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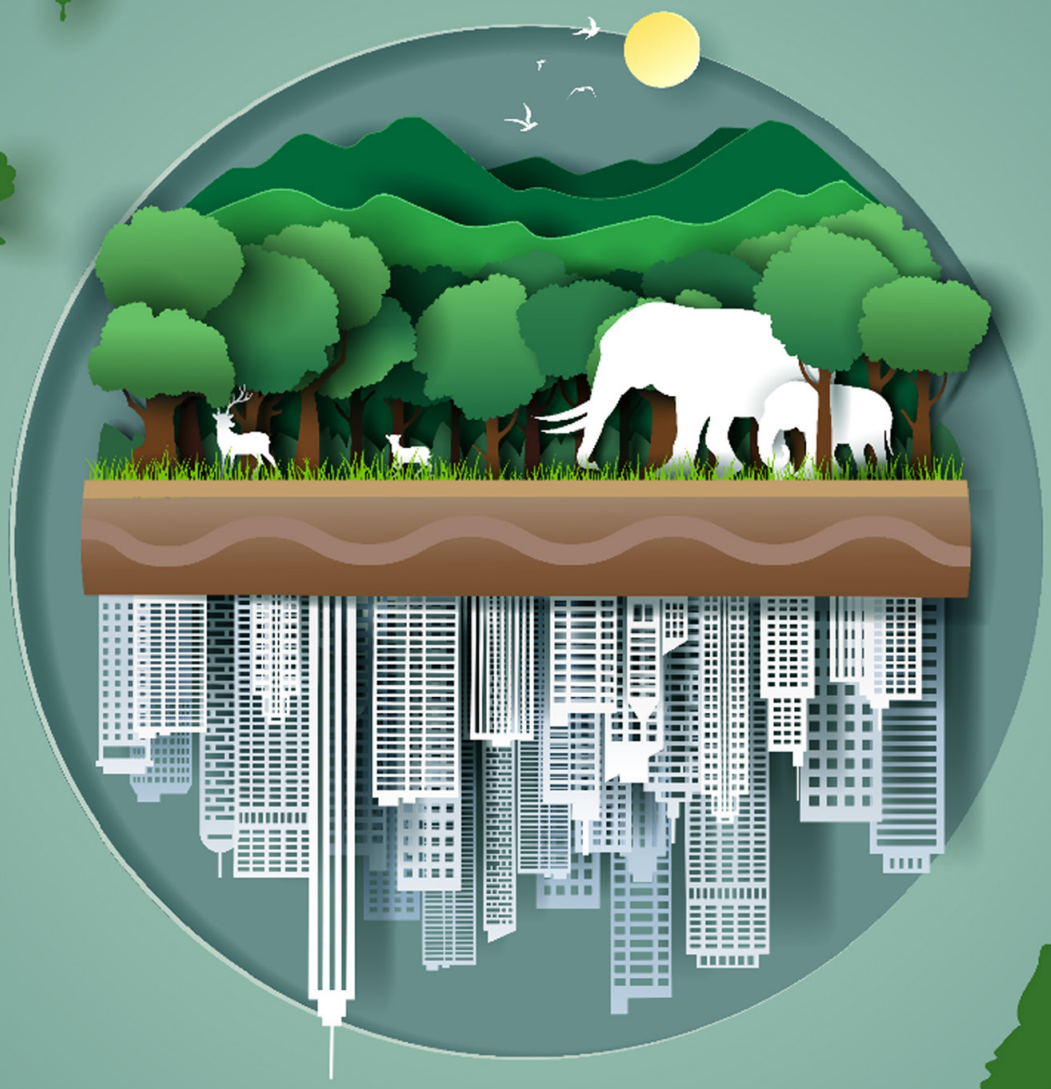


Enhancing shared value through collective action

MAKING AN IMPACT THAT MATTERS since 1845

Stakeholder capitalism and the link to collective action for shared value

There has been increasing dialogue on the principle of stakeholder capitalism. Stakeholder capitalism frames a company's purpose towards creating value that serves the interests of all its stakeholders (as opposed to its shareholders only).

The principle is guided by the premise of a well-defined and holistic social contract that is grounded in shared value. Shared value is a practice made popular by Monitor Deloitte Founders Michael Porter and Mark Kramer, seeking to create a competitive advantage by incorporating social and economic factors into corporate strategy.

There is a renewed interest in and openness towards these practices as organisations realise that their survival and sustainability hinge on their ability to create a more inclusive and climate-resilient environment.

Stakeholder capitalism encourages companies to embrace a more optimal socio-economic environment that leads to the long-term success of all critical stakeholders, including investors, customers, suppliers, employees, communities, and governments.

Over the last few years, organisations in sectors such as mining and agriculture have been looking to reset their relationships with host communities and other stakeholder groups. More recently, technology and retail sector companies have also taken significant leaps to deliver on similar shared-value commitments. The *Deloitte 2022 CxO Sustainability Report* shows that 89% of CxOs (C-Suite executives) agree there is a climate crisis and almost 79% of executives surveyed see the world at a tipping point for responding to climate change, compared to 59% eight months before.

In addition, a 2022 Gartner survey of CEOs reports that a growing number of executives identify sustainability as a top business priority. Notably, Gartner's study reveals that, for the first time in over 15 years, environmental sustainability has entered the top 10 business priority areas for 2022 through 2023.

Today, more than ever, the global community is facing increasingly complex and layered sets of social, economic, environmental, and health crises. In the face of these interconnected crises, business, government, and civil society need to look beyond short-term self-interest and towards a collective set of measures that enables sustainable shared value for all. Collective action, when anchored in stakeholder capitalism and shared value, can be considered as a step towards reshaping the socio-economic imperative in a way that benefits all stakeholders.

This paper explores the case for coordinated measures which enable stakeholder capitalism. There is a growing consensus that collective action, anchored in stakeholder capitalism, is a key stepping-stone towards reshaping the socio-economic imperative and creating benefits for all stakeholders. A selection of case studies shows the impact achieved through collaboration in regional and industry clusters, alongside a suite of lessons learned. Lastly, the paper provides a set of principles for good governance participation.

"Companies must sometimes team up with governments, NGOs (non-governmental organisations), and even rivals to capture the economic benefits of social progress."

Mark Kramer and Marc W. Pfitzer

Working together to serve the interests of the collective: Case studies

In 2022, Deloitte Africa Consulting set out to document real-world examples of multi-stakeholder collaboration. Three case studies with a purpose-led and collaborative approach are unpacked below.

Case study 1: Automotive Industry Transformation Fund South Africa

Context

In 2018, six automotive companies came together to create a transformation fund to offset their equity ownership requirements, the Automotive Industry Transformation Fund (AITF). The Broad-Based Black Economic Empowerment (B-BBEE) Codes of Good Practice of 2013 have prioritised the achievement of ownership transformation[1]. All Original Equipment Manufacturers (OEMs) score zero under the ownership element and have a global policy that prohibits equity sale outside their primary market. However, through the Department of Trade, Industry and Competition's (the dtic) Equity Equivalent Investment Programme, OEMs can make investments that will compensate for ownership[2]. The automotive manufacturers were able to meet the requirements and create an enabling environment with stakeholders, including government, unions, and suppliers, to increase local production through the fund. The AITF seeks to build a more inclusive and diverse supplier base as the industry grows in alignment with the Automotive Master Plan and the Automotive Production and Development Programme (APDP), which require manufacturers to develop local content to 60% by 2035[3].

Objective

The industry sought to establish a fund that can serve to grow and diversify the local supplier base. The local supplier base could be scaled by improving competitiveness and increasing participation in local, regional, and global value chains. The industry also sought to design a solution that resolves OEM ownership compliance while ensuring the OEMs and the South African economy benefit.

Approach

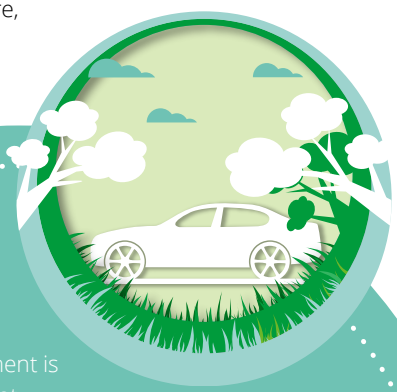
The principles of the fund ensured that all stakeholders were aligned with the final funding and recognition model via several consultation sessions where these were co-designed and stress tested. The delivery model was finalised to ensure that the cost of the operations could be managed, and the fund was then registered with all the necessary tax, legal, and governance requirements for it to commence operations in 2020. To accelerate the delivery of the fund, an intensive beneficiary (qualifying suppliers in the prioritised areas) pipeline building exercise was initiated as the fund was operationalised.

Outcome

The fund is fully operational, with its first cohort of beneficiaries in 2021. The fund has attracted further funding and support from both national and global financiers, giving it an opportunity to scale. The automotive sector is collectively tracking against the targets set in the Automotive Master Plan to improve localisation and grow production.

Key success factors

There was clear strategic alignment with the targets set by the Automotive Master Plan. The funding model for delivery was dealt with upfront and set the tone for engagement, participation, and benefit. The fund, from inception, was created as an inclusive structure, thereby crowding-in other industry partners as the journey progressed.



Key learnings

- Stakeholder engagement is a process, not an event.
- Regular stakeholder engagements are crucial to keeping parties committed and aligned with a common vision.
- Do not underestimate the collective effort and resilience required to conduct a successful collaborative approach.

Case study 2: Northern Cape Shared Value

Context

In 2019, four major mining companies, in partnership with the Minerals Council of South Africa (MCSA), launched a collaborative effort in the Northern Cape with the support of the Office of the Premier to maximise the impact of their contributions to socio-economic development. The decision was made following the lower-than-expected social return on Social and Labour Plan (SLP) investments in the preceding years. The ambitious collaboration, which involved a multitude of stakeholders, including mining operators, local government, and community members, is known as the Northern Cape Shared Value (NCSV) initiative.

Objective

The collective sought to create shared value for key stakeholders in the operating environment by collaboratively defining a vision for improving the socio-economic status of the respective municipalities (Joe Morolong Local Municipality, Ga-Segonyana Local Municipality, Gamagara Local Municipality, John Taolo Gaetsewe District Municipality, ZF Mgcawu District Municipality, and Tsantsabane Local Municipality). In addition to shaping the shared-value vision for the in-focus communities, the collective set out to define opportunities for improving SLP investment through analysis and recommendations, incorporating a set of pilot projects that would seek to grow socio-economic prosperity in the region. A third objective was to explore opportunities for encouraging localisation.

Approach

The initiative kicked off with multi-stakeholder engagements to secure broad buy-in, develop a common vision, and agree on priority areas. The collaboration platform elevated stakeholder engagement and created a constructive mechanism to proactively drive the shared vision. The next stage was to assess the current SLP portfolio between the four operators and, as far as possible, to assign pilot projects to priority areas. Pilot projects were selected and plans developed that would be executed through the collaboration platform. A final phase involved assessing the local spend of the four operators and identifying prioritised goods and services for future investment. The assessment was supplemented with business cases for sustainable local economic development.

Outcome

The collaborative vehicle was successful as a catalyst for more seamless and progressive collaboration, with the same four mining companies also collaborating during the COVID-19 pandemic to assist communities within their operating footprint. Pilot projects were developed and aligned with the shared vision. SLPs are being implemented as of July 2022. One of the four operators continued to execute the recommendations for improving localisation in the area. They have since implemented several initiatives to encourage local business development.

Key success factors

Reaching the multi-stakeholder shared vision meant identifying the key stakeholders and understanding their perspectives and contributions to the shared vision. This process enabled greater agreement between the participating mining companies and municipalities, which improved their engagement position and unified the socio-economic imperatives for the region, informing future investment decisions and pathways to create shared value for all.

Key learnings

- Focusing on quick wins immediately helps build credibility and momentum.
- Aligning key stakeholders ensured the ongoing implementation of the pilot projects and effective localisation opportunities.
- Shifting stakeholder sentiment from a primary cost focus to an investment mindset (concerning SLPs) was vital for motivating longer-term, scalable impact.

Case study 3: Bokamoso Ba Rona Agri-Industrial Initiative

Context

In 2018, Sibanye-Stillwater, Goldfields, the West Rand Development Agency, the Gauteng Infrastructure Financing Agency, and the Far West Rand Dolomitic Water Association (FWRDWA) commenced this multi-stakeholder initiative to bolster agricultural activity on Gauteng's West Rand, which hosts communities historically dependent on mining.

Objective

The initiative's objective was to create a sustainable post-mining economy, driven by labour-intensive agriculture and associated industrial activities, and to accelerate transformation in the area by creating opportunities for ongoing development and training for local communities.

Approach

Sibanye-Stillwater, the Merafong Municipality and the FWRDWA made available approximately 30,000 hectares of land in the programme area to facilitate the development of an agri-industrial hub in Gauteng. With the approach refined as the programme was rolled out, the focus shifted to aligning SLP portfolios with programme outcomes and prioritising the incubation of economically viable agricultural activities through skills transfer and small, medium, and micro-sized enterprise (SMME) support.

Outcome

Renewed community engagement resulted in the co-creation of projects and better alignment to the suitability of the land for various types of agricultural production. Community engagement also revealed the need to revise the programme to make it more relevant to youth. In-depth youth engagement showed a preference for downstream value-chain opportunities and encouraged a focus on agri-processing.

Key success factors

Leveraging the shared SLP geographical coverage areas of the various mine operations resulted in job creation and agri-industrial activities using available resources. Adjusting the project scope to shift towards agri-industrial activities that youth were interested in ensured that the project could be sustained post the initial support from business and government.

Key learnings

- Conducting due diligence on the type of land and farming activities performed allowed for appropriate matching of initiatives.
- It is essential to create a dedicated and capable capacity to manage and provide oversight for the desired outcomes.
- The development of appropriate governance measures ensured parties were held accountable and progress was tracked accurately.

Principles for good governance and participation

Stakeholder alignment towards a shared vision enables the achievement of collective stakeholder interests and serves as the foundation for good governance and participation.

Three key principles of good governance and participation are:

Shared responsibility and accountability

The point of departure for achieving shared responsibility and accountability is to create a shared vision among collaborating participants. Creating a shared vision enables each stakeholder group to answer three critical questions when defining the planned outcomes, namely:

- What solution do we want?
- What could the outcome look like?
- Where are we today, relative to the outcome?

The process of arriving at a shared vision allows all stakeholders to see themselves represented and their aspirations clearly articulated. It also demonstrates that success cannot be achieved without the contributions of all stakeholders. A shared vision provides an understanding of who is contributing what towards the vision and where there is potential to collaborate.

Robust governance framework

To effectively implement the shared vision, a robust governance framework is crucial and should aim to achieve the following:

- Compliance with applicable laws, rules, and standards
- Effective leadership based on an ethical foundation, ensuring all stakeholders are seen to be responsible corporate citizens
- A fully representative governing body to act as the custodian of good governance
- Integrated risk management that is intrinsically linked to the shared vision and performance
- Upholding a balance between the interests of various stakeholders, their shared objectives and a mandate to deliver on the vision.

The governance framework may consist of a single governing body that takes on the overall responsibility for the leadership and performance of all stakeholders. To support effective implementation of the shared vision, the governing body should ideally establish different forums that serve specific mandates and set clear decision rights for these.

Outcomes-based monitoring and evaluation

The third principle of good governance is a data-led monitoring and evaluation process that should be designed with metrics that directly drive the achievement of the shared vision. Continuous monitoring and evaluation allow for iterative cause correction throughout the defined performance period.

Projects and portfolios are mechanisms to monitor and evaluate performance. The implementation plans of projects and portfolios must be underpinned by measurable targets and key performance indicators (KPIs) documented in a governance-based terms of reference framework. KPIs should be geared toward assessing sustainable outcomes, instead of more conventionally assessing whether activities have been completed.

Monitoring and evaluation should also include the tracking of impact (against a clear baseline) for each of the various stakeholder groups. This creates transparency around outcomes and confirms to stakeholders that their interests are represented in the shared vision execution plan. Typically, the impact for stakeholders should be measured in three key dimensions, namely:

- Financial and non-financial impact
- Capacity building
- Stakeholder satisfaction.

Critical success factors for purpose-led collaboration

Multi-stakeholder collaboration encourages an accelerated shift toward unlocking value for business and community, which is both meaningful and sustainable.

What should be in place for successful, sustainable collaboration?
Experience shows that several critical factors drive successful collaboration and collective action. These include the following:

- Executive leadership should sponsor collaborative initiative(s)
- A shared vision must be fair to all stakeholders, with a collective commitment to the value proposition
- Strong governance and clear operating models are necessary to enable delivery and alignment to strategic intent, with a clear understanding of the rules of engagement and regulatory compliance
- Quick wins that encourage momentum and build credibility are a tactical advantage
- Rigorous planning and due diligence should be conducted to support proof of concept for opportunity pipelines by applying rapid design, testing, and scaling
- Embrace innovation to accelerate purposeful delivery by aiming to maximise intrinsic value, while balancing risk through options and time to value
- A holistic understanding of stakeholder groups, demographics, needs, motivations, and influence should be set out at the onset and updated regularly
- Diversity is valued, and differences at individual and organisational levels are acknowledged and accepted
- Collaboration should be centred on outcomes, rather than on projects alone
- Align and honour investment, resources, and time commitments

Conclusion

Collective action, by definition, is born from a shared purpose and common goal around which different community members can rally, pool resources, and even make tough sacrifices – because they believe the value of the collective far outweighs the needs of the individual.

The effort of collaboration itself is an opportunity to strengthen social cohesion. For example, community members can better understand and appreciate the contributions and sacrifices each member must make, whether delaying an infrastructure project for more teachers to be hired, or lowering pay to create more opportunities for youth in the area. Businesses also begin to value each other's economic contributions when growing for the collective benefit rather than individual profits.

Similarly, government begins to appreciate that policy only works when designed and delivered around the people and institutions it is intended to benefit. These subtle mechanisms behind a collaborative effort make it sustainable, long after the fanfare of the first project or a large investment from a benevolent contributor has been made.

The reality, however, is that these collaborations do not exist in a vacuum. For example, post the development of the AITF, the automotive sector globally is realigning towards more sustainable mobility solutions. While this was considered in the design of the AITF strategy, how quickly the fund responds and innovates in this space is critical to realising the expected transformation of the sector.

Similarly, in the Northern Cape Shared Value initiative, the initial work focused on leveraging the collective investment of the mining community to develop meaningful economic opportunities for the communities in the area. However, with the onset of the COVID-19 pandemic, a quick adjustment was required to deal with more critical and immediate needs.

As new collaborations are built, they will need to take cognisance of the expected shifts that may disrupt the collectives' movement, whether this is foreseen and already underway, such as the Fourth Industrial Revolution, or an unforeseen event, such as a drought.

As the external environment evolves and as priorities shift, all stakeholders' needs must be incorporated into the principles of collaboration – principles that aim to foster resilience and long-term shared value creation.

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Endnotes

[1] Porter, M. E. & Kramer, M. R., 2011. **Creating Shared Value.**
[2] Deloitte Touche Tohmatsu Limited, 2022. **Deloitte 2022 CxO Sustainability Report.**
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