
- Principle 15 – speaks to the internal and external assurance requirements to promote the environment of effective control.
- Principle 16 – refers to the stakeholders' engagement expectations applicable to the Board of Directors.
- Principle 17 – speaks to the need for responsible investment by institutional investors.

According to Gibassier, Rodrigue and Arjaliès (2016), the King Code provides the structure for the reporting of organizations strategic objectives. The reported corporate objectives are generally aligned to "generating long-term value, both for its business and for society as a whole and defines its success in terms of internal financial returns and external social and economic results" (Gibassier, Rodrigue & Arjaliès, 2016: p6). The requirements of the King Report can therefore promote the implementation of a shared value creation strategy.

3.3 International Policy Context that Supports Creating Shared Value

This section provides an overview of international policies, which in one form or another, promote the creation of shared value and embody its principles. The two international examples provided were specifically chosen as they have either been ratified by the South African government or its principles have been included in South African legislation. The United Nation Sustainable Development Goals (SDGs) was chosen as an international policy example, as it is considered to be closely aligned with the South African National Development Plan (NDP) (PricewaterhouseCoopers, 2016). Refer to Section 3.2.1 for a description of the NDP and its shared value creation opportunities.

With reference to the United Nations Global Compact (UNGC), Regulation 43 of the Companies Act No. 71 of 2008, as amended, Companies Act, 2008 (Act No. 71 of 2008) (Companies Act) gives effect to the monitoring of compliance with the principles of the UNGC. Regulation 43 of the Company Act, requires the establishment of a Social, Ethics and Transformation committee, who are mandated to monitor compliance with the UNGC principles (Department of Trade and Industry, 2008).

3.3.1 United Nations Sustainable Development Goals

During the United Nations Millennium Summit of 2000, participants embarked upon a collective strategy aimed at working towards "a more peaceful, prosperous and just world" (Bates-Eamer, Carin, Ha-Lee, Lim & Kapila, 2012: p1). Subsequent to the Summit, the United Nations (UN) developed the Millennium Development Goals (MDGs). The MDGs were seen as a vehicle to "alleviate poverty in less economically developed countries" (PwC, 2016: p3). The MDGs focused on reducing poverty and inequality for the marginalised groups by focussing on the priority areas such as education, gender equality, health, human rights, access to infrastructure, environmental sustainability and governance (Bates-Eamer, Carin, Ha-Lee, Lim & Kapila, 2012). The MDGs were in response to the sustainable development vision developed at the United Nations Millennium Summit (Bates-Eamer, Carin, Ha-Lee, Lim & Kapila, 2012). They were considered an "ambitious global partnership for development, setting specific targets to be met by 2015 and using numerical indicators to measure progress" (Bates-Eamer, Carin, Ha-Lee, Lim & Kapila, 2012: p1). The MDGs provided the opportunity for the identification of global environmental and societal challenges. According to Kosciulek (2015) the opportunity for corporations was to "support a dialogue on major development concerns and galvanise global action around key developmental issues", thereby, providing guidance to corporations as to where innovation should by focused to create shared value.

According to Bates-Eamer, Carin, Ha-Lee, Lim and Kapila (2012), although the intention of the MDGs was based on the development and upliftment of the "bottom billion", there were constraints. The constraints identified were associated with the following (Bates-Eamer, Carin, Ha-Lee, Lim & Kapila, 2012):

- the limited governance mechanism around the implementation of the MDGs;
- no reference to aspects of security for vulnerable groups;
- the inability of vulnerable groups to access opportunities arising out of the MDGs;
- the disparities in income were not considered for inclusion as a priority area; and
- the MDGs had no defined targets and it was, therefore, difficult to measure implementation and success and failures.

The UN considers the MDGs as “the most successful anti-poverty movement in history”. However, it was recognised that even with its successes, such as its large-scale adoption, there was room for improvement (PricewaterhouseCoopers (PwC), 2016). The need for improving the MDGs arose because of the “new conflicts, such as the global financial crisis and a greater emphasis on climate change” (Kosciulek, 2015: p4). These conflicts were not present prior to 2000 and provided the foundation for the development of what is now being referred to as the Sustainable Development Goals (SDGs) (Kosciulek, 2015: p4).

The SDGs journey started in 2012 at the United Nations Conference on Sustainable Development, which culminated in the delegates committing to the development of new sustainability goals (Kosciulek, 2015). With a core Open Working Group, from various countries and disciplines, a set of goals was created that was simplistic and focused on the major societal challenges of our time (Kosciulek, 2015). The SDGs and associated indicators are geared to improving the global economic, social and environmental challenges faced by society (i.e. impact of climate change). The SDGs are applicable to “all member states, regardless of their level of economic development”, including South Africa (PwC, 2016: p3). The objective of the SDGs is to guide the UN member states in terms of their national sustainable development policies and agendas up until 2030 (PwC, 2016).

The SDGs expand on the MDGs and reflect the most prevalent global societal and environmental challenges, namely “poverty eradication, hunger and food security, healthy lives and wellbeing, inclusive and equitable education, gender equality, water security, sustainable and modern energy access, unemployment, building resilience, sustainable consumption and production, climate change, conservation and biodiversity, and peaceful and inclusive societies” (Lloyd, 2015: p2).

According to Lloyd (2015), the successful implementation of the SDGs depends on collaboration amongst stakeholders from across the government, civil society and the private sector. The initial involvement of the private sector in the development of the SDG provides an opportunity for collaboration between governments and the private sector in developing and implementing innovative approaches to addressing societal challenges (Bulcke, 2016).

Bulcke (2016: p1), believes a “shared value lens can help mobilise companies to identify and focus specific business efforts in support of the SDGs”. This objective can be met by focusing on the areas where the nature of a business and society’s challenges and needs intersect. In this context, the notion of creating shared value makes business sense and contributes to addressing the SDGs and societal challenges (Bulcke, 2016).

These arguments complement the shared value creation theory of Porter and Kramer (2011: p7), who argued that shared value is created by “reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters”. The SDGs, therefore, identified the societal needs that corporates should address when implementing the three strategies of shared value creation.

3.3.2 United Nations Global Compact

The United Nations Global Compact (UNGC) is a voluntary sustainability initiative aimed at improving the sustainability practices of corporations. It’s considered a policy vehicle to assist companies in the alignment of their strategies and operations to the “areas of human rights, labour, environment and anti-corruption” (UNGC, 2012: p2).

The UN believes “doing well by doing good” has become the calling card for organisations wanting to create shared value (UNGC, 2012: p5). This organisational perspective embeds “a conscious culture of social responsibility across all dimensions of business practice” (UNGC, 2012: p2). The principles which govern the UNGC are reflected in **Box 6** (UNGC, 2012):

Box 6: The United Nations Global Compact Principles

Human Rights

Principle 1: “Businesses should support and respect the protection of internationally proclaimed human rights” (UNGC, 2012: p12); and

Principle 2: “make sure that they are not complicit in human rights abuses” (UNGC, 2012: p12).

Labour

Principle 3: "Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining" (UNGC, 2012: p14);

Principle 4: "the elimination of forced or compulsory labour" (UNGC, 2012: p14);

Principle 5: "the effective abolition of child labour" (UNGC, 2012: p14); and

Principle 6: "the elimination of discrimination in respect of employment and occupation" (UNGC, 2012: p14).

Environment

Principle 7: "Businesses should support a precautionary approach to environmental challenges" (UNGC, 2012: p15);

Principle 8: "undertake initiatives to promote greater environmental responsibility" (UNGC, 2012: p15); and

Principle 9: "encourage the development and diffusion of environmentally friendly technologies" (UNGC, 2012: p15).

Anti-Corruption

Principle 10: "Businesses should work against corruption in all its forms, including extortion and bribery" (UNGC, 2012: p16).

According to Williams (2004), an aspect of the Global Compact is the development and facilitation of local networks, consisting of companies, NGO's, government, research institutions, universities and key actors within the sustainability, private, government and development sector. The belief is that collaboration would:

1) facilitate the regional implementation of the principles;
2) sharing of best practice;
3) leveraging access to combined resources for the implementation of initiatives; and
4) facilitating the implementation of the Global Compact at a regional level (Williams, 2004).

In South Africa, the local network focuses on black economic empowerment, HIV and other societal challenges applicable to the region (Williams, 2004).

It is my opinion, that like the SDG's the UNGC principles assist companies by streamlining their economic value creation strategies by focusing on the local societal challenges as framed by the UNGC Principles. In addition, the required annual reporting on compliance of the UNGC principles, provides for the external monitoring of a shared value creation strategy as well as compliance with the principles.

3.4 Conclusion

The South African policies and legislative requirements presented in this chapter are related, in some way or the other, to articulating how corporate South Africa can contribute to sustainable development. The requirements of policies and legislation detailed above are not explicit on the need to implement shared value creation. They do however; place an expectation on corporate South Africa to assist Government in dealing with societal challenges. The policies and legislative framework presented, therefore, provide an opportunity for corporates to deliver on these expectations, using a shared value strategy; thereby addressing a societal challenge and increasing revenue opportunities.

This chapter provides examples of international policies and programmes that support the implementation of shared value creation. The way the aforementioned international policies enable shared value creation is articulated for each of the policies. The section also illustrated the way the examples provided are applicable to the South African situation, in that the UNGC principles are applicable via the Companies Act requirements and the SDGs via the adoption by the South African government. The examples provided demonstrate that shared value creation is being promoted internationally and provides the international context to societal and environmental challenges for promotion in South Africa.

Contrary to the South African policies and legislation presented, it is my opinion, that the international elements were more explicit in the identification of societal and environmental challenges and the way corporates can engage with the challenges identified. However, it is not prescriptive to corporates in terms of the actions required to meet the identified societal goals.

4 IMPRESSIONS OF SHARED VALUE AND ITS APPLICABILITY TO THE SOUTH AFRICAN CORPORATE CONTEXT

"In the new world it is not the big fish which will eat the small fish; it's the fast fish which will eat the slow fish" (Totten, 2015).

Klaus Schwab (Founder and Executive Chairman: World Economic Forum).

4.1 Introduction

As indicated in Section 1.8, prior to presenting the information derived from the interviews that relates specifically to the barriers and recommendations associated with using legislation to increase the uptake of creating shared value (in Chapter 5 that follows); the following will first be discussed:

- The interviewees' understanding of what creating shared value entails and its implementation;
- The impact shared value creation can have on business practices and policies; and
- The shared value creation implementation constraints and challenges that have been experienced.

The objective of this chapter is to reflect whether entities in corporate South Africa are aware of the notion of creating shared value, to provide an indication of the level of understanding and viability and the appetite for the implementation of creating shared value, within the South African context.

This chapter reflects the themes and impressions (in this instance impressions refers to the opinions raised by the interviewees) derived from the interviews conducted. Specifically, this chapter will articulate the interviewees' impressions and understanding of a shared value creation strategy and its applicability to a South African context. The purpose of this section is, therefore, to reflect whether a shared value creation strategy can be implemented by corporate South Africa. Corporate South Africa's capability to implement a shared value creation strategy will greatly influence any legislation's ability to influence the uptake of said strategy.

The information presented below was extracted by analysing the transcribed interviews using a grounded approach to data analysis. One of the implementation tools of Ground Theory data analysis is open code and as indicated in Section 2.2.7, open code analysis refers to the process of examining, breaking down, categorizing, conceptualizing and examining the data. The analysis allows for the identification of common threads or themes and concepts in the data being analysed. The objective of this section, therefore, is to identify the themes and concepts that contributed to meeting the research objectives.

The themes identified are listed as primary, secondary and tertiary to illustrate the most common themes that emerged from the interviews. In addition, themes that were not identified during the literature review process but raised during the interviews will also be highlighted.

4.2 Understanding of What Creating Shared Value Entails and its Implementation

The participant’s impressions of creating shared value are reflected in their response to questions 1 – 3 of the interview questionnaire

Most of the respondents believed <u>societal needs can be met with the implementation of a shared value creation strategy</u>. However, in my view, not all of society’s needs and challenges can be met via this strategy and therefore pure philanthropy is still required. The government’s role in addressing social welfare can also not be discounted or negated by a shared value creation strategy. The collaboration between government and corporates was seen, by selected interviewees, as the framework within which societal challenges could be met; either as part of legislation that includes a government incentivised mechanism or government inventive or as a cooperative arrangement such as private-public partnerships.

Aligning shared value creation strategies or projects to a government related policy or development agenda, such as South Africa’s National Development Plan, was highlighted, several interviewees, as important for collaboration with government, to address a societal challenge. The belief was that the existing development agenda and policies should set the context for the collaboration. Respondents were also of the belief that the <u>“business as usual” financial value creation strategy was not considered sustainable</u> nor aligned to the changing social and environmental context.

In terms of how creating shared value is defined and the general understanding of what shared value creation entails, several central themes emerged during the interviews. The most common understanding, by the interviewees, of what shared value creation entails, was that it’s a <u>collaborative approach that brings together society, government and corporations</u>. The collaboration is aimed at addressing societal or environmental challenges to the benefit of all involved in the process. The responses in support of this theme included:

1) that effective shared value creation is achieved when all stakeholders are engaged to co-create value;

2) there are several relationships and resources tied to a value-driven business strategy (e.g. the ability to access potable water for production purposes during a drought crises);

3) collective action is associated with business partnering to create shared value.

The argument was also made, by several the interviewees, that the business shared value creation strategy should be aligned to the core profit making model of a business, in support of meeting a societal or environmental challenge. The information obtained during the interviews that supports this theme includes:

1) that organisations need to challenge the existing rules and determine if there is a different way of doing things that adds value to a company and community;

2) companies need to acknowledge that they do impact on the social and environmental context within which they operate;

3) companies do not exist in a vacuum and they need to internalise the cost of externalities such as electricity generation and implement projects to create shared value. Corporate South Africa, therefore, must challenge the existing mainstream “way of doing business” and identify alternative ways of doing business, which would address the existing environmental and social challenges, while still contributing to the company bottom-line.

In terms of the way shared value is created, all the respondents provided examples that were aligned to at least one of the three shared value creation opportunities as defined by Porter and Kramer (2011); with the opportunities in the value chain and skills development being the most common approach presented (i.e. the primary theme to emerge). The opportunities identified, by the interviewees, relate to elements within the supply chain that can be influenced or amended to secure access to services or products. Therefore, in my view, intervention along the supply chain is generally associated with supporting the sustainability of suppliers, such as early payment schedules, product quality control mentoring, etc. This shared value creation strategy mostly comes about because of compliance with the enterprise and supplier development requirements as detailed in the Broad-Based Black Economic Empowerment Act (Department of Trade and Industry, 2007). According to the BBBEE Code of Practice, enterprise and supplier development refer specifically to the empowerment (i.e. provision of training, mentoring or even low interest loans for the expansion of operations, in order to secure access to products) of BEE entities within the communities where they operate

(Department of Trade and Industry, 2007). In addition, supplier development and empowerment can be achieved via preferential procurement practices, as well as through assisting BEE compliant entities in their operational and financial development (Department of Trade and Industry, 2007).

A secondary theme to emerge, in relation to how shared value is created, relates to the <u>opportunities associated with stakeholder behaviour</u> change. The opinions and examples provided by interviewees relate specifically to the implementation of health care and environmental management awareness and behavioural change campaigns. These campaigns were directed at communities who would benefit from the behaviour change. In this instance, shared value is realised by both the corporate (through a diversified and/or increased revenue stream) and the stakeholder (through positive impacts on health and the environment).

A tertiary theme (in interviewees reaction to how shared value is created) to emerge relates to the <u>corporate benefits and positive impact on revenue that can be achieved because of complying with legal requirements</u> and the potential societal benefits and opportunities associated with that. This theme is comparable with the theory developed by Porter and van der Linde (1995), who argue that competitive advantage and a positive impact on revenue can be achieved by complying with environmental legislation (Refer to Section 1.7 for details of the Porter Theory). As indicated in Section 1.7 compliance to legislative requirements can result in an additional revenue stream as illustrated with the Clean Air Act of 1970, which triggered the design and manufacture of catalytic converters for the US automobile market and later global market in the 1970's (Institute for Manufacturing, 2009). The uptake of the legislation was a result of businesses realising that there were commercial opportunities associated with compliance (Institute for Manufacturing, 2009).

4.3 Impact of Shared Value Creation on Business Practices and Policies

In relation to the impact of policies on business strategies, the overriding opinion expressed by the interviewees was that in most instances the creation of shared value was not because of a business strategy but rather an <u>unintended consequence of business as usual or risk management practices</u>. The aforementioned opinion can be considered the primary theme applicable to this section, to emerge during the data analysis process. Comments expressed by the interviewees that support this theme include:

1) the creation of shared value occurred because of compliance with a legal requirement;

2) no shared value creation strategy was developed or agreed upon but the impact of the response to a business risk resulted in shared value creation; and

3) the initiative or project was seen as a response to a business challenge and not classified as a shared value creations strategy or policy.

Several interviewees indicated that although there were several project and company practices were identified, such as the provision of interest-free loans, they were not classified or explicitly presented to stakeholders as shared value projects or strategies.

The secondary theme to emerge highlighted that external policies are generally not the trigger that drives change of any sort to a business strategy. One of the respondents indicated that companies who are innovative in their business approach are so because of the internal business ideology and not necessarily legal requirements. Implementation of shared value would require a radical rethinking of existing business strategies and an interviewee in the consulting sector believed government policy or legislation would not necessarily be the foundation for such change. The change would come about because of the identification and implementation of a shared value creation strategy that is most aligned with the existing profit-making formula.

The third theme to emerge related to the view that shared value creation can change existing business practices. The views expressed relate to fostering collaboration with stakeholders, to implement business-specific projects, such as the development of transport infrastructure to facilitate the export of products. Examples provided by interviewees related to the way you approach and address government when initiating a collaborative approach (i.e. working within the framework as required by the Municipal Finance Management Act No. 56 of 2003). In addition, this theme applies to the need to address a specific societal challenge; which is not necessarily considered core to the business profit making model. However, the specific societal challenges can, in turn, impact on the extent to which the business financial value creation strategies can be effectively implemented. For example, because of the existing draught situation in the Western Cape, companies are considering water augmentation projects, which will not only meet their needs but those of the community within which they operate also.

4.4 Shared Value Creation Implementation Constraints and Challenges

Several themes emerged in response to the challenges associated with the implementation of shared value creation strategies. Most of the interview participants indicated that projects and strategies geared to the creation of shared value generally have a longer return on investment and a longer implementation timeframe. Most of the companies interviewed indicated that traditional financial value creation strategies tend to have a three to five-year return on investment timeframe. The short-term growth and financial value creation approach is dominant in most corporations and is embedded in the business as usual philosophy. It also tends to be the approach most favoured by executives tasked with implementing the financial value creation strategy. Long-term corporate value creation strategies are therefore not common. Comments made by the interviewees that support this theme include:

1) companies are impatient;

2) companies want to try to deliver shared value in a short period;

3) not many companies have a long-term strategy, typically only three to five years.

A consequence of the short-term vision is that companies either spend insufficient time considering alternative shared value creation strategies or omit this subject altogether (i.e. the innovation phase) (Ambec, et al., 2013). A limited innovation exploration phase can impact on the effectiveness of the shared value strategy developed and ultimately its ability to address societal challenges (Ambec, et al., 2013). Companies engaging in shared value creation strategies need to have a long-term approach to business strategy, particularly if a strategy is based on the development and implementation of a new technology (Ambec, et al., 2013).

The second theme to emerge relates to the belief that there is a negative trade-off between addressing societal challenges and financial gain. This assumes that delivering a service or product will be more expensive when it's aimed at addressing a societal challenge (Lampikoski, et al., 2014) . The expectation and belief, as raised in the interviews, is that with shared value creation products and services, the financial benefit that would accrue to a company would be lower than products and services linked solely to the profit/ financial value creation strategy.

The stumbling blocks associated with monitoring and measuring the success of shared value projects is the third theme to emerge. Respondents indicated that it was challenging to measure social value as well as the impact the intervention has on addressing the intended societal challenge. This challenge, in turn, makes it difficult to motivate for financial investment, from internal company finance departments and external investors, due to the problematic nature of calculating the non-financial return on investment.

4.5 Conclusion

In this chapter I am presenting the themes and impressions derived from an analysis of the interviews. The interviews were analysed using a grounded approach to data analysis, which allowed me to extract the most common themes.

The analysis revealed that the participants' understanding of shared value creation, and the way it can be achieved, is like the definition and implementation principles as defined by Porter and Kramer (2006). The analysis revealed themes which are applicable to changes in corporate policy and practices, because of a shared value creation strategy. The participants provided a sense that elements of shared value creation are being implemented in South Africa on a voluntary basis; specifically, in relation to "redefining productivity in the value chain," with the implementation of the BBBEE Code of Practice. It is therefore considered that a foundation exists on which to project the utilisation of legislation as an enabler, to increase the uptake of shared value creation.

The main constraints and challenges associated with the implementation of a shared value creation strategy were highlighted, which included, for example; the challenges associated with monitoring and measuring the impacts of a shared value initiative. These constraints and challenges contributed to the identification of the type, focus and framing of legislation that would be required, to meet the overall research goal.

The information presented in this chapter contributes to the recommendations associated with utilising legislation for embedding the creation of shared value into mainstream corporate strategy, as discussed in the chapter that follows.

5 CONSTRAINTS AND RECOMMENDATION ASSOCIATED WITH USING A LEGISLATIVE FRAMEWORK TO EMBED STRATEGY AND SUPPORTING RECOMMENDATIONS

"Economic growth does not mean anything if it leaves people out" (May, 1988).

Jack Kemper (American Republican Politician).

5.1 Introduction

This chapter will consider the constraints associated with coupling shared value creation to legislative or policy requirements, to increase the uptake of the strategy into a mainstream corporate environment. Based on the information gleaned from the interviews, this chapter will describe the existing constraints and challenges experienced with existing legislation by the respondents, when implementing shared value initiatives, projects or shared value creation strategies. The constraints identified are related to the legislative requirements which hamper the effective implementation of shared value creation.

This chapter will also recommend adaptations to the legislative framework of shared value creation legislation. The recommendations are based on the literature reviewed as well as the information gleaned from the interviews. The recommendations relate to the way legislation is framed in its drafting phase and are aimed at increasing the uptake of a shared value strategy by mainstream corporates.

5.2 Legislative Constraints that can Impact on the Implementation of Shared Value Creation

The belief that South Africa has sufficient legislation aimed at promoting shared value was expressed by most of the respondents. A constraint highlighted was government's perceived lack of monitoring the implementation of existing shared value promotion legislative requirements. In addition, the lack of implementation of legislation and policy that supports the notion of shared value creation by corporate South Africa was indicated as a constraint by interviewees. These constraints make it challenging to embed shared value creation into mainstream corporate South Africa using legislation.

The primary theme that emerged during the interviews was that a <u>focus on procedural compliance can hamper the implementation of a shared value creation strategy</u>. The BBBEE requirements were extensively used as an example of how a legislative requirement that is intended to address a societal challenge, can negatively influence the extent to which financial value can be created. The overriding concern by interviewees was that applicable BBBEE legislation and government policies was considered to be too prescriptive, thereby impeding collaboration and innovative solutions to the legislative requirements. Another concern raised was that compliance to the BBBEE and sector-empowerment charter requirements results in a competitive environment rather than one of collaboration. The example provided is that the BEE Code of Practice does not make allowance for the sharing of BEE points gained because of the implementation of a collaborative initiative that meets the BBBEE requirements. Companies, therefore, implement initiatives that meet the BBBEE requirements independently, rather than in collaboration with other entities. According to several interviewees, the advantage of a collaborative approach is the increased ability to address societal challenges on a bigger scale than if individual companies addressed the challenge separately.

The secondary theme to emerge was linked to the practicality of promoting innovation within the context of the existing legislative framework. Respondents believed the existing potential shared value creation legislation, such as the BEE Act, No. 53 of 2003, and government policies, such as the National Development Plan, does not promote innovation in addressing societal challenges by the private sector. Several respondents indicated that, in their view, compliance with legislation aimed at addressing societal challenges is generally reduced to a “tick box” exercise. The intent and spirit of the legislation are therefore not being met. The tick box exercise comes because of the focus on showing procedural compliance with the legislative requirements, rather than focusing on the objective and intent of the legislation.

In several instances highlighted during the interviews, legislative compliance requirements were deemed to be cumbersome and as hampering the implementation of a shared value creation strategy. This theme was linked to the opinion that the legislative environment makes engaging and collaborating with government and communities difficult. The legislative requirements associated with the implementation of private/public partnerships were noted as an example of the legislative restriction that can hamper shared value creation. Although it was not elaborated upon in the interviews, an example of the legislative requirements associated with the implementation of private-public partnerships is the time required to implement a private/public partnership and to meet all the legislative requirements (Castalia Limited, 2007).

Interestingly, a traditional financial value creation strategy, which is based on year-on-year financial growth, is reinforced by the assumption that systematic year-on-year growth will automatically address societal challenges, merely by contributing to the economy. During an interview this assumption was questioned and then it was articulated that an explicit and more direct contribution to societal challenges is required from corporates. The example provided by the interviewee, related to post-1994 South Africa, where the general economic legislative framework was largely based on a growth model[7], not necessarily explicitly aimed at meeting societal challenges. The economic growth legislative framework is based on the premise that with positive economic development, societal challenges will inevitably be addressed (Department for International Development, Undated). However, this is not necessarily the case. One of the interviewees indicated that during the President Mbeki era, South Africa had the highest average growth rate of 4.1 percent, but that this very same period was characterised by the lack of access to much needed medical drugs by many of those who were suffering with HIV/Aids. It can, therefore, be inferred that an economic growth legislative framework will not automatically address and resolve societal challenges.

The recommendations discussed below, therefore, do not focus on the promotion of economic development legislation in the hopes of creating shared value, but rather on the ideology that shared value creation legislation should be framed around. The recommendations are considered the framework by which legislation can be used to increase the uptake of and embed shared value creation into corporate strategy.

5.3 Recommendations for Embedding Shared Value into Mainstream Value Creation Strategy

With reference to the legislative and policy opportunities, the primary theme to emerge during the analysis process is that any shared value creation enabling legislation needs to have specific characteristics. The feedback received centred on the way shared value creation legislation is framed and implemented. Three main recommendations for framing shared value enabling legislation are discussed below.

5.3.1 Focus on outcomes-based legislation

The legislation and compliance requirements should focus on the preferred outcome whereby societal and environmental benefit are being targeted. Current shared value creation legislation tends to focus on the procedural requirements to show compliance, rather than on the implementation strategies or plans required to achieve those outcomes. Although not raised during the interview process, an example of an outcome-based approach would be

[7] For this thesis, a growth legislative framework relates to an economic strategy which facilitates year-on-year financial growth.

legislation focusing on addressing inequality, with a specific Gini coefficient[8] for the specific sector indicated. With this example, compliance with the legislation would be reflected in the monitoring and review of an entity's implementation and action plans developed to address the legislative requirements.

It was the opinion of several interviewees that the focus on procedural compliance inhibits the identification of innovative strategies to meet the intent and preferred outcome of the applicable legislation. This was particularly evident in the examples that BBBEE compliance examples provided, in terms of limiting enterprise development initiatives to entities with a specific black ownership ratio. An interviewee did however indicate that a level of legislative and societal majority would be required for the successful implementation of an outcomes-based legislative framework.

It should, however, be noted that shared value creation policies such as the NDP, SDG's and UNGC requirements, express ideal outcomes rather than procedural activities required to meet such outcome. It is my opinion that once legislation is drafted to give effect to shared value creation policies, such as the afore-mentioned policies, the procedural compliance requirements and aspects seem to drive implementation rather than the intended outcome.

According to the information derived from the interviews and the literature review (Porter & van der Linde, 1999 & Porter, 1991), outcome-based legislation would facilitate and drive the innovation required to identify and implement shared value strategies, linked to the business core profit model. According to an interviewee, outcome-based legislation would need to make allowances for flexible and agile responses to the compliance requirements.

5.3.2 Use of financial incentives as a reward – the "carrot versus stick" approach

As discussed in Section 1, innovation and collaboration are considered pillars of the shared value creation strategy. Legislation which enables the creation of shared-value should, therefore, incentivise innovation and collaboration. As raised by an interviewee, financial incentive is particularly relevant to encourage companies to invest in innovation linked to research and development. Based on the literature review (SVA Consulting, 2013) and inter

[8] The Gini coefficient is a "measure of income inequality that reduces a country's income distribution into a single number between 0 and 1: the higher the number, the greater the degree of income inequality" (Riley, Undated).

(James, 2015)views, a stumbling block to embedding shared value creation in the corporate environment is the time it takes to implement such strategies. Particularly onerous is the innovation required to identify, develop and implement shared value activities, products or services (as described in Section 1 of the thesis), which mostly has a negative impact on a company's operating profit. An opportunity therefore exists to reward companies financially (such as via tax rebates) who are engaging in innovative solutions to societal challenges.

As expressed by an interviewee, companies have the most potential to address social and environmental challenges when they are incentivised to innovate. An incentive-driven legislative framework is therefore required to drive innovation. Within the South African context, a good example of a piece of legislation that is incentive driven is the proposed Carbon Tax legislation. The legislation allows for greater tax rebate in proportion to the reduction in carbon emissions from a company's direct production activities, products and services (National Treasury, 2015). With the primary outcome of the legislation articulated as the transition of South Africa's economy to a low carbon economy.

5.3.3 Non-compulsory participation in beyond compliance value creation activities

As raised by the interviewee, the implementation of shared value creation legislation should have an element of voluntary participation or compliance. Participation in the "beyond compliance" initiatives could be incentivised to promote innovation. The basis for this recommendation is the view that the most innovative companies are so because of their internal structures and management, rather than because of legislative requirements.

Although not raised in the interviews, an example of non-compulsory policy (beyond compliance) relates to the Johannesburg Stock Exchange's (JSE) annual Environment, Social and Governance (ESG) performance ratings. The JSE has endorsed a specific rating agency and their associated rating approach. The parameter for inclusion in the FTSE/JSE index is reflected in the **Box** 7 below.

Box 7: FTSE/JSE Responsible Investment index series (JSE, Undated).

- **The FTSE/JSE Responsible Investment Index:** "A market-cap weighted benchmark index calculated on an end-of-day basis, which comprises all eligible companies that achieve a FTSE ESG rating of 2.0 or above"; and
- **The FTSE/JSE Responsible Investment Top 30 Index:** "An equally weighted tradable index calculated on a real-time basis, which comprises the top 30 companies ranked by FTSE ESG rating".

The public disclosure of an entity's ESG performance and activities is used as the basis for the assessment and subsequent rating (FTSE, 2015). Company's inclusion in the FTSE/ JSE index and the top 30 JSE listed companies ESG performance ranking is made publicly available (JSE, Undated). The participation in the rating system is not mandatory (i.e. if a company falls with the above-mentioned market-cap benchmark they are automatically included in the assessment cycle). However, the assessment linked rating level is based on the company's effort and commitment to ESG performance and it is therefore arguable that the higher the ESG rating, the higher the ESG performance.

This JSE/ FTSE ESG performance assessment, therefore, reflects a system where the level of participation is determined by the company. However, the advantages of the system are linked to the level of participation. Companies can therefore choose to comply with all the JSE/ FTSE requirements and be incentivised with a higher ESG performance score, which can be presented to all stakeholders.

The King Committee (2016), argues that ESG reporting may assist a company with enhancing its long-term sustainability performance; thereby, assisting stakeholders in assessing an organisations ability to create "long-term value creation, beyond the products and services they provide and the profit they generate" in other words their ability to create shared value (James, 2015: p 107). With reference to investors and shareholders, Ellsworth and Spalding (2016: p2), argue that "ESG factors can have financial repercussions that can make them primary economic factors in decision-making," therefore the assessment of rating agencies such as FTSE can impact on investor sentiments.

5.4 Conclusion

This chapter presented the findings of the analysis of the interviews. The information provided relates specifically to the analysis of the interview response relating to the constraints associated with existing legislation and policies that promote shared value. In addition, this chapter presented and discussed recommendations that arose because of the constraints identified during the interviews and in the literature review.

The recommendations are associated with framing and drafting legislation in a specific manner, to increase the uptake of a shared value creation strategy in corporate South Africa were presented and discussed. The recommendations aim to enhance the legislation and policy (like those presented in Section 3) that support the notion of creating shared value.

6 SUMMARY AND CONCLUSION

"When there's change, there's opportunity" [9]

Jack Welch (Executive Chairman, Jack Welch Management Institute).

6.1 Introduction

In this chapter the manner in which the research undertaken met its intended objectives (as described in Section 1.8) will be described. The section will include a summary of the definition of creating shared value, as well as examples of how it can be created. The chapter will also recap the existing South African and International legislative frameworks and policies that support the notion of creating shared value, as well as the key themes that emerged from the analysis of the interviews conducted. Lastly, the chapter will present the recommendations identified, based on the interview analysis and literature review; to enhance the legislative and policy framework, in a way that facilitates the uptake of shared value creation in corporate South Africa.

6.2 Understanding Shared Value Creation

A shared value creation business strategy defines the way a business generates an income (i.e. makes money), whilst also addressing a societal or environmental challenge. This value creation strategy is, therefore, contrary to philanthropy or CSR for that matter. Philanthropy refers specifically to the donation of money to alleviate a societal or environmental challenge, whilst CSR refers to the allocation of money to reduce the environmental and social impact of a company, beyond what is legally required (i.e. spending of money) (Moore, 2014).

Therefore, to qualify as shared value creation, a business financial value creation strategy, must include financial benefits for the company, as well as a measurable positive impact on a societal or environmental challenge.

According to Porter and Kramer (2011), there are three ways a company can create shared value, namely (refer to Section1.5 for additional information):

- the identification of new products or the provision of new services that address and meet significant societal needs, as well as creating new markets and revenue streams;

[9] Reference: http://www.azquotes.com/quote/1207353 - accessed March 2017

- re-evaluation of the value chain (including resource use) and thereby reducing cost, improving efficiency as well as reducing environmental degradation to the benefit of society; as well as
- creating support services and activities in close proximity to the development or company, in order "to improve the operating environment affecting business and alleviate social problems" (Porter & Kramer, 2011; FSG, 2012: p3).

6.3 Initiatives in Support of Shared Value Creation

Three illustrative examples were described in Chapter 1 to demonstrate the way the three opportunities for shared value creation listed above can be implemented. The Discovery Health (see Section I) case study reflects the shared value creation opportunities associated with redesigning products and services (i.e. reconceiving products and services). The Santam case study (see Section III) speaks to the shared value creation opportunities associated with collaboration with government, competitors and industry support entities (i.e. enabling local cluster development); while the Nestlé case study (see Section II) illustrated shared value creation opportunities along the value chain (i.e. redefining productivity in the value chain). The examples provide a response to objective 2 of the research, which is to identify where this shared value creation strategy is being implemented and illustrate this, using illustrative examples.

The underlying theme throughout all the case study examples, literature review and the analysis of the data gleaned from the interviews; is that innovation forms the foundation of a shared value creation strategy. Innovation comes about with the investigation, development, and implementation of activities, products and services that are not currently included in the existing financial value creation methodology of an entity. The innovative outcome has the potential to increase revenue opportunities, whilst also addressing societal or environmental challenges.

6.4 Embedding Shared Value into Mainstream Corporate South Africa

I acknowledge that there are several ways to increase the uptake of a shared value creation strategy in mainstream corporate strategy in South Africa. These opportunities include increased training and awareness, appealing to the moral and social obligation of executives, as well as piloting smaller projects to show positive or early wins (Bertels, et al., 2016). For this thesis, I focused on legislation and policy as a means of embedding a shared value strategy into corporate South Africa.

Therefore, the thesis looked at the South African and international policy and legislative environment in relation to creating shared value (refer to Chapters 3).

6.4.1 South African and international policy and legislative frameworks in support of shared value creation

Several South African and international policy and legislative frameworks were identified which support the notion of shared value creation. Within the South African context, the thesis included two examples of legislative requirements, which I am of the opinion are the most aligned to the implementation of shared value creation. These are the requirements associated with the Social and Labour Plan, as required by the Mineral and Petroleum Resources Development Act's, (Act No. 28 of 2002) MPRDA's Social and Labour Plan, as well as the BBBEE Code of Practice requirements.

The Social and Labour Plan necessitates the development and implementation of initiatives by a mining entity that benefits the community in the area in which the applicable mine operates (i.e. receiving area). The receiving area refers to the community within which the mine operates; the mine employees as well as the suppliers and vendors providing goods and services to the mine (Department of Mineral Resources, 2010). The Social and Labour Plan requirements facilitate the identification of opportunities for shared value creation and allow for the mine to identify innovative means of adhering to the requirements. The Social and Labour Plan requirements are not prescriptive in how they are met, but rather provide overarching objectives. For example, one of the overarching objectives includes the expansion of the skills base in the mining sector by focusing on the scarce skills directly affected by the mine and the specific mining industry (Department of Mineral Resources, 2010).

With reference to the BBBEE Code of Practice requirements, the societal challenge impacting on Black South Africans, because of Apartheid are identified, and measures to address these imbalances are reflected (Department of Trade and Industry, 2007). The measures are focused on the areas of management, employment equity, skills development, preferential procurement, ownership, enterprise development and socio-economic investment (refer to Section 8 of the Codes of Good Practice on Broad Based Back Economic Empowerment) (Department of Trade and Industry, 2007). Transformation targets are also included for each of these transformation measures. The measures are however considered prescriptive, which limits opportunities for innovative solutions.

From an international perspective, the policies that would promote the implementation of a shared value business strategy include, for example, the following:

- United Nations Sustainability Development Goals (SDGs); and
- United Nations Global Compact (UNGC).

These policies describe environmental and societal challenges from a global perspective and outline goals for addressing these challenges. They are not considered prescriptive as they do not dictate the actions required, to address the societal and environmental challenges, but rather the preferred outcomes. An outcome as described by the SDGs is the goal to "end poverty in all its forms everywhere" (The United Nations, 2016).

6.4.2 Shared value creation constraints associated with the existing legislative framework and policies in South Africa

Based on the perspectives obtained in the interviews conducted as part of this research, there is a belief that there are sufficient existing policies and laws that promote shared value creation in South Africa. A concern was, however expressed, that the implementation of these policies and legislative requirements is not effective. One of the reasons expressed for the ineffectiveness of the existing shared value creation legislation was its emphasis on procedural compliance and a focus on meeting minimum legislative requirements (i.e. "tick-box exercise"). By primarily focusing on procedural compliance, the opportunity for organisations to creatively consider how they can meet the intent and spirit of the legislation is lost. The innovation drive required to promote shared value creation is, therefore, not enabled by the existing shared value creation policy and legislative frameworks.

In addition, the effectiveness of the existing legislative and policy frameworks is hampered by limited and inadequate monitoring and measurement of the impact of shared value and other non-financial parameters.

For an effective shared value creation strategy, which is triggered by legislative requirements, the focus should be on the outcome of activities and actions rather than legislating the activities and actions themselves. Concern was also raised in the interviews by the perceived absence of government intervention and monitoring to ensure implementation of the existing legislation that lends itself to shared value creation.

Several the shared value creation opportunities identified by the interviewees were largely shown to be a result of a business risk management approach, rather than being triggered by a legislative requirement. The shared value initiatives are therefore considered unintended consequences of the "business as usual" risk management strategy.

6.5 Recommendation for Future Value-Add and Recommendations when Drafting Shared Value Creation Policies or Legislative Frameworks

The importance of innovation in a shared value creation strategy cannot be underestimated. Therefore, embedding shared value creation into mainstream corporates is linked to the framing of legislation in a manner that facilitates and promotes innovation, such as the legislative requirements associated with the Clean Air Act of 1970 discussed in Section 1.7. A recommendation is that any shared value creation policy or legislation should focus on the intended outcome of the legislative requirement and the actions required to achieve that intended outcome, intent and spirit of the legislation. This approach would constitute a move away from the focus on procedural compliance and minimum legislative requirements as seen in the BBBEE Code of Practice requirements.

In addition, the inclusion of incentives in shared value creation legislation, as can be seen in the proposed Carbon Tax legislation, provides a motivation to go beyond compliance and to identify and implement strategies that would provide value for the company as well as society. This legislative approach reflects an incentive (carrot) as an alternative to the more commonly used penalty (stick) legislative compliance approach. Incentive-based shared value creation legislation could also be earmarked to compensate companies developing new technologies for the betterment of society or the environment and thereby, promoting innovation.

From a policy perspective, the inclusion of incentives linked to a market assessment of performance, beyond compliance, was seen by interviewees as an opportunity to promote shared value creation. The FTSE rating agency is considered an example of a shared value assessment and incentive mechanism. As discussed in Section 5.3.3 the FTSE rating assessment is the Johannesburg Stock Exchange (JSE) endorsed assessment and rating of the environment, social and governance performance of JSE listed companies. The opportunity to create shared value lies in the identification of projects that would address societal or environmental challenges as part of a JSE listed company's ESG performance. The rationale for this recommendation is that corporations would be able to reflect good corporate governance, as well as increased market share to all existing stakeholders and potential future investors.

6.6 Opportunities for Future Research

Areas identified, while undertaking this research, which would benefit from further research, due to the lack of existing data on the subject matter, as well as challenges described by the interview participants, are as follows:

- determining and testing effective and efficient ways of monitoring and measuring the impact of shared value; and;
- determining and testing the opportunities and constraints associated with a carrot versus stick legislative compliance approach as a means of embedding shared value as a business development strategy.

6.7 Conclusion

In this chapter the research undertaken was summarised and the response to the research objectives reflected. In addition, the chapter provided a response to the overarching goal which was to determine how to enable:

<u>A consistent uptake, by companies in South Africa, of shared value as a means of creating value, with a specific focus on legislative requirements as an enabler.</u>

Through this research investigation, I was able to define what the notion of shared value creation is; give examples of how this value creation strategy can be achieved as well as provide examples (via case studies) of the implementation of a shared value creation strategy.

Applicable South African and international legislation and policy that supports the notion of shared value was articulated. The existing constraints associated with the use of the policies and legislation to embed shared value was highlighted. Lastly, recommendations to enhance the legislation and policy that lend themselves to shared value implementation were provided.

It is my hope that through this research, I was able to articulate the way shared value has the potential to help South Africa and reflect the role corporates' can play in addressing societal challenges. The opportunity that legislation can play in this regard has some merit and could increase the uptake of a shared value creation strategy in corporate South Africa.

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APPENDICES

APPENDIX 1: APPLICATION LETTER FOR INSTITUTIONAL PERMISSION

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APPLICATION LETTER FOR INSTITUTIONAL PERMISSION

____**INSTITUTION NAME & ADDRESS:** xxxxx

INSTITUTION CONTACT PERSON: xxxxxx

INSTITUTION CONTACT NUMBER: xxxx

INSTITUTION EMAIL ADDRESS: xxxxx

____**TITLE OF RESEARCH PROJECT**: THE NOTION OF CREATING SHARED VALUE, ITS APPLICABILITY AND IMPLICATIONS FOR CORPORATE SOUTH AFRICA

ETHICS APPLICATION REFERENCE NUMBER: SU-HSD-004106

RESEARCHER: Karen-Dawn Koen

DEPT NAME & ADDRESS: School of Public Leadership, University of Stellenbosch

CONTACT NUMBER: 083 415 5927

EMAIL ADDRESS: KarenK@oceana.co.za

____

To Whom It May Concern

Kindly note that I am an MPhil student at the Department of School of Public Leadership at Stellenbosch University, and I would appreciate your assistance with one facet of my research project.

Please take some time to read the information presented in the following four points, which will explain the purpose of this letter as well as the purpose of my research project, and then feel free to contact me if you require any additional information. This research study has been approved by the Research Ethics Committee (REC) at Stellenbosch University and will be conducted according to accepted and applicable national and international ethical guidelines and principles.

1. A short introduction to the project:

The concept of "Creating Shared Value" was first introduced by Porter and Kramer (2011) in a Harvard Business Review. The article spoke of the limitations of the existing economic framework, in particularly in relation to the economic, social and environmental impacts of the activities, products and services associated with corporates (Porter & Kramer, 2011). As an alternative to what is perceived to be a failed economic system, Porter and Kramer (2011) proposed a business strategy that does not only focus on the short-term profits but is aligned to creating societal value (both social and environmental) for all its stakeholders.

South Africa's existing socio-economic environment is characterised by the #feesmustfall movement, the municipal service boycotts, investment rating downgrade and high levels of social inequality, increased unemployment, corruption, and food insecurity. The way corporate South Africa can engage with these risks and the potential for "Creating Shared Value" to the benefit of all stakeholders will be explored together with the potential policy and legislative frameworks which would enable the implementation of Shared Value.

2. The purpose of the project:

Investigate the existing international and national legal and policy frameworks, best practice and activities which lends to the implementation of "Creating Shared Value". Considering the South African context, the research will explore the potential opportunities and enabling factors for the implementation of "Creating Shared Value" as defined by Porter and Kramer.

3. Your assistance would be appreciated in the following regard:

I hereby request permission to interview your respective Sustainability Manager/Practitioner for this research. The interview should not take longer than 30 minutes and all data gathered will be considered confidential.

4. Confidentiality:

To maintain the confidentially of the research participants and the associated organisation, the intention is to refer to the stakeholder sector or fraternity category to which the interviewee belongs, when referring information gleaned from the interviews. The results of the research will be included in the thesis, which will be made available to participants. In addition, a journal article may be written on the outcome of the research and once again the names of the individuals interviewed will not be utilised. Rather, reference will be made to the fraternity represented (e.g. consulting sector, NGO sector, private sector corporate, etc.).

All data gathered will be stored on the researcher's personal computer which is password protected. The data will be stored on the personal computer for a period of two (2) years and thereafter backed up to the researcher's personal offline data and files back-up facility. The researcher will utilise an online electronic data and file storage service referred to as Dropbox. Dropbox allows for secure file and data storage via a two-fold access system. Access to a particular folder or file can only granted by entering a personal password as well as a randomly generated six-digit security code.

If you have any further questions or concerns about the research, please feel free to contact me via email (KarenK@oceana.co.za) or telephonically (083 415 5927). Alternatively, feel free to contact my supervisor, Dr Michelle Audouin, via email (MAudouin@csir.co.za) or telephonically (021 888 2504).

Thank you in advance for your assistance in this regard.

Kind regards,

Karen-Dawn Koen

Principal Investigator

Institutional Approval

Full Name: ___________________________

Designation: __________________________

Signature: __________________________

APPENDIX 2: CONSENT TO PARTICIPATE IN RESEARCH

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CONSENT TO PARTICIPATE IN RESEARCH

TITLE OF THE RESEARCH PROJECT: The Notion of Creating Shared Value, its applicability and implications for Corporate South Africa

REFERENCE NUMBER:	KK_MPhil_Int_01
RESEARCHER:	Karen-Dawn Koen
ADDRESS:	Sustainability Institute, Lyndoch
CONTACT NUMBER:	0834155927

Dear Participant

My name is *Karen-Dawn Koen* and I am currently registered to complete my *MPhil in Sustainable Developmental and Management*. I would like to invite you to participate in a research project entitled "**The Notion of Creating Shared Value, its applicability and implications for Corporate South Africa.**"

Please take some time to read the information presented here, which will explain the details of this project and contact me if you require further explanation or clarification of any aspect of the study. Also, your participation is **entirely voluntary,** and you are free to decline to participate. If you say no, this will not affect you negatively in any way whatsoever. You are also free to withdraw from the study at any point, even if you do agree to take part.

This study has been approved by the Humanities Research Ethics Committee (HREC) at Stellenbosch University and will be conducted according to accepted and applicable national and international ethical guidelines and principles.

1. Research Background

The concept of "Creating Shared Value" was first introduced by Porter and Kramer in a Harvard Business Review (Porter and Kramer, 2011). The article spoke to the limitations of the existing economic framework, in particularly in relation to the economic, social and environmental impacts of the activities, products and services associated with corporates (Porter & Kramer, 2011). As an alternative to what is perceived to be a failed economic system, Porter and Kramer (2011) proposed a business strategy that does not only focus on the short-term profits but is aligned to creating societal value (both social and environmental) for all its stakeholders.

South Africa's existing socio-economic environment is characterised by the #feesmustfall movement, the municipal service boycotts, investment rating downgrade and high levels of social inequality, increased unemployment, corruption, and food insecurity. The way corporate South Africa can engage with these risks and the potential for "Creating Shared Value" to the benefit of all stakeholders will be explored together with the potential policy and legislative frameworks which would enable the implementation of Shared Value.

2. Research Objective

Considering the existing legal and policy frameworks, internal and local best practice via case studies, interviews with corporate sustainability practitioners, consultants and NGO's, make recommendations applicable to the South African corporate context for the implementation of Creating Shared Value.

3. Potential research outcome benefit

The research would endeavour to explore the potential applicability of the notion of Creating Shared Value within the corporate environment. The research will endeavour to provide opportunities and enabling factors which would promote the implementation of "Creating Shared Value" within the South African context. The results thereof could potentially be used to underpin a corporates' implementation of "Creating Shared Value" Journey.

4. Participation Rules and Rights

- No payment will be given for participating;
- The interview will be recorded via digital voice recording;
- Data collected via the exercise will be incorporated into the thesis required;

- All data will be stored on a password protected computer and all participants will be able to access the results of the research once it's been accepted by the University. In addition, a journal article may be written on the outcome of the research;
- Participation in this research is voluntary and withdrawal at any time during the research study can occur without any negative consequences;
- Participants can choose not to answer certain questions and remain in the study;
- Interviewees will be recorded (written as well as electronically) as anonymous and be given an interview number. The intention is to refer to the stakeholder sector or fraternity category (e.g. consulting sector, NGO sector, etc.) to which the interviewee belongs, when referring information gleaned from the interviews.

If you have any questions or concerns about the research, please feel free to contact:

Student: Karen-Dawn Koen (0834155927, karenk@oceana.co.za)

Supervisor: Dr Michelle Audouin (MAudouin@csir.co.za)

RIGHTS OF RESEARCH PARTICIPANTS: You may withdraw your consent at any time and discontinue participation without penalty. You are not waiving any legal claims, rights or remedies because of your participation in this research study. If you have questions regarding your rights as a research subject, contact Ms. Maléne Fouché [mfouche@sun.ac.za; 021 808 4622] at the Division for Research Development.

You have right to receive a copy of the Information and Consent form.

If you are willing to participate in this study, please sign the attached Declaration of Consent and hand it to the researcher

Yours sincerely

Principal Investigator

DECLARATION BY PARTICIPANT

By signing below, I …………………………………..………………… agree to take part in a research study entitled “The Notion of Creating Shared Value, its applicability and implications for Corporate South Africa” conducted by *Karen-Dawn Koen*

I declare that:

- I have read the attached information leaflet and it is written in a language with which I am fluent and comfortable with.
- I have had a chance to ask questions and all my questions have been adequately answered.
- I understand that taking part in this study is **voluntary** and I have not been pressurised to take part.
- I may choose to leave the study at any time and will not be penalised or prejudiced in any way.
- I may be asked to leave the study before it has finished, if the researcher feels it is in my best interests, or if I do not follow the study plan, as agreed to.
- All issues related to privacy and the confidentiality and use of the information I provide have been explained to my satisfaction.

Signed at (*place*) ....…........……………… on (*date*) …………....……… 2017.

Signature of participant

SIGNATURE OF INVESTIGATOR

I declare that I explained the information given in this document to ______________________ [*name of the participant]. [H*e/she] was encouraged and given ample time to ask me any questions. This conversation was conducted in English and electronically recorded.

____ ______________

Signature of Investigator **Date**

APPENDIX 3: DATA ANALYSIS RESULTS

The Notion of Creating Shared Value, its applicability and implications for Corporate South Africa

A grounded approach to data analysis **– Data Analysis Results**

Question 1: What is your understanding of Creating Shared Value?

Open Code	Properties	Examples of participants' words
Shared opportunity identified to address societal challenges.	Address societal challenges whilst meeting business strategy.	• Shared benefit and value. • Meets financial gain for company. • Initiative aligned to company strategy. • Answers the question - what value do businesses add to society? • Shared benefit from a particular event, project, system, process. • Number of ways a company can create value. • Requires measurable financial and societal value.
Addressing business risk and compliance and create revenue stream.	Address societal challenges that poses a risk to company or has a compliance element.	• Holistic understanding of societal risk and therefore understanding of potential benefits. • Question that we should ask is - are there benefits to be had in complying? • The societal benefit will be around addressing a set of risks. • Business understands the strategic risk or opportunities and

Open Code	Properties	Examples of participants' words
		the business case for value creation.
Business as usual not sustainable (i.e. profit to the detriment of society and the environment).	Change needed as existing/most common value creation system not addressing societal challenges.	• Company's profitability does not include the cost of societal and environmental impact externalities. • Social and environmental challenges not addressed in the market. • Company does not exist in a vacuum. • Internalise externalities and implement projects to create shared value. • Need to acknowledge that a company can impact on environmental and the community within which it operates. • Shared value difficult to understand – goes against the grain of let us make a profit. • Challenging exiting rules and determining if there is a different way of doing things that adds value to a company and the community.
Collaborative approach to creating value.	Creating shared value by engaging all stakeholders.	• Bringing together parties to create shared value. • Reflects a response to the question - is there not a way in

Open Code	Properties	Examples of participants' words
		which we can engage the community? • Reflects collaboration between business, government and the community. • There are several relationships and resources tied to value driven business model. • Good relationships with government allows for access to information. • Collective action is about business partnering to create shared value. • Societal benefit needs to be co-created.

Question 2: In your company/entity how do you create value and in what way does society benefit from it?

Open Code	Properties	Examples of participants' words
Reconceiving products and services that is innovation driven.	Meeting a societal need by amending or introducing additional products or services that generate a revenue stream for the company.	• Discovery health vitality platform is a good example of a shared value strategy. • Considers doing things differently to how we always do it. • Depending on the project, it can meet environmental and BBBEE requirements.

Open Code	Properties	Examples of participants' words
		• Example includes the development of generic products, which are cheaper.
Resource use efficiency.	Derive financial benefit because of utilising less resource.	• See financial value by reduced cost of production of pharmaceutical products and societal value in terms of improved health. • Reduced consumption of carbon emitting resources results in shared value.
Opportunities in value chain.	Looking at your value chain to create shared value by changing elements thereof.	• Purchasing locally and thereby supporting local suppliers. • Using CSI project to sell own products (clinic stock company baby products, unemployed women distributers). • Educate potential customers on cultural beliefs in conflict with business revenue stream and acceptable medical norms. • Company waste converted into revenue stream for the community. • Example - help subsistence farmers be more commercially viable, providing business and governance procedures.
Opportunities in support	Looking at external resources that you require to generate an	• Internal skills development and critical skills meet BBBEE

Open Code	Properties	Examples of participants' words
services/supplier chain.	income and meet societal needs.	requirements and societal challenges (feesmustfall). • Contributing to an increased skill base. • Expanding on the healthcare system together with government.
Changing behaviour.	Changing behaviour to create financial value and address societal challenge.	• Change behaviour of consumers - it's a way of positioning what is being sold. • Products to change behaviour resulting in a negative environmental impact. • Incentives to change behaviour resulting in less claims and healthier consumers. • Look at added value linked to behaviour change.

Question 3: Do you believe that societal needs can be eased with the implementation of Shared Value?

Open Code	Properties	Examples of participants' words
Yes, but with government intervention.	Assistance in terms of government incentive intervention.	• Think to a certain extent, but will need government programmes, policies and intervention. • Should not just be left to the private sector. • Needs to be undertaken within the framework of what government is setting out.

Open Code	Properties	Examples of participants' words
Yes.	With innovation and collaboration Creating Shared Value (CSV) can meet all of society's challenges.	• Yes, most definitely. • Society needs can be eased with CSV. • Companies need to determine the business opportunity in unmet societal needs. • Companies need to identify additional value products based on societal needs. • Potential for competitive advantage by addressing societal need.
Yes, but not fully.	Business can play a role and harness inherent private sector strength, but they will not be able to meet all of society's challenges.	• We are a long way from CSV strategies but moving in the right direction. • Always going to need pure philanthropy. • Government not able to cope so they will always need handouts. • Can deliver at a greater scale as opposed to CSI, as initiatives need to be linked to company profitability. • Delivers more societal value as opposed to CSI or philanthropy, delivers value through the core business profit formula. • Business will only look at needs that are material to them. • Can leverage value and the supplier to affect social economic development.

Open Code	Properties	Examples of participants' words
No not all.	CSV cannot address societal and environmental challenges.	• No, don't think all society's needs can be met through business strategies.

Question 4: In your experience or opinion how do implementing shared value change business practices and policies? Where have these been implemented successfully?

Open Code	Properties	Examples of participants' words
Shareholder commitment.	Policies changed due to shareholder directive.	• Shareholders have made it clear that they want sustainable growth. • Shareholders consider the company as a social venture. • Shareholders require that we to create and measure positive impacts. • Shareholders opinion is that the core focus is not about maximising returns.
Collaboration triggered changed in operational context.	Companies are open to collaborate with different partners rather than working in silos.	• Shift in thinking, not working in silos. • Had to learn to co-create with government. • Engagement with stakeholders and increased awareness of how the co-operate.
Grapple with Shared Value as a strategy.	Lack of uptake of CSV can be attributed to the uncertainty and lack of knowledge	• Companies grapple with how to implement and measure CSV. • Different mind-set required to the business as usual strategy.

Open Code	Properties	Examples of participants' words
	around how to develop and implement the strategy.	• Reap the benefit later – no short-term rewards.
Lack of communication.	Shared value strategy/projects not communicated as such.	• Companies doing great work but not talking about it. • Not how we sell/market ourselves.
Innovation internalised.	Don't utilised external policy to drive change.	• Companies who are innovative don't require policy to drive innovation. • Find shared value by radically rethinking business model (i.e. Discovery). • Create societal value that is most aligned with the profit formula. • Would not put policy as the first port of call. • Innovative response to existing business risk.
Policies available but not referred to as shared value.	The policies are geared to the promotion of business growth or management of a risk.	• No conversation necessarily about shared value just implemented based on business priority/legal requirement. • Creative response to business challenges. • Projects/initiatives not termed shared value strategies. • New policies and procedures implemented to govern

Open Code	Properties	Examples of participants' words
		innovative strategy as it was not business as usual. • Legislation dictates what you can charge for medication – good for general public but now companies must be innovative in terms of financial growth. • Value proposition contain in our credo – talks about responsibility first to customer, employees, shareholders and communities. • Policies and procedures developed to support shared value project. Although not referred to as a shared value project.
Can change business processes.	Changed policies of how they operate not necessarily the policy itself.	• Break down ideological barriers. • Changed how projects are implemented rather than the business strategy. • Foster collaboration between various stakeholders. • Determine who to target, how to target and how to be equitable in approach. • Innovate – do business in an entirely different way in response to societal challenges.
Strategy linked to profit model.	SVC is a business value creation strategy not a sustainability strategy.	• Once the executives understand shared value as a business strategy it is going to radically change their thinking.

Open Code	Properties	Examples of participants' words
		• SVC changes the approach to value creation. • If we look after customers, employees and communities, we will make a profit. • Shareholders made it clear that it's not only about growth but the impact we make.
No policy changes.	Business as usual prevails and any shared value activities are secondary.	• Companies grapple with understanding shared value, how to measure, how to implement. • Difficult to change the "in the business to make money" mind set. • Waiting on long-term benefits not aligned to business strategy.

Question 5: What are the legislative/business/policy opportunities and constraints associated with creating value that can benefit society?

Open Code	Properties	Examples of participants' words
Compliance as a key objective.	The need for compliance can hamper shared value creation.	• Compliance can make money for your company, if implemented properly and not as a grudge. • Example of hampering - can't share you BEE points, therefore limits collaboration. • Does not allow for collaborative strategic spend (i.e. BBBEE). • Potential for bigger impact if BBBEE allow for collaboration.

Open Code	Properties	Examples of participants' words
		• BBBEE compliance, more of a competitive space than collaboration - driven by competition. • BBBEE not spelt out as well as it could be – companies limited innovation/ideas to black companies. • BBBEE beneficiaries limited to formal environmental (excludes cooperatives). • BBBEE, no teeth – no consequence if not achieved. • Need to meet the spirit of the law. • Limited to the transformation manager and not as a company strategy - does not only live in one area.
Product legislative requirements.	Legislative requirements can promote incentive.	• Cap on how much you can charge for medication. • No such regulation for cancer meds – therefore high prices. • Cost for patenting generic meds expensive – generic meds would be a cheaper alternative. • Skewed to consumer value.
Financial instruments.	Using financial instruments as an inventive.	• Does not promote innovation or high-risk projects. • Ideally require government guarantees, loans, and grants.

Open Code	Properties	Examples of participants' words
		• Require blended financing to promote SVC. • Sweeten the deal to start off with – i.e. promote innovation. • Stick and carrot approach – carbon tax policy a good example.
Incentives to drive innovation.	Incentives to drive innovation not currently available in legislation.	• Love to see legislation that is mature enough to drive innovation. • Not a whole lot of ticking boxes. • Legislation need to be more flexible and agile. • Companies have the greatest potential to address social challenges when they are incentivised to innovate. • Require incentive driven framework to drive innovation. • Ticking boxes shuts down innovation. • Innovation created by positive incentives and collaboration.
Ineffective existing legislation.	Creates stumbling blocks to value creation.	• Too much legislation. • Constrains how companies, communities and government work together. • Existing legislation not implemented or monitored the way it should be.

Open Code	Properties	Examples of participants' words
Economic growth.	Economic growth orientated legislation.	• Since 1994 pro growth economic model. • Does not focus on societal challenges – side-lined.

Question 6: What stumbling blocks do companies typically face in trying to create shared value and how does your company address any challenges it faces?

Open Code	Properties	Examples of participants' words
Undefined long-term impact of strategy.	Companies are not able to define the long-term impact of a shared value strategy.	• Have no idea how far impact is within a company and a supply chain. • No understanding of how much they can influence projects when working in communities or with government. • Don't understand the long-term impact of SVC projects.
Justification of financial investment.	Difficult to calculate the return of investment.	• See project as a cost rather than look at the return on investment. • Prefer measurements in rands rather than social impact. • See it as a compliance cost.
Measuring success and return of investment.	Difficult to measure the impact.	• Measurement extremely difficult. • Easy to implement from a how does everybody benefit perspective – but the measurement of impact difficult. • Hard to measure social value – usually a mix of partners and can't aggregate.

Open Code	Properties	Examples of participants' words
Focus on compliance.	Over emphasis on procedural compliance and become a tick box exercise.	• Impedes innovation. • Concerned about the legal consequences and therefore not willing to consider alternative means of meeting legal requirements. • Does not promote an innovative response.
Trade-off between financial and societal value.	CSV initiatives considered a cost not a profit-making strategy.	• Companies assume costs are higher if delivering social value. • Assume that financial benefit that would accrue to company lower. • Require fund for innovation drive. • Investment will require initial cost. • Require appreciation of looking at investment differently.
Time frame.	Longer time frame for return of investment required.	• Companies are impatient. • Want to try and deliver shared value tomorrow. • Take shortcuts – leave out innovation and integration into culture. • Not many companies have a long-term plan (i.e. typically have three-year business strategy cycles). • Positive results not tangible right now.

Open Code	Properties	Examples of participants' words
		• Does not give you an immediate return. • Need to have a long-term view to invest in innovative technology.
Externalities.	No pricing of external factors which could impact on the business.	• No pricing of externalities included in a company's balance statement or cost to projects.

Question 7: Do you have any suggestions for improvements in the existing policy frameworks to facilitate and enhance shared value creation?

Open Code	Properties	Examples of participants' words
Measurement of compliance.	Amend the way companies reflect compliance. Some Companies currently circumvent the intention of the legislation.	• Literally thinking tick, the box. • Allow people to find loopholes. • Change verification process. • Look at a qualitative assessment rather than just qualitative.
Implementation of policies.	Require effective implementation of policies that ensure that the ability to find loopholes is reduced. Does not become a tick box exercise	• Companies don't implement policies effectively. • Look at meeting the requirements not necessarily the objectives – BBBEE. • Have not been implemented in the spirit in which it was created.

Open Code	Properties	Examples of participants' words
		• Looks at whether actions are achieving the objective of the legislation. • Test whether the legislation is having the desired effect.
Investor led incentive.	Policies required that promote investor led incentive.	• Policy that is investor led rather than government led. • Shared value as part of JSE listing.
Incentive.	Legislation should be geared to promoting collaboration via incentives.	• Encouraging companies to work with others. • Incentive to drive the right behaviour. • Incentive to collaborate.
Elective participation.	Policies required that promote elective participation.	• SVC should be driven by elective legislation. • Shared value created with the implementation of legislation. • But not everybody is forced to do it. • Incentive provided if legislation is implemented beyond compliance. • More shared value created in the voluntary carbon offset environment. • Value created regardless of government requirements.