



CREATING SHARED VALUE



Responsible Business by Dutch Entrepreneurs in South African Agriculture

Do social threats really become
opportunities?



Esmée Avenhuis

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Do social threats really become opportunities?

Master Thesis International Development Studies
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Acknowledgement

With great pleasure I present to you my thesis on shared value creation among Dutch enterprises active in South African agribusiness. This thesis is the result of six months of desk research, field research and data analysis. The research was conducted as part of the Master International Development Studies of Utrecht University in the Netherlands. Collaborating partners of the research project were SANEC (the South African Dutch Chamber of Commerce) in Johannesburg and MVO Nederland (CSR the Netherlands).

This thesis is part of a greater research project as an answer to the request by MVO Nederland to map out responsible business activities of Dutch entrepreneurs in five African countries. The research was conducted in Ethiopia, Kenya, Mozambique, Rwanda, and South Africa, by Master students under supervision of PhD students and a faculty member of the International development studies program. All individual research projects focused on the responsible business practices of Dutch enterprises in the African context. The results of all five countries have been compared and a report on the findings has been developed and will be made available by MVO Nederland in the near future.

This thesis provides information on the presence of shared value among Dutch enterprises in South Africa. I hope this thesis provides insights into shared value creation among small and medium enterprises and could possibly guide future actions regarding the creation of shared value by the private sector in order to foster development in south Africa.

This thesis would not have been realized without the support of several people. First of all, I would like to thank my supervisor Dr. Prof. Annelies Zoomers for her time and effort to advise me, guide me and answer questions when needed. In addition, I would like to thank Ine Cottyn for investing so much time into the research startup, which made the transition from desk research to fieldwork very pleasant, and I would also like to thank her for her feedback during my time in South Africa. Thirdly, I would like to thank Sanne van Laar from SANEC for investing time in the research, to give me helpful feedback along the way and also for guiding me in dealing with and enjoying the South African lifestyle. Finally, I would like to thank the respondents who have taken the time to contribute to this research, I would not have been able to write this thesis without the information they provided and the interesting stories they told.

Conducting the research and writing this thesis was a great learning experience. This period has contributed to a better understanding, more knowledge and new perspectives on responsible business.

Baie dankie!

Esmée Avenhuis

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Executive Summary

Responsible business behavior is no longer seen as a philanthropic act. In an increasingly competitive environment companies start to search for ways to differentiate themselves from the competition to create a competitive advantage. The gap between responsible business and profit maximizing behavior is narrowing. More and more companies start to see the relationship between responsible production and the wellbeing of their business. Recognizing this relationship and acting upon it is the essence of shared value creation. This theory believes companies have the ability to address societal issues and be successful simultaneously.

This research investigates whether shared value creation is present among Dutch entrepreneurs active in South African agriculture and what intrinsic and external drivers enable or constrain companies to act responsibly. Shared value can be created on three levels. The three pillars of shared value creation include reconceiving products and markets, redefining productivity in the value chain and enabling local cluster development. Pillar one includes shaping and designing products that cater the needs of the bottom of the pyramid, pillar two includes a transformation of the value chain in order to address social and environmental issues and pillar three includes knowledge and technology transfer and overall enablement of people, businesses and organizations in the community.

By means of surveys and in-depth interviews with 22 Dutch respondents from Dutch companies active in South African agriculture and interviews with 5 organizations related to the agricultural sector this research demonstrates how responsible business is practiced in South Africa and whether there is shared value creation present in the sector among Dutch entrepreneurs. The analysis of the retrieved data is structured along the three pillars of shared value creation.

Shared value creation along the means of pillar one is difficult for companies in this research since the companies in the sample are mostly engaged in luxury products; which are not desired by the bottom of the pyramid. Second pillar shared value creation is evidently present among the respondents in this research. This can most likely be explained by the fact that altering the value chain is more readily relatable to the wellbeing of a company. On top of this the growing applicability of certification schemes on producers in South Africa increases the link between responsible business activities and the wellbeing of the company. Non-compliance results in non-sales, while compliance results in (often long-term) sales relationships. Compliance with the third level depends very much on the product a company is engaging in. Companies that use less specialized supplies have created a more extensive local network of suppliers, but do not share much knowledge within this network. A big opportunity present in South Africa with respect to cluster development lies in the newly established producer platforms on sustainability.

The responsible behavior of Dutch entrepreneurs in South Africa is interwoven with the original goal of companies to be financially viable in the long run. Possible threats to the company's success are eliminated by conducting responsible business and might even be transformed into opportunities. This happens when responsible businesses are rewarded for their efforts by an increase in demand for their products. Instead of regarding responsible business as a side track of business, it is increasingly seen as integral to the basics of running a business which you want to survive in the long run. Pursuing responsible and sustainable business principles is nothing less than pursuing long term profitability for a company.

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List of abbreviations

BoP	Bottom of the Pyramid
CSR	Corporate social Responsibility
CSV	Creating Shared Value
GDP	Gross Domestic Product
GNI	Gross National Income
PPP	Purchasing Power Parity
RSA	Republic of South Africa
SV	Shared Value

1. Introduction

When one asks a random person about their opinion on responsible business, the response is often a story about how he appreciates companies who look after the community they operate in and support projects in developing countries, as well as appreciating companies who reduce pollution and are focused on environmental preservation. Most answers given by a layman are based on a view in which responsible business practices are a voluntary choice of a company to do something good in this world which is unrelated to the core business of the company in question.

Responsible business currently is a hot topic in both academic and popular articles. While there is large support for the development of responsible entrepreneurship for varying reasons, there is also much critique on what the trend towards the production of credence goods, products produced in a responsible manner, means for producing businesses. One point of critique often mentioned is the view in which responsible business practices are holding company's profits back. There are some academic sounds, and some large multinational companies agree with this, claiming responsible business has not much to do with altruistic good deeds towards humankind or nature. This new theory argues responsible business is the result of a company's search to increase its competitive position and secure profits in the long run. Porter and Kramer (2011) define this as the creation of shared value. This thinking creates enormous opportunities for profit and competitive advantage while simultaneously benefiting society by solving societal problems (Porter et al., 2012).

The research performed is part of a program set out in several countries on the African continent; namely in Kenya, Ethiopia, Mozambique, Rwanda, and in my case South Africa. The reason to conduct this research in several countries in Africa is the view that Dutch entrepreneurs can make a contribution to sustainable local economic development. This is done in the first place by creating local employment with favorable labor circumstances, second by contributing to knowledge transfer and thirdly by their cooperation with local establishments. Simultaneously, companies around the world face the current trend towards the demand for credence goods. This also applies to South Africa; the demands of both the international and domestic market regarding environmental issues, labor standards and the quality of products produced are constantly intensifying. Constant changes regarding these issues makes the operating a business in South Africa sometimes quite confusing for entrepreneurs. The research is performed to gain more insight into both the context in which these businesses operate and how Dutch companies in South Africa operate and design their business practices accordingly.

Since the theory of shared value creation is rather new and not yet researched thoroughly, there is little academic literature available on this specific subject. Especially empirical evidence is practically non-existent. On top of this, the literature available is mostly focused on large multinational corporations. This research is an attempt to narrowing this knowledge gap by providing empirical research on shared value creation among small and medium sized enterprises in South Africa operated by Dutch entrepreneurs.

Structure of the thesis

In chapter two you will find the theoretical framework. This chapter elaborates on the history, trends and future of responsible business, which created the foundation of the theory on which this thesis is build. Recent literature is discussed in detail and a conceptual model is provided in order to understand the theoretical context better. Chapter three explains the purpose and goal of the research and it also gives the reader a general outline of how the research was set up. Chapter four gives an overview of South Africa. It provides information on the geographical, social, economic, and political context of South Africa. It also elaborates on agribusiness in South Africa and what role the Dutch government plays in this context. Chapter 5 then is used to give an overview of the respondents; what kind of businesses are we dealing with, which sector are they active in and what business activities do they conduct? Chapter 6 is focused on the creation of shared value among Dutch companies in South Africa; more detail about the presence of responsible business practices can be found in this chapter. Chapter 7 then discusses the internal and external factors that influence responsible business behavior. This chapter shows what the enablers and constrainers are for a business to create shared value. Chapter 8 will tie the whole research together in order to come to a solid conclusion, which will be presented in the final chapter which rounds everything up and will also give an advice on possibilities for future research.

2. Theoretical Framework

Literature review

The trend towards more sustainable supply chains, 'green' companies, social entrepreneurship and in general to responsible business is undeniable. This item is hot and happening in both scholarly and popular publications and consequently there are different argumentations in these articles. There are strong advocates, but also strong opponents of the whole notion that the future of capitalism entails responsible entrepreneurship. About the way this responsible entrepreneurship should be designed is even more discussion. What is important first is to find out where this trend towards responsible business comes from and how it has developed so rapidly that it is now supposed to reshape the global capitalistic system in the future? This literature review is intended to supply the reader with insight into the development and growth of the concept over time, including the skepticism and strong support which have both been present from the start.

The evolution of responsible business

The first time sustainable development was mentioned was in the Brundtland report (WCED, 1987) which stated sustainable development is about *"meeting the needs of the present without compromising the ability of future generations to meet their own needs."* For companies this means they should produce in such a way that it is sustainable in the long run and not just in the foreseeable future. Corporate social responsibility is a term that is older than the Brundtland report. It is just that in the beginning CSR was seen as an act of kindness or philanthropy, instead of preserving resources for future generations.

It is important to know what is understood as responsible business in this thesis, since in existing literature there is an infinite amount of definitions for it. Some argue that responsible business is equal to CSR, but what exactly is CSR? Prieto-Carrón et al. (2006) state that the most frequently cited definition of CSR is, "CSR is 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis' (CotEC, 2000, as cited in Prieto-Carrón et al. 2006). In the South African context the term corporate social responsibility does not exist; in South Africa it is called corporate social Investment, which is most likely the result of preventing sensitive issues concerning the apartheid era (Skinner & Mersham, 2008 pp. 240).

In 1983 Carroll described corporate social responsibility as a concept that is split up into four responsibilities companies have while they operate. The most important is economical, after that come legal responsibilities, followed by ethical and philanthropic responsibilities. This shows his theory on CSR argues ethical and philanthropic behavior is seen as subordinate to economic and legal manners. The most important goal is to make economic profit and ethics and philanthropy will be dealt with later. In 2006 Carroll's CSR pyramid was projected on the African continent by Visser, who stated in Africa philanthropic responsibilities were of much higher importance as depicted in Carroll's original pyramid, they directly follow economic responsibilities. One of the reasons Visser (2006) mentioned for this shift in importance, is that there is still much corruption in many African countries. This is also true for South Africa; companies can sometimes ignore legislation without bearing the legal consequences for their actions. Another reason Visser (2006) mentions is that

companies active on the African continent realize that they cannot succeed in a failing society, therefore they want to improve the context in which they operate. This means addressing social issues becomes an integrated part of the profit making strategy instead of subordinate to it. In a sense, this is big step towards the notion of Shared Value, it is just written down in completely different terms. If these so called philanthropic responsibilities are actually performed to save the company's profitability, then this is not so philanthropic at all; it is actually a case in which shared value is implemented.

Responsible business from now on

This brings the discussion to the most recent 'version' of responsible business: Shared Value, which will be the theory used in this thesis to test the degree of responsible behavior among Dutch entrepreneurs. Porter and Kramer argued in 2011, opposed to what Carroll argued in 1983, that sustainable responsible business is not based on philanthropy at all. It is self-interested behavior of companies to create economic value by the creation of societal value.



Figure 1: Porter & Kramer (2011) CSR vs. shared Value

Creating Shared Value

"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).

In this regard shared value creation basically has nothing to do with 'responsible' behavior, since it is seen as the 'new' or 'only' way to go, for a company in order to maintain its competitive position and be profitable in the long run. Porter and Kramer (2011), argue that shared value is different from CSR in several distinct ways (See Figure 1). In essence Porter and Kramer argue that responsible business practices performed by engaging in the creation of shared value lies more in line with company's core business activities, while traditional CSR often is not woven into the core strategy and practices of a company.

Traditional CSR is often merely regarded as a side track of the company. Like Porter and Kramer; Visser (2011) also argued there is a need for a different kind of CSR, which he calls CSR 2.0 or Systemic CSR. He argues the current implementation of responsible business, which is often called CSR, has failed. Visser came up with an overview of different sorts of CSR practices which are related to the economic age a company finds itself in (see Table 1). Visser argues systemic CSR is the path

that companies should strive to follow. He argues systemic CSR has a focus on understanding the macro level context of the company, e.g. the environment, society, community and economy.

Economic Age	Stage of CSR	Modus Operandi	Key Enabler	Stakeholder Target
Greed	Defensive	Ad hoc interventions	Investments	Shareholders, government & employees
Philanthropy	Charitable	Charitable programmes	Projects	Communities
Marketing	Promotional	Public relations	Media	General public
Management	Strategic	Management systems	Codes	Shareholders & NGOs/CSOs
Responsibility	Systemic	Business models	Products	Regulators & customers

Table 1: Visser (2011): The ages and stages of CSR

The description Visser gives of systemic CSR or CSR 2.0 has much overlap with Porter and Kramer's shared value principle. According to Porter and Kramer's "Creating Shared Value" (2011) companies may pursue shared value opportunities on three different levels: reconceiving products and markets, redefining productivity in the value chain, and enabling cluster development. The shared value opportunities at each level will differ by sector, company and geography, since not all companies have the same relations and interconnectedness with their surrounding society.

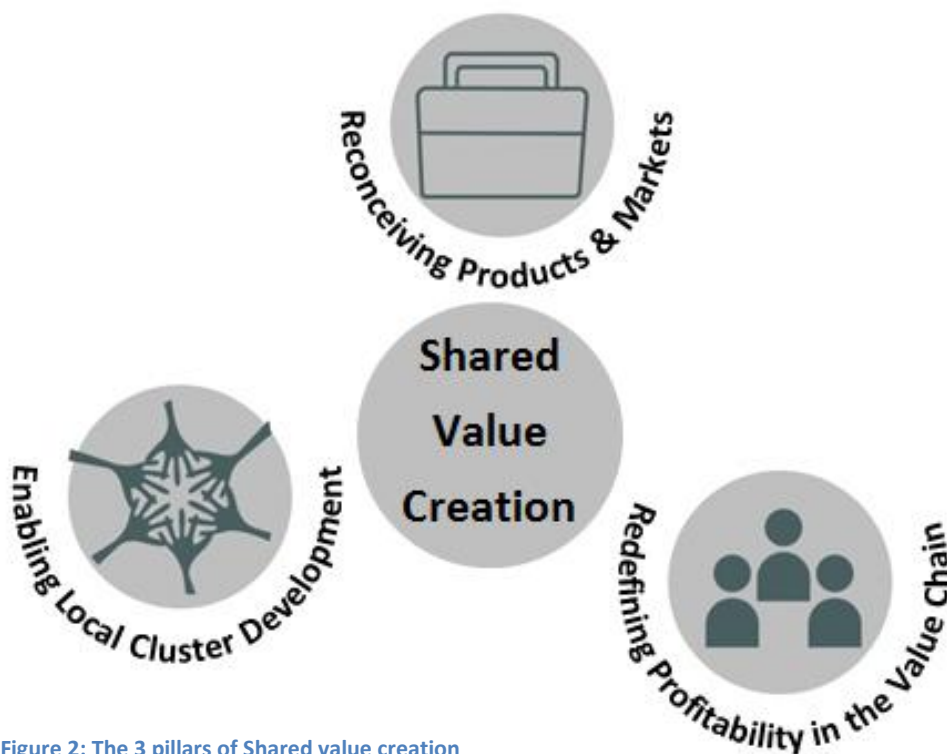


Figure 2: The 3 pillars of Shared value creation

Visser's CSR 2.0 is based on 5 pillars, namely Creativity (C), Scalability (S), Responsiveness (R), Glocality (2) and Circularity (0). First, companies need to be creative to reconceive potential new markets and create or adapt their products accordingly. Second, CSR should not be about small case studies that have been successful, it should be applicable on large scale. Third, responsiveness is key; CSR should be implemented at all times, not only when a company can contribute easily, this includes transparency in reports and also critical information that can help other actors. Fourth, glocality basically comes down to "think global, act local"; think about global issues, but remember

that there is no one size fits all method. And fifth circularity is focused on a more cradle to cradle approach, working towards a society where there is less material being thrown away.

CSR 2.0 and the notion of SV overlap on the following points. Both theories reason for companies' need to reconceive potential markets, meaning that innovation and adaption is of utmost importance. Both approaches also argue for change in the value chain to make it more productive; both approaches are performance driven. A third point of overlap is that they both argue that in order for the strategy to work, responsible behavior is supposed to be an integrated part of a company's strategy. CSR 2.0 is about thinking global but acting local which can overlap with SV's argument that cluster development can increase the potential of local value creation.

CSR 2.0
Collaborative
Reward-based
Performance-driven
Integrated
Diversified
Scalable
Global

Table 2 Visser (2011): CSR 2.0

I will use Porter and Kramer's term shared value, because it is less confusing since it does not contain the word CSR any more, but in essence I'm focusing on a combination of the two terms since they overlap sufficiently and complement each other conveniently. Another reason for the focus on shared value is that essentially CSR 2.0 is striving for the same outcome, but Porter and Kramer's shared value is designed in a more comprehensive way which makes it more viable to test in practice. This does not mean that the creation of shared value is easily measurable. Porter and Kramer have also argued CSV is actually extremely difficult to measure. Especially when companies did not specifically adopted a shared value strategy.

Theory

In order to make an assessment of the degree of responsibility among Dutch entrepreneurs in South African agriculture it is necessary to decide on a theory to test the results against. As stated earlier, the theory used in this research is Shared Value. Shared Value is a relatively new theory in the field of responsible business. Which as described in the previous section is a concept first used by Porter and Kramer in 2006 and since then is mostly seen by scholars as a new version of corporate social responsibility. As can be deduced from the literature review, my vision on responsible business lies in line with Porter & Kramer and Visser's view. Responsible business is only sustainable and profitable if it is conducted along the line of Shared Value creation. It needs to be incorporated in the core business activities of a company, since sidetracking will not be maintainable in the long run. I regard shared value to be a natural strategy for a company to pursue; therefore it is assumed many companies actually already work according to the basic principles of shared value creation without being aware of it. In this research I will show whether this theory is also applicable to Dutch entrepreneurs in South Africa. Shared value creation contributes to the wellbeing and profitability of a company even if shared value is not specifically part of a company's strategy. I do assume that by pursuing a well-defined shared value strategy, the value chain will become even more efficient and the reaped benefits will increase.

3. Research Outline

This chapter presents the outline of the research as developed for the primary data collection and analysis in South Africa. The first section will discuss the research objective and the research questions. Then the conceptual model of the research will be presented. To make sure that the reader is familiar with the concepts used in this research, the main concepts are defined in the operationalization. Fourth, the research strategy, the selection of the research area, the data collection and data analysis, will be discussed. Lastly, the limitations and challenges this research faced are presented.

Problem identification

There is a great need for more empirical data and research on shared value creation, especially among small and medium sized enterprises. The larger part of the available literature comes from Porter and Kramer; the initial developers of the concept of shared value. Other literature

“While shared value is still early in the adoption cycle, the approach has been embraced by many of the world’s most respected companies, to address social problems at scale as a core part of their corporate strategies.”

sharedvalue.org

available is mainly written by associates of Porter & Kramer who are linked to organizations the two have ties with; FSG (a non-profit consulting firm) or Harvard Business School. Taking a closer look at the literature concerning shared value, as was done in chapter two, two things stand out. First, the literature is mainly focused on shared value creation by large multinational corporations, while the theory claims shared value can work for any company in every country. Second, research results of these studies concerning shared value exist of success stories on a case by case basis. All results are based on individual case studies; there are no general results known about the real outcome of shared value for companies and society.

This field research performed in South Africa aims to find out whether small and medium sized agricultural enterprises, owned or managed by Dutch entrepreneurs in South Africa have this ‘new’ type of responsible business practices in place. As was discussed in detail in chapter two, the strategy of shared value creation is supposed to bring about positive results for both society and enterprises. This indicates shared value creation might also be present at companies without a well-defined shared value strategy. In general, all companies seek to make profit, thus they are always in search of production methods that increase their profit. Logical reasoning brings us to the possibility where companies already have shared value strategies in place while in search for a better competitive position or simple profit margin maximization.

According to the theory (see chapter 2) shared value can be created via three lines. The first way is to reconceive products and markets, the second is by redefinition of productivity in the value chain and the third method is by means of local cluster development. This research tries to find out whether Dutch entrepreneurs in South Africa in the agricultural sector create shared value along these three lines.

The main research question of the research becomes:

“Do Dutch agricultural entrepreneurs in South Africa create shared value and what drives these Dutch entrepreneurs to work in this way?”

This question will be answered on the hand of the following sub-questions:

1. *In which sectors are Dutch agriculture entrepreneurs active and what are their main activities?*
2. *Is shared value creation present among Dutch agricultural enterprises in South Africa?*
 - 2.1. *Do Dutch companies reconceive products and markets?*
 - 2.2. *Is the productivity in the value chain of Dutch companies redefined?*
 - 2.3. *Do Dutch companies enable local cluster development?*
3. *Which internal/external factors or variables enable or constraint Dutch entrepreneurs in South African agriculture to create shared value?*

The hypothesis of the research is ***“Dutch entrepreneurs in South African agriculture are creating shared value, even though it is not specifically part of their strategy”***. If this hypothesis is proven to be right, this will mean that shared value is indeed a strategy that works for profit maximizing companies, because it is also present in companies that have no clear cut responsible business strategy whatsoever. The enabling context in which this value is created might be helpful in other circumstances or locations in order to trigger the same results.

Conceptual Model

The conceptual model depicted below illustrates the main components of the research. Since the research is focused on business conducted by Dutch entrepreneurs this is the center of the model. The way these companies design their strategy and method of work is influenced by several factors which can be either intrinsic or externally imposed. These actors and factors can either enable the company to act more responsibly or they can lay constraints on the ability of companies to act in a responsible manner. All actors and factors in the companies' context and the entrepreneur itself eventually shape the business in terms of responsibility. The degree of responsible business has in its turn an effect on all stakeholders involved. Not all responsible business practices are regarded to create shared value for stakeholders; therefor the responsible business practices present among the Dutch respondents' companies will be tested against the three basic ways of creating shared value. This will eventually help to conclude on the presence of the notion of shared value among Dutch entrepreneurs active in South African agriculture. What is important during the analysis of the three pillars of shared value is the effect of business strategies on both the society and the profitability of the company. In this research it is assumed responsible business in terms of Shared Value is the only viable option that will be sustainable in the long run.

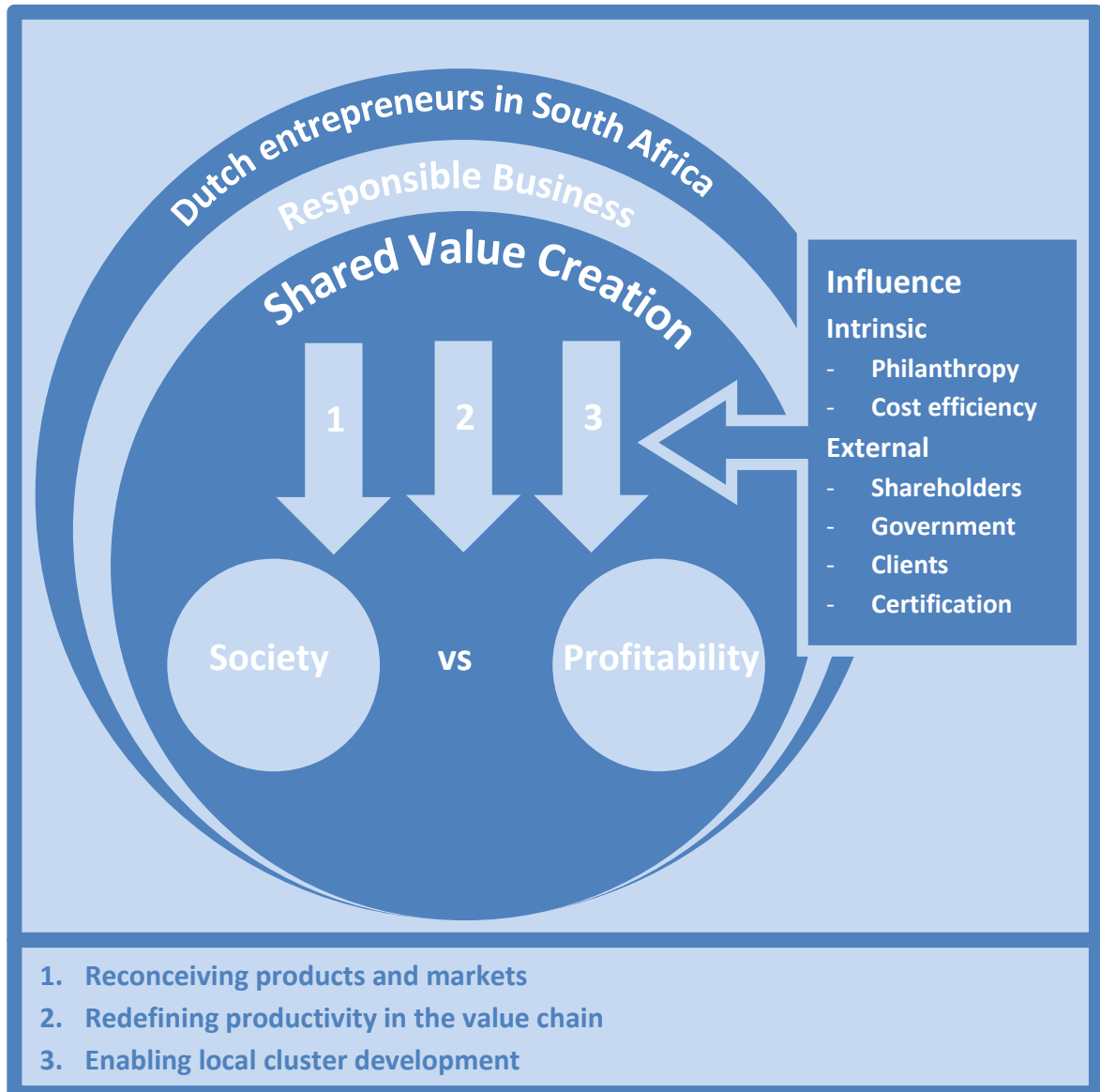


Figure 3: Conceptual model

Operationalization of main concepts

Responsible business

Responsible business is seen as any action taken by a company that is supposed to contribute to a production process which inflicts as little harm as possible on the environment and surrounding communities or which tries to influence the community for the better.

Creating shared value

"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). This research uses this explanation of the concept of shared value in the assessment of the Dutch companies under review. Shared value must thus be seen as a way of doing business with respect for the environment, people and the community. Not out of a mere respect for these three groups, but more out of the knowledge that by treating these groups right, the company can increase its own competitive position and profitability. Shared value creation

should thus be seen as a long term business strategy instead of as an inherent urge to do something good in the world.

Dutch entrepreneurs

Throughout this thesis whenever the text refers to Dutch entrepreneurs, what is meant are Dutch entrepreneurs active in the agricultural sector in South Africa who have participated in the research. These entrepreneurs still have the Dutch nationality, but they have not all been born in the Netherlands. Some of the entrepreneurs came to South Africa to start a business, others arrived as a little kid and a third category of entrepreneurs have parents who came to South Africa before they were born. People in all these groups are regarded as Dutch entrepreneurs. There is another group of companies also taken up in the research sample as being Dutch influenced. These are companies that are not Dutch owned, but have (had) a Dutch general manager with significant influence on the strategy and production process of the company. Also companies that used to be Dutch owned and have recently been taken over by non-Dutch owners. In this research, four out of 22 companies are categorized as a Dutch influenced company.

Agribusinesses

This research only includes Dutch entrepreneurs active in agriculture. Throughout this research agribusinesses are companies active in the growth of agricultural products, companies delivering supplies to farming companies, companies trading in agricultural products, companies that process an agricultural product and companies active in a business with direct ties to agriculture. This last group could be a company which manages fund investments in agricultural projects.

Small and medium sized companies

In this research the term small and medium sized enterprises is only based on the size of the employee base of a company. The research only includes companies which employ less than 250 people on a permanent basis. In fact only two companies in the sample employ more than 200 employees, the larger part of the sample employ less than 140 people.

Methodology & strategy

Even though this research is part of a bigger project performed in five African countries; this thesis does not have the same research questions as the other performed researches. Also my work may be based on different theories or literature than the work delivered by other students. What however is the same is the larger part of the questionnaire that has been used to collect the data from the respondents in the research. The questionnaire was designed in such a way that both qualitative data and quantitative data has been retrieved. The structured interviews were held with management or owners (only if the owner is directly involved in daily business). The survey is performed in interview style in order to get as much information as possible, even if it was originally not part of the questionnaire. It is expected this will strengthen the conclusions drawn from the quantitative data obtained through the surveys and will facilitate a significantly solid conclusion based on reliable empirical evidence.

The research is done in three phases. The first part consists of desk research; to find out more about responsible business in general and how it is manifested in South Africa. This preparing part of the research is also used to gain more insight and a better understanding of the local context these companies are operating in. This phase started in Utrecht and is continued in South Africa, because

along the way more relevant information is gathered. The second phase entails the gathering of data on specific entrepreneurs in South Africa; this is done via structured interviews with the owners or managers of the Dutch companies. In these surveys/ interviews attention was paid to characteristics of the owner, the company and its operations and particular attention was paid to responsible business practices in place regarding social and environmental issues. The third part of the research is the statistical analysis of the gathered data. At this point in the research an image has been formed about the degree of responsible business among Dutch entrepreneurs in South Africa, however it is necessary to back this up with empirical evidence in order to draw robust conclusions on the issue.

Selection of research area and sample

Before the data collection could begin it was necessary to know where in South Africa the most Dutch entrepreneurs could be found. To find possible respondents it is of great importance to know who would be regarded as a Dutch entrepreneur in this research. As described earlier on, Dutch entrepreneurs are either born in South Africa with their parents born in the Netherlands, or Dutch people that immigrated to South Africa. Either way, the respondents had to be Dutch citizens in order to be part of the research. This criterion is very strict since the purpose of the research is to see whether the Dutch are creating shared value. The reason behind this is the fact that the Dutch agricultural sector is very innovative and developed, which creates an expectation that the entrepreneurs would work in a similar fashion in other countries. Third or older generations of Dutch people in South Africa are expected to be too distant from the Dutch system of agriculture and general cultural norms to be regarded as a foreign investor or foreign entrepreneur in South Africa. This is the same reason why companies under Dutch management are part of the research sample; they bring the Dutch agricultural knowledge and cultural norms with them in their work.

In general in South Africa the Dutch are mostly to be found in the Western Cape region around Cape Town; this is the result of a lot of Dutch heritage in that region. There is quite some farmland to be found in the Western Cape, so there were surely some Dutch entrepreneurs to be found there. Another region with large areas of farm land is situated in the Gauteng region. With the help of SANEC the first companies were found in this region, which created a snowball effect. Many Dutch people lived in this area and many families were involved in agricultural activities.

Data analysis

The analysis of the collected data is certainly not an easy job. Shared value creation is not easily measurable. Therefore it is necessary to combine qualitative and quantitative results in order to reach a conclusion. The analysis of the data is based on the three pillars of shared value. The quantitative analysis is based on frequency data on several responsible business practices related to the three pillars of shared value. The quantitative data is focused on the perfection of the Dutch entrepreneurs on these same responsible business practices. In order to increase the power and robustness of any conclusion found these results are combined.

Research limitations

In the process of this research there are some limitations present and worth mentioning. These limitations may have influence on the outcome of the research; therefore the finding should be interpreted with some caution for the following reasons.

First, the research includes only a sample dataset of 22 Dutch companies active in South African agriculture. Of course this is not the complete set of Dutch companies; there was no list available that entailed all Dutch entrepreneurs in South Africa. This sample may not be a good representation of the total population of Dutch entrepreneurs in South African agriculture. Conclusions may therefore not be generalized.

Second, since the owners and managers of Dutch enterprises were interviewed the research data is liable to have a high self-assessment level. The data could show a more positive image on responsible business activities among the companies of the respondents. In an attempt to minimize this entrepreneurial bias the interviews were conducted in such a way the respondents did not know a responsible business assessment was being conducted. Only at the end of the interview this was discussed with the respondents.

Third, because the effect of responsible business activities on the success of a company is not easily measurable it becomes hard to statistically prove the presence of shared value creation. This research attempted to prove the link between responsible business and company success by discussing the motivations of entrepreneurs to conduct certain responsible business measures.

4. South African context

Responsible business is by no means a one size fits all strategy which can be placed over any company like a blanket. Local culture and circumstances influence the design, implementation and outcome of strategies tremendously. This chapter gives an overview of the South African geography, demography, economics, and politics relevant to Dutch companies active in South African agriculture. Also the agricultural sector in general will be discussed in order to understand the importance of agriculture in South Africa. What is also important to have knowledge on, is previous acquired academic knowledge on responsible business in South Africa. This chapter will conclude with information on involvement of the Dutch government in South African agriculture.

Geography and demography

As the name says, South Africa is a country situated in the south of the African continent. Its official name is the Republic of South Africa and it is the most southern country of the continent. The country has a land area of 1.2 million square kilometers, which is divided into nine provinces and 11 official languages are spoken in this multicultural country. About 82% of the total land area is agricultural land, but only 12% of the total land area is suitable for crop production. The agri-industrial sector¹ contributes about 12% to total GDP in South Africa. A noteworthy statistic is the fact that South Africa is the largest exporter of protea cut flowers in the world; more than half of proteas sold on the world market come from South Africa (info.gov.za).



Map 1: Position of South Africa



Map 2: Geography of South Africa

The coastline stretches from a desert border in the northwest, down the icy Skeleton Coast to Cape Agulhas, then up along the green hills and wide beaches on the coast of the Indian Ocean, to a border with subtropical Mozambique in the northeast (Southafrica.info). About 50.7million people currently live in South Africa of which about 89percent of adults is literate. Africans (black) are in the majority, making up 79.2% of the total

population. The colored and white populations are both estimated at 8.9%, and the Indian/Asian population makes up 2.5% (Statistics South Africa).

¹ Both the growing of the product and the processing of the product.

Economic

Annual GNI per capita corrected for PPP comes down to \$9594 in 2012, which is just over a quarter of GNI per capita in the Netherlands (Data from UN HDR 2013). South Africa's GDP increased by 2.5% in 2012, with growth in the final quarter of the year (2.1% q-o-q) having benefitted from improved performances in manufacturing, financial and business services, and agriculture. In 2012 South Africa outperformed the rest of the African continent when it comes to FDI, where the average of the rest of the African continent indicated a 4.8% increase in FDI, South Africa's flowed in FDI grew with 10.8% (Department of Research and information, 2013).

The supply-side of the South African economy is facing serious challenges, which include increasing salaries, disproportionate escalation in electricity tariffs and other administered prices, as well as higher transportation costs (Department of Research and information, 2013).

A widening trade deficit resulted in a substantial worsening on the current account of the balance of payments in 2012. This development contributed to the sharp depreciation of the rand. Although a weaker rand could potentially result in an increase of South Africa's exports, the weak global economic recovery and difficult conditions in European markets will most likely continue to slow down external demand for local products (Department of Research and information, 2013).

About 25% of the total labor force is unemployed; the World Bank reported the total labor force in 2012 equaled 18million people; this means about 4.5million people are jobless. About 5% of the employed population is active in agriculture (2009), which comes down to agriculture offering employment to roughly 900,000 workers. This percentage has been decreasing steadily the last few years, making agriculture less and less important for job creation in South Africa.

Globalization

The financial crises, especially in Europe and the US, contributes to the challenges agricultural producers in South Africa face, at least in the case where produce is exported. In case of flowers for example, being a luxury good, the crisis has influence on the amount of South African flowers supplied to Europe. Companies are facing double constraints from the European market; on one hand they demand higher standards and certification, and on the other hand total demand is diminishing which makes it harder for South African producers to sell their produce. This has led producers in South Africa to search for new markets in other parts of the world, like China and Russia.

Next to the challenges the financial crises brings, there is another international development that heavily influences the agricultural sector: Voluntary private certification. Companies that produce to export to European or US supermarkets need to comply to audit and certification systems in order to be eligible to supply that wholesaler. Also domestically the demand for certified goods increases vastly; Woolworths being the main instigator for this development on the domestic market. The process of going through audits in order to receive a certain certification is very costly; these certifications can be anything from supermarket audits, to fair trade labeling or organic production. This results in another cost increase for production. Especially if one imagines there often is no premium paid for certified goods. Since there is no premium paid for these goods, it becomes harder for South African producers to compete internationally with companies located around the equator; where production costs are often much lower.

Entrepreneurs face many challenges in South Africa to be profitable at all, let alone to conduct business in a responsible way. There is a need for companies to become profitable in a way that is sustainable in the long run. There are some opportunities that pull Dutch entrepreneurs to South Africa and start up a business. South Africa has a favorable investment climate, and the crisis has not struck as hard as it has in Europe or the US. South African land prices have been increasing steadily, which makes investments in land promising. Especially for Dutch entrepreneurs the country has much to offer, since Afrikaans is close to Dutch this gives them an advantage in communication with possible business relations.

Political

South Africa is a republic; therefore its official name is the Republic of South Africa (RSA) and currently has Jacob Zuma as its president, who was elected in a democratic election. RSA has 3 capital cities; Pretoria, Bloemfontein and Cape Town. Pretoria is the administrative capital, Bloemfontein is the judicial capital and Cape Town is the legislative capital.

The South African government has several policies in place to actively influence domestic development by requiring certain practices in the domestic private sector. One of these policies is the broad-based Black Economic Empowerment Act which was signed January 2004. The rationale of the South African government to pass this law is to promote access to South Africa's productive resources for previously disadvantaged people. The goal is to create stability and growth of the economy, increase employment levels and have a more equitable income distribution throughout all races (Standard Bank, 2005, as cited in Ortman 2005). In itself the act is regarded as a good objective by the Dutch respondents. They argue that in practice the BBBEE act is often reversed discrimination. Its implementation is therefore heavily criticized by many of our respondents; they argue that equal economic participation should be based on skills, hard work and achievement only. The whole Apartheid debate is still an extremely sensitive topic in South Africa. There are basically two sides to this coin, on one side the people want to do something about the inequality in the country, but on the other hand there remains discussion about how to reach equality throughout the population, especially to have a reflection of equal rights and opportunities in the economic system, since on paper everyone is equal already but in statistics on economics this is not shown. AgriBEE refers to black economic empowerment (BEE) in agriculture. In

Another policy the South African government put in place to influence development are the extensive labor laws, which are based on ILO conventions. The three most influencing labor laws in South Africa are the Labor Relations Act of 1995, the Basic Conditions of Employment Act of 1997 and the Employment Equity Act of 1998 (Ortmann and Machethe, 2003, as cited in Ortman 2005). The laws are designed to benefit employees, but critics argue that the results are rather ambiguous. The laws bring forth higher transaction and wage costs. Examples of these rising costs are increasing the costs of dismissal, making it more expensive to downsize a firm. Higher wages can result in lower employment levels when companies decide to take on machines instead of manual labor (Goedecke and Ortmann, 1993; Newman and Ortmann, 1996, as cited in Ortman 2005). This may worsen the existing problem of high unemployment rates in South Africa. The result is a good intended all-encompassing legislation regarding labor with an ambiguous outcome, which is monitored by the

labor department regularly. There are still some companies that find loopholes in dealing with this regulation, resulting in underpaid, underappreciated and maltreated employees.

The respondents in the research often stated it is sad to see that even with an extensive system of labor laws in place, there are still companies that manage to avoid complying with them. One possible reason they raised was even though South Africa has a sound constitution, the government is not performing all that well. There is much unrest among the population regarding government practices. I spoke to several people in the country about politics and often heard the speculation that political parties in South Africa are always trying to win votes, their policies are focused on increasing the amount of votes in the short run, instead of focusing on the much needed change for the long run.

Agriculture in South Africa

South Africa's agricultural sector is influenced by both domestic and international changes in legislation, trends regarding product demands and several social issues. Where South Africa used to be a country where entrepreneurs moved to in order to produce cheap, this is not the main reason anymore for entrepreneurs to move to South Africa. Labor costs have risen in the past and continue to increase rapidly and the prices of local resources and electricity follow the same path. Minimum wage in the agricultural sector has recently gone up by 52% and electricity costs are increased tremendously every year by the public supplier Eskom. Water scarcity is a big issue too. This creates the need for companies to become more productive and be as efficient as possible with all the resources used in the production process, in order to secure profitability.

Currently one of the biggest issues in agriculture has been the strikes in the farming industry. Much speculation has been heard about the ANC being the instigator for the violent strikes and protests among farmworkers in the Western Cape Province. People are angry about the low wages they earn, they feel outcompeted by immigrants. There is a huge mismatch between the amount of work available and the huge workforce. Where farmers argue that workers are unproductive and unskilled, employees argue that farmers only want cheap labor and that they are losing their jobs to foreigners, while unemployment is already very high. The result of the strikes has been a wage increase of 52%, which has brought about much resistance by farmers and it is yet to be seen what this may bring forth in the long run.

Responsible business in South Africa

All over the world, the term "corporate social responsibility" is commonly used to describe the practice of good corporate citizenship. In South Africa one will not often find this term. In South Africa the same responsible practice is defined as "corporate social investment", which is a peculiarity for South Africa. The reasoning behind this can most likely be found in South Africa's history. The use of the term responsibility is too sensitive for a country that is struggling to move forward after many years of inequality and oppression. The aftermath of apartheid is a situation where race continues to be a very sensitive topic and the word responsibility will probably always be linked to apartheid (Skinner & Mersham 2008).

Societal issues

Even though the Apartheid era has ended two decades ago, the segregation between black and white people is very much present in many aspects of everyday life. For one it is still present in the economic structure of South Africa. The large majority of farmworkers are black or colored people, while the large majority of farm owners are white males. This situation often results in speculations that these white farmers are exploiting black and colored laborers. One result of this view have been the strikes late 2012 and during the beginning of 2013.

Another social issue present in South Africa is the high amount of substance abuse. This large scope problem negatively influences the productivity of companies in South Africa. Alcohol and Tik (Chrystal Methamphetamine) are both influencing people's ability to function properly and make good decisions. It is often mentioned by the respondents that after pay day workers drink the whole weekend and fail to show up on Monday morning again, or if they do show up they are still too drunk to do their work. This phenomenon brings challenges to companies to create a reliable group of employees. This works back into productivity issues mentioned earlier.

The high prevalence of HIV/Aids in South Africa is devastating. Many young people continue to die even though proper medication can secure a decent level of living. Families are torn and some say South Africa is losing an entire generation. The impact of HIV/Aids goes beyond mentioning the shocking number of deaths and struggling families. The economy is also suffering from this phenomenon. The effect of HIV/Aids on the agricultural sector are extensive (Arndt and Lewis, 2000; Smith, 2004, as cited in Ortman 2005). Because of the disease productivity goes down and labor turnover rates decline steadily. Production costs on farms are negatively affected by the deaths and ill-health of workers affected by HIV/Aids. Since employers need to recruit and train more new workers, this is also placing extra costs to the company. On the demand side, declining population growth slows the growth in domestic demand for agricultural products (Ortmann and Machethe, 2003, as cited in Ortman 2005). HIV/Aids thus decreases the competitiveness of companies due to increased costs and a stagnating growth in demand. Many farmers are also burdened with supporting the orphans and widows who continue to live on their farms after parents/spouses die from the disease (Ortman 2005). All in all the disease is definitely placing burdens on labor intensive agricultural companies.

The role of the Dutch government in South African agriculture

The Dutch government recently added a new minister to the ministry of foreign affairs; Ms. Liliane Ploumen is the minister of foreign trade and development cooperation. This part of the ministry of foreign affairs focuses on the development of foreign trade in order to create prosperous growth in developing and transitioning countries while simultaneously creating value for the Dutch economy. This so called win-win situation can be regarded as the creation of shared value; both parties in the engagement are benefiting from the relationship.

South Africa is no longer regarded as a developing country since it has already much developed aspects. It is now seen as a country in transition. This does not mean that the country is in no need for international assistance. The Dutch government sees opportunities to invest in the South African agricultural sector, which is supposed to create positive outcomes for both countries involved. One

section of this involvement is designed by means of a platform called the RSA-NED Horti Business Platform. This platform tries to link Dutch entrepreneurs interested to do business in South Africa with local agricultural entrepreneurs. The goal of the platform is to combine the knowledge and skills of the Dutch sector with the knowledge of the South African entrepreneurs on the developments in the local sector, in order to upgrade the South African sector to be more profitable and sustainable. This should secure food security, food safety, job creation locally, and simultaneously this relationship is expected to bring profit to the Dutch entrepreneurs.

The Dutch government sees potential in South Africa because its growing number of inhabitants, increasing GDP and fast developing retail chains demand for more professional production chains in order to deliver the needed amounts of fruit, vegetables and flowers. Next to this the Dutch government identified South Africa's luring problem of increasing production costs; e.g. water, energy and labor. This creates an urge for the South African sector to be more efficient, which is a good environment for companies to innovate and change. The Dutch government sees an opportunity for Dutch specialists to contribute to this process of change because the Dutch are highly qualified and front runners in the field of sustainable production in horticulture. Examples of specialisms are water management, waste management and efficient supply chain management (Greenport Holland International).



Figure 4: Greenport Holland International

5. Profiling of the Dutch enterprises

In collaboration with Marlise van der Plas

In order to get a clear overview of the participating enterprises in the agricultural sector, their general characteristics were examined. This chapter will elaborate on these findings. The characteristics of the owners will be described, as well as the business activities of the enterprises and their position in the value chain.

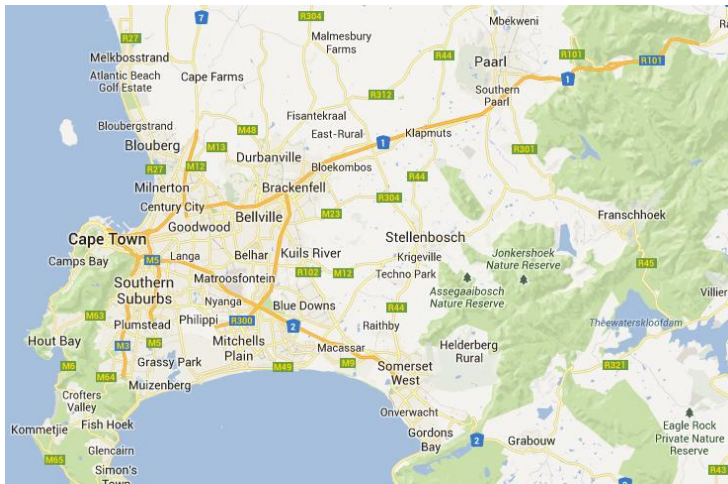
Companies under review

A total of 22 enterprises comprise the main research population, of which 12 were located in the Gauteng area around Johannesburg and 10 were located in the Western Cape around Cape Town. In the area around Johannesburg the enterprises were found in very close proximity to each other, which was not as evident in the Western Cape. The enterprises in the Johannesburg area are mainly situated to the west of the city around Krugersdorp and Brits.

In the Western Cape, the enterprises were mainly found in and around Stellenbosch, Franschhoek, Somerset West, and Paarl. These locations are all located to the east of Cape Town (See Map 3 & Map 4).



Map 3: Gauteng Province



Map 4: Western Cape Province

The participating enterprises were all involved in the agricultural sector and it is not easy to classify these companies, since quite a few entrepreneurs are involved in more than one sector. For example, one of the flower growers is also active in production support and machinery (company 1) and another company that delivers machinery also owns several farms where fresh produce is grown (company 7). The fact that several entrepreneurs are active in

more than one sector creates the need to make decisions about how to classify these mixed sector entrepreneurs. Before grouping the companies into different classification groups, it is important to know more about the companies that participated in the research.

Details on the activities of the companies

- 1 Respondent 1 is active in two different industries. One company is part of a larger mother company and delivers and assembles equipment for producing companies. The range of equipment helps undercover farmers to produce more efficient, products include screen systems, tunnels and other greenhouse and horticulture equipment. This entrepreneur is also an undercover farmer himself; he produces flowers on 11.5 acres. The company mostly delivers to the domestic market.
- 2 Respondent 2 owns a single company that offers different products and services. The cheese making company is situated on an estate that offers mountain bike tours and also includes a restaurant and little shop offering Dutch delicacies. All activities are managed by the owner. The products and services are catered to the domestic market.
- 3 Respondent 3 is partner in two companies, both in the same industry. He owns two flower growing companies which are mainly focused towards the production of chrysanthemums. 67% of the flowers are sold domestically; the rest is sold outside Europe and Africa.
- 4 Respondent 4 owns a single company together with a partner. The company is focused towards delivery and assembly of greenhouses and according equipment like irrigation systems. The service of the company also includes maintenance of delivered and assembled products. The company only supplies to domestic clients.
- 5 Respondent 5 is the general manager of a flower growing company which is part of a large British mother company. The company grows and packages cut flowers. 85% of the produce is sold internationally, mostly to Europe.
- 6 Respondent 6 owns two companies and is also involved in a partnership with his brother who owns a company that grows the plants and flowers for respondent 6's company. The company of the respondent is involved in packaging, wholesale and retail of the flowers and plants. The company only sells on the domestic market.
- 7 Respondent 7 owns a company that originally specialized in farming machinery and equipment like tractors and tunnels. The company's service includes assembly and maintenance of the delivered products. During the last few years the owner also established several farms where fresh produce is grown and cattle is held. The company is thus active in equipment and farming and only sells on the domestic market.
- 8 Respondent 8 is co-owner of a flower growing company. Several species of flowers are grown undercover. Flowers are packaged on site and 80% of produce is sold domestically, the rest is exported to the Netherlands.
- 9 Respondent 9 owns a flower growing company which is specialized in chrysanthemums. This owner is also an agent for a chrysanthemum stem company. All flowers are sold via the flower auction in Johannesburg.
- 10 Respondent 10 is the manager of a company that is specialized in the sale of seeds and small plants. The plants are grown on site. All seeds and plants are sold on the domestic market; either to garden centers or to individual consumers.
- 11 Respondent 11 is partner in a company that delivers farming machinery, their product also includes after sale services like maintenance. 95% is sold on the local or domestic market, only a handful of consumers reside in surrounding African countries.
- 12 Respondent 12 owns a flower trading company. The company buys flowers domestically and resells these flowers globally. The larger part of the flowers is sold internationally; 60% to Europe and 37% outside Europe and Africa. Only 3% is sold on the South African market.
- 13 Respondent 13 owns a company that is active in several different sectors. The main business activities are revolved around a hotel type of accommodation. Next to this the company also owns land which is used to farm grapes, guava and other fruits. 80% of the hotel guests come from Europe and 20% from South

	Africa. They sell their fruit on the domestic market.
14	Respondent 14 is an employee of an investment fund that is completely oriented on farm projects. The company invests funds into farms and pursues successful development and uplifting of these farms. Investments are spread over the African continent.
15	Respondent 15 is the owner of a butcher shop in South Africa. The company buys the meat domestically and sells everything on the local market.
16	Respondent 16 owns a laboratory that offers plant tissue culture facilities. Customers supply a certain plant and the laboratory multiplies a specific number of basic plants that can be used for farming.
17	Respondent 17 is an employee (son of the owner) of a flower trading company. The company buys the flowers domestically and sells to both the South African market as well as abroad. 90% of the flowers are sold outside of Africa and 10% is sold domestically.
18	Respondent 18 owns a flower growing company that sells all its flowers domestically. The company also grows grapes and is currently establishing a bike rental and tour company on the property. All produced flowers are sold locally.
19	Respondent 19 owns a company and estate where grapes are grown. Existing buildings are let to external companies and the company is also developing real estate for an old age retirement village. The wine is produced and bottled at an external location. 99% of the wine is sold to The Netherlands and Belgium. About 1% stays in South Africa.
20	Respondent 20 is the co-owner of a flower trading company. The company buys flowers domestically and sells all flowers on the Dutch market via a Dutch partner company.
21	Respondent 21 is the flower production manager of a family company that also produces fruit and grapes and also holds livestock. The former manager that set up the flower production is Dutch and is still involved with the company's wellbeing. The company sells all its flowers on the domestic market.
22	Respondent 22 is the founder of a vineyard that produces and bottles its own wines. Next to this the company also grows apples and pears. Half of the bottles are sold in South Africa; the other half is sold in Europe, mostly to Belgium.

Table 3: information on sector, activities and markets per company

As can be seen in Table 3, eight out of 20 companies are involved in several sectors or activities simultaneously. For the sake of this research it is important to divide the companies up in logical groups of classifications in order to make the analysis of the data relevant and meaningful. Table 4 shows the categories that give the most information about the companies in them.

	# of enterprises	% of total
Flower growers	6	31.81%
Flower/plant traders	4	18.18%
Food product & service industry	3	13.6%
Machinery/production support	2	9.1%
Machinery & farming	2	9.1%
Production of grapes and wines	2	9.1%
Seeds/small plants	1	4.5%
Fund advisory	1	4.5%
Laboratory	1	4.5%
Total	22	100%

Table 4: Classification of enterprises

For the purpose of analysis it is more valuable to divide the companies into fewer categories (See Table 5). Companies active in both machinery and farming are now placed in the category farming company, since farming companies tend to have more people employed and are also dealing with environmental issues as a result of the farming practices. Ideally this would be a separate category in the research, but since there are only two companies that fall in this combined category, for convenience sake they are taken up in the farming company class. During the analysis of the data it will be kept in mind that these two respondents (respondent 1 and 7) are also active in machinery.

	# of enterprises	% of total
Farming companies	10	45.45%
Machinery/production support	2	9.09%
Food product/service	5	22.72%
Trading & retail companies	5	22.72%
Total	22	100%

Table 5: Simplified classification of enterprises

Over 80% of the enterprises were single establishment firms where the ownership mostly lays in the hands of a single person, or amongst a family. Another 14% was a local establishment of a parent company, which was always located in another country. 10 of the enterprises are 100% Dutch owned, another four enterprises are owned by the respondents which have both the Dutch and the South African nationality. There were 4 other enterprises in which 50% of the ownership lay in Dutch hands. Additionally, some enterprises were under British or South African ownership (see Figure 5). As discussed in chapter three these non-Dutch owned companies are taken up in the research sample, because they are sufficiently Dutch influenced by Dutch management.

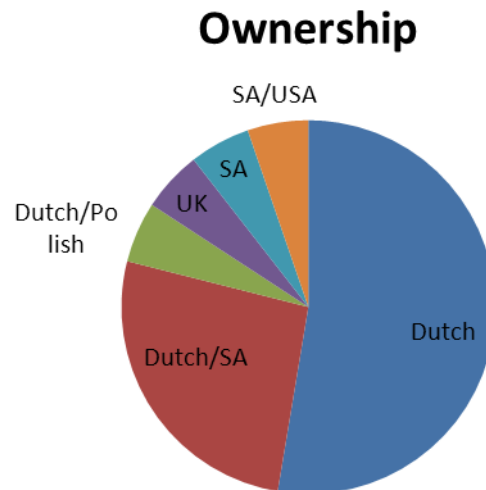


Figure 5: Ownership of companies

The average year in which the enterprises were founded was 1992, which is calculated over 21 enterprises. However, omitting one enterprise which was already founded in the 19th century shifts the average founding year to 1996. The ending of the apartheid era in the early 1990s may have caused a slight increase in foreign investments, but this link is not very strong since the average year is still 1996.

Out of the 22 respondents, 16 were the actual owners of the enterprise. The other 6 were employees at the enterprise, of which 2 were related to the owner (either being the son, or the father of the owner). The 4 remaining employees ranged from general employees to production manager. Only 2 of the respondents were female, which illustrates the vast majority of owners of the participating enterprises were male. The average age of 19 of the 22 respondents was just above 46 years.

Background information on the owners

14 respondents had the Dutch nationality only. In addition, there were 6 respondents which both had the Dutch and the South African nationality. The other two respondents carried the Polish and South African nationality. The ones which carried both the Dutch and the South African nationality were either born in the country (3 out of 6) or arrived in the country before the age of 13 and spend a large part of their lives there. This also highlights the difficulty of obtaining the South African nationality, which is getting increasingly difficult. The 'best' thing a foreigner can now obtain is the South African residency, which grants them the same rights as domestic persons, except for the right to vote. The average number of years in the country for 21 respondents is 21.6 years. When the 6 respondents which already lived in South Africa for almost all their lives are excluded, this average amounts to 16.2 years (for 15 respondents).

Out of 18 answers on educational background, 10 of those did an education which was directly related to their current work field. For most of them, this was an education on a horticultural school. Of the others, 4 did an education in business or economics and 4 studied something completely unrelated to their current job. 21 of the interviewees elaborated on their working experience. From these 21, 15 had significant experience in the agricultural sector, either in the Netherlands, South Africa or another country. Some of the entrepreneurs have had a similar business in the Netherlands or come from a family of flower growers. This emphasizes the enormous amount of knowledge present amongst the respondents in the agricultural sector.

With regard to the motivation for entrepreneurs to start an enterprise in South Africa, there are no distinct patterns to be found. Some respondents were looking for a new business challenge and found this in South Africa, with an abundance of land, good climate and lower production costs. Another reason was that in comparison to other African countries, the possibility to own land in South Africa was a large pull-factor. In addition, a handful of respondents argued the general legislative framework in South Africa is strong and enables businesses to grow faster than in the Netherlands. There were even respondents driven by their feelings: either because of their loved ones or because they were in search of some new challenges. The historical ties with the Netherlands were also mentioned as a pull-factor; especially the Afrikaans language proved very convenient.

Business activities

In terms of turnover, 12 of the 16 enterprises which disclosed their annual turnover had an average turnover of less than 20 million rand (see Figure 6). Three enterprises were large, with a turnover of more than 90 million rand. 90% of the enterprises have never received any form of subsidy or grant from their home or host country. One enterprise indicated they receive a grant as an industry for more research and development in the flower industry. Another enterprise said they got 10% refunded on their investment in the building of a new property, by the Department of Agriculture.

Turnover in millions

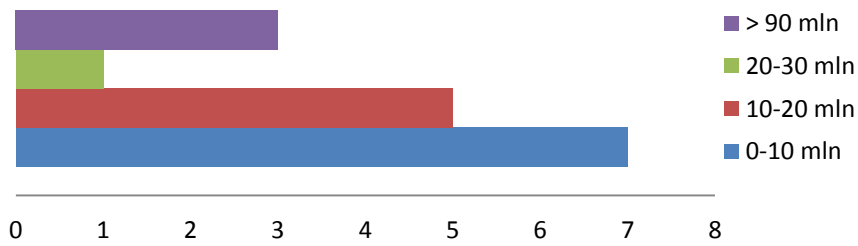


Figure 6: Turnover classification

		#	Machinery/engineering	Fertilizers/Pesticides	Seeds	Services/Consultancy	Other supplies	R&D	Farming	Storage	Processing & manufacturing	Packaging	Retail	Transport	Trading & Export	Other
Farming companies	7	Fresh produce & Machinery	X			X	X		X			X		X		
	1	Flower Grower & Machinery	X				X		X			X		X		
	8	Flower Grower							X			X		X		
	5	Flower Grower							X			X		X	X	
	3	Flower Grower							X			X		X		
	9	Flower Grower					X		X			X		X		
	18	Flower Grower							X			X				
	21	Flower Grower							X			X				
	19	Grapes/wines							X		X	X			X	X
	22	Grapes/wines							X		X	X	X		X	
Traders	6	Flower/plant trader										X	X	X		
	10	Plant/seeds trader			X		X		X	X		X	X		X	
	12	Flower/plant Trader								X				X	X	
	17	Flower/plant Trader								X				X	X	
	20	Flower/plant Trader								X				X	X	
Other services	14	Investment fund				X										
	16	Laboratory				X	X				X					
	15	Butcher									X	X	X			X
	2	Cheese farm									X	X	X			X
	13	Guest house							X							X
	4	Machinery/equipment	X			X	X				X			X		
	11	Machinery/equipment	X			X							X			

Table 6: Value chain activities per individual company per class

As discussed earlier, the companies under review are categorized in four distinct groups. The grouping of the companies results in four groups in which companies conduct similar activities. Although these companies have some similar activities, they all have their own way of doing business, which is visible in the types of tasks and the amount of tasks they take up in the value chain of

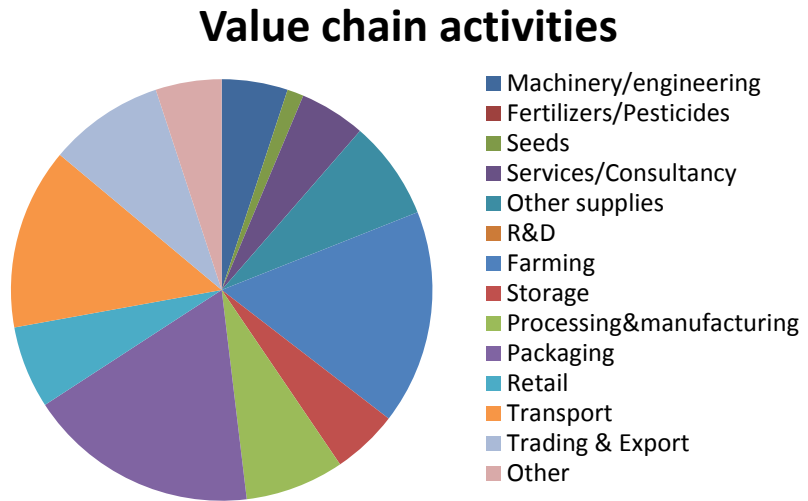


Figure 7: Types of activities conducted

their particular business. In general the tasks mentioned in Figure 7 are performed at the companies of the respondents. From Figure 7 it is also easy to see that farming and packaging are the largest groups of activities in this respect. This image is distorted since farming and packaging are the main activities conducted by flower growers and at vineyards, which are part of our largest group of respondents (about 45%).

Since the sample of companies under review is rather small it is almost impossible to generalize per classification. If one may generalize within this set of data, it may be said the value chains in which the companies operate are rather consolidated (see

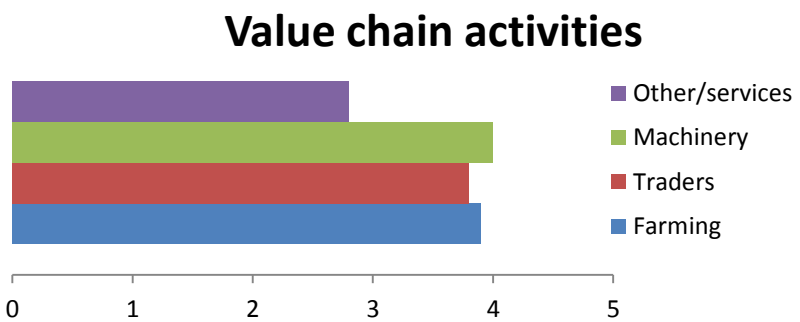


Figure 8: Average number of value chain activities per class

Figure 8). All companies, except one, take up more than one function in the value chain. It is often seen that flower growing companies, next to the growing of the flowers itself, are also involved in storage, packaging and distribution of flowers. Companies supplying machinery or technical equipment also offer a service regarding the equipment; this can either be training, construction, or a follow-up service. In the wine sector, next to the growth of grapes, the processing of wine is also done by the companies itself.

Market relations

Concerning the relationship companies have with their customers, there sometimes are contractual agreements signed up which specify the exact amount the company is supposed to deliver and at what date. This is only the case for companies that deliver products to big retailers, who have a very strong position in the value chains in South Africa. Woolworths, for example, puts heavy demands on suppliers, who all have to comply with its FFF certification (Farming For the

Future). Also other big clients, especially international ones, are seen to put this type of demands to its suppliers. Figure 9 shows how much of total produce is being sold on the various markets. Most flower growers sell the majority or all of their flowers domestically, only one grower sells mostly to the UK, but this is the result of being part of a large UK multinational. This gives a distorted image about the flower industry. Flower growers often sell their produce to agents who resell on their behalf. The three flower traders export the vast majority of the flowers outside of the African continent, thus a large amount of the flowers from the Dutch entrepreneurs are produced for the international market. The entrepreneurs themselves mostly do not sell directly, but prefer to sell via agents which allows more time for them to focus on the production process.

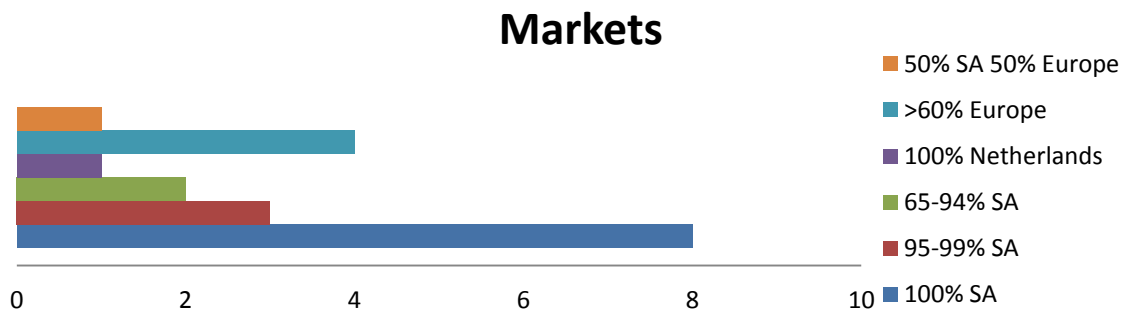


Figure 9: percentage of total offset per company sold to which markets

From Figure 10 can be seen that 10 out of 21 companies, that deliver a product, export to countries outside of the African continent. 19 out of these 21 companies deliver all or part of their products to the South African domestic market. The reason that so many companies produce for the domestic market is that this group also takes up companies that only supply a handful of their output to the domestic market while their focus is on the international market; the statistics are not a clear representation of the actual situation. Both domestic and international supermarkets place great demands on producing companies; especially in the flower and Wine sector. Companies delivering machinery and technical supplies are not influenced by products standard demands set by supermarkets

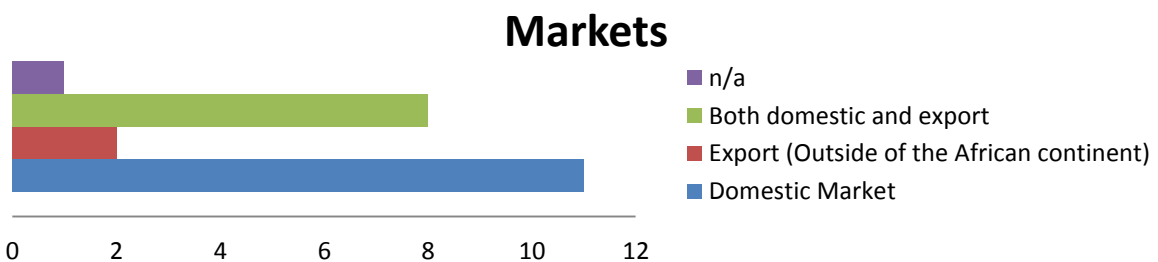


Figure 10: Consumer markets

If one looks at the markets served per classification, companies specialized in machinery and equipment caters the local/domestic market. Flower growers mostly sell locally, with part of that produce being resold internationally by flower traders. Two trading companies are focused on trade and retail on the South African market. So most farming companies sell on the local market, with some of that produce being resold by agents on the international market.

6. Shared value creation

“Do Dutch agricultural entrepreneurs in South Africa create shared value and what drives these Dutch entrepreneurs to work in this way?”

In order to determine whether shared value is being created by Dutch entrepreneurs active in agribusinesses in South Africa, it is necessary to make an assessment of the presence of practices that can be qualified as shared value creation. As discussed in the literature review in chapter two, Porter & Kramer (2011) argue that shared value can be created in three primary ways. In this research these are regarded as the three pillars of shared value. These pillars include:

- **Reconceiving products and markets**
Better serving existing markets, accessing new ones, or developing innovative products and services that meet social needs
- **Redefining productivity in the value chain**
Improving the quality, quantity, cost, and reliability of inputs, production processes and distribution systems, while simultaneously acting as a steward for natural resources
- **Enabling cluster development**
Working in concert with others to create a stronger competitive context, including reliable local suppliers, functioning infrastructure, access to talent, and an effective legal system

In this chapter the activities of the companies of the respondents will be reflected against these three pillars in order to find out whether they create shared value. The analysis of the data is twofold; On the one hand the perception of the entrepreneurs is discussed in a qualitative manner, and on the other hand to see whether companies themselves benefit from shared value creation activities the research takes a look at whether the company’s turnover has grown the past five years. Because turnover is not perfectly correlated to changes made in any of these three pillars and there is no possibility to apply a *ceteris paribus* clause, it is extremely important to discuss the perception of the entrepreneurs themselves, because this gives insight into the motivation behind certain business decisions. This chapter discusses whether companies are making changes alongside the three pillars on which shared value creation is based and what perception entrepreneurs have on these issues. Drivers for an individual entrepreneur to work in a particular way will be discussed extensively in chapter 7, that chapter will also examine whether Dutch entrepreneurs in South Africa operate in an enabling or disabling environment with respect to shared value creation.

6.1. Reconceiving products and markets

“Creating shared value from reconceiving products and markets focuses on revenue growth, market share and profitability that arise from the environmental, social, or economic development benefits delivered by a company’s products and services.”

Porter et al. 2012

Porter and Kramer argue in their 2011 paper on the creation of shared value that in more advanced economies there is an increasing trend towards credence goods and services; these are products that meet societal needs. What society needs (or at least demands) at the moment are goods produced in a sustainable way with respect for people and planet.

This pillar is largely focused on the development of completely new products catered to societal needs and specifically to the needs of the bottom of the pyramid. Porter and Kramer argue that globalization has created an opportunity for companies to fill gaps in the world market. In the past the bottom of the pyramid was never seen as a potential consumer market, now the people at the BoP are conceived as a whole new opportunity to expand a company’s market share. These new potential consumers can be reached by the creation of new products catered to the needs of the BoP. Examples of catering products to the needs of the poor are the production of cheaper merchandise or products packaged in smaller volumes. The development of completely new products designed specifically for the BoP is also seen as shared value creation; if a company comes up with a completely new product that is especially designed for consumers at the BoP.

One remark must be made about this pillar in the context of this research. The companies used by Porter and Kramer (2011) to explain how this pillar of shared value creation works are all large multinational companies with great market power and financial capital, while the companies in this research are mostly small and medium sized enterprises with little market power which are often price takers. Another difficulty for the companies in this sample to design products that cater the needs of the poor is the fact that almost all respondents in the research offer a luxury good, e.g. flowers and wine. These are goods targeted at a higher end of the market since the products are not part of the basic commodities basket to fulfill a person’s basic needs. On top of that the respondents in this research all have a business that produces a particular product, e.g. flowers, wine. These products are not as easily adjustable to different customer’s needs as for example manufactured food products. Most companies under review do not have the appropriate R&D facilities to design completely new products for underserved markets. They do however have the opportunity to differentiate and reposition themselves in the markets they traditionally serve, or to serve previously underserved markets without severely adjusting their products. The respondents were asked whether they added new products or services to their production line and whether their client bases expanded.

Entrepreneurial perception

17 out of 19 companies indicated they are continually adding new products to their businesses and 14 out of 20 companies have increased the amount of clients in the past five years. Entrepreneurs keep adjusting their product range in order to assure sales in a constantly changing market. They try to keep up with demand. Most products and services offered by the respondents are luxury products which are almost impossible to cater to the BoP, since poor people simply do not need these products. There a shift going on among some flower growers. The products being produced are not changing, the flowers are still catered to all the needs and standards of the international market, but the domestic market is now supplied with the same standard of flowers. In the past South African people hardly bought cut flowers and the ones used were often of a lesser quality. The domestic market served here is definitely not the BoP, but it is a new sort of market that growers and traders can join in on. This search for new markets comes from a company's drive to increase sales and ensure profit. The result is the creation of a completely new market that was not served before. In terms of shared value creation, this means Dutch entrepreneurs in South Africa are not complying with the demands of the first pillar of shared value creation. South Africa is a country with many different people who live in completely different circumstances. With respect to the effort of closing the gap between rich and poor, there are three examples in the research sample that come rather close to the definition of the first pillar of CSV and will be discussed in the next section.

Case by case examples

An quote² from a flower grower in the Western Cape (company 18) shows there is a new market that is being served now. As discussed earlier, it is not the bottom of the pyramid that is addressed by this change in consumers, but a demand by the local market which was not present before is now addressed by

“People were always complaining that the good flowers were exported and that only the flowers of a lesser quality were left for the local florists in South Africa. Then I decided to grow exclusively for the local South African market with the technique and experience I gained during my time on the African continent. This has given a tremendous boost to the local florists.”

Respondent 18

this company. This entrepreneur saw a gap between demand and supply and decided to jump in and fill it. The company is filling a gap, but is not catering any needs of the BoP. This is not surprising since it concerns the cut flower industry which essentially delivers luxury products. This new market was not mentioned by all flower growers, but the data show that all growers sell at least a part of their flowers to the local market. This means entrepreneur 18 is not the only one that takes advantage of this opportunity of a newly arising market. If the South African market for cut flowers keeps on rising, this may work out well for the South African economy as a whole, but there is no immediate societal issue addressed by filling this gap.

Company 11 (Machinery) indicated they try to bring a new machine to the South African market every year. They do not develop a new product themselves to cater to the needs of South African

² “Men klaagde hier altijd over dat goede bloemen naar andere landen gingen, mindere kwaliteit bleef over voor de bloemisten. Toen heb ik gezegd, ik ga het 100% telen met de techniek en ervaring die ik heb opgedaan in Afrika en supply 100% naar de lokale markt. Dat heeft een enorme boost gegeven aan de lokale bloemenwinkels.”

farms, but they try to find a machine at one of their import agents that suits South African agriculture. This same company also argued they differentiate themselves by offering aftersale service, which according to them generates a competitive advantage compared to other companies in the area. The very bottom of the pyramid is not in search of agricultural machines, but this company does serve a market that is usually left unserved. The company receives tenders from the state to provide machinery to poor black farmers in the area who do not have the financial capital needed for such an investment. The respondent from this company stated they always provide training to clients if a new product is delivered. He is however not positive about the results of the state tender. He argued most projects trying to enable poor farmers to be productive and successful fail on a large scale. He did not offer any ideas on how this problem could be solved. Since the projects he participates in often fail in the long run, there is no societal issue addressed successfully, but the company is making an effort to serve these markets..

Another example from a machinery/equipment company which also grows fresh produce (company 7) has a strong opinion on failing projects where machinery and equipment is delivered to the bottom of the pyramid without being adjusted to the needs of the BoP. The company is not losing profit, but the delivered product is not solving a societal issue either. This company also receives tenders from the government to deliver equipment, like greenhouses and corresponding supplies, to poor black people to become farmers. These supplies are too expensive for the poor people to buy themselves, that's why the government pays for it. The government does not take into account that these people know nothing about farming, at least that is what respondent 7 argues. Instead of adjusting the program in such a way that these products are delivered with the necessary training and guidance in order to make the projects a success, the state just continues with the same format, which according to the supplier (company 7), keeps failing time after time³. The first year after the initial supply of the equipment the black farmers receive guidance and training. After the first year the poor farmers are supposed to produce independently, respondent 7 argues these projects always fail as soon as guidance stops. He claims this system will only work if the projects are set up differently. He believes there is a need for long term guidance and management of an experienced farmer in order for the farming projects to be sustainable in the long run.

"Sometimes you become morbid; you work hard and put in effort. You do make money, but it's not successful."

Respondent 7

These last two examples show that these companies are well aware of the fact that there is an underserved market for their machines and equipment that they can tap. Unfortunately machines can never be made extremely cheap in order for the BoP to buy them. This is where the government comes in as a middle man. Since the government is the financier of these projects, the companies have little say over the implementation of the projects. Respondent 7 has a clear structure in mind for these projects which he believes would make a real difference in the long run. He uses a specific strategy at his own fresh produce farms, which are operating quite successfully. Because of the

³ "Soms wordt je hier beetje morbide van, als al het werk dat je doet, je verdient er wel aan, maar het is niet succesvol."

financial issue, which leaves the government in charge because they finance it, the company cannot serve these markets as they wish. This shows companies will only serve markets that will generate a profit in the long run. For this market the product and service is not sufficiently adjusted to the needs of the consumer, in this case the poor farmers.

Effects on success of the company

When this data is compared to the increase in turnover the result is that in the classifications of machinery there seems to be a positive relationship between offering new products, serving more clients and annual turnover. There is data available on these three variables for 19 companies; the results are shown in Figure 11). 11 companies showed positive data on all three factors, indicating that when a company expands its client base and designs new products, the turnover of a company increases.

reconceiving products and markets

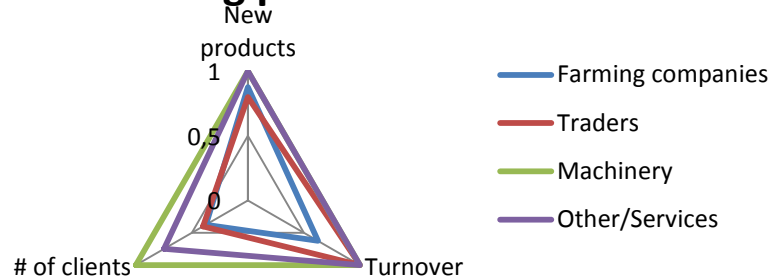


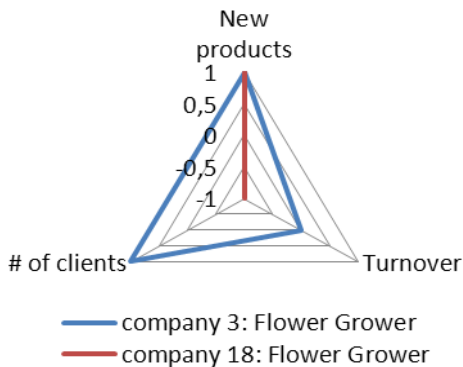
Figure 11: Reconceiving products and markets

It is important to keep in mind that there are many other aspects that influence a company's annual turnover besides the client base and the amount of products offered. For example productivity is completely left out of this picture and the increase in production and labor costs are not part of this picture either.

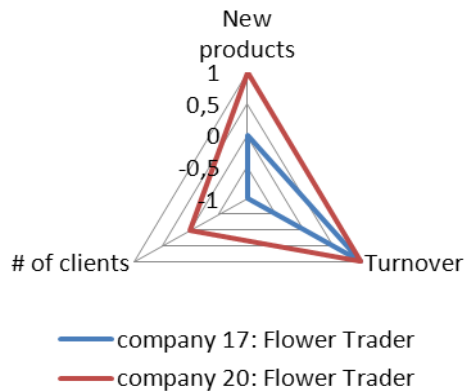
For most flower growing companies all three variables are positive, there are two companies with deviating results (see Figure 12). Company 3 is serving more clients and also introduced new products to the product range, but its turnover did not grow (see Figure 12). A possible reason the owner mentioned is the fact that labor costs have increased tremendously. Whether this is a legitimate reason to explain the lack in turnover increase is rather ambiguous, since 8 out of 10 companies that complied to both demands in the first CSV pillar and did see an increase in turnover also experience an increase in their total labor costs (one company did not provide data on labor costs). Company 18 developed new products, but did not serve more clients and its turnover did not grow either.

In the grape/wine industry the results point toward a multiplier effect for turnover; when either the client base increases or a new product is added to the mix; turnover rises. This indicates it is not necessary to address both new markets and supply new products. Either one does the trick; you can serve your contemporary market with new products, or sell the same products to new clients. This same conclusion is found at deviating company 15 in the 'other/services' category and company 20 in the trader category (see Figure 12).

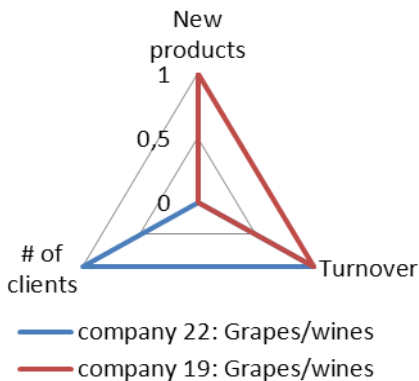
Flower Growers



Flower Traders



Grapes/Wines



Other food produce

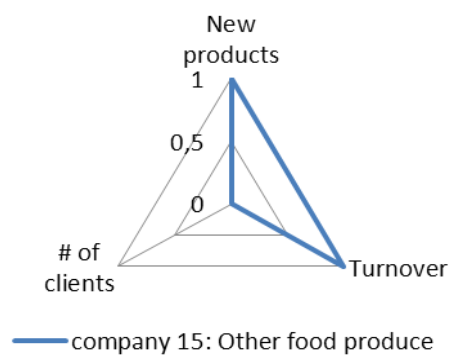


Figure 12: Deviations per company category

The results that are most deviating from the general results are company 3 (flower grower), 17 (flower trader) and 18 (flower grower). Company 3 both sells new varieties of products and also broadens its client base, but the turnover of the company lags behind. One of the reasons the owner of company 3 mentioned for the lag in turnover growth was the tremendous increase in production costs the past few years, especially labor costs. Company 17 is selling to fewer clients and has not added any new products to its product line, while turnover is increasing. The respondent himself argued these results were possible because they decided to sell to fewer clients that paid better prices. This is also a way of reconceiving the market a company supplies. Company 18 is always expanding the product range it offers but the client base is decreasing and as a result the company’s turnover has diminished over the past few years. The owner argued he has great difficulties in finding clients to sell to, since he is only selling domestically. He says he notices the effects of the crisis in South Africa too, several florists he used to sell to have gone bankrupt and finding new clients is not easy in a country where buying cut flowers is not part of every household.

The weakness of this data is that there is no information on the development effect of these new products and clients. If more variety in products and clients is present, this does not automatically mean that the bottom of the pyramid is benefiting from this. According to the interviews held with the respondents only a handful of products were in some way catering the needs of the poor. Most

adjustments in products or strategies to target a certain market are the result of profit maximizing behavior in a highly competitive market. There is little proof that Dutch entrepreneurs in South Africa are serving the BoP. As discussed earlier in the case examples, some products and services were supposed to be catering the needs of the poor, but the implementation of the projects failed. According to the corresponding respondents the intended results were not accomplished. Among the respondents there were two reasons mentioned for offering new products. The first is in order to comply to the demand of the market and secure sales, the second reason is the result of cost efficiency; one flower grower (company 1) mentioned he is in search of products that are less labor intensive, since labor costs make up the larger share of his production costs. They want to secure sales in order to stay profitable in the long run. The same reason was mentioned for the expansion of the client base; many companies like to spread their risks. However a few respondents mentioned they rather have a smaller loyal clientbase (company 21), than a larger clientsbase based on smaller clients. This respondent argued having more smaller sized clients is more time consuming to maintain relationships; and time is money. None of the respondents mentioned anything about catering products to the needs of the poor. One flower grower did mention that he decided to sell all his export worthy flowers on the Domestic South African market. He wishes to increase the knowledge and consequently the demand of the South African consumers concerning cut flowers, but as mentioned before, this is by no means a BoP market.

The data shows a big opportunity for small and medium firms. While they do not have access to modern R&D facilities they are still able to make adjustments to the products they supply. Were these companies be producing basic goods instead of luxury goods, there would be an opportunity present to design products that cater the needs of the poor. Among the respondents there are already a few companies that offer their goods/services to the poorer segment. This is only the case at companies that offer a service or product, which can more easily be adjusted to the needs of a client.

Dutch companies in South Africa are changing their client base and adjusting the product range that they offer. There is no proof that any societal issues are addressed by doing this. One might argue that this is the case since the gross of the respondents offer luxury goods, which cannot easily be adjusted to the needs and wants of the bottom of the pyramid, simply because the BoP does not need nor desire these products. The Dutch respondents are not serving the bottom of the pyramid. What is happening though is a redefinition of the markets these entrepreneurs serve. For example in the flower industry, where in the past South Africa was not demanding flowers for the domestic market, at the moment cut flowers can be bought in domestic supermarket chainstores. It is still a high end market that is served, no specific needs of poor people are catered, but the upcoming middle class is receiving more attention from luxury good producers that only produced for international markets in the past. In the equipment and machinery sector there are companies that deliver products to the poor, but these products and services are the result of a tender from the government. The products are not very different from the products they offer regular clients, except for the first year of guidance. The companies that deliver these tenders are not actively seeking to serve the market of poor farmers. They do want them to succeed, because they do not want their work to be useless. The equipment and machinery sector seems to be the only sector where the

Dutch are active (at least in this research sample), where some sort of BoP can be served. If respondent 7 is right, the state tenders should happen along a different strategy and with a different implementation in order to be successful for both the company's profit as well as the BoP's needs.

6.2. Redefining productivity in the value chain

“Creating shared value from redefining productivity in the value chain focuses on improvements in internal operations that improve cost, input access, quality, and productivity achieved through environmental improvements, better resource utilization, investment in employees, supplier capability, and other areas.”

Porter et al. 2012

Porter & Kramer (2011) argue that the value chain of a company affects societal issues and vice versa (the external effects of society on the value chain will be discussed in detail in chapter seven). Examples of societal issues that interact with production are natural resources and water, health and safety and employment conditions. Porter and Kramer (2011) argue that many factors that have always been seen as externalities actually inflict internal costs on companies. Many methods of production that have a detrimental effect on the environment also create costs to the enterprise itself. If companies identify and address these societal issues they simultaneously increase their own productivity which is good for their cost structure. The picture below shows the strongest ties between a company's productivity and societal issues.

In order to make an assessment of the presence of this second pillar of shared value creation the companies were reviewed extensively with respect to their value chains and production processes. The research aims to find out whether the Dutch enterprises increased their productivity and simultaneously addressed societal issues. To be regarded as a shared value creating company with regard to pillar two, the company needs to address a societal issue and benefit from doing it; if one of these two criteria is missing it cannot be concluded the company creates shared value. However, not being able to prove the presence of shared value creation does not automatically mean that there is no shared value created; the conclusion would be undecided. What makes the CSV system mutually reinforcing is that it works both ways. Companies that wish to address societal issues are stimulated to continue because the profitability of the company profits from this action simultaneously and companies that wish to increase their productivity create positive externalities for society and the environment. These positive effects on society can thus be both intentional and unintentional.

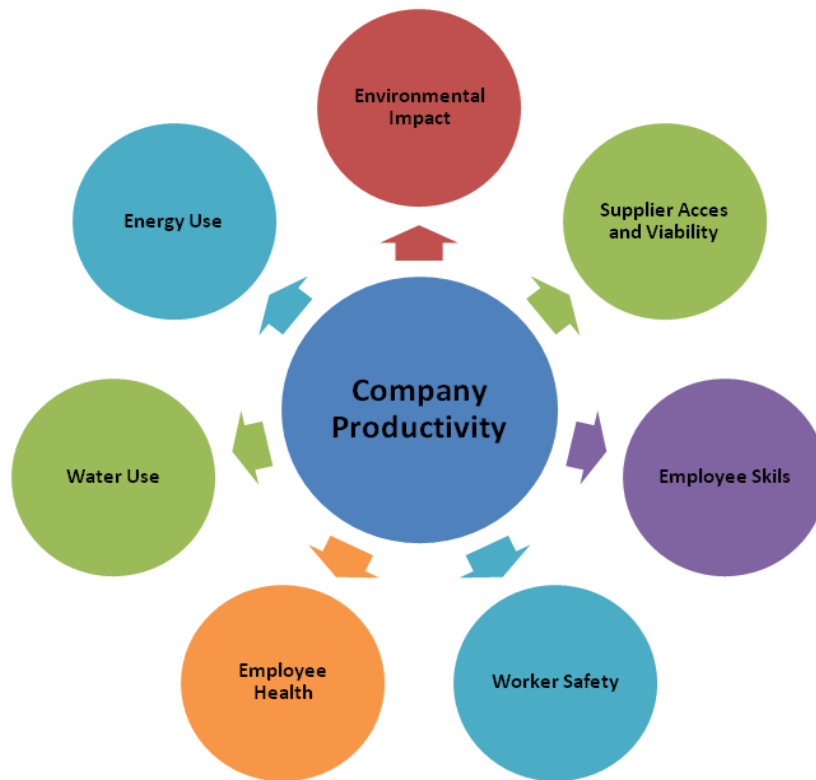


Figure 13: Connection between competitive advantage and social issues (Porter & Kramer, 2011)

There is a growing consensus that improvements in environmental performance can be achieved by the use of better technologies, which often saves costs instead of raising them. This chapter aims to make an assessment of the presence of the ties depicted in Figure 13 at the companies of the Dutch respondents in South Africa. These ties can be divided into three groups. Employee skills, worker safety and employee health are addressing social issues concerning people. Water use, energy use and environmental impact are addressing environmental issues. Supplier access and viability can be regarded as part of the third pillar and will be discussed in the context of local cluster development in section 0.

Addressing social issues concerning employees

There is a trend towards the awareness that paying a living wage, offering a safe workplace, employee training, and the overall creation of an enabling and stimulating environment for employees has a positive effect on the productivity of these employees and thus on the profitability of the company as a whole. The respondents in this research have stated one of the main difficulties of operating a business in South Africa is to find loyal⁴ and hardworking staff. Difficulties described by the

“The biggest problem with unskilled labor is loyalty. There is no loyalty. If a worker can earn 50Rand more at the neighbor’s farm, he will go. If he can earn a little more than that in another farm, he will switch again.”

Respondent 9

⁴ “Het grootste probleem bij ongeschoold personeel is, ze zijn niet loyaal. Als hij morgen bij de buurman 50R meer verdient, dan is hij weg, en als hij dan bij een ander weer meer verdient is hij weer weg.”

respondents include employees lacking initiative and having to explain employees over and over again what they are supposed to do on the job. Entrepreneurs are well aware of loyalty and productivity problems among their employees and in South Africa in general. As described in chapter four, South Africa is a country like no other, rich and poor classes live side by side. One result of the apartheid era is the fact that the gross of the farmworkers is black. It is internationally known that the topic of race is extremely sensitive in South Africa. This makes it extremely difficult for farm owners to cut back on any expenses made for the wellbeing of farmworkers, because such actions are always enlarged in the media and depicted as being a crime in the light of apartheid. Since the wage increase of 52% in March 2013 the sector is under great pressure. Dutch entrepreneurs struggle with increased costs on the one hand and low productivity and employee loyalty on the other. They need to find a system that increases loyalty and productivity among farmworkers in order to minimize the economic impact of the continually increasing labor and production costs.

Entrepreneurial perception

The respondents have widespread ideas on the reasoning behind the fact that so many companies indicate to have difficulties with employee loyalty and productivity. The explanations range from differences in climate between South Africa and the Netherlands to differences in cultural heritage. The respondents mentioned several ways in which they try to stimulate their employees to become more loyal and productive. What has been mentioned most often are the use of generous secondary labor conditions that reach beyond basic employment conditions. These include, but are not limited to, higher wages, performance bonuses, pension funds, providence of housing with free electricity and water, free or discounted transport, on the job training, medical services, and leave arrangements.

The quote depicted on the right shows how Dutch entrepreneurs in South Africa think about their employees. The minimum wage

“If you pay peanuts, you get monkeys.”

Respondents 13 & 22

structure in South Africa for general workers on farms is not particularly generous. This is often one of the reasons Dutch entrepreneurs settled in South Africa in the first place. This quote represents the idea that one should not expect employees to work extremely hard if they only receive a small salary. Dutch entrepreneurs try to find other ways to stimulate their employees than increasing the wages. There are two reasons why Dutch entrepreneurs are in search of different methods than wage increases to motivate employees. In the first place because companies try to keep their expenses to a minimum and a second reason might be because according to some respondents⁵

“For the low segment of workers in Africa money is not the motivator. That’s hard for us to image, but it’s true. If they don’t like it, they leave. That is actually the biggest difficulty I face, how to motivate people. Money isn’t the answer, well for women it is, but not for men, women do work hard.”

Respondent 13

⁵ “In Afrika in het lage segment van de bevolkingsgroep is geld niet de motivator. Dat kunnen wij ons niet voorstellen, maar is echt zo. Als het ze niet aan staat, dan zijn ze morgen weg, Dat is eigenlijk het meeste waar

money does not seem to be a strong motivator for general farm workers. This is not a given fact, but if Dutch entrepreneurs believe this argument, this might have an influence on the decision they make regarding employee stimulation.

Employee skills

In general the entrepreneurs paid more to people with more experience and skills than the more general workers, which creates incentives for employees to work harder and gain experience and their skills level. 13 employers give employees with potential the opportunity to follow courses and training in order to increase their skills. Training programs include general on the job training, but also management and leadership courses. Decent training gives employees dignity, which is rather rare in a country where employees often feel interchangeable and useless.

Worker safety

As far the research received information on the issue of worker safety, all respondents that mentioned safety stated worker safety is important in their company. If employees do not feel safe in the workplace, their productivity will drop. The importance of employee safety was not taken up in the statistical analysis because safety regulations are extensively covered in South African government regulation concerning employment laws. This was clearly visible during the visits at the company premises of the respondents; the premises all looked safe and clean enough for employees to work in.

Employee health

The high prevalence of HIV/AIDS in South Africa is hard to ignore for these Dutch companies. Most companies do not have a specific HIV/AIDS procedure, they do however all welcome government clinics coming to the company premises to test and educate their employees on the dangers of the disease. The existence of mobile government clinics that come into these companies for free might be the reason for the absence of extensive HIV/AIDS programs at the companies, the problem is being dealt with by the government. The fact that HIV/AIDS is still a taboo also contributes to this, companies are not supposed to know which one of their employees is infected. This makes it hard to target a health program at the right people. If employees are healthier this is expected to result in lower absenteeism, which will increase a company's productivity.

Case by case examples

Respondent 19 argued he also experienced difficulties with the productivity and loyalty among his employees in the past⁶. He emphasized respect is the most important stimulator for his employees. He pays his employees a decent wage which is

“Productivity amongst our workers is very high. This has been a process from the beginning of the company's operations. Treating the employees with respect took about 6 years to show results.”

Respondent 19

ik tegen aan loop, motiveren van mensen. En dat is geld niet, bij de vrouwen wel, maar bij de mannen niet. De vrouwen zijn hardwerkende krachten.

⁶ “Productiviteit is heel hoog, dat is vanaf het begin echt wel een proces geweest, dat we mensen met respect behandelen. Ik heb daar een jaar of 5,6 over gedaan, voordat ze zo ver waren.”

well above minimum wage and the employees also receive housing on the estate free of charge. The owner of the company believes this is all part of treating your employees with respect. While other respondents complain that they still have to explain day to day chores to employees who have been working for their companies for a long time, respondent 19 argues he no longer has that problem. He states he employs a staff that thinks ahead and is very much capable of coming up with the requirements for a certain chore. The owners even went on a two month vacation, leaving everything in the hands of their employees. The owner wishes a better future for his employees and in order to achieve that he even promised all employees living on his premises a new house in the real estate project he is currently setting up (free of charge). He sees this as an investment in the future of his employees and their children.

Respondent 22, who is the founder of a wine estate in the Western Cape states one should not expect employees to work extremely hard if they do not receive proper compensation for their efforts⁷. He argues he can see the progress in people's work after an employee received on the job training. Next to

"Something for something, nothing for nothing."

Respondent 22

"You can bring the horse to the water, but you can't make it drink."

Respondent 22

that the company works with incentives to reward employees that put more effort into their job. The respondent acknowledges the effort needs to come from both sides. A company can only go so far in to the creation of all sorts of incentives to stimulate its employees; it is up to the employee to take advantage of these opportunities.

The respondent from company 21 argued it is essential to take good care of your employees. He believes this will reflect back on the company's performance. The farmworkers are the ones that have to do the job, if they

"You don't farm with flowers or fruit; you farm with people. If you look after them, they will look after you."

Respondent 21

are unhappy; performance will suffer and the product is not produced the way it should be. Satisfied employees will be loyal and hard working. On the estate of this company there are many facilities and services offered to the employees. It is hard to find employment elsewhere that offers the same benefits and employee stimulation. This works in the company's advantage since they create loyal personnel that wishes to stay employed in the future.

Effects on success of the company

This section of the research aims to find out whether companies with a higher degree of employee stimulation are more likely to have increased their turnover. Since this could possibly support the whole idea of creating shared value; benefiting by doing good. With the help of the

⁷ "lets voor iets. Niets voor niets."

survey eleven companies received an employee stimulation score. This score has been tested against the change in turnover of the company during the last five years.

The factors stated in Table 7 were used in the employee stimulation score. From this table one can easily see that factors that companies use to stimulate employees in the Western world are not used as much by Dutch employers in the South African context. Wage is used as a stimulator in both contexts, but what stands out are the providence of free on-site housing and on the job training, both are used to increase productivity and loyalty of employees. Number of working hours a week is not included as a factor to influence employee productivity, since several respondents mentioned many of the employees rather work longer hours than less in order to make more money. In the western world a lower amount of weekly hours is considered a good thing, this cannot be assumed for South Africa.

Employee stimulation	Frequency	%
Wage > minimum	10	90,91%
Holiday Leave > minimum	1	9,09%
Medical leave > minimum	0	0,00%
Medical insurance	1	9,09%
Pension	5	45,45%
Maternity leave > minimum	1	9,09%
Housing offered by employer	5	45,45%
Training for employees	10	90,91%

Table 7: Employee stimulation

There were 11 companies that provided data on all these eight subjects (unfortunately there were quite some non-responsive companies in this matter). Fortunately at least one company from every classification is included in the data. It seems like wage, training, housing and pension are the factors that are most frequently used by Dutch employers in South Africa to stimulate their employees. Among the eleven companies that provided the data there are two companies that did not increase their turnover during the last five years. The statistics show that for a company that stimulates employees in at least three ways (37.50%) the turnover has grown. Seven companies do this.

Table 8 shows this result: Once a company stimulates its employees in at least three areas, the turnover increase is found to be positive. However when employees are only stimulated in two areas, the effect on turnover is ambiguous. The two flower growing companies that did not see their turnover grow both mentioned their cost structure had rapidly changed over the last few years. Both stated employee costs were a large part of their cost increase. The other two companies that only stimulated their employees in 2 out of 8 areas are both small scale companies that use less labor than farming companies. One might argue that within companies with few employees the owner or manager has the opportunity to stimulate employees directly in person instead of via the incentives mentioned in Table 7.

#	Classification	Company Type	Turnover ↑	Stimulation
1	Farming	Flower Grower	Yes	50,00%
3	Farming	Flower Grower	No	25,00%
5	Farming	Flower Grower	Yes	50,00%
22	Farming	Grapes/Wine	Yes	50,00%
8	Farming	Flower Grower	Yes	37,50%
9	Farming	Flower Grower	No	25,00%
11	Machinery	Machinery	Yes	37,50%
15	Other/services	Other Food	Yes	25,00%
16	Other/services	Laboratory	Yes	25,00%
20	Trader	Flower Trader	Yes	50,00%
6	Trader	Flower/plants trader	Yes	37,50%

Table 8: Employee Stimulation

What comes forward from the data on measures that supposed to stimulate employee loyalty and productivity is that larger companies often have more of these stimulating measures in place. In this case a larger company means a company with a large amount of employees. In the research sample, companies with more than 200 permanent employees mention a wider array of employee stimulation methods. Company 5 and company 21 both employ over 200 people on a permanent basis and both companies offer utilities and services to employees beyond the basics mentioned by other companies. Examples of this are the provision of a sports field on the estate which employees and their children can use. One explanation for the fact that companies with more employees have more measures in place for the wellbeing of their employees is cost efficiency. A similar investment made by a large company has less influence on a company's cost structure if the company is operating on a larger scale. Another possible explanation has to do with the image of a company. Larger companies are more visible to the eye of the public than small companies that only employ a handful of people. Larger companies have a bigger need to create goodwill from society; this might result in better facilities and compensation for employees.

Addressing environmental issues

With respect to the planet Porter & Kramer (2011) identified three strong links between a company's productivity and addressing societal issues; in this case environmental issues. This section is divided into three groups: Environmental impact, water use and energy use. Environmental impact is used to classify chemical and pesticide use as well as the presence of a waste management program. After discussion of the several systems in place an analysis needs to illustrate whether addressing environmental issues may result in better business results. The companies used in this part of the analysis are only those companies that engage in farming activities, since companies that only sell machinery do not use irrigation or pesticides. There are 12 companies in this dataset that provided data concerning environmental issues.

Entrepreneurial perception

Environmental impact

Nine respondents argued they cut back on chemical and pesticide use. There is a shift towards biological predators where possible and companies have systems in place that monitor their exact use of chemicals and pesticides to keep them at an absolute low. While there is a trend towards the use of biological predators, there were few companies that already use these systems; most of them are still in the testing phase. The most recurrent reason to cut back on the use of chemicals and pesticides had little to do with the environment. Entrepreneurs mentioned

fertilizers, pesticides and chemicals are quite expensive; cutting back on the use of these substances equals cutting production costs. In a single case the absence of chemicals was the result of a choice to engage in organic farming. Even though organic farming allows companies to spray against disease; this company tries to differentiate by not spraying at all.

Another system seen at nearly all of these enterprises (9 out of 10) is a waste separation and recycling system. Most of the farming companies use their green waste to create their own compost and other waste is separated and gets collected regularly by an external company. The created compost is used for the land as a natural fertilizer. Other waste gets recycled if possible; there was only one respondent that claimed he burned the waste he could not recycle. His motivation to do this was twofold. First it costs money to have the waste collected on a regular basis and second, even though he is aware of the fact that it is illegal to burn waste he stated no one checks this, so he can burn whatever he wants.

Water use

South Africa is a country that is struggling with a water shortage, which makes it hard to farm, but it also pushes companies to become more water-efficient during production. The companies in the research sample have boreholes on their property or access to mountain water that enters their estate via a river or stream. Seven out of the 10 farming companies stated they have a rain harvesting system in place. In general this water is used in addition to the water from boreholes or municipal water, but in a single case harvested rain water was used as the primary source of water.

Pesticides & Chemicals

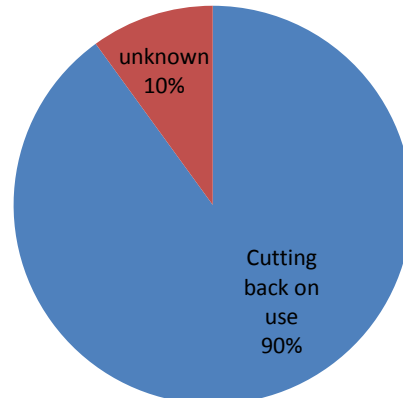


Figure 14: Pesticide & Chemical use

Waste Management

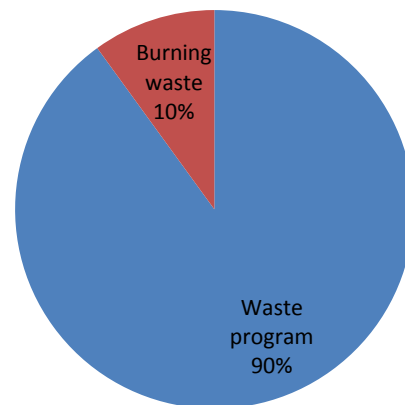


Figure 15: Waste management program

The reason the owner of that particular company mentioned was the quality of the rain water in that particular area is significantly better than water from the nearby dam. Another water efficiency measure taken by producers is the use of a more efficient irrigation system, which reduces the amount of water used for production. Even among the companies that do not use irrigation, a few respondents stated they are moving towards more sparing ways of water use.

Rain harvesting system

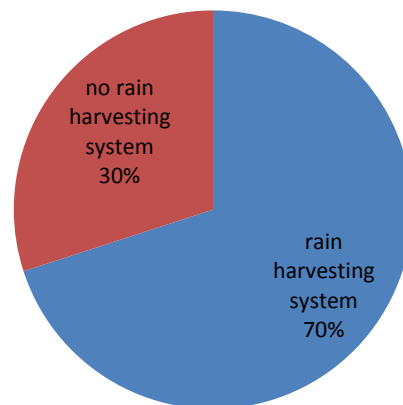


Figure 16: Rain harvesting

Energy use

An additional way to decrease environmental effects is to cut down on electricity. All respondents try to cut back on their electricity use by working more efficient and companies that use a great amount of electricity are looking into alternative sources of energy like solar panels and wind energy. None of the respondents currently had alternative sources of energy in place though. Reason for this is the regulation of Eskom, which will be discussed in more detail in chapter seven. One entrepreneur was in the process of using biogas generated by the pigs he holds on his farm, but this has not been finalized yet. Cutting back on electricity is directly related to the cost structure of a producing company; less input is less production costs. This reason was mentioned by numerous entrepreneurs in all different sectors. Another way how companies can cut on their energy costs is when they move to more environmentally friendly ways of transportation. One flower growing company argued they rather ship the flowers to Europe by sea instead of airfreight. However, shipping by sea is much cheaper than airfreight, which might also be part of the decision. This is proven by the respondent's remark about the dropped prices for airfreight since the crisis. He argued costs of airfreight dropped tremendously, making it more desirable for the company's cost structure to change its logistics. Clearly this would have a detrimental effect on CO₂ emissions, since shipping containers by sea is creating less pollution than airfreight.

When these results are all put together, one can see that three out of four ways of saving the environment are almost equally important to the companies in this research sample. Rain harvesting is done by fewer companies in this sample. All companies seem to see the clear relation between saving on inputs and simultaneously saving on costs of production.

Adressing Environmental Issues

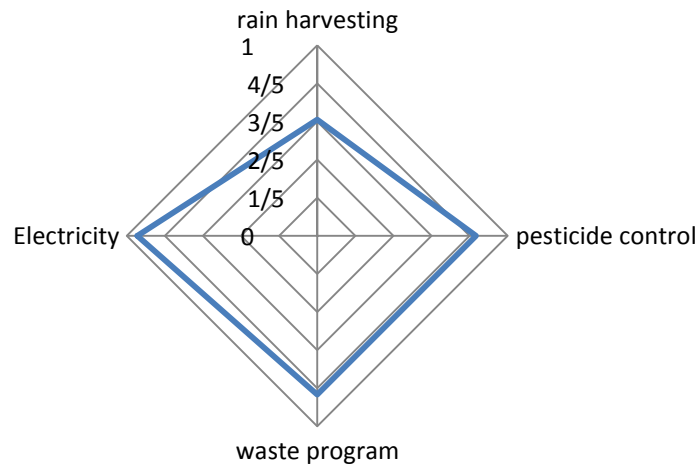


Figure 17: Focus areas when addressing environmental issues

Case by case examples

Company 19 produces biological wine. Officially it is allowed to use biological pesticides to suppress diseases during the growth of the grapes, this company decided to not use any pesticides whatsoever, unless there is no other option. Last year they had not used any pesticides in 80% of the grapes they had grown. The owner explained he can see a tremendous difference in a particular part of his vineyard where he hasn't used pesticides for over four years now. He described this as if in that part of the vineyard the grapes are in balance. This company decided to not use any fertilizer or pesticides even though this decreases the yield of the vineyard. If the company did spray fertilizers and pesticides it could increase its profits, but they decided not to. Their reasoning behind this is threefold. On the one hand they serve a niche market, there is a consumer market entailing people who are sensitive to sulfite in wine. This group is willing to pay a premium for wines containing less sulfite, e.g. wines like ours. Because there is no certification label or other method to proof the low sulfite level, this brings risks. This company is willing to take these risks because wine is not their main profit making business; they also earn income out of property rental. The third, most important, reason for this company to produce in this way is because they experienced the negative effects these pesticides have on people's health. They drew the conclusion that pesticides are rubbish and nothing more than toxics⁸ and found a way to produce without using it, even though it brings risk to their profitability.

“When you walk around in the vineyard you start to think. If you practically start puking when the pesticide truck passes by, you start to think about other methods.”

Respondent 19

⁸ “Als je rondloopt in die wijngaard ga je een beetje nadenken. Als je daar loopt en er komt een spuitwagen voorbij, en je komt er ongeveer kotsend uit, dan ga je nadenken over andere manieren.”

Company 7 is active in both machinery and fresh produce farming. He stated he tries to optimize the production process at his company⁹.

“My Vision is to optimize everything as much as possible.”

Respondent 7

His reasoning is as follows. Fresh produce waste can be fed to the pigs and manure from the pigs is used on the land again to make it more fertile. The respondent now has the idea to create biogas in order to bring his energy use down. The company also has a windmill on one of his farms. This company is a perfect example of a company that only uses environmentally friendly methods that are cost efficient. The company does not have a waste management program in place, because that would increase costs for the company. It is hard to tell whether this company should be regarded as a shared value creating company in terms of environmentally friendly measures. All measures discussed here comply with the demands of the second pillar concerning the environment; both the company and the environment benefit from this.

Effect on success of the company

When these results are projected against the data on turnover, there is hardly a relationship detectable. This is not unexpected since most companies nearly have the same approach. The results are displayed per subsector within the farming classification in Figure 18. The wine companies actually score perfect on all environment issues, since grape growing does not use much water it would be cost inefficient and unnecessary to develop a rain harvesting system. What is noteworthy is that the farming and machinery subgroup is scoring lowest on environmentally friendly production methods, while their turnover is increasing steadily. Contrary to this are the results for the flower growing group. This group scores high on all environmentally friendly methods that are supposed to save money simultaneously, but the turnover increase lags behind. The only way to explain these results is by acknowledging that there are many other factors in a company that influence a company’s turnover.

Environment vs change in turnover

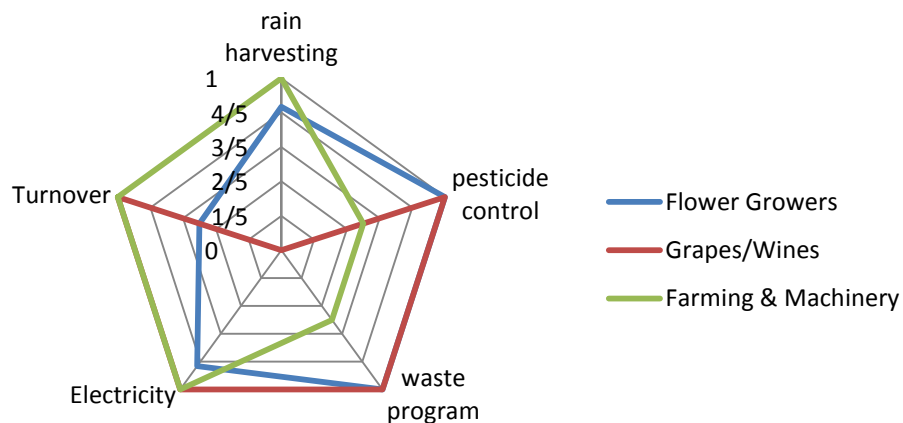


Figure 18: Environmental issues being addressed vs. change in turnover

⁹ “Mijn visie is zeg maar om alles zo veel mogelijk te optimaliseren.”

The statistics do not show a relationship between the cost and environment saving methods described above. But the fact is that four out of five environmentally friendly measures are directly influencing a company's costs, even though it is not readily detectable in turnover change. When a company decreases production input this will result in less production costs in total, but turnover is influenced by other variables in the production process too. The prices of these same production costs have risen rapidly the past few years and other production costs like wages have risen too. By decreasing the use of above mentioned production input the total costs are rising less rapid than in the case that no saving on inputs had taken place, this explains why it is impossible to draw a robust conclusion on this data.

6.3. Enabling local cluster developments

“Creating shared value from enabling local cluster development derives from improving the external environment for the company through community investments and strengthening local suppliers, local institution and local infrastructure in ways that also enhance business productivity.”

Porter et al. 2012

Working in concert with others to create a stronger competitive context, including reliable local suppliers, functioning infrastructure, access to talent, and an effective legal system are all part of the creation of an enabling environment to operate in. As discussed earlier there is a growing consensus about the importance of a sound and healthy business environment to enable a company to be sustainable and profitable in the long run. In order to support local cluster development companies need to identify deficiencies in logistics, suppliers, distribution channels, training, market organization, and educational institutions. Companies should try to enlist partners to share the costs of addressing these issues. These issues are not always easily relatable to the profitability of a company because they address wider issues and often include networking and partnerships between government bodies, NGO's or private companies. Clusters are important in every booming and successful regional economy. Clusters improve productivity, innovation and competitiveness.

Next to stimulation of suppliers and to the company related businesses, a key part of cluster development in developing and transition countries is to increase the transparency of markets. When fair and open markets are facilitated, companies experience more ease in their search for capable suppliers and partners. This will all result in a healthy and profitable business environment for the community and businesses operating in it.

Supplier access & viability

Porter and Kramer (2011) describe this link between productivity and societal issues as the understanding that companies cannot survive in the long run if they marginalize their suppliers. Since companies wish to produce high quality products they need suppliers that have the ability to deliver

high quality supplies. In order to be able to source viable supplies in the long run Porter and Kramer (2011) argue that it is important to share technology with your suppliers. Their reasoning is that by stimulating your suppliers, they will become more productive and reach higher qualities. When your suppliers are more productive you can source your supplies against a lower price. Included in this point is also supplier access, by sourcing viable products locally transaction and logistic costs are brought down tremendously. If a company buys locally the local economy is also stimulated at the same time, increasing employment in the area.

While supplier access and viability was also mentioned in pillar two, this research decided to discuss it as being part of local cluster development, since it stimulates local connections. Cluster development is much more all-encompassing than just supporting local suppliers; other factors will be discussed later in this chapter. Figure 19 shows quite a few companies source most of their supplies locally. But are these companies involved with the activities of these suppliers, or do they just source their supplies there without any sort of engagement whatsoever?

Even though the companies take up more than one function within the supply chain, this does not mean that they can facilitate the complete value chain of the product from start till end where the product reaches the consumer. All companies need suppliers to deliver necessary input for their production process. Dutch entrepreneurs maintain relationships with suppliers and customers both in South Africa and abroad. Out of the 22 companies we have data on the origin of the supplies of 14 companies. 8 of these only buy supplies in South Africa, 5 companies source at least 80% of their supplies from South Africa, and only 1 company sources only 20% of its supplies domestically. The vast majority of other supplies come from European countries. Flower growers mainly belong to the second group, while flower traders all belong to the first group.

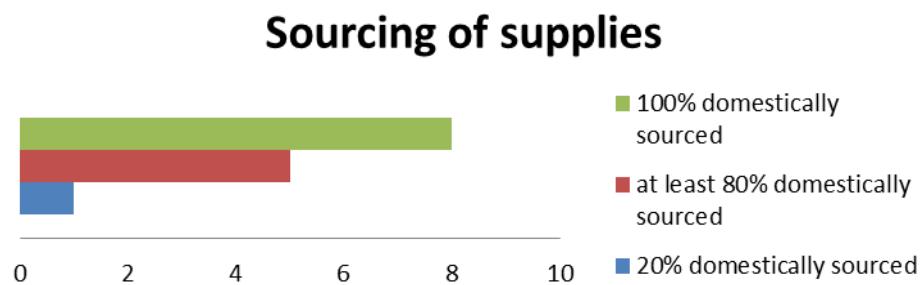


Figure 19: Sourcing of supplies

Entrepreneurial perception

Concerning suppliers, the entrepreneurs argue that in general simple and standardized products are often sourced locally; more complex products that are more adapted towards the company's preferences are sourced from the location which offers the best product and service. This can either be from the local market or from overseas. Next to the quality of the items, a determining factor in the search for a suitable and reliable supplier appears to be the accompanied service offered. Respondents argued they do not change suppliers frequently, even though the relationships are often not based on a contract; but rather on mutual trust. There is rarely a contractual agreement that specifies the number of products that will be bought (see Figure 21). This figure shows 14 companies state they work with (some of) their suppliers on a contractual basis. This data includes 24

answers since 3 companies indicated they do not work in the same way with all their suppliers and one company only has an office supply supplier. These contracts are mostly formed to secure a specified level of product standards, not to oblige the supplying company to deliver a certain amount of supplies. The rest of the companies indicated they have hardly contact with their suppliers; they just buy what they need without much consultation. Company 19 in the wine industry stated he is just a price taker considering his size, he claims he does not have much power to influence his suppliers.

Supplier relations

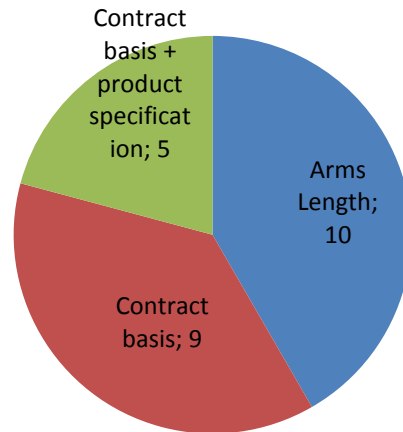


Figure 21: Suppliers relations

Supplier Stimulation

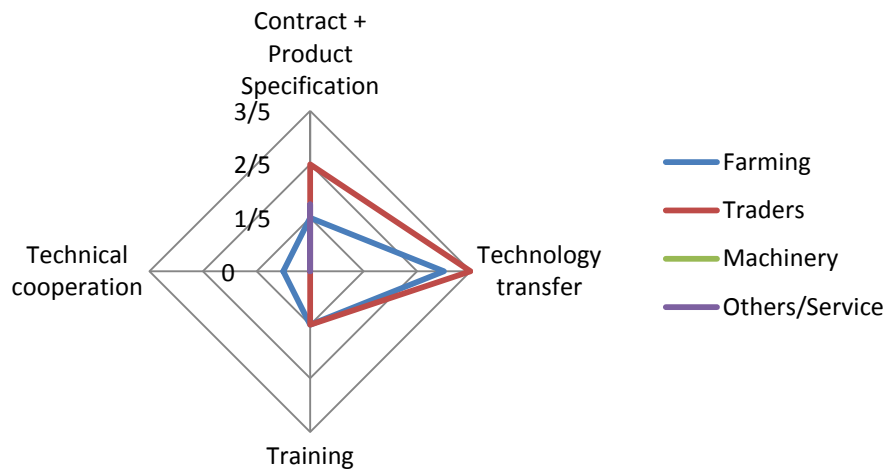


Figure 20: Supplier stimulation per classification

The supplies needed by most of these companies are rather standardized products. This possibly explains why there is so little transfer of knowledge between the Dutch entrepreneurs and local suppliers. 8 out of 22 companies indicated there is some sort of knowledge transfer present from them towards their suppliers. When one looks into this issue deeper, this so called knowledge transfer has more to do with the product standards and preferences companies wish to see in their supplies.

Case by case examples

Company 9 explained he is engaged in technical cooperation with one of his suppliers. This is established by a project in which the company works together with his pesticide and chemicals company in order to work towards a product that would be suitable for production in his company. Both companies prosper from this engagement, since the flower grower will get a product that is

completely suitable for his production and the supplier secures sales of the designed product which he might also be able to sell to similar farming companies.

Company 13 explained his company strives to only use local supplies because he believes this will generate a positive image for the company in the community¹⁰. One of the advantages of

“My philosophy is to buy everything we need locally, if everyone would do that, the world would be a better place.”

Respondent 13

having all your suppliers near buy is that you can also get supplies last minute and unexpectedly. By sourcing locally the company contributes to local creation of employment and simultaneously the company builds up a social network which results in goodwill from the community. After all, he is a foreigner coming into the country and setting up a business, he does not want to create any hostility that can reflect badly on his business.

Effects on success of the company

The enabling and stimulating relationship between the entrepreneurs and their suppliers is tested against turnover growth, there was no relationship found. There is little direct stimulation from the Dutch entrepreneurs towards their suppliers, but most companies have increased their turnover anyway.

Supplier Stimulation

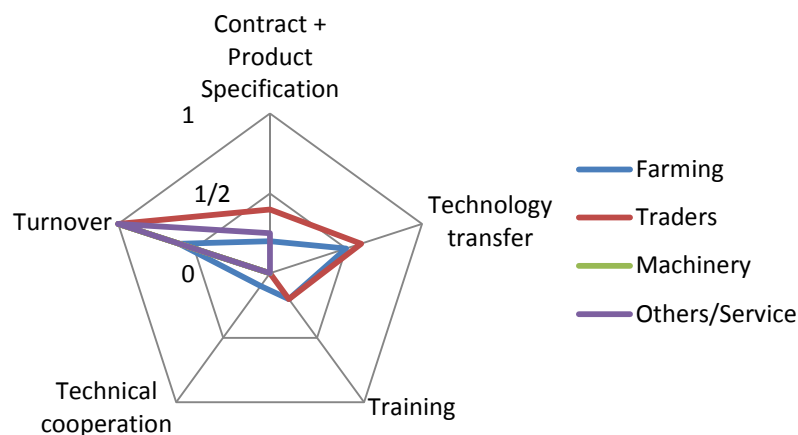


Figure 22: Supplier stimulation vs. turnover change

This might be the result of the fact that the relationship between cluster development and profitability of a company is hard to pinpoint. On the other hand it could also be the result of the fact that many companies use simple and standardized supplies. If the data distinguishes between largely domestically sourcing companies and largely internationally sourcing companies the results show that this is indeed the case. Of all the companies that supplied data on the location of their supplies the data on supplier stimulation are depicted in Figure 23. Companies that sourced internationally tend to be more involved with their suppliers. This is unfortunate for local cluster development, since those are the companies that are in need of stimulation.

¹⁰ “Mijn filosofie is dat we alles dat we nodig hebben voor hier in de buurt kopen. Als iedereen dat zou doen in de wereld, zag het er beter uit.”

Supplier Stimulation

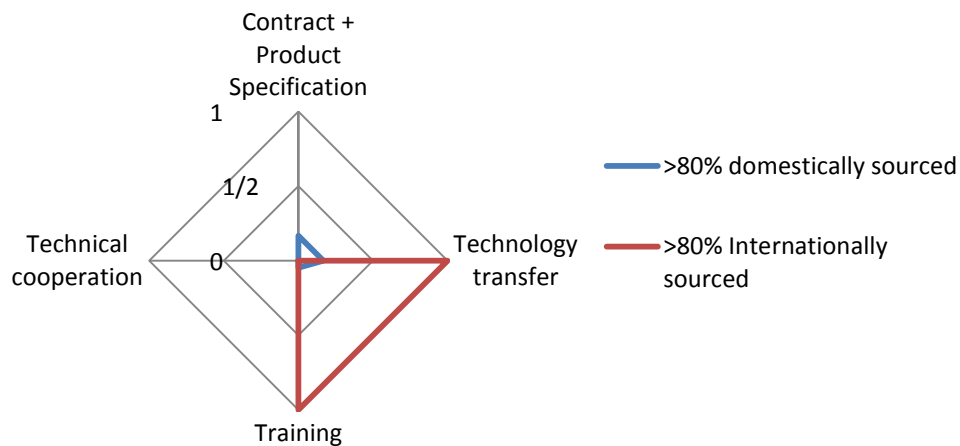


Figure 23: Supplier stimulation classified per location of suppliers

Investments in the community

Because of the large differences between rich and poor people in South Africa and its painful history, there is much attention for the responsibility of the private sector to take care of the community they operate in. 20 out of 22 respondents stated they are in some way involved with the surrounding community of their companies. This involvement is quite varied. Many companies give out donations to community projects: either on a project-to-project basis, individual basis, or with longer term projects. These are either money donations, time donations, or a part of their produce that they give away. Other forms of investment in the community are through their employees, especially if they live on the farm premises. Next to employment creation, these include the organization of activities for their employees, taking them all out for a staff party, or ensuring the compound is a safe environment to live in.

Investments in the sector and industry as a whole

Clusters do not only include businesses and the communities they operate in, but also institutions like academic programs and trade associations. In South Africa there are also other ways than direct community investments to make more general investments into the sector as a whole. There are quite a few platforms or organizations that unite and guide specific farming sectors or facilitate knowledge transfer via platform creation. This last type of platform is still a new phenomenon; therefore it is not yet clear whether this initiative will make a real difference in the industry. The South African government, non-governmental organizations and the private sector are all well aware of the opportunities present in South Africa.

For the wine sector there is an ethical trade code that is especially designed for the South African production of wines. This organization started as a system that vineyards could join on a voluntary basis. Now it has evolved into a worthy wine auditing system. This is the result of the wine industry wishing for more producers to join this initiative in order to create a larger base of ethical trade wines. This organization thus evolved from a voluntary producer based organization into a system where auditing is being pushed upon producers. They do offer quite an extensive array of training to their members, this increases knowledge on ethical trade throughout the value chain of

WIETA

The WIETA code of good practice is premised on the base code of the International Labor Conventions' Ethical Trading Initiative and also incorporates South African labor legislation. It precludes the use of child labor, asserts employment should be freely chosen and that all employees should have the right to a healthy and safe working environment. Among the conditions it sets are that workers should have the right to freedom of association, a living wage and to be protected from unfair discrimination. Worker housing and tenure security rights should also be respected.

Wieta.org.za

Box 2: WIETA - Ethical Trade Initiative

SIZA

SIZA is a not-for-profit, membership-based organization that is in the process of developing a complete harmonized assurance solution for the South African fruit industry with the aim of the elimination of the need for multiple audits. The SIZA program will oversee the rollout of the ethical program at regional level, ensure it is effectively communicated to the industry, house a data system that can capture data from ethical audits and use this data to inform capacity and/or developmental needs in the industry. Overall the program will drive continuous improvement of labor conditions on all farms in a practical and comprehensive manner which has the potential to impact on hundreds of thousands of employees.

Fruitsa-ethical.org.za

Box 1: SIZA - Sustainability Initiative South Africa

wineries. WIETA's audits are applicable throughout the wine value from growing grapes till the wine gets sold

Another initiative recently established in South Africa is called the Sustainability Initiative South Africa (SIZA), which is part of Fruit South Africa. This membership-based organization is also promoting auditing systems in value chains. SIZA does not focus on a particular product but on the fruit sector as a whole and in case of success they wish to expand the program to the whole agricultural sector. While WIETA can be regarded as one of many auditing systems, SIZA actually works towards a system that will enable companies to only do one audit instead of separate audits for different markets. Certification audits are quite expensive for small and medium sized companies to facilitate on their farms. If SIZA succeeds this will decrease costs for these small companies tremendously. SIZA's existence has been a reaction to increased importance of 'voluntary' audit demands of global retailers. SIZA is supplier based and represents the needs of the suppliers in audits and by this system they hope to change the power division in the market. Currently the retailers have much more power than the producers, SIZA want to bring the power divide into balance.

A program like SIZA, if successful, is quite empowering for young farms and low scale farms. SIZA works as a platform, they try to bring farmers in certain areas together to make them work as a collective on social issues every farm notices. This is a perfect example of cluster development. Unfortunately none of the Dutch respondents were a member of this platform yet, but it does create opportunities for Dutch entrepreneurs in South Africa to share their knowledge on responsible business.

Horti Business Platform

By combining the Dutch knowledge and technique and the South African expertise on the horticultural development in South Africa, the ambition is to upgrade the South African sector to a profitable and sustainable sector and to secure food availability, food safety and job creation. By the support of the Dutch government, innovative projects on capacity building, technical innovation and empowering the sector are encouraged and facilitated.

greenporthollandinternational.com

Box 3: NED-SA Horti Business Platform

Africa to conduct business with and wish to gain knowledge on the local customs of doing business in South Africa. This platform was created because South Africa is a fast growing market with a developing economy. According to the platform this shifts the needs of the market towards more efficient horticulture, especially with the fast increase of input and labor costs. The platform regards the South African agricultural sector a good candidate for innovation and transition. Since the Dutch are experts in horticultural it seemed only natural to include Dutch entrepreneurs in South Africa to facilitate matchmaking between Dutch and South African companies. The Next to government, knowledge institutions and private companies, the platform also entails grower associations and retailers (greenporthollandinternational).

The Dutch government and horticultural sector also see opportunities in South African horticulture. As discussed briefly in chapter four, they launched a platform in March 2013 to improve cooperation between the government, the private sector and knowledge institutions in order to stimulate innovation in the South African horticultural sector. A few of our respondents took part of the expo where the launch took place. Company 1 for example was visited during the expo by several Dutch entrepreneurs who have an interest in finding companies in South

Developmental effects on the community

A direct contribution of Dutch entrepreneurs to local development and thus stakeholders in the value chain and their families is made through employment generation. Even for seasonal workers the companies can have a positive impact, many respondents state that they try to have a number of seasonal workers that come back every year, which is some sort of a steady income for these traveling workers.

The secondary labor conditions offered by Dutch entrepreneurs are creating an enabling culture for employees to develop themselves. The respondents often argued mutual respect is very important in the workplace, but that it is hard to establish. Once this is in place it works to prosper the company and the employees in it. When an employee feels respected, he often feels more responsible for his tasks, which helps to raise self-esteem among employees, which is needed to develop in the workplace and gain a promotion. The farmers eventually end up with a team of productive and loyal employees, which allows them to reward their employees with a higher than average wage. The skills level of the employees is lifted to a higher level and employees are content with their job.

However, as mentioned in the previous section, the wage increase of March 1st might have an adverse effect on the livelihood of employees. Companies were forced to increase the wages with

52%. For some companies it is not financially feasible to continue to pay secondary labor conditions on top of the salary. This is an example where companies would like to pay their employees well and treat them with respect, but the government makes it very hard for them to remain a wage structure that creates incentives for employees to work harder and increase their level of responsibility on the work floor.

Dutch enterprises mostly work closely together with local, South African enterprises, from which they source products. An increase in production of Dutch enterprises consequently leads to more demand for the products of these local enterprises. Although this development has taken place, on the other hand a handful of Dutch farmers are also quite large and specialized, leading them to increase their market share and leave other local farmers in a difficult position. This research has not gone into depth on this issue to draw conclusions, but a handful of farmers mentioned local small companies had difficulties to stay in business. Whether the competition from Dutch farms was too vicious or that their own production process was simply not productive enough is hard to say.

7. Factors influencing responsible business

There are many different reasons why companies decide to act in a certain way. In this thesis the focus lies on responsible business behavior, therefore this chapter will discuss the different factors that influence a company to conduct responsible business practices. Factors that influence a company's behavior can either be intrinsic or external. Both internal and external factors can be work both ways. Internal factors can either push a company to start behaving responsibly or prevent a company from acting responsible. External factors work kind of similarly; the external factors in a company's environment that influence responsible behavior either enable or constrain companies to conduct responsible business

Intrinsic

In general there are two internal motivators for entrepreneurs to conduct responsible business behavior. One is based on the traditional vision of corporate social responsibility and entails entrepreneurs conduct philanthropic behavior simply because they feel an urge to do so. And the other responsible business practices companies conduct out of their own are those practices that are directly related to cost saving.

Noble minded

A big intrinsic motivator for Dutch entrepreneurs in South Africa to act responsibly is the basic urge to do a good deed. Community investments are mostly coming from this intrinsic motivation of the entrepreneurs, where they feel the need and responsibility to 'do something good' and invest in the wellbeing of the community they work in. A single entrepreneur stated a happy community also feeds back in the productivity and atmosphere on the farm.

Cost saving

The second intrinsic motivator is costs efficiency. Many responsible business practices that have a positive effect either environmentally or socially also have a big impact on a company's finances. All ways to produce more environmentally friendly mentioned in chapter 6.2 come from the company's search to cut back on costs of production, except for the waste separation systems beyond composting. All manners have a positive effect on the environment, but the motivation to produce more environmentally friendly has a significant positive effect on the cost structure of production. A skeptic might argue that the side effect of cutting costs is saving the environment, but that would not explain why most farms have a waste separation and recycling system in place. Respondents were well aware of the fact that they save costs and the environment at the same time, but they also see the need for preserving the environment, which shows in the waste separation and recycling systems that are in place at most farms, which actually cost money, but result in a clean estate and environment.

External

External pressure for companies to start acting in a more socially and environmentally friendly manner comes from several distinct areas in society. A county's government can have much influence on responsible business behavior by means of the regulation they put in place regarding environmental and social issues. Regulation can either enable or constrain responsible behavior.

Retailers and clients also have substantial power to put pressure on producers to produce in a certain manner; currently there is a global trend toward credence goods which places great pressure on producers worldwide to produce more sustainable in terms of social and environmental issues.

Shareholders

According to the *shareholder approach* (regarded by Quazi and O'Brien (2000)) as the classical view on CSR) "the social responsibility of business is to increase its profits" (Friedman, 1962, as cited in Quazi & O'Brien (2000)). The shareholder, in pursuit of profit maximization, is the focal point of the company and socially responsible activities don't belong to the domain of organizations but are a major task of governments. This approach can also be interpreted as business enterprises being concerned with CSR "only to the extent that it contributes to the aim of business, which is the creation of long-term value for the owners of the business" (Foley, 2000, as cited in van Marrewijk, 2003). This view is however quite outdated, since an increasing number of large companies have shareholders that start to realize that long term profitability lies in line with sustainability issues. The companies in this research are mostly small companies owned by a few people that are involved in the day to day business of the company. The respondents seem to see the relation between responsible behavior and the prosperity and sustainability of the company. The old fashioned shareholder approach is thus not applicable to this research sample; the respondents do own profit maximizing companies, but there is eye for the relationship between responsible behavior and long term success.

Government

Domestic legislation is one of the external factors that influence the degree of responsibility in a company. The main push or enabling factor towards social responsibility coming from the government in South Africa concerns the treatment of employees. South African labor laws are quite

52% Wage increase

The most current development concerning legislation focused on employees has an ambiguous effect on responsible business practices. On March 1st 2013 the minimum wage for farm workers has increased by 52%, from 69Rand a day to 105Rand a day. At first sight this sounds like an amazing enabling development, because *ceteris paribus*, higher wages means higher livelihoods. Unfortunately the *ceteris paribus* clause is not applicable to this situation. Many respondents have an extensive set of secondary labor conditions in place which are added to their basic salaries. Respondents have stated with this wage increase some of these secondary labor conditions will be cut. This means from the 105Rand a day all services/conditions that were regarded as extra's on top of the 69Rand will now be deducted from the 105Rand a day. It is unsure whether the employees will prosper, stagnate or go backwards compared to their original position.

extensive and are regularly monitored by the department of Labor. Non-compliance with these laws can result in high fines and therefore almost all entrepreneurs comply strictly with them.

One flower growing company is very much engaged with his employees and argues the decision of the government to increase the minimum wage by 52% will not work empowering at all for farmworkers. The company offers its employees extensive secondary labor conditions and wishes to take good care of them. The respondent indicated with the wage increase he needs to cut back on the total number of employees and also on several factors that stimulate employee loyalty and productivity that increase

Box 4: Minimum wage increase 2013

people's livelihoods. If the company does not cut its costs it will go bankrupt; it has no choice. This example shows how an increase of the minimum wage, which seems like an enabling condition for responsible business behavior (more wage equals an increase in livelihood) can backlash and turn into a constraining factor. The government gave in to the demands of the farmworkers that were on strike, whether these farmworkers will prosper from this change in legislation is yet to become clear.

There is also a major constrainer present in the national context of South Africa, namely Eskom. All our respondents stated they would love to switch to alternative sources of energy, like solar panels. However, the only electricity company in South Africa, Eskom, is not encouraging this wish at all. Eskom has a monopoly in power supply in South Africa and thus has a lot of power over the prices and supply of electricity. In recent years, the costs of electricity have risen dramatically and will continue to rise in the foreseeable future. Next to the increased costs Eskom is not reliable in their supply since it copes with capacity problems. Eskom does not allow any company that uses renewable sources of energy like solar or wind power to supply their excess of generated power back to the network, which is exactly what would make such an investment worthwhile. This means if a company invests in solar panels; it is not allowed to supply excess power to the Eskom net and at moments when the company has a shortage of power it still has to pay for power Eskom supplies. In this way companies are not stimulated to invest in renewable sources of energy. The respondents do claim that eventually they will have to move to renewable sources, because Eskom keeps increasing the prices of energy, which in the long run will make the investment worthwhile; even in the case where Eskom does not allow any excess energy to be supplied to their net.

Clients

The largest motivator and pressure for enterprises to practice a responsible strategy comes from retailers and clients. If the client demands certain requirements and standards and demand enterprises to comply with their certification schemes, than most producers do so. This highlights the consumer in the end has the power to force enterprises towards responsible business practices. The flower and wine sectors are both highly competitive sectors, so for enterprises operating in South Africa it is extremely important to keep their clients satisfied, otherwise they might lose their clientele. The producing companies often do not have the power to decide for themselves who their buyers will be, since the sectors are close to market satisfaction. The enterprises therefore do not have a choice other than complying with the social and environmental standards. Globally, but especially in Europe, consumers are demanding credence goods that are certified and offer traceability back to the base of the value chain.

The clients, mostly overseas and domestic supermarket chains, use their powerful position in the value chain to impose so called 'voluntary' certification schemes on their suppliers. In order to motivate companies to work in a more sustainable way in terms of environmental practices, the environmental certification schemes, like Global Gap (which is in place for exporting companies), or Farming for the Future, (which is mandatory for

"If you want to sell your products you have to adhere to the rules. Your rules are formed by your buyer, your end-consumer. If it's not intrinsic, you have to shape up and become interested. "

Respondent 21

suppliers of Woolworths, which is a South African Supermarket that targets its sales on high end consumers), have already had a major influence. There are two types of audits that are applicable to the enterprises in this research, either social or environmental audits. Social audits are in place to make sure the enterprise is treating its employees well and that they offer a safe and comfortable work environment. These audits can be very extensive and have requirements that reach beyond the labor laws in place in South Africa. The environmental audits are more focused on the preservation of nature and minimizing pollution.

There were two respondents who argued they were complying with the standards of certification, without any of their clients demanding it. They did not have the certifications to prove it, but while observing the company and talking to the employees, it seems as if they were at least on the right way to compliance. These respondents argued they did this not for a current client, but because they expected in the future these certification schemes will not be ‘voluntary’ anymore. They expect that in the future, even if clients will not demand it, every company will have to comply to certain standards, comparable to the current situation with labor laws. This can be seen as an intrinsic motivator at the current time, but eventually it comes from the fear of lagging behind. These respondents see the development of certification at their competitors and they do not want to lose out in the long run by winning short run profits now. So it becomes an external motivator, because they expect certification to be incorporated in legislation in the future.

Certification

It is interesting to see how many of these companies are influenced by product standards by means of compliance to a voluntary certification scheme, either demanded by a domestic or international customer. 11 out of 22 companies are in some way influenced by a so called voluntary certification scheme (Figure 24).

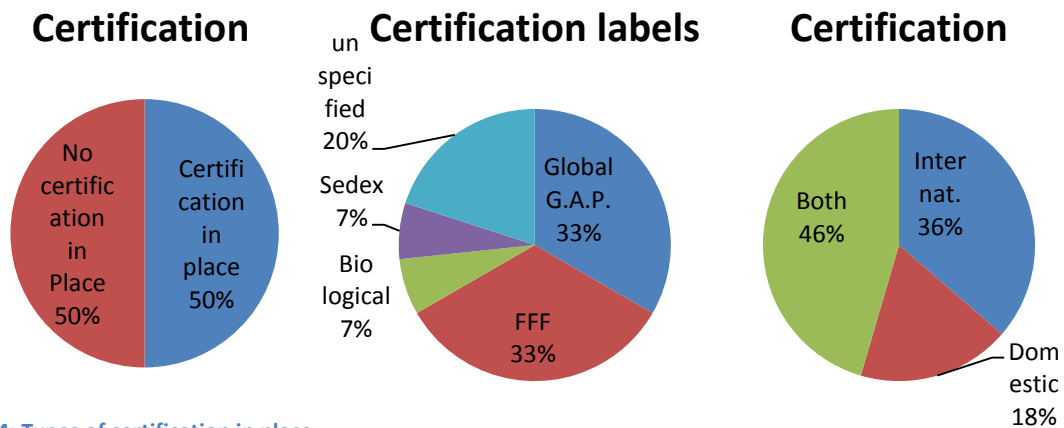


Figure 24: Types of certification in place

Two certification schemes stand out; Woolworths’ Farming For the Future and Global G.A.P (See Box 5 and Box 6). Of these 11 companies there are 5 companies that are both domestically and internationally certified with Global G.A.P. and FFF. Both certification schemes are designed to work towards a more sustainable way of food production. FFF has a stronger focus on the environment and Global G.A.P. addresses environmental and social issues equally. This part of the research discusses whether companies that have one or both of these certifications in place score better on

the pillars of shared value creation. The companies that have a Global G.A.P. or FFF certification (International or domestic) in place are the eight companies depicted in Table 9.

#	Classification	Certification	#	Classification
1	Farming (flowers)	Unknown	2	Other/service
5	Farming (flowers)	Global G.A.P. & FFF & Sedex	3	Farming (flowers)
6	Trader	FFF	4	Machinery
8	Farming (flowers)	FFF	7	Farming (Fresh produce & machinery)
12	Trader	Global G.A.P.	9	Farming (flowers)
14	Other/service	Global G.A.P. & FFF	10	Trader
17	Trader	FFF	11	Machinery
19	Farming (wine)	Biological	13	Other/service
20	Trader	Unknown	15	Other/service
21	Farming (flower)	Global G.A.P. & FFF	16	Other/service
22	Farming (wine)	Global G.A.P.	18	Farming (flowers)

Table 9: certified and uncertified companies

Global G.A.P.

Global G.A.P. is a certification that strives for safe and sustainable production. It builds trust and integrity which is flexible enough to spur innovation and excellence. Producers are audited by independent audit companies; this makes it possible to use the certification worldwide.

Global G.A.P. 2013

Box 5: Global Good Agricultural Practice

Farming For the Future

Woolworths’ certification system is a holistic approach that manages the entire farming process systematically. The goal is to improve soil health and decrease the use of pesticides, herbicides and fertilizers; conserve water resources; reduce chemical runoff into river systems and dams; protect and promote biodiversity; and allow the earth to more effectively bind carbon. This is all to be reached via audits and training from Woolworths.

Woolworths 2013

Box 6: Woolworths' Farming For the Future (FFF)

It is mostly those companies that are active in the flower and wine industry that carry certifications. However, there are also four farming companies that do not have any certifications in place. When in chapter 6 it was discussed that companies decide to renew products to secure profits, this is also applicable to a firm’s decision to act responsibly in the production process. When a company does not see the direct relationship between profits and responsible business practices, they do start to see the connection when a client or agent starts to require certification audits. Even if companies do not see the value of a certain responsible measure in the production process, if the client requires this measure there is a direct connection created between responsible business and the success of the business. The agricultural sector for wine and flowers is extremely competitive; the result of this is the uneven power relation between producers and retailers. If retailers demand certain certification schemes, the producers cannot do anything but

comply with these demands in order to secure their sales to that retailer. Because of this reasoning there is an assumption that certified companies will act more responsibly than non-certified

companies. Simply because there is more external pressure to do so and responsible business becomes more directly linked to profit in this way. Non-compliance results in lower sales, while compliance secures sales; it is an easy equation for entrepreneurs to understand. Figure 25 shows results of the data comparison on all three pillars of certified versus non certified companies. The difference in responsible behavior is not astonishing, but there is a difference present. Certified companies score higher on all three pillars, especially the employee part of pillar two receives a higher score at certified companies.

Certified versus Non-Certified Companies

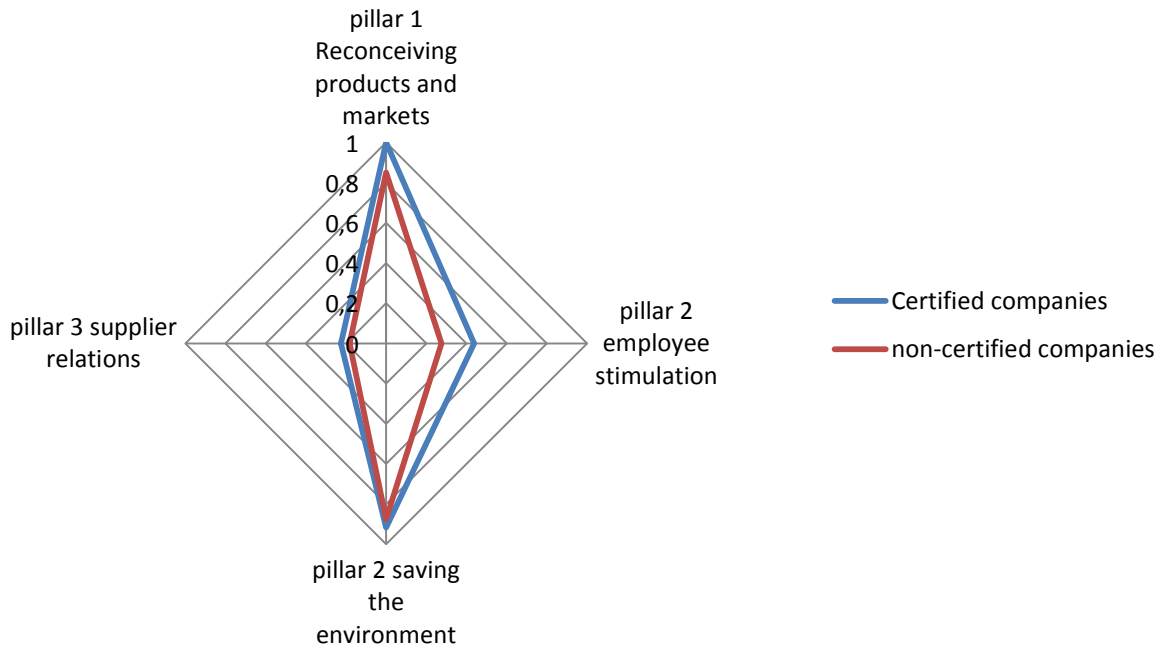


Figure 25: Responsible behavior in Certified and non-certified companies

These results show that certified companies in general have more responsible business practices in place. They pay especially more attention to employee stimulation. Environmentally friendly practices are not all too different for certified or non-certified companies. This can be explained by the fact that most environmentally friendly practices are easily relatable to cost efficiency. Non-certified companies only scored lower on waste management programs; this empowers the previous statement since waste management is the only environmentally friendly factor that is not reducing production costs.

type of business	pillar 1 Reconciving products and markets	pillar 2 employee stimulation	pillar 2 saving the environment	pillar 3 supplier relations
Certified companies	1,0000	0,43750	0,91667	0,225
Non-certified companies	0,8500	0,27500	0,87500	0,18182

Table 10: Certified versus non-certified companies

It is hard to say whether responsible business practices at certified companies are solely the results of certification compliance, it is probably a mix of own choice and compliance. Does it matter? Yes and no. Companies that produce more responsibly because a certification system demands this are acting in the best interest of the company. Responsible business activities become more directly related to the wellbeing of a company by the use of certification systems. If a client demands compliance to a certain certification scheme and a company decides not to comply, that company faces a serious risk to lose that particular client. If the company decides to comply and produces responsibly, the sales are secured. With respect to the creation of shared value one might argue that certification and auditing schemes secure the creation of shared value by adding a negative consequence for companies that do not produce responsibly. The system is by no means waterproof as long as there are still markets that accept unaccredited and certified goods. In the markets where the respondents of this research are active there are still opportunities to sell the produce on a market that does not require certifications. Company 9 mentioned he expects in the future there will not be an option for companies to supply non-certified goods anymore. Respondent 9 only delivers to the flower auction in Johannesburg, but he has no problem with certification becoming main stream in the future¹¹. If there are still skeptics that think responsible business is not profitable in the long run, this is the moment to show that the only companies that experienced a stagnation or decrease in their turnover during the last five years are companies that do not have any form of certification. All companies with a certification, regardless of this being domestic or international certification, experienced a turnover increase in the last 5 years.

“For me there is no use in it, because I don’t deliver flowers to the Dutch or UK market. I don’t deliver to Woolworths or Pick’nPay directly, so I don’t need any accreditations. It’s pretty expensive, so if you don’t need it, why bother? But I just know that in the future it will also become applicable to my company. I don’t mind, because I already live up to those standards.”

Respondent 21

¹¹ “Voor mij heeft het geen zin, ik lever geen bloemen aan de Nederlandse of aan een Engelse groep. Ik lever niet aan woolworths of PicknPay direct, dus ik heb niet al die accreditaties nodig. Is een dure kostenpost per jaar, en als je het niet nodig hebt, dan niet. Maar ik weet zeker dat het komt in de toekomst. Ik weet zeker dat het komt. Maar ik zit het ook niet mee, want we doen toch alles al goed.”

8. Discussion

This chapter will discuss the responsible business practices in all three pillars of shared value creation together. The purpose of this chapter is to shape an idea on the question whether responsible business practices go hand in hand with profit seeking behavior. Many cost reducing and productivity efficiency practices have a positive effect on stakeholders, even without having a particular focus on the creation of such an outcome.

As discussed in chapter 6, Dutch companies have quite an extensive range of responsible business practices in place. The question in this thesis is whether these responsible practices can be labeled as creation of shared value. In traditional neoclassical thinking, a responsible business practice that results in social or environmental improvement imposes a constraint on the corporation. Adding a constraint to a firm that is maximizing profits, argues the theory, will raise costs and reduce those profits (Porter & Kramer, 2011). Related to this concept is the notion of externalities. Externalities arise when firms create social costs they do not have to bear, such as pollution. Thus, society must impose taxes, regulations and penalties so that these firms internalize the externalities they create by production. This belief has influenced many government policy decisions regarding pollution (Porter & Kramer, 2011).

Porter and Kramer (2011) recognizes social harms or weaknesses frequently create *internal* costs for firms—such as wasted energy or raw materials, costly accidents and the need for remedial training to compensate for inadequacies in education. They state addressing societal harms and constraints does not necessarily raise costs for firms, because they can innovate through using new technologies, operating methods and management approaches—and as a result, increase their productivity and expand their markets (Porter & Kramer, 2011).

The traditional perspective has shaped the strategies of firms, which have largely excluded social and environmental considerations from their economic thinking. Firms have taken the broader context in which they do business as a given and resisted regulatory standards as invariably contrary to their interests. Solving social problems has been ceded to governments and to NGOs. Corporate responsibility programs—a reaction to external pressure—have emerged largely to improve firms' reputations and are treated as a necessary expense. Anything more has always been seen by many as an irresponsible use of shareholders' money. Governments, for their part, have often regulated in such a way that makes shared value creation more difficult to achieve. Implicitly, each side has assumed the other is an obstacle to pursuing its goals and acted accordingly (Porter & Kramer, 2011).

As discussed in the literature review, shared value is sometimes seen as a renewed version of CSR, but like Porter and Kramer, this research regards shared value creation as a more comprehensive method to maintain a strong competitive position and secure profit maximization. Shared value creation can be reached on three different levels, namely; reconceiving products and markets, redefining productivity in the value chain and enabling cluster development by building supportive industry clusters. In order to draw a conclusion on the presence of shared value creation, it is needed to review and discuss the results of the tests performed in chapter 6.

The first level of shared value creation concerns reconceiving products and markets. This entails both serving new markets and delivering products that are good for a company's customers. The majority of the respondents comply superficially with this level of shared value creation in a certain

way. The data shows changes, but once the research zoomed in on these changes the compliance to pillar one of shared value creation does not seem robust. The large majority of the respondents argue that they are constantly renewing their products in order to expand the market they supply and secure the largest off take of their products. For instance, several flower companies started to produce flowers to be sold nationally instead of only exporting them. Some of these companies work very hard to establish a market for cut flowers in South Africa, which stimulates the local economy. Porter and Kramer (2011), mainly discuss the creation of products to cater the poor, but the sector under review in this research mainly involves luxury goods like flowers and wine; which is hard to cater to poor people's needs. The companies are reconceiving their products and markets, but the products are not catered to the needs of the bottom of the pyramid. There are two machinery companies that worked closely together with the state in order to teach and mentor micro enterprises owned by poor inexperienced farmers. This lies in line with Porter and Kramer's first level of shared value creation. If one goes back to the basics of Porter and Kramer's vision on shared value creation there is no real compliance in this pillar. The BoP is not served sustainably in any way.

The second level on which shared value can be created is the value chain. This pillar is clearly present among the respondent's companies. The value chain can be redefined on several points, namely; energy use and logistics, resource use, procurement, distribution, employee productivity and location (Porter & Kramer, 2011). As discussed in chapter 6, the companies have several production methods in place that reduce pollution, save resources, increase employee satisfaction and productivity, etcetera. The particular responsible business techniques will not be discussed in detail again. What is important here is to recognize the motivation for companies to design their value chain in such a way that it becomes sustainable. Traditionally it was believed pollution reduction would only increase production costs beard by producers, but according to the notion of shared value, companies can actually save the environment and money by optimizing the value chain. This is what is also observed among the respondents in this research. Most of the responsible business practices in place were the result of a search to cut production costs. Often the positive effect on the environment might almost be seen as a happy coincidence of the cost saving method. The other half of pillar two entails employee stimulation. On this level there is a clear strategy to be seen by companies. Employees receive better secondary labor conditions and other benefits, because employers believe that this will increase employee loyalty and productivity. Companies subsequently link employee stimulation to profitability, because their employees work harder and more efficient. Dutch entrepreneurs indicated they recognize a link between responsible business methods under pillar two and the success of their business. In cases where this link is less obvious to individual entrepreneurs, certification systems can help entrepreneurs to see the importance of certain responsible production methods.

In this research it is of utmost importance to understand how voluntary certification schemes work. As discussed in chapter seven, these schemes are voluntary, but practically 'forced' upon producers to push them towards more sustainable business practices. This can be seen as an external motivator for companies to produce responsibly that gets transformed into an intrinsic motivator. If a company decides not to produce responsibly under the supervision of a certification or audit system, the company will receive a punishment in the form of a decreased demand for its products.

If the company decides to comply with the standards set by the certification scheme the company receives the reward of continuing demand for its product.

The last level concerns cluster development or the creation of supportive local industry clusters. The compliance to this level of shared value creation is rather ambiguous. Even though all respondents in the research had local suppliers, often the companies also had international suppliers. Many company's first demand for supplies is based on the price-quality ratio. Several respondents argued the service offered by foreign companies is often much better than the service offered by South African companies. They even argued it is faster to buy supplies abroad than to source them domestically. This is not enabling local business clusters. Other respondents actually argued they source all their products locally, if possible, because this has a positive impact on both their company and the surrounding community. The latter explanation lies exactly in line with the notion of shared value creation; recognizing a social need and turning it into a positive business opportunity. If a company has close and long term ties with its suppliers, this creates positive multiplier effects along the value chain in case the company prospers. It is expected to see a larger multiplier effect for communities surrounding the companies that source more supplies locally, since these ties are more personal and based on mutual trust.

9. Conclusion

This research focuses on the presence of responsible business among Dutch entrepreneurs in South Africa with respect to shared value and the drivers for their business behavior. The leading question in the research is:

“Do Dutch agricultural entrepreneurs in South Africa create shared value and what drives these Dutch entrepreneurs to work in this way?”

Shared value creation comes down to doing business in such a way that societal and environmental issues are addressed with the company benefiting from this. Porter and Kramer (2011) describe this as the new capitalistic system, in which societal issues are related to business behavior. They subsequently argue that if business and society are related, societal issues can be addressed by doing business. Companies profit from addressing societal issues because these issues inflict costs to the business, by addressing them these costs will be lowered. There are three levels of shared value creation:

- Reconceiving products and markets
- Redefining productivity in the value chain
- Enabling cluster development

With regard to the presence of shared value among the companies of the respondents in this research, it may be said it is indeed present amongst Dutch companies, although there is no overwhelming proof. Shared value has never been mentioned as a specific strategy of a company, but the responsible business practices these companies use are nevertheless creating some sort of shared value. There are societal issues being addressed by Dutch entrepreneurs.

Of the three levels of shared value creation the second level is most clearly present among the respondents. Shared value creation along the means of pillar one is difficult since the companies in the sample are mostly engaged in luxury product which are not desired by the bottom of the pyramid. It is not proven sufficiently that shared value creation among the third pillar is present, but there is also no proof that it is non-present. Compliance to this level depends very much on the product a company is engaging in. Companies that use less specialized supplies have created a more extensive local network of suppliers. Second pillar shared value creation is very much present among the respondents in this research. This can most likely be explained by the fact that changing activities in the value chain is more readily relatable to productivity and profitability. On top of this the growing applicability of certification schemes on producers in South Africa increases the link between responsible business activities and profitability. Non-compliance results in non-sales, while compliance results in (often long-term) sales relationships.

In general the different incentives to conduct business in a responsible manner can always be traced back to a firm's goal to maintain its competitive position and strive to maximize its profits. The results show that responsible business practices among these entrepreneurs is in most cases based on self-interest of the company and even in cases where entrepreneurs claim to be altruistic; the methods in place were not harming the company in any way. This makes responsible business a

logical choice for profit-seeking companies and shared value creation. The responsible behavior is interwoven with the original goal of a company to be financially viable in the long run. In this respect it may be argued possible threats to the company's success are eliminated by conducting responsible business and might even be transformed into opportunities when responsible businesses are rewarded for their efforts by an increase in demand for their products. Instead of regarding responsible business as a side track of business, it is increasingly seen as integral to the basics of running a business which you want to survive in the long run. Pursuing responsible and sustainable business principles is nothing less than pursuing long term profitability for a company.

10. Limitations and recommendations

Research limitations

Responsible business and in particular shared value creation is not easily measurable. Unlike business characteristics like profit or turnover, responsible business does not entail easy values to comprehend and use in research. Shared value creation is extremely hard to measure because in the first place it entails soft variables which are hard to define in measurable terms to make calculations possible. The second reason why it is so hard to measure is because the relationship between shared value activities and a company's success is often not straightforward. There is no consensus on the way in which responsible business results are supposed to be measured; therefore it is also extremely hard to compare currently studies on the subject.

Pillar one of shared value creation is based on catering products to the needs of the bottom of the pyramid. People that belong to the bottom of the pyramid are assumed to be extremely poor and mostly in need of a commodity basket based on the basic needs of human existence. The companies in this research are involved in products which are designed for elite markets, they entail luxury products. These products are only desired by those consumers who already fulfilled their basic human needs. Therefore it becomes almost impossible for companies in this research sample to fulfill the requirements of this first pillar of shared value creation.

Recommendations for future research

According to Porter & Kramer (2011), a key aspect of cluster building involves the development of transparent markets. In South Africa, there is an uprising of knowledge and certification platforms in the agricultural sector. These platforms help companies to work responsible along the whole value chain. The platform enables technology and knowledge transfer between producers in the same area or sector. This has the potential to increase maturity in the South African agricultural sector. Since the platform is rather new, it is unknown whether it will succeed or whether Dutch entrepreneurs in South Africa will take part in it. It does indicate the great potential and drive for maturity the South African sector has. It would be interesting for future research to investigate how these platforms function and whether there is an opportunity for the private sector to create shared value along these structures.

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Annexes

Annex 1: Interviewed companies

Details on the activities of the companies

- | | |
|----|--|
| 1 | Respondent 1 is active in two different industries. One company is part of a larger mother company and delivers and assembles equipment for producing companies. The range of equipment helps undercover farmers to produce more efficient, products include screen systems, tunnels and other greenhouse and horticulture equipment. This entrepreneur is also an undercover farmer himself; he produces flowers on 11.5 acres. The company mostly delivers to the domestic market. |
| 2 | Respondent 2 owns a single company that offers different products and services. The cheese making company is situated on an estate that offers mountain bike tours and also includes a restaurant and little shop offering Dutch delicacies. All activities are managed by the owner. The products and services are catered to the domestic market. |
| 3 | Respondent 3 is partner in two companies, both in the same industry. He owns two flower growing companies which are mainly focused towards the production of chrysanthemums. 67% of the flowers are sold domestically; the rest is sold outside Europe and Africa. |
| 4 | Respondent 4 owns a single company together with a partner. The company is focused towards delivery and assembly of greenhouses and according equipment like irrigation systems. The service of the company also includes maintenance of delivered and assembled products. The company only supplies to domestic clients. |
| 5 | Respondent 5 is the general manager of a flower growing company which is part of a large British mother company. The company grows and packages cut flowers. 85% of the produce is sold internationally, mostly to Europe. |
| 6 | Respondent 6 owns two companies and is also involved in a partnership with his brother who owns a company that grows the plants and flowers for respondent 6's company. The company of the respondent is involved in packaging, wholesale and retail of the flowers and plants. The company only sells on the domestic market. |
| 7 | Respondent 7 owns a company that originally specialized in farming machinery and equipment like tractors and tunnels. The company's service includes assembly and maintenance of the delivered products. During the last few years the owner also established several farms where fresh produce is grown and cattle is held. The company is thus active in equipment and farming and only sells on the domestic market. |
| 8 | Respondent 8 is co-owner of a flower growing company. Several species of flowers are grown undercover. Flowers are packaged on site and 80% of produce is sold domestically, the rest is exported to the Netherlands. |
| 9 | Respondent 9 owns a flower growing company which is specialized in chrysanthemums. This owner is also an agent for a chrysanthemum stem company. All flowers are sold via the flower auction in Johannesburg. |
| 10 | Respondent 10 is the manager of a company that is specialized in the sale of seeds and small plants. The plants are grown on site. All seeds and plants are sold on the domestic market; either to garden centers or to individual consumers. |
| 11 | Respondent 11 is partner in a company that delivers farming machinery, their product also includes after sale services like maintenance. 95% is sold on the local or domestic market, only a handful of consumers reside in surrounding African countries. |
| 12 | Respondent 12 owns a flower trading company. The company buys flowers domestically and resells these flowers globally. The larger part of the flowers is sold internationally; 60% to Europe and 37% outside Europe and Africa. Only 3% is sold on the South African market. |

- 13 Respondent 13 owns a company that is active in several different sectors. The main business activities are revolved around a hotel type of accommodation. Next to this the company also owns land which is used to farm grapes, guava and other fruits. 80% of the hotel guests come from Europe and 20% from South Africa. They sell their fruit on the domestic market.
- 14 Respondent 14 is an employee of an investment fund that is completely oriented on farm projects. The company invests funds into farms and pursues successful development and uplifting of these farms. Investments are spread over the African continent.
- 15 Respondent 15 is the owner of a butcher shop in South Africa. The company buys the meat domestically and sells everything on the local market.
- 16 Respondent 16 owns a laboratory that offers plant tissue culture facilities. Customers supply a certain plant and the laboratory multiplies a specific number of basic plants that can be used for farming.
- 17 Respondent 17 is an employee (son of the owner) of a flower trading company. The company buys the flowers domestically and sells to both the South African market as well as abroad. 90% of the flowers are sold outside of Africa and 10% is sold domestically.
- 18 Respondent 18 owns a flower growing company that sells all its flowers domestically. The company also grows grapes and is currently establishing a bike rental and tour company on the property. All produced flowers are sold locally.
- 19 Respondent 19 owns a company and estate where grapes are grown. Existing buildings are let to external companies and the company is also developing real estate for an old age retirement village. The wine is produced and bottled at an external location. 99% of the wine is sold to The Netherlands and Belgium. About 1% stays in South Africa.
- 20 Respondent 20 is the co-owner of a flower trading company. The company buys flowers domestically and sells all flowers on the Dutch market via a Dutch partner company.
- 21 Respondent 21 is the flower production manager of a family company that also produces fruit and grapes and also holds livestock. The former manager that set up the flower production is Dutch and is still involved with the company's wellbeing. The company sells all its flowers on the domestic market.
- 22 Respondent 22 is the founder of a vineyard that produces and bottles its own wines. Next to this the company also grows apples and pears. Half of the bottles wine is sold in South Africa; the other half is sold in Europe, mostly to Belgium.

Annex 2: Interviewed organizations

#	Date	Organization	Interviewee
1	March 12 th 2013	Department of Agriculture	Dirk Troskie
2	March 12 th 2013	Multiflora Flower Auction	Beverly Kemp
3	March 26 th 2013	Agri Wescape	Paul Opperman
4	April 11 th 2013	Fruit SA - SIZA	Colleen Chennels
5	April 12 th 2013	WIETA	Linda Lipparoni

Annex 3: Survey

Survey of Dutch entrepreneurs in Africa

1. Owner/manager

A. Nationality, age & gender	C. Residence & background	D. Background
What nationality(ies) do you have? 1. 2. In what year were you born? Sex: <input type="checkbox"/> Male <input type="checkbox"/> Female	Since when do you live in this country? What is your educational background?	What is your professional background? Owner only: Why did you decide to start this enterprise in this country?

2. Characteristics of enterprise (part I)

A. Products & Services	B. Sector	C. Value Chain
What are your main products or services? Please specify:	In which branch of the agro-sector is the enterprise active? <input type="checkbox"/> Poultry <input type="checkbox"/> Food crops (fruits, vegetables, grains, nuts) <input type="checkbox"/> Non Foods <input type="checkbox"/> Floriculture <input type="checkbox"/> Dairy <input type="checkbox"/> Other:	In what activities is the enterprise involved? <input type="checkbox"/> Machinery/Engineering <input type="checkbox"/> Fertilizers/pesticides <input type="checkbox"/> Seeds <input type="checkbox"/> Services/Consultancy <input type="checkbox"/> Other supplies <input type="checkbox"/> Research and Development <input type="checkbox"/> Farming <input type="checkbox"/> Storage <input type="checkbox"/> Processing and Manufacturing <input type="checkbox"/> Packaging <input type="checkbox"/> Retail <input type="checkbox"/> Transport <input type="checkbox"/> Trading and Exporting <input type="checkbox"/> Other:.....

3. Characteristics of enterprise (part II)

A. Status	B. Ownership																				
What is the status of the firm with respect to others? <input type="checkbox"/> Single establishment firm <input type="checkbox"/> Parent company <input type="checkbox"/> Local establishment of parent company <input type="checkbox"/> Joint venture, partnership <input type="checkbox"/> Other:.....	Who are the owners of the firm (people/legal entities) and what nationality do they have? <table border="0"> <tr> <td style="text-align: center;">Name</td> <td style="text-align: center;">Equity share</td> <td style="text-align: center;">Nationality</td> <td style="text-align: center;">Country of residence</td> </tr> <tr> <td>1.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>2.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>3.</td> <td></td> <td></td> <td></td> </tr> <tr> <td>4.</td> <td></td> <td></td> <td></td> </tr> </table>	Name	Equity share	Nationality	Country of residence	1.				2.				3.				4.			
Name	Equity share	Nationality	Country of residence																		
1.																					
2.																					
3.																					
4.																					

4. Enterprise dynamics

A. Start	B. Past development	C. Future development
<p>What year was the firm founded? Year:</p> <p>What year did the firm start its operations in this country? Year:</p>	<p>Has the enterprise expanded (+), remained constant (0) or declined (-) over the past 5 years in terms of: (please circle)</p> <p>Turnover + 0 -</p> <p>No. of workers + 0 -</p> <p>No. of locations + 0 -</p> <p>No. of clients + 0 -</p> <p>Labour costs + 0 -</p> <p>New product(s) + 0 -</p> <p>Why?</p>	<p>Do you expect the firm to expand (+), stay constant (0) or decrease (-) in the next 5 years?</p> <p>Turnover + 0 -</p> <p>No. of employees + 0 -</p> <p>No. of locations + 0 -</p> <p>No. of clients + 0 -</p> <p>Labour costs + 0 -</p> <p>New product(s) + 0 -</p> <p>Why?</p>

5. Financial situation

A. Public investment	B. Turnover
<p>From which public channels does the enterprise receive external funding?</p> <p>0 Not Applicable</p> <p>0 Subsidy home country</p> <p>0 Subsidy host country</p> <p>0 Grants</p> <p>0 None</p> <p>And what is the name of each subsidy/grant? Please specify:</p>	<p>What has been the average annual turnover of the enterprise in the last year? Adapt to country</p> <p>0 Less than €5000</p> <p>0 €5000 – 19 999</p> <p>0 €20 000 – 49 999</p> <p>0 €50 000 – 99 999</p> <p>0 €100 000 – 249 999</p> <p>0 €500.000 – 999.999</p> <p>0 €1 000 000 – 1 999 999</p> <p>0 €2 000 000 – 5 000 000</p> <p>0 More than €5 000 000</p>

6. Market Relations – Suppliers and Customers

A. Who are your main suppliers? What is their name, size, location and what do they supply?			
Size	Name supplier	Item supplied	Location
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 2 3 4			
<p>1 = Micro Enterprise</p> <p>2 = Small to Medium Enterprise</p> <p>3 = Large Enterprise</p> <p>4 = Multinational</p>			
<p>How much of your supplies are sourced from which market?</p> <p>Local: % - what product in particular?</p> <p>Domestic: % - what product in particular?</p> <p>Other African: % - what product in particular?</p> <p>European: % - what product in particular?</p> <p>Other International: % - what product in particular?</p>			

What % of your suppliers is Dutch?
 What % of your suppliers is Dutch but located in South Africa (Dutch owned/managed/operated)
 What % of your suppliers is other European?
 What % of your suppliers is South African? (non-Dutch)

What is the reason that that you source mostly from this largest group?
 0 Quality
 0 same/reliable way of doing business
 0 Easier to communicate
 0 other reason, please elaborate....

B. Who are your main customers? What is their name, size, location and what do they buy?

Size	Name client	Item bought	Location
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 2 3 4			
1 = Micro Enterprise 2 = Small to Medium Enterprise 3 = Large Enterprise 4 = Multinational			

How much of your products are sold to which market?

Local: % - what product in particular?
 Domestic: % - what product in particular?
 Other African: % - what product in particular?
 European: % - what product in particular?
 Other International: % - what product in particular?

What % of your customers is Dutch? (even in South Africa Dutch owned/managed companies)
 What % of your customers is Dutch but located in South Africa (Dutch owned/managed/operated)
 What % of your customers is other European?
 What % of your customers is South African?

What % of your produce is sold on an auction?
 What % of your produce is sold to supermarkets directly/indirectly and how does this influence the production process?
 (if 0%, also explain why not selling to supermarkets....)

What is the reason that that you sell mostly to this largest group?
 0 Quality
 0 same/reliable way of doing business
 0 Easier to communicate
 0 other reason, please elaborate.....

7. Characteristics of Market Relations

A. SUPPLIERS					
What is the nature of your relations with suppliers?					
Purchasing relations with main suppliers:					
<input type="checkbox"/> Arm's length (individual transactions, no company-to-company relationship) <input type="checkbox"/> Contract basis (periodical delivery, longer-term relationship) <input type="checkbox"/> Contract basis including product specifications (same, including exchanges on product design)					
Other relations with suppliers:					
<input type="checkbox"/> Technology transfer on products, production process <input type="checkbox"/> Training in skills and knowledge <input type="checkbox"/> Technical cooperation, joint product development and production <input type="checkbox"/> Staff placement <input type="checkbox"/> Financial support (credit, loans)					
Is compliance with standards and certification schemes a factor in your selection of suppliers of goods and services?					
Yes – somewhat – not really – no					
If so, which ones?					
To what extent do you agree with the following statements on the firm's activities?					
1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much					
How do you deal with....?					
	1	2	3	4	5
Our procedures are such that all suppliers and contractors are routinely paid in accordance with agreed terms.					
Our firm supports its suppliers in improving their environmental, social and economic performance					
Our firm has standard procedures to determine the needs of its stakeholders (complaint books, feedback mechanism)					

C. CUSTOMERS					
What is the nature of your relations with customers?					
Sales relations with main customers:					
<input type="checkbox"/> Arm's length (individual transactions, no company-to-company relationship) <input type="checkbox"/> Contract basis (periodical delivery, longer-term relationship) <input type="checkbox"/> Contract basis including product specifications (same, including exchanges on product design)					
Other relations with customers:					

Technology transfer on products, production process
 Training in skills and knowledge
 Technical cooperation, joint product development and production
 Staff placement
 Financial support (credit, loans)

Is compliance with standards and certification schemes a consideration in securing deals with your customers?

Yes somewhat not really no

If so, which ones?

To what extent do you agree with the following statements on the firm's activities:

1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much

How do you deal with....?	1	2	3	4	5
The firm has a formal procedure to respond to client demands or complaints					
The firm takes the needs of the poor as customers into account when developing new products and/or services.					
Product/service specifications are made clear, including quality, total cost, delivery charges and time schedule					

8. Use of local resources (Part I)

A. Labour	
<p>How many people does the firm (this establishment) employ in all?</p> <p># Permanent: # Temporary: # Casual:</p> <p>What is the gender division of staff? Male: Female:</p> <p>What share of staff is local? (or use count) Local: % Other domestic: % Foreign: %</p> <p>Details on foreign staff:</p>	<p>How does pay of workers compare to average pay in the area? (in percentage + or -)</p> <p>Has this changed over time?</p> <p>What are the normal daily working hours?</p> <p>How many holidays/ free days do the employees receive?</p> <p>How many employees are member of a Trade Union?</p> <p>What are the arrangements for medical leave?</p>

From what country? 1. 2. 3. 4. What percentage of the employees is male and female? M: F:	What function?	What are the arrangements for medical insurance? What are the arrangements for maternity leave? What are arrangements for social security? <ul style="list-style-type: none"> - Old age - Unemployment - Disability
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Additional:

- What percentage of employees cannot read or write?**
- Are there problems related to the use of alcohol and drugs?**
- What are the main challenges with your employees?**

B. WORKER RELATIONS					
Does the firm take specific initiatives for the well-being of its workers?					
Please specify:					
Does the firm invest/promote training/education for its workers?					
Please specify:					
To what extent do you agree with the following statements on the firm's activities?					
<i>1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much</i>					
	1	2	3	4	5
Health and safety regulations on the workplace are always enforced					
There is a procedure to monitor compliance with relevant employment laws and regulations.					
There is a procedure to ensure that no forms of harassment, bullying or discrimination are tolerated.					
There is a procedure to ensure open communication with workers (handling complaints, employee rights).					

9. Use of local resources (Part II)

A. Land, Water, Energy and Pollution	
How many hectares of land does the enterprise have in total? What is the tenure status of the land? 0 Privately Owned ha: 0 State Owned ha: 0 Leased ha: years: 0 Community/customary ha:	Does the firm share this source with the surrounding community? How many months a year does the enterprise use irrigation? What is your main use of electricity?

<p>How was the land acquired?</p> <p><input type="checkbox"/> Private purchase/lease</p> <p><input type="checkbox"/> Through government</p> <p><input type="checkbox"/> Through local dignitaries (chiefs etc.)</p> <p><input type="checkbox"/> Through local partner</p> <p><input type="checkbox"/> Other:.....</p> <p>What is your main use of water?</p> <p><input type="checkbox"/> Irrigation</p> <p><input type="checkbox"/> Production, processing</p> <p><input type="checkbox"/> Household/office type consumption</p> <p>In case of irrigation and production water use, how much water does the enterprise use each year?</p> <p>What is your main source of water?</p> <p><input type="checkbox"/> Rainfall</p> <p><input type="checkbox"/> Rain harvesting system</p> <p><input type="checkbox"/> Surface water (<i>canals, rivers and streams, ponds & lakes</i>)</p> <p><input type="checkbox"/> Ground water (<i>boreholes, springs</i>)</p> <p><input type="checkbox"/> Tap water</p> <p><input type="checkbox"/> Other.....</p>	<p><input type="checkbox"/> processing, production</p> <p><input type="checkbox"/> office-type consumption</p> <p>How much electricity does the enterprise use each year (KWh)?</p> <p>What is the main source of energy?</p> <p><input type="checkbox"/> public supply system</p> <p><input type="checkbox"/> private supply system</p> <p>Is there a procedure in place to monitor pollution/emissions by the firm?</p> <p>Please specify:</p> <p>Does the enterprise keep records of pesticides and chemicals used?</p> <p>How much fertilizer does the enterprise use (kg/ha)?</p> <p>Does the enterprise have a functioning waste management and pollution prevention programme in place?</p> <p>Is there a negotiated compensation to the surrounding community for the use of infrastructure and resources?</p>
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B. ENVIRONMENT

What assessments have been conducted before starting operations?

Environmental impact

Social impact

Soil/fertility impact

What does the firm do to limit its impact on the environment?

Please specify:

To what extent do you agree with the following statements on the firm's activities?

1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much

	1	2	3	4	5
The enterprise makes careful use of land					
The enterprise is increasing its water efficiency					
The enterprise is increasing its energy efficiency					
The enterprise takes initiatives to reduce its greenhouse emissions					

There is a procedure to monitor compliance with environmental rules					
There is a procedure within the value chain to encourage environmentally responsible use/disposal of products					

10. Community relations

COMMUNITY					
In what way is the enterprise involved with surrounding communities? Please specify:					
Please indicate to what extent you agree with the following statements with reference to the activities of the enterprise: <i>1 = not at all 2 = not really 3 = undecided 4 = Somewhat 5 = Very much</i>					
	1	2	3	4	5
The firm actively support community projects and activities					
The firm is involved in improving social infrastructure and living conditions in the area					
Where activities have a potentially significant impact on the community, the enterprise has procedures to minimize the negative impacts.					
The enterprise engages in meaningful dialogue with the community where there are concerns about its products, services or operations.					
The enterprise is engaging in local development because this has a positive effect on profit.					

11. Responsibility

A. Stakeholder influence					
Which stakeholders are most important in determining how responsible a business is? <i>1=Extremely 2=Slightly 3=Neither 4=Slightly 5= Extremely</i>					
	Negative				positive
	1	2	3	4	5
Investors/financiers					
Government					
Local Groups and Organizations					
Clients and Customers					
Community					
Employees					
Suppliers					
Environmental changes					
Which stakeholders encourage or prevent the enterprise to become more responsible? <i>1=Extremely 2=Slightly 3=Neither 4=Slightly 5= Extremely</i>					
	1	2	3	4	5
Investors/financiers					
Government					

Local Groups and Organizations					
Clients and Customers					
Community					
Employees					
Suppliers					
Environmental changes					

B. Responsibility, standards	
<p>Are there any international standards or certification labels implemented by the firm?</p> <p>0 No</p> <p>0 Yes:.....</p> <p>What are the main guidelines or directives from government being implemented by the enterprise?</p> <p>0 Yes: environmental:</p> <p>0 Yes: social:</p> <p>What are the main bottlenecks, problems, your firm faces? And What can be done to solve them?</p>	<p>How responsible do you consider your own business to be, on a scale of 1-10 where 10 is highest.</p> <p>1 2 3 4 5 6 7 8 9 10</p> <p>Please explain:</p> <p>What changes have taken place in terms of responsible business?</p> <p>What plans, possibilities do you have?</p>