

Creating shared value in South Africa. A case study of Rustenburg and Emahlaheni regions.

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Abstract— This report is based on research carried out during two workshops on ‘Systems Thinking’ and ‘Creating Shared Valued’ (CSV) with Non-Profit Organisations (NPOs), Small, medium, micro enterprises (SMMEs) and government representatives in the eMalaheni District in the Mpumalanga province and Rustenburg in South Africa. The research was focused on Khulisa’s work on the identification of relevant SMME and NPO partners at grass-roots level with whom activities could be aligned in order to leverage wide scale change through collaboration and enhanced needs driven service delivery. The methodology used to collect data was mainly qualitative. Open-ended questions were handed out to participants to fill in their perceptions on the topic under discussion. 40 and 20 participants respectively from different sectors attended the workshop. At the workshops three sets of data were collected and analysed thematically. Values were identified and they were then linked or associated with stakeholders. It was then identified how these stakeholders affect/relate to one another thereby identifying how they can make one another function better hence create shared value.

Keywords—*shared value, sustainability, South Africa.*

I. INTRODUCTION

This paper is based on ‘Systems Thinking’ and ‘Creating Shared Valued’ (CSV) presentations made to NPOs, SMMEs and government representatives in the Bonjanala District in Rustenburg and Emahlaheni in the North West and Mpumalanga Province of South Africa. The research was held for Khulisa Social Solutions, an NPO that has been working with communities across South Africa for over 17 years systemically tackling the causal factors of community vulnerability and the opportunities for sustainable change.

A. Justification

Traditionally, the interests of business and society have been defined in opposition to each other. The core function of business has been seen at best as socially neutral creating wealth that can be used to pay for social well-being—and at worst as destructive. Commentators have either encouraged companies to stay out of social issues and focus solely on creating the best financial returns for their shareholders, or else exhorted them to compensate for the perceived damage they do to society during the course of business. In response, many companies have limited themselves to making philanthropic grants and managing acute stakeholder concerns without necessarily linking those activities to core business interests, expertise, and influence. (Lacy et al, 2010)

Until recently, corporate engagement in society has been viewed as a business cost, to be traded off against profitability. Increasingly, however, companies are realizing that by creating shared value, they can benefit society and boost their competitiveness at the same time. The capitalist system is under siege. In recent years business has been criticized as a major cause of social, environmental, and economic problems. Companies are widely thought to be prospering at the expense of their

communities. Trust in business has fallen to new lows, leading government officials to set policies that undermine competitiveness and sap economic growth. Business is caught in a vicious circle [2].

A huge portion of the problem lies within organizations themselves, they remain locked in an outdated, narrow approach to value creation. Focused on maximizing short-term financial performance, they do not see the greatest unmet needs in the market as well as broader influences on their long-term success. One can thus ask, why else would companies ignore the well-being of their customers, the depletion of natural resources vital to their businesses, the viability of suppliers, and the economic distress of the communities in which they produce and sell?. Companies could bring business and society back together if they redefined their purpose as creating “shared value”—generating economic value in a way that *also* produces value for society by addressing its challenges. A shared value approach reconnects company success with social progress.[1]

A Systems Thinking approach was followed for multiple reasons. For example in [7] which refers to Jackson (2003) who emphasizes that considering multiple stakeholder perspectives is critical to both understanding and exploring solutions to complex situations. Some of the values of considering multiple perspectives include: understanding diverse aims and objectives; incorporating the values of stakeholders in planning and decision making; identification of previously unconsidered issues; designing creative solutions; and gaining a deeper insight into the complex nature of wicked problems.

B. Aims and Objectives

The main objective of the study was to identify opportunities for creating shared value between organizations in the study areas. The second objective was to identify relevant SMME and NPO partners at grass-roots level with whom Khulisa social solutions could align their overall activities in order to leverage wide scale change through collaboration and enhanced needs driven service delivery.

C. Literature review

Reference [1] states that organizations can create shared value in three main ways: by reconceiving products and markets, redefining productivity in the value chain and creating an enabling local environment at the company’s locations. A number of companies known for their hard-nosed approach to business including Unilever and most huge corporates have already made some ground work on important initiatives in these areas. Nestlé, for example, redesigned its coffee procurement processes, working intensively with small farmers in impoverished areas who were trapped in a cycle of low productivity, poor quality, and environmental degradation. Nestlé provided advice on farming practices; helped growers secure plant stock, fertilizers, and pesticides; and began directly paying them a premium for better beans. Higher yields and quality increased the growers’ incomes, the environmental impact of farms shrank, and Nestlé’s reliable supply of good coffee grew significantly. Shared value was created. The role of sustainable business in society starts from donations to worthy social causes and volunteering which lead to compliance with community standards and good corporate citizenship and ultimately producing sustainability by integrating societal issues and challenges into economic value creation

Shared value could reshape capitalism and its relationship to society. It could also drive the next wave of innovation and productivity growth in the global economy as it opens managers’ eyes to immense human needs that must be met, large new markets to be served, and the internal costs of social deficits—as well as the competitive advantages available from addressing them. But our understanding of shared value is still in its genesis. Attaining it will require managers to develop new skills and knowledge and governments to learn how to regulate in ways that enable shared value, rather than work against it [3]



Fig 2. Creating Shared value [6]

II. METHODOLOGY

This paper is based on two ‘Systems Thinking’ and ‘Creating Shared Value’ (CSV) workshops held with NPOs, SMMEs and government representatives in the eMalahleni District in the Mpumalanga province and Rustenburg. The workshop was facilitated by Khulisa Social Solutions, an NPO that has been in existence for over 17 years in South Africa. The focus of the workshops was two-fold:

- Khulisa’s identification of relevant SMME and NPO partners at grass-roots level with whom activities could be aligned in order to leverage wide scale change through collaboration and enhanced needs driven service delivery.
- Exploring a mind-set change from charity and philanthropy to “creating shared value”

The methodology used to collect data was mainly qualitative. Open-ended questions were handed out to participants to fill in their perceptions on the topic under discussion. 40 and 20 participants respectively from different sector attended the workshop. At the workshops three sets of data were collected and analyzed thematically namely;

- Pre and post questionnaires: these were three questions asked before the workshop and the same questions asked after the workshop with the aim to understand whether there was a shift of participants mind set and thinking during the course of the workshop. The workshop consisted of presentations and group activities.
- Needs analysis survey of NGOs, SMMEs and government: representatives from these sectors were asked to complete a needs analysis survey aiming to capture what they do, their different areas of needs and where corporates or other organizations could help.
- Diagrams: two sets of drawings were made by participants, one on systems thinking and the other on creating shared value. The aim was to stimulate participants to consider how things could be different if all sectors worked together as a team to achieve a common objective and create shared value.

Before looking at the analysis, it is important to understand the context in which this research took place:

- Vulnerable and volatile communities
- Challenging business environment
- Duplication of effort and lack of co-ordination amongst NPOs
- The workshops and questionnaires were conducted in English but this is not the home language of the large majority of the participants.

A. Analysis

The following tables were tabulated to summarize the results of the survey and workshop.

TABLE 1. CREATION OF SHARED VALUE IN EMAHLAHLANI.

Number of participants	Stakeholder categories	Purpose/shared value(s)	No. of shared or related values/benefits	needs	Shared solution	Benefits of system
40	Big business, Government, NGOs, SMMEs 4	Job creation Assisting youth and victims of abuse	13	Jobs, skilled labour. funding, policing	Recruitment, job placement, funding Training, mentoring and skills development, community awareness	SMMEs: sustainable development, Community: job security, poverty reduction and less crime. Government: less social unrest and trained competent staff. Functional families.

TABLE 2. CREATION OF SHARED VALUE IN RUSTENBURG.

Number of participants	Stakeholder categories	Purpose/shared value(s)	No. of shared or related values/benefits	needs	Shared solutions	Benefits of system
20	Big business, Government, NGOs, SMMEs (4)	People living healthier and more productive lives	6	Education, employment, skilled labour, consumable goods, market, revenue, safe crime free communities	New schools, broader employee base, customers, taxes, policing, correctional services	Functional integrated/interdependent community/region

Tables 1, and table 2 attempt to represent and explain how the shared value principles were understood and also how they could be modelled in Rustenburg and Emahlahlani respectively. Values were identified and they were then linked or associated with stakeholders. The group then identified how these stakeholders affect/relate to one another thereby identifying how they can make one another function better hence create shared value.

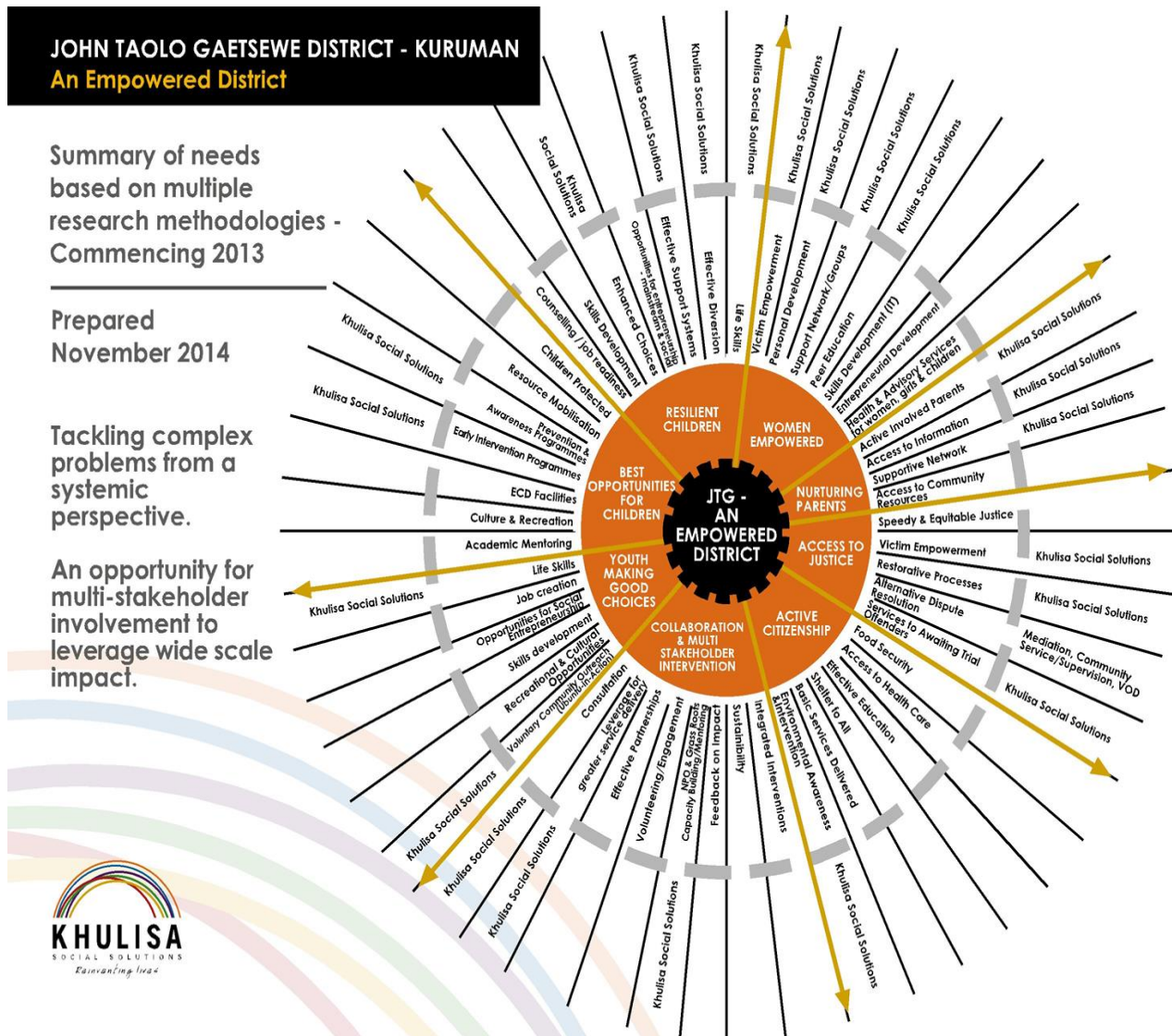


Figure 4. A modelled Diagram of what a regions community should look like when it's good, that is when there is shared value. [4]

Conclusions.

This paper is based exclusively on the perceptions of the different participants who attended the workshop. The attendees were asked to write down their understanding of the terms collaboration, integration and creating shared value. Interestingly, at the start of the workshops all respondents, except three, were able to explain the meaning of collaboration as jointly working together. By the end of the workshop, everybody except one understood what it meant to collaborate. However, the term integration seemed to be confusing to participants and will not be used in future questionnaires. Importantly, the concept of creating shared value was only understood by 16 people before the workshop but at the end, all of them clearly understood the creating shared value concept and how to apply it.

Shared Value Opportunities in Extractives

Reconceiving Products and Markets	Redefining Productivity in Value Chains	Creating Enabling Local Environment
Build local markets for intermediate products created by extractive activity (e.g., water, electricity, transport, housing)	Improve local workforce capabilities	Develop the local cluster supporting the extractives sector
	Develop local suppliers	Invest in shared local infrastructure and logistics networks
	Improve the health of employees	Partner with other local clusters and government in building community infrastructure
	Improve utilization of water, energy and other resources in operations	Play an active role in broad-based regional economic and community development
	Increase local emergency response capabilities	

Fig . Shared value opportunities in Extractives [5]

An examination of the needs of NPOs, SMMEs and government can be summarised as follows:

- Funding was the biggest constraint raised by SMMEs and NPOs – this included stipends for volunteers.
- For NPOS this was closely followed by a lack of skills to manage daily operations as well as a need for training.
- For SMMEs there is a lack of required resources and a lack of skills and training.
- There is a need and desire for collective intervention and collaboration.
- There is a need to match interventions with the needs as perceived by the communities.

As proposed by, the purpose in business is to create economic value while creating shared value for society

- Businesses acting as businesses, not as charitable givers, are arguably the most powerful force for addressing many of the pressing issues facing our society
- Shared value will give rise to far broader opportunities for strategy and economic value creation and will drive the next wave of innovation, productivity, and economic growth
- A transformation of business practice around shared value will give purpose to the corporation

In summary, solutions need to be sought in a different manner and through the lens of creating shared value innovative solutions and collaboration are inspired.

From the experience of the workshop, many of SMMEs looked at their own businesses differently and explored how they could provide services that would add value to the local community and themselves. One example was the harvesting of alien trees for furniture production

One NPO succinctly noted that through understanding the concept of creating shared value and working systemically, the focus should not be on “asking corporates/funders to donate R10 from their R100, but to rather explore together how to create R2000!” This was a real “aha” moment for many of the attendees.

These two workshop displayed on a small scale how changes in mind-set could be initiated through brining different organisations together and exploring concepts from different perspectives.

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BIOGRAPHY

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