

# Is African business ready for social impact?

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No longer the 'hopeless continent', Africa is rising and fast becoming a lucrative commercial market with enormous investment potential.



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Despite recent slumps in commodity price exports, growing relative political stability, improved economic governance and a more predictable business environment for investors, means that there is a growing optimism about the continent's future as the performance of economies of countries such as Ivory Coast, Tanzania, Rwanda and Mozambique keep hopes of a growth explosion alive.

Reports tell of a region which will lead global population growth over the next 50 years as we expect Africa's population to more than double by 2050, to nearly 2.5 billion. Coupled with increased urbanisation, this population growth which was instrumental in the spectacular growth of East Asian economies a generation ago, presents an opportunity to spur economic growth on the continent provided we are able to harness and build on the resultant expanded workforce.

However, despite the optimism about its potential, the region remains one of the world's least developed, where sovereign debt levels remain high and food insecurity threatens. Opportunity exists however for the private sector to play a pivotal role to accelerate progress in order to realise the aspirations of consumers by operating in ways that create synergy between social progress and economic efficiency.

For many businesses, their efforts to address social and environmental issues have been philanthropic, budget driven, periphery activities which happen beyond business' commercial operations and have focussed on responsibility through compliance.

Improving access and equity in areas of health, education, employment, energy creation and water requires a rethinking of how business is done as increasingly businesses' relationship with broader society becomes vital in determining its value.

## Value creation

Business must internalise and adjust its approach to value creation. Companies can no longer focus on profit only strategies and optimising short-term financial performance. By leveraging resources, market access, scale and their capacity for innovation, businesses can advance and accelerate development on the continent while generating long-term commercial return.

In his seminal Harvard Business Review article titled *Creating Shared Value*, Professor Michael Porter, widely recognised as the world's foremost expert on shared value and Mark Kramer presented Creating Shared Value (CSV) as a business strategy which focusses on the intersection of economic gain and social impact.

Since then, global corporations such as GlaxoSmithKline, Nestle, MasterCard, Unilever and Barclays Africa, as well as South Africa's Discovery have developed Shared Value strategies to do 'well while doing good'. Their efforts are already driving growth on the continent and more businesses stand to benefit by adopting this approach.

The CSV concept is premised on three pillars which provide a framework for implementation of shared value:

1. **Re-imagining of products and services**, by considering how business could meet the needs of under or unserved customers to open untapped markets and products by creating marketable new products and services that address these customers' needs.
2. **Redefining productivity in the value chain**, as businesses, resource constraints and environmental concerns put pressure on supply chains and profitability, these challenges present a compelling need for business to innovate and utilise resources and interact differently with suppliers and employees to create greater efficiencies.
3. **Enabling local cluster development**, this speaks to strengthening the local business environment, collaborating with governments within their existing and cross-sector networks and supporting suppliers and partners which affect business and those upon which business depends. The private sector must accept the importance of co-creation in order to scale any business efforts by recognising that considerable opportunity exists for business to collaborate to overcome the effort of doing things independently.

It is incumbent on African business with its proximity to these development challenges to find the intersection between economic prosperity for business and the advancement of social and environmental progress.

In all fields, the private sector must recognise their power to make positive change at scale without compromising quality or revenue. The region needs business which will innovate in ways that will drive growth and profitability whilst ensuring social impact. Examples:

- M-Pesa, launched by Vodafone for Safaricom is a fast and affordable mobile money transfer service which allows users to deposit, withdraw, transfer money and pay for goods and services, giving millions of people access to the formal financial system while providing unprecedented returns for the business.
- SABMiller's African operations are built on its solid local value chains. Operations in most African markets source key agricultural raw materials such as sorghum or cassava root locally from small farmers reducing importation costs and including local farmers in the supply chain.

## ABOUT THE AUTHOR

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