



# Reimagining Africa's future

The \$350 billion opportunity  
for sustainable business

accenture<sup>></sup>strategy



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# Foreword

Companies in Africa face a complex and fast-changing landscape. Africa is on the verge of a demographic dividend, with a rising African consumer class creating new opportunities. Businesses need to work hard to win trust and build community support in order to create shared value and capture these opportunities.

At the same time, resource constraints and environmental concerns put pressure on supply chains and profitability. Faced with these challenges, there is a compelling need for innovation. We must accelerate progress in order to meet the changing needs and aspirations of African consumers, while operating in a way that wider society deems acceptable, now and in future generations.

The commercial imperative for action is clear. Our research shows that African businesses have the opportunity to unlock \$350 billion a year in value from new opportunities that address socio-economic and environmental challenges.

This joint report from Accenture Strategy and the National Business Initiative (NBI) is based on consultations with CEOs and business leaders from Africa's leading companies, and suggests that scaling innovations in four categories — new consumption opportunities, collaborative operating models, resource efficiency, and trust & transparency — can improve competitiveness, better address customer needs and help drive development across the continent.

In addition, considerable opportunity exists for companies to collaborate with governments as well as within their existing and cross-sector networks, to overcome the wasted effort of doing things independently.

Accenture and the National Business Initiative are grateful for the time and insight of all those who have contributed to our research and supported the development of this report. We encourage businesses to take forward the messages in this report and use it to catalyse conversation and action.

We are confident that the creative power of business can address the challenges of today and unlock a more prosperous and sustainable future for all.



**William Mzimba**  
Chief Executive Officer  
Accenture South Africa

A handwritten signature in black ink, appearing to read 'W. Mzimba'.



**Joanne Yawitch**  
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National Business Initiative South Africa

A handwritten signature in black ink, appearing to read 'J. Yawitch'.

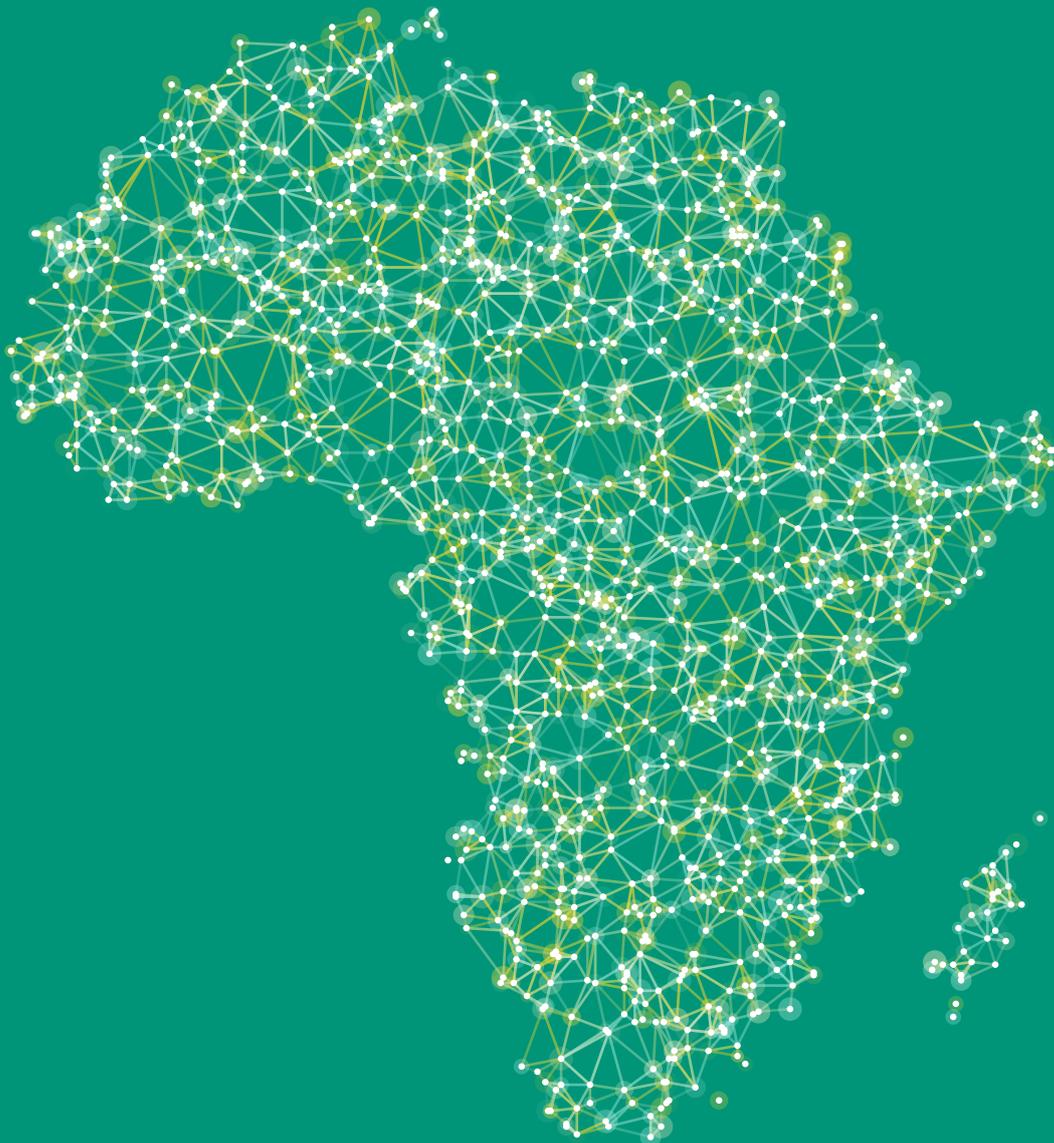


# Objectives of the report

In this report we showcase the opportunities for private sector sustainable business practices that can unlock new growth pockets, with significant social and environmental impacts and financial benefits.

The study quantifies the expected revenue increase, cost savings and longer-term trust and risk reduction benefits of the innovations identified, highlighting the size of the prize for each sector in Africa and its growth hubs.

Finally, we provide a clear business rationale for transformation, supporting this vision through a practical blueprint to help businesses transform over the next 10 years.



# Executive summary

Africa's attractiveness is no longer in question. In 11 years since the turn of the century it went from being "the hopeless continent" to a "rising star". Several high-growth economies are keeping hopes of a growth explosion alive, and an emerging African consumer class is injecting demand for products and services that meet long-standing needs in new ways. However, while there have been major improvements, the continent remains one of the world's least developed, most indebted, most food-insecure and most marginalised.

By driving social and environmental performance into their business models, African businesses can realise significant growth through innovative solutions that address market failures. In doing so, a material change is required to deliver progress at a larger scale and greater speed than current sustainable business practices have managed.

Four high-priority areas of innovation have been identified in discussions with African CEOs. After examining leading research, reports and case studies, we conclude that these new opportunities can deliver over \$350 billion per year in extra revenue and cost savings, while reducing risk, building trust and driving dramatic social and environmental value for the continent.

This report offers a blueprint for unlocking these high-value opportunities, advising companies to focus on three key transformation steps. Firstly ensure your corporate purpose and strategy drive clear business and societal value. Next, evaluate the internal organisational requirements to deliver new sources of revenue and establish an operating model that drives shared value. Lastly, you need to deliver on the strategy — systematically transforming your supply chain, operations and offerings.



## New areas of innovation

The research paints a compelling business case for moving away from the traditional linear growth model to a more sustainable future for Africa. To achieve this, collaboration with partners will be key for success — companies should start by engaging local stakeholders to identify the need, partner to fill gaps and ensure value is measured to continually improve business and stakeholder returns.

### 1 Capture new consumption opportunities

While Africa's natural resources are important, they are not enough to give the continent a permanent boost. Demand is growing among the rising African consumer class for products and services that meet long-standing needs in new ways. The continent's political and economic future will be inextricably linked to a new floating class: 21 percent of the population, which is teetering on the brink of joining the middle-class. Companies can generate new revenue streams by developing new consumption opportunities for the rising African consumer class, either making incremental improvements or transformational changes to their current business models through new offerings that directly address pressing needs in areas like access to consumer goods, health, education, energy and financial services.



**\$186**  
billion

### 2 Create collaborative operating models

Expanding economic opportunity, raising productivity and increasing growth are crucial, but not sufficient. The quality of growth — its composition and equity — is equally important for alleviating systemic development challenges. It requires operations that directly integrate the low-income population as entrepreneurs, suppliers, distributors, retailers, employees and consumers, to create localised and inclusive value chains. It also means ensuring well-managed operations (e.g. health and safety, labour standards, human rights, gender diversity and inclusiveness in the workforce, as well as environmental responsibility).



**\$43**  
billion

Efforts by leading companies suggest this change is already under way, that it works, and is inevitable. By adopting the principles highlighted in the report, companies can get ahead of rivals by innovating for customer value and resource efficiency while creating change at the intersection of their strategy, technology and operations. Capturing the opportunities identified in this report is imperative to drive business success on the continent.

### 3 Drive resource efficiency

We are rapidly approaching a point in Africa at which the linear model of growth is no longer viable. Due to rising global affluence, resource availability cannot keep up with demand. The ecological footprint of all African countries increased by 240 percent between 1961 and 2008. In 2015, it is projected, the continent will exceed its available carrying capacity for the first time in its history. To reduce this impact, companies must take three critical steps out of business necessity. Firstly, they need embrace circular business models using “lasting” resources only, to break the link between scarcity and economic activity. Secondly, more resource “liquidity” can be created in markets by making products and assets more accessible and easy to convert between users and industries. Thirdly, companies can focus on reducing the amount of scarce energy, water and liquid fuels they use in their daily operations.



### 4 Build trust through transparency

Nothing is more fundamental to a healthy business than the belief held by consumers, the public, investors, regulators, suppliers and governments that they are doing business with a trustworthy organisation. With the growing trade across Africa, issues of corruption and modern slavery pose particular risks to trust in Africa. Transparency International’s 2014 Corruption Perceptions Index (CPI) identified Africa as the most corrupt region in the world. In addition, modern-day slavery is rife in Africa, with 15 countries in the top 20 global index of worst performers out of 162 countries. For those with poor operations visibility, the new era of transparency creates significant risks. Companies can build trust and drive productivity gains by embedding high standards throughout their value chain and transparently sharing information.



# 1. Introduction

## From “hopeless” to “rising star”

In May 2000, *The Economist* ran a cover story on Africa, headlined “The Hopeless Continent”. In the early 1980s African GDP per capita was twice that of developing Asia. Ten years later, however, the Asian Tigers had overtaken Africa substantially. Currently, the region’s per-capita GDP is more than double that of Africa<sup>1</sup>.

But in December 2011, the continent was again on *The Economist’s* cover, this time under the headline “Africa Rising”. Since 2000, it had seen a 200 percent increase in intra-continental trade<sup>2</sup> and trade with the rest of the world, contributing to its

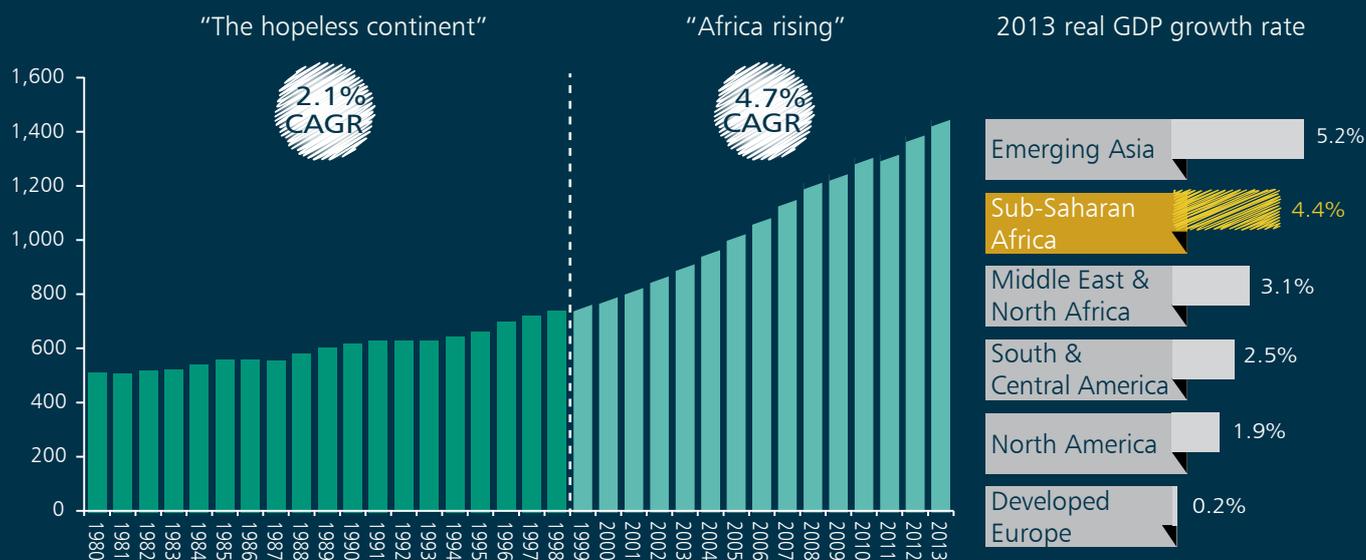
rapid economic expansion (4.7 percent compound annual growth (CAGR) between 2000 and 2012, compared to 2.1 percent the previous 20 years<sup>3</sup>).

Another five years on, Africa’s attraction is no longer in question. At least a dozen African economies have grown by more than 6 percent per annum for six years or more, and a 2011 World Bank report declared that “Africa could be on the brink of an economic take-off, much like China was 30 years ago and India 20 years ago”<sup>4</sup>.

It will be — and already is — a new kind of growth. For decades, resource exploration and extraction have shaped Africa’s growth as a mineral and resource-rich continent<sup>5</sup>. The continent

is home to a third of the planet’s mineral reserves, a tenth of the oil and it produces two-thirds of the diamonds. It should come as no surprise that when prices for natural resources and export crops have been high, growth has been good; when they have dipped, so has the continent’s economy<sup>6</sup>. But of late, thanks to a sustained population boom, the continent’s resurgence is no longer only about resources but increasingly also about the consumer opportunity.

Figure 1: Africa GDP at constant prices (2005)<sup>3</sup>





Alongside the growing population and increased urbanisation, a rapid expansion in banking, retail, telecommunications and other services supports the rising consumer demand. We estimate that African household consumer expenditure will rise to \$1.3 trillion in 2020 (from \$475 billion in 2000 and \$792 billion in 2010)<sup>7</sup>.

By 2050, over 1 billion Africans will be of working age, and one in four workers worldwide will be African<sup>8</sup>. Looking ahead, the “demographic dividend”, so crucial to the growth miracle of East Asian economies a generation ago, offers a huge opportunity to Africa today. With declining mortality, Africa’s working age population is forecast to increase from 54 percent of the total population in 2010 to 64 percent in 2090, increasing the continent’s productive potential at a time when most of the advanced economies face an ageing population. Studies estimate that GDP growth of 0.5 percent is possible for every 1 percent increase in working age population<sup>9</sup>.

To keep up with the demands of the rising consumer class, African economies have been pressured to become more productive. The World Economic Forum’s Africa competitiveness report divides African countries into three main development paths.

- First, the factor-driven economies that compete based on their factor endowments — using primarily unskilled labour and natural resources (e.g. Burkina Faso).
- As wages rise with advancing development, countries move into the efficiency-driven stage of development and later to innovative, when they must begin to develop more efficient production processes and increase product quality (e.g. South Africa).

- In between these two development paths are economies that are transitioning from factor- to efficiency-driven economies (e.g. Botswana).

## Unbalanced growth

The recent growth in Africa has not translated into effective social and economic development, as seen in Africa’s current Human Development Index (HDI) rating compared to India and China, whose average HDI scores were roughly equal to Africa’s in 1970. On average, other countries have translated private sector investment into equitable growth much more quickly; achieving HDI scores some 30 percent higher than Africa’s by 2013<sup>10</sup>.

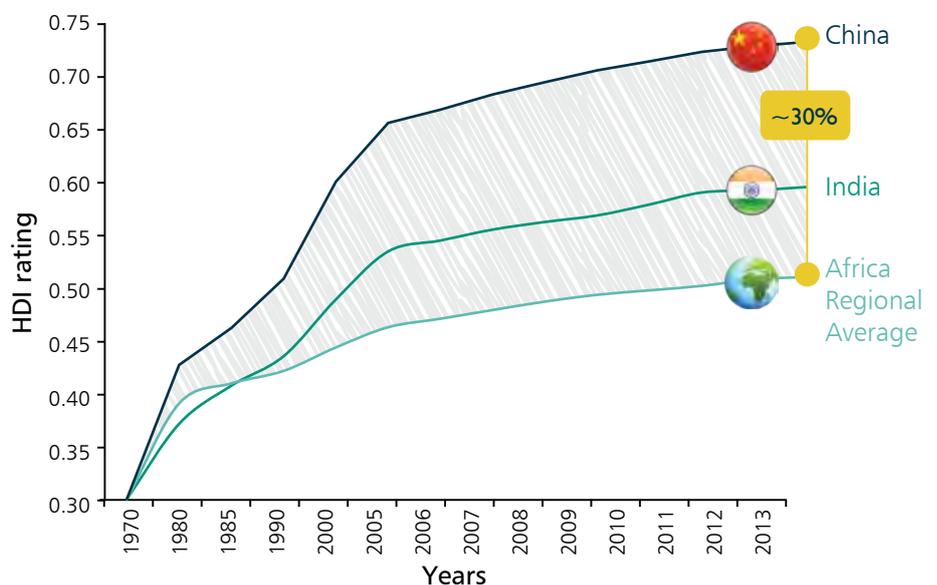
While there have been major improvements, the continent remains one of the world’s least developed, most indebted, most food-insecure and most marginalised.

Africa’s development challenges can be grouped into three main areas:

- **Economic:** it continues to face incidences of political instability, widespread poverty, modern slavery, unemployment and infrastructural problems.
- **Social:** many Africans lack access to even the most basic health services, essential medicines and education.
- **Environmental:** it is especially impacted by land degradation and bears the greatest impact of climate variability and extreme weather events. In addition, if not carefully managed, the resource and commodity nature of much of Africa’s growth could have long-lasting detrimental impacts on fragile terrestrial and marine environments.

Of course, Africa is hugely diverse and these regional generalisations hide a lot, but it does provide broad foundational insights for this study.

Figure 2: Human development index rating (1970 - 2013)<sup>10</sup>



## Opportunities in disguise?

The continent has the opportunity to leapfrog into a brighter future by creating local solutions, turning some of its largest obstacles into attractive commercial opportunities.

### Economic

- While **corporate governance standards** vary widely across the continent, Transparency International named Africa the most **corrupt** region in the world<sup>11</sup>.
- Almost half of all Africans live in extreme **poverty and unemployment**, with 72 percent of urbanites living in slums. Most of the world's poor will live in Africa by 2030<sup>12</sup>.
- Endemic **infrastructure problems** include Internet penetration of only about 18 percent versus a world average of 40 percent. In East Africa, for example, the road access rate is only 34 percent (versus 50 percent), and transport costs are up to 100 percent higher<sup>13</sup>.

### Social

- Less than 25 percent of Africa's adults have **access to finance** — including a place to securely save money and safely and efficiently transfer it<sup>14</sup>.
- 30 percent of African youths are illiterate, and low skill levels in the workforce continue to blight Africa's **educational achievements**<sup>15</sup>.
- Among Africa's key **health dilemmas** is having only 2 percent of the world's doctors for more than a seventh of its people. 92 out of 1,000 children will die before they are five<sup>16</sup>.

### Environmental

- A third of the globe's **food-insecure** live in Africa (304 million)<sup>17</sup>. Forecasts indicate an average temperature increase of 3°C to 4°C in some regions by 2020, due to climate change. This could lead to a 15 percent decline in **African crop yields**, causing additional food shortages for up to 250 million people.
- Increased mosquito prevalence is evident due to rising heat and increased water temperatures, with a concomitant rise in **malaria and water-borne diseases**.
- Incidence of natural disasters including **flooding and drought** spread disease and tensions over scarce land and water resources.
- Increased **pollution of land, water and air** is further evident, due to minimal or bad management of the environmental impacts of development.

## A powerful trinity

There is little to suggest that business as usual within the private sector, governments and NGOs can do much to improve the long-term outlook for equitable, sustainable and fast-paced development.

Fortunately, we're seeing a convergence of interests: what's good for society turns out to be good for business too, and vice versa. It is the very opposite of the perception of many, in which the objectives of businesses and development organisations are often understood as being at odds.

In this new framework of collaborative, inclusive growth, the role of government is to establish and enforce transparent regulation, ensure open trade policies and work with the private sector to set clear development strategies and direction. Industry, in turn, must leverage core business capabilities to implement innovative solutions at scale, while influencing policy direction. Civil society (NGOs and donors) and community groups (e.g. labour unions), for their part, provide the channels and platforms for communities to engage with public and private sectors.

The private sector can play a leading role in this context. Solutions will be borne of industry innovation and given effect through the efforts of business leaders who commit to socio-economic and environmental improvement. In our view, innovation will be driven by economic opportunity. After all, the big challenges we face — access to energy, water, health, finance and education — are market opportunities that can be satisfied in ways that meet both business and social objectives.

But how will social and developmental ills be addressed through this evolving triad where past solutions have failed?

Businesses have frequently been criticised as a major cause of the problem, and have been accused of prospering at the expense of communities. However, some emerging leaders have started to change perceptions by delivering innovative solutions that are not only providing new revenue streams, but also visibly impacting communities and livelihoods. It is only by thinking about shared value and innovation from the outset that the sector can play a key role in alleviating Africa's many scourges.

Many businesses tackle social and environmental concerns with programmes focused on public reporting and philanthropy. For some, it has been a good starting point and it remains vital for responsible business, but it constitutes a narrow view of value creation that misses more important customer needs of basic market access, and ignores broader opportunities that can affect longer-term success. A strategic, value-based approach, coupled with a willingness to innovate and collaborate, can help companies grappling with challenges — and will even turn them into new opportunities.

Figure 3: Limited characteristics of traditional solutions





If we are only focusing on money and not on our broader stakeholders, we are missing the point — and a big opportunity.

– Sizwe Nxasana, Chief Executive Officer, FirstRand Limited

Social, economic and environmental challenges have a direct impact on business profitability — these need to be addressed with a long-term mindset in order to derive sustainable solutions.

– Dr. Mario Machungo, Chairman, Millennium bim

We need a new era of enlightened leadership that delivers more than just profits, and actively improves people's lives.

– Aigboje Aig-Imoukhuede, President of the National Council of the Nigerian Stock Exchange

You can't look at short-term profitability in isolation; you also have to consider the long-term horizon.

– Robert Collymore, Chief Executive Officer, Safaricom



## Age of mindfulness

We are seeing a dramatic change in how companies view the importance of sustainability for their future success on the continent and their current performance. In the recent Accenture UN Global Compact Survey<sup>18</sup>, 96 percent of CEOs from Africa said sustainability was important to the future success of their business, with 88 percent believing that embedding sustainability into their strategy will drive revenue and growth opportunities. However, only 24 percent of African respondents believed the global economy was on track to meet the needs of our growing population.

Remarkably, CEOs in emerging regions like Africa are more convinced of the need for collaboration and tackling major environmental and social issues than their developed world counterparts. The reason can be found in their close proximity to development challenges. This confirms a gradual shift away from a purely philanthropic narrative.

But African companies face severe challenges to balance the bottom line with the needs of affected communities in countries with under-resourced regulatory and governance frameworks and extreme poverty.

Facing a complex, fast-changing landscape in which consumer values are shifting, companies must work hard to win trust and build community support.

Nevertheless, African businesses are carving out innovative solutions that seek to address market failures. Business ventures like Chardust (see sidebar) are proof that Africa can be a source of creativity, paving the way to a future of sustainable growth on the continent.

However, a material change is required to deliver progress at a larger scale and greater speed. The new generation of business leaders need to unlock the innovation potential and creative drive of business in order to deliver growth in a very different economic environment.

## Chardust

Charcoal demand in Kenya exceeds 1.6 million tonnes per year, but 15 percent is discarded at trading sites as dust, creating more than 70 tonnes of waste, clogging waterways and exacerbating air pollution<sup>19</sup>.

Chardust, a company that compresses charcoal dust into fuel briquettes, set up a garbage collection programme for slum dwelling “carbon collectors”, to salvage charcoal dust and sell it to Chardust for processing into smokeless briquettes, suited for indoor cooking.

Chardust has sold more than 2,500 tonnes a year, with customer demand growing at more than 25 percent, and carbon collectors earning a steady income. The project also serves to transform waste material into a cleaner-burning fuel alternative that is 40 percent cheaper than charcoal.

Making a significant impact in alleviating poverty through job creation can also be an attractive commercial proposition, while reducing environmental impact.

Figure 4: UNCG Africa CEO survey results<sup>18</sup>



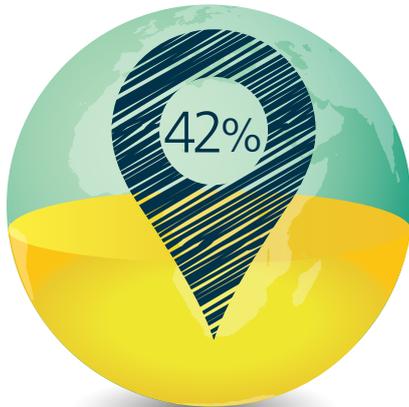
**96 percent** believe that sustainability will be important to the future success of their business.



**88 percent** believe that embedding sustainability into core business will drive revenue growth and new opportunities.



**24 percent** feel that the global economy is on track to meet demands of a growing population.



**42 percent** believe that business is making sufficient effort to address global sustainability challenges.



**40 percent** report that they can accurately quantify the value of their company's sustainability initiatives.



**94 percent** believe that government policymaking and regulation will be critical to progress.

# 2. New areas of innovation

In response to Africa's development challenges, pockets of innovation are emerging that harbour the potential to disrupt established industries and offer new and alternative models for success.

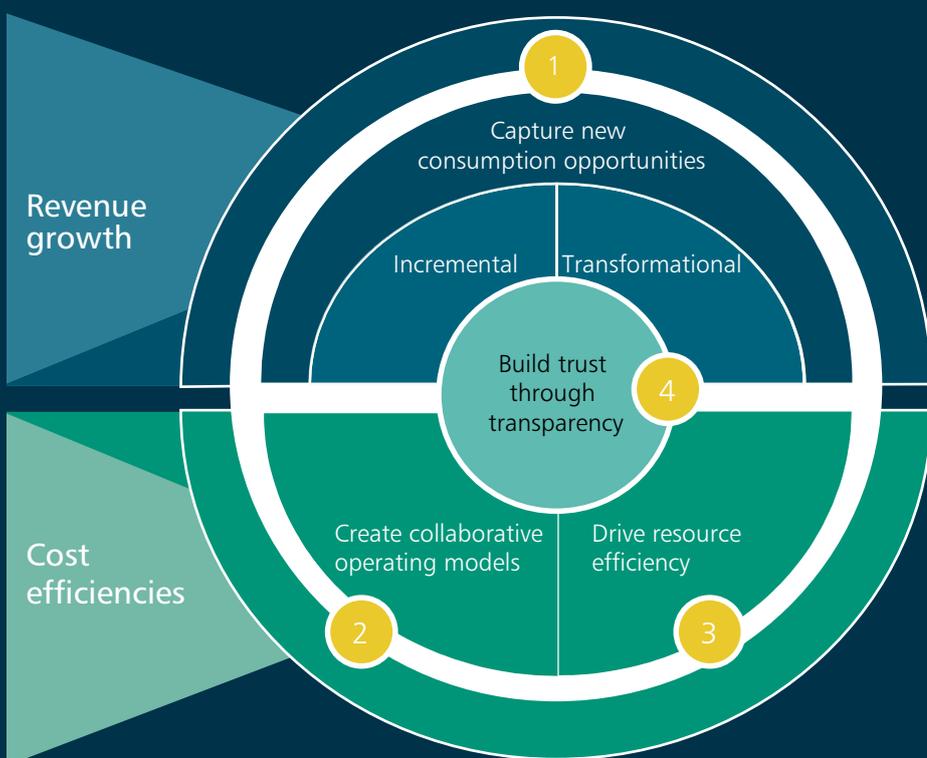
By focusing on sustainability, the ability of organisations to maintain profitable growth whilst ensuring a positive social, environmental and economic impact, we believe businesses in Africa can unleash a new wave of economic growth and significantly enhance social development.

Based on our discussions with African CEOs and relevant research, we identified four high-priority areas of opportunity that can unlock the continent's potential by changing how businesses engage with customers, society and the environment.

This will have significant commercial benefits, and ultimately usher in a more dynamic African economy, in which profitable growth is enhanced and performance on development issues is improved.

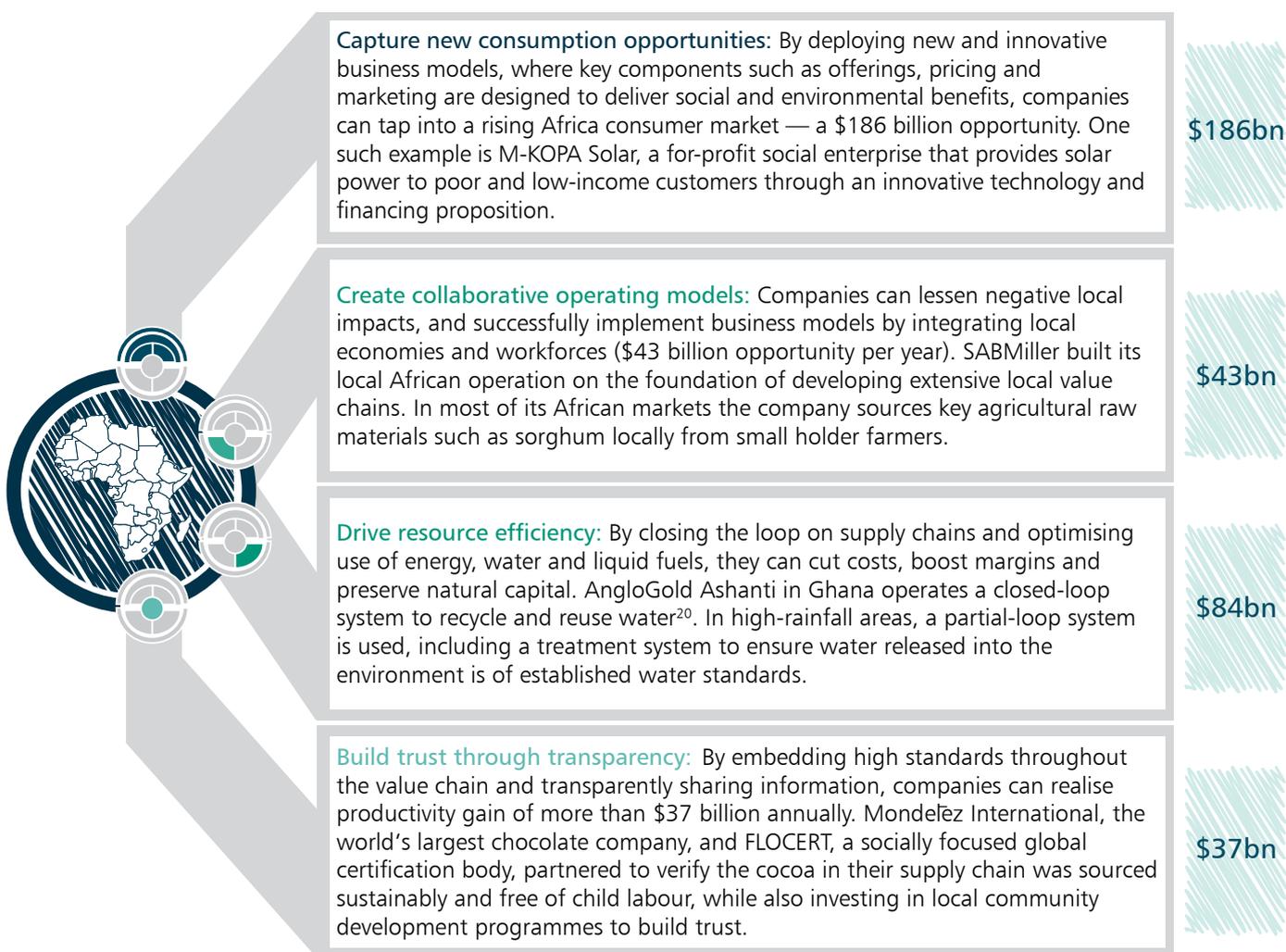
This chapter explains the four areas in detail, highlighting the size of the opportunity for businesses in Africa as well as the broader socio-economic and environmental benefits.

Figure 5: Opportunities framework



## African businesses are looking at a \$350 billion-a-year opportunity spread out across four areas

Figure 6: Areas of opportunity



## Consumer-driven industries

Three consumer-driven industries — manufacturing, retail and agriculture — have the greatest potential for innovation, capturing nearly two thirds of the overall market opportunity.

Figure 7: Sector opportunity breakdown



### Manufacturing

Manufacturing (consumer goods as well as complex manufacturing) currently accounts for just 9 percent of Africa's GDP, but the industry could capture more than 29 percent of the overall opportunity in question (**\$101 billion**) by targeting the new consumer class and realising efficiencies in core operations.



### Agriculture

Agriculture is a staple industry across Africa, employing over 80 percent of the population in some African countries. This sector can play a key role in innovations that increase land productivity as well as future revenue growth, representing 20 percent of the opportunity (**\$70 billion**).

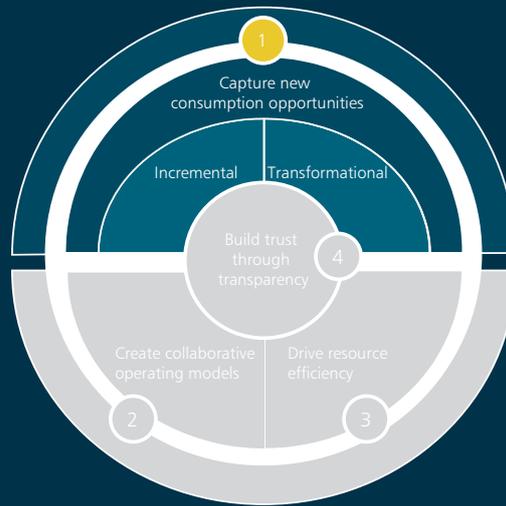


### Retail

The retail sector offers a key growth opportunity for tapping into the lower-income segments of the African population, representing about 14 percent of the overall opportunity (**\$48 billion**), while the existing store footprint has significant potential for unlocking resource efficiencies.

Other sectors to watch include construction (\$39 billion), finance (\$34 billion), transport & telecommunications (\$30 billion), mining (\$23 billion) and utilities (\$5 billion). Together, these sectors contribute the other 37 percent of the opportunity.

# 2.1 New consumption opportunities



## Challenge

While Africa’s natural resources are important, alone they cannot give it a permanent boost. Commodity markets are notoriously fickle and un-beneficiated markets are also extremely vulnerable to exchange rate fluctuations. The true test of progress will be whether the continent can create a body of consumers big enough to sustain broad economic expansion in the service and manufacturing sectors.

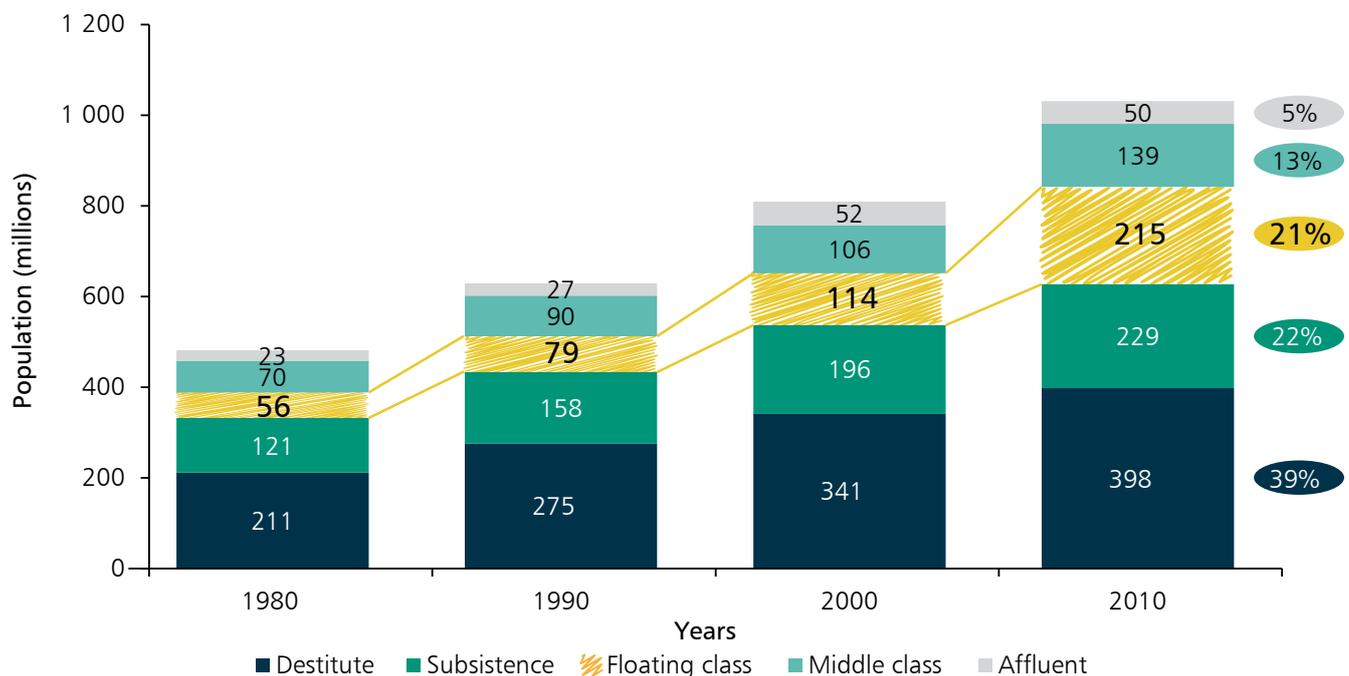
The good news is that this is already under way. On current trends, 1 in 4 of the world’s population will be African

within 35 years, rising to 4 in 10 people by the end of the century<sup>21</sup>. The middle class, which earns \$4 to \$20 per day, currently stands at 13 percent. This grouping already has discretionary income into which companies can tap<sup>22</sup>. However, we believe the real opportunity is in the 21 percent floating class — barely out of poverty on earnings of \$2 to \$4 per day. This grouping is highly vulnerable due to lack of market access, but if a suite of business employment and product offerings (particularly for financial services and consumer goods) can protect the emerging floating class it will unlock significant market liquidity.

Demand is growing rapidly among this rising African consumer, particularly for products and services that meet long-standing needs in innovative new ways. Household expenditure rose by \$317 billion between 2000 and 2010, and will grow by another \$476 billion by 2020<sup>23</sup>.

Significant opportunities will arise out of the needs of this fast-growing group, for safe and reliable access to water, food, housing, energy, transportation, healthcare, finance and more.

Figure 8: Africa consumer evolution: the growth of the floating class<sup>22</sup>



## Solution

Products that offer social and environmental advantage, but are offered at premium prices, are unlikely to achieve the scale in Africa that they have in the developed world. Tapping into a consumer market with individual earnings of just a few dollars a day will require companies to build business models to reflect the realities of African markets.

At their core, these models must be underpinned by low-margin products sold at high volumes. Africans, like other consumers, value quality and brand, and the companies that succeed will be those whose products and services are priced right, address core needs and minimise their environmental impact.

Most companies that enter African markets recognise it is not business as usual. While they once saw development issues as risks to be managed, many now see them as sources of innovation, driving growth and profitability. Others prove that by establishing themselves early on in growth markets they can strengthen their supply chains, enhance their innovative capabilities and improve their reputation.

Yet others are hesitant to plunge in, and those that do so are finding the going tough. Despite the hype and untapped depths of opportunity, few multinationals have successfully built sizeable businesses. Some have optimistically taken on challenging projects, only to be surprised when weak consumer demand and obstacles including bad infrastructure keep revenues low and costs high.

Frequently, their prices are too high and their usual supply chains, production methods and delivery systems present formidable hindrances. Overstretched and disillusioned, many switch gears and reconstitute their ventures as short-term corporate social responsibility investments that are destined to remain small.

How to overcome these extensive challenges? Firstly, companies can undertake incremental improvements to revamp existing offerings. Consumer cash flow is often overlooked in the quest to target the lower-income class — repackaging offerings into small amounts is a well-known way to overcome this challenge, as is using credit (when available) to reduce up-front payments and accepting smaller payment instalments.

To find a profitable way to make its products available and affordable for lower-income Africans, MTN was one of the first companies to offer lower denominations when selling airtime, reflecting the low and unpredictable income of many African consumers, while leveraging innovative informal community networks to distribute airtime cards. Through such innovations MTN has been able to capture a significant proportion of the low income African consumer segment, which is a critical entry point to the African market<sup>24</sup>.

Alternatively, companies can fundamentally change tack and innovate in a transformative manner, disrupting the current market. The most encouraging business model innovations for lower-income segments manage to surmount multiple barriers at the same time.

Led by Ludwick Marishane, Headboy Industries saw a unique gap in the African market for DryBath, a gel that does all the work of a bath without the need for water. For people with indoor plumbing this sounds like useful camping gear, but for millions of Africans who do not have access to clean running water, it is more of a critical hygiene solution than a tool of convenience<sup>25</sup>.

Clearly, while the perception exists that this new consumer isn't worth the business disruption, innovative companies are overcoming the obstacles.



Everyone aspires to a better life... if you look at the unsatisfied needs of people across the continent, you can find solutions to help them – there is your business. The opportunities are limitless.

– Guillaume Roux, Country Chief Executive Officer Nigeria and Benin Republic, Lafarge

By focusing on sustainability, we can innovate our products, drive down costs and reduce our risks.

– Herbert Wigwe, Group Managing Director, Access Bank Plc

It is about the evolution of the business model to reach more and more people, further and further down the pyramid.

– Ramil Burden, Vice President, Africa & Developing Countries, GSK



## Size of the prize

The rewards are great. A recent United Nations Global Compact report found that revenue from sustainable products range between 7 percent and 40 percent for companies across a wide range of sectors<sup>26</sup>.

Accenture and NBI developed a detailed economic model for Africa that allows us to track the effect of these percentages for each sector in Africa. The model produced a wide range between conservative and aggressive benefit scenarios. If we take the lowest end of the benchmark range for African companies (7 percent), this translates into an estimated \$186 billion per year in revenues<sup>27</sup>.

An extreme example, DuPont reported 9.8 percent overall revenue growth from 2007 to 2011, while its portfolio of “sustainability-advantaged” products grew 5.5 times that rate, and now makes up 30 percent of DuPont’s total revenue<sup>28</sup>.

Though low income consumers (subsistence and floating) offer a significant opportunity in terms of their sheer volume, the middle and affluent classes provide the best opportunities for differentiation and market share. At the lower end we see innovative models overcoming basic access barriers (e.g. Kenyan mobile money transfer solution M-Pesa), while more affluent consumers leave room for very different product options, allowing companies to compete on brand and price differentiation.

The opportunity is not only for consumer-facing sectors. We are seeing increasing demand for business-to-business offerings, such as green buildings in markets where energy availability and efficiency are concerns. Healthcare group Netcare will spend ~\$160 million to expand facilities during its 2015 financial year in expectation of strong demand for hospital services. The group has also secured a ~\$41 million loan from Nedbank and the French Development Agency to convert 35 of its 50 hospitals to solar power. It expects the conversion to solar to deliver ~\$80 million in saved costs over 10 years<sup>29</sup>.

## Impact

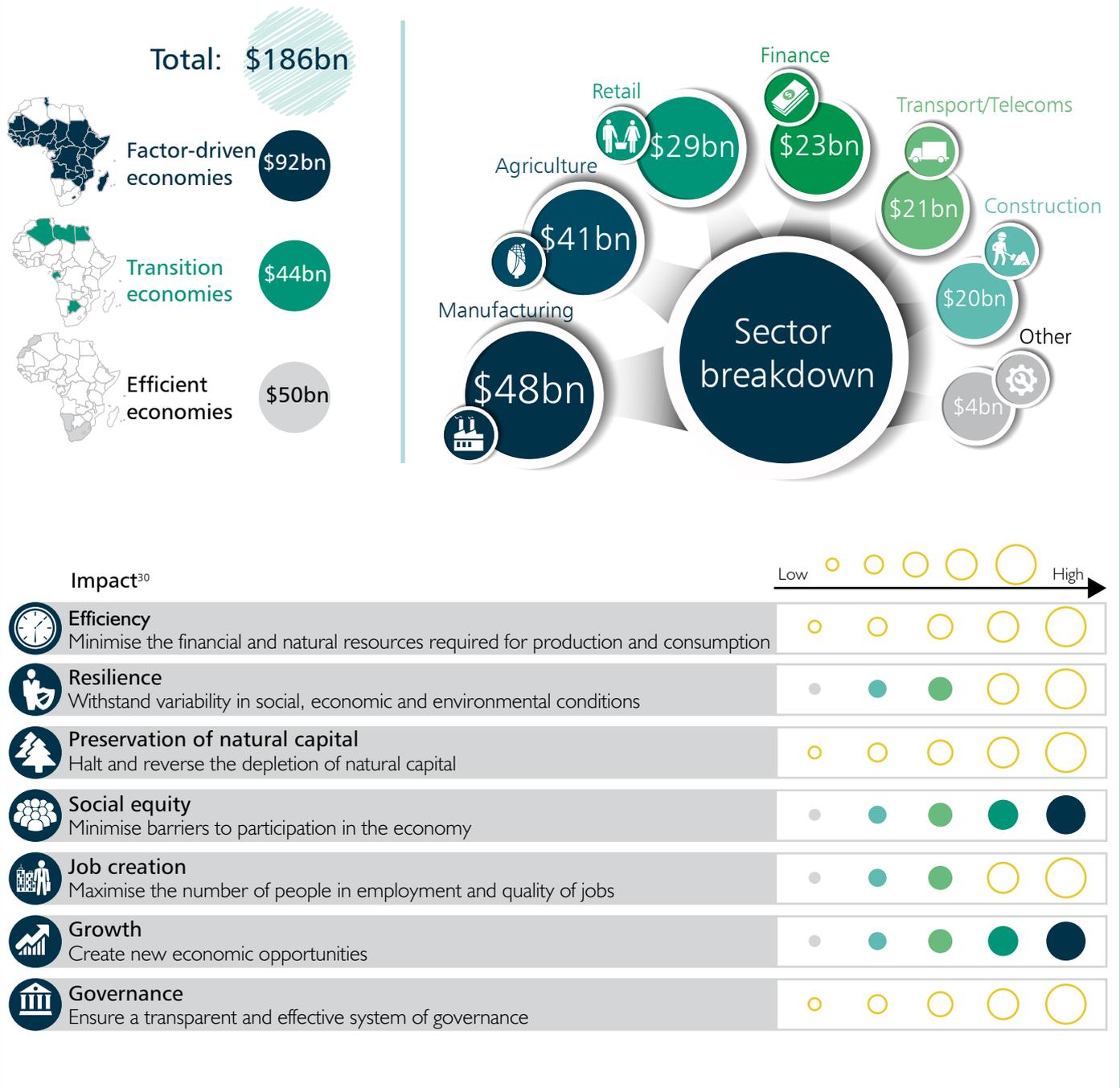
The NBI has published a set of principles that describe high functioning economies. The project team are conscious that not all opportunities can be quantified in terms of dollar amounts. Hence each opportunity category has been assessed against these 7 high level principles.

Scaling new solutions can result in significantly increased access to products and services that can drive development. Increased trade in solutions that address a critical market gap can, for example, give lower-income groups better access to products and services that fulfil basic needs such as food, clean water, education and access to healthcare.

It may also increase their productivity, create better opportunities to earn income and boost their self-confidence and sense of security. Another impact is job creation — new business models often require new entities and employment from within local communities, in order to sell or distribute the products and services, facilitating job and wealth creation.

Increased incomes also help protect vulnerable populations from extreme economic or environmental shocks, improving the resilience of small businesses and communities to stay in business. These impacts ensure more stable, resilient markets that have a far greater proclivity for growth.

Figure 9: New consumption opportunities: business value and development impact



# Case study – Safaricom

More than a billion people in developing countries have a mobile phone but not a bank account.

Safaricom and Vodafone built M-Pesa, a mobile money transfer application. For a distribution channel it franchised small stores as agents, bringing convenience to money transfer and receipts. Used by more than 19 million Kenyans in 2014 and channelling more than 40 percent of Kenyan GDP, the service is the most successful scheme of its type on earth<sup>32</sup>.

M-Pesa has considerable additional cross-sector growth opportunities and provides a platform for new product and service innovation such as M-KOPA. In addition, it has spawned a host of start-ups in Nairobi, whose business models build on M-Pesa's foundations<sup>33</sup>.

From a development perspective, one study found that rural Kenyan households that adopted M-Pesa have experienced income increases of 5 to 30 percent<sup>31</sup>.

## Business benefits

- 1** Customer reach  
A cellular network service with an effective mechanism for scaling quickly.
- 2** Customer penetration  
A core value proposition ensuring clients use the services as well as the phone.
- 3** Volume margin  
Extremely small per-user revenue vs significant overall transfer volume.

## Development impact

- 1** Job opportunities  
The creation of an agent network that can accept and disburse money.
- 2** Financial inclusion  
Taking financial services to the unbanked and providing new means to transfer money across long distances.
- 3** Economic resilience  
Brings trust and stability to the economy, as shown during 2008 election violence when there was a risk of not being able to access the traditional banking system.



# Case study – Access Bank

Globally, women face disproportionate barriers to financial access, preventing them from participating in the mainstream economy. In Nigeria, women are 20 percent less likely than men to have an account at a financial institution or have access to loans, savings, digital payment methods or insurance.

To open up access to banking services for women, alongside a range of lifestyle-oriented benefits and privileges, Access Bank Plc recently unveiled the 'W' initiative, offering women and their families a comprehensive range of loan and credit facilities, advice and seminars, promotions, children's savings facilities and health support.

The scheme also provides an opportunity for rewarding and developing female entrepreneurs and achievers. A mentoring programme sees women help others grow their businesses<sup>34</sup>.

## Business benefits

- 1** Increased client base  
Banking a sizeable unbanked segment.
- 2** New product offerings  
Opportunity for new revenue streams.
- 3** Brand awareness  
Extends Access Bank's brand beyond its existing base.

## Development impact

- 1** Improvement in livelihood  
Improved livelihood and living standards of the female target market and their communities.
- 2** Financial inclusion  
Families manage cash flows better; credit boosts earning power of businesses.
- 3** SME support  
Builds capacity of women-owned small and medium enterprises through training and networking platform.



# Case study – M-KOPA

M-KOPA Solar, a for-profit social enterprise, provides solar power to poor and low-income customers through an innovative technology and financing platform. In two years, the company has connected more than 180,000 homes in Kenya, Tanzania and Uganda.

People without electricity or with intermittent power supply can have a \$200 M-KOPA solar panel unit installed, consisting of a solar system with three lights (provided by a third party), phone charger and solar-powered radio.

Easy payment terms encompass a \$35 upfront payment, with the rest paid off over the course of one year. Payments are enabled by M-Pesa. The unique financing model makes it affordable even for people living on less than \$2 a day. To date, the company reports that 94 percent of its customers pay off their loan on time and in full<sup>35, 36</sup>.

## Business benefits

- 1 Collection reliability**  
An effective collection platform with a high collection rate.
- 2 Growth**  
\$10 million revenue in first year; \$50 million and \$100 million projected for 2015 and 2018<sup>37</sup>.
- 3 Scalability**  
Over 180,000 units installed in Kenya, Uganda and Tanzania.

## Development impact

- 1 Affordability and savings**  
Affordable power to thousands of households.
- 2 Education**  
92 percent of M-KOPA customers report that their children's ability to study has improved.
- 3 Job creation**  
500 staff and provides a livelihood for over 1,000 field based agents.





Investing in sustainability in this market is crucial — not only for our own strategic positioning, but also for our survival and growth.

– Dr. Lazarus Angbazo, President and Chief Executive Officer, GE Nigeria

Our focus on sustainability is not just saving us money; it is resulting in new products and new markets.

– Michael Brown, Chief Executive Officer, Nedbank Group Limited

We need to think creatively, invest in R&D and innovate to solve some of the world's challenges. This presents a huge commercial opportunity.

– Sizwe Nxasana, Chief Executive Officer, FirstRand Limited



# 2.2 Collaborative operating models



## Challenge

When expansion of economic opportunity, enhancement of productivity and revenue growth are not enough to overcome entrenched social, environmental and governance challenges, companies must consider collaborative operating models enabling the customer proposition, bolster productivity while uplifting the wellbeing of communities.

Although we are seeing huge growth opportunities in the floating and middle classes, Africans living in extreme poverty today are as poor as those living in extreme poverty 30 years ago. From 1993 to 2008 the average per-capita income of sub-Saharan African (SSA) economies barely increased — from \$742 to \$762 per year (measured in 2005 purchasing power parity-adjusted dollars)<sup>38</sup>.

In such conditions the quality of growth — its composition and equity — is as important for alleviating systemic development challenges as growth for growth's sake<sup>39</sup>. Business leaders need to appreciate the link between societal benefit and long-term economic value, and that they themselves have a critical role to play in alleviating these challenges where their businesses operate.

There is no alternative. Extractives companies are losing billions to unrest despite extensive community relations programmes. In Nigeria, disruptions to pipelines lowered oil production by 18 percent between 2005 and 2008. Strikes at platinum mines in South Africa have significantly reduced production. The South African share

of global platinum supply decreased from 51 per cent in 2003 to 39.8 per cent in 2013<sup>40</sup>. Without effective collaboration with governments, communities and industry peers, companies risk working in an environment where interests are not aligned and challenges are frequently encountered.

Figure 10: Key stakeholder groups



## Solutions

Achieving competitive advantage increasingly requires an optimal mix of strategic advantage, quality, flexibility, and cost. In Africa, this requires thinking through ways in which business operations interact with key stakeholders e.g. local communities, governments, NGOs, SMEs and other industry partners. Fundamentally, it is about viewing the business both from an organisational and a stakeholder perspective.

In short, alleviating systemic social challenges requires direct integration of the low-income population — as entrepreneurs, suppliers, distributors, retailers, employees and consumers. This allows firms to reduce input costs while increasing flexibility, local integration and access to local knowledge, while also spurring growth in local SME sectors.

From an internal perspective, companies must ensure well-managed operations (e.g. develop safety, labour and environmental standards, a respect for human rights and gender diversity, and inclusiveness in the workforce). It also means ensuring effective supply chains, by holding suppliers to certain standards and ensuring sound management and development.

Companies can achieve integration firstly by establishing deeper linkages downstream and upstream to involve local communities and SMEs into larger supply chains. SABMiller's Farming Better Futures programme generates inclusive growth by encouraging local sourcing of agricultural raw materials from smallholder and commercial farmers.

SABMiller currently works with more than 20,000 farmers across Africa<sup>41</sup>.

Secondly, organisations can set about improving the health and living standards of local communities and employees: employers need a healthy, educated talent pool. Discovery Health introduced a 'fourth bottom line reporting' initiative — reporting on employee health metrics as a critical data point for decision-making — both for ethical reasons and for its significant impact on the bottom line<sup>42</sup>.

Finally, companies can deploy mechanisms to identify social issues in their supply chains and adopt responsible sourcing methods. In 2011, Unilever sourced 24 percent of its agricultural raw materials responsibly. The company's target is to source 50 percent of its raw materials responsibly by 2015 and 100 percent by 2020<sup>43</sup>.



As a major retailer, we have the power to really help improve people's lives. We can provide access to quality products at low prices, we can influence our suppliers to improve their sustainability performance and we can encourage our customers to make environmentally friendly purchasing decisions.

- Guy Hayward, Chief Executive Officer, Massmart

This level of transformation demands a shift in thinking, ways of working and delivering services, as well as comprehensive investments in new types of skills.

- Sifiso Dabengwa, Group President and Chief Executive Officer, MTN

We need a mind-set shift in Africa. Sustainability is not a CSI initiative, it has to be a fundamental part of the business model.

- Peter Cowan, Chairman, Unilever South Africa



## Size of the prize

Collaborative operating models hold value for businesses through lower input costs, reduced risks and higher employee productivity.

There is a three-sided prize:

Firstly, there is the direct cost benefit of savings resulting from enhanced productivity, improved employee retention, switching to more cost-effective local suppliers, and outsourcing. Research studies show that local content programmes, in which the local workforce is upskilled and local small businesses are integrated into the supply chain, have resulted in cost savings of 5 percent to 15 percent of wages, whilst raw material cost inputs can be reduced by 1 percent to 3 percent<sup>44</sup>.

Secondly, supporting a stronger and healthier workforce and supply chain may have a direct impact on the resilience of companies' operations and also bolster trust, brand and loyalty by customers.

Lastly, collaborative operating models can play a key role in reducing overall organisational risk by securing long-term value for shareholders and protecting the licence to operate, thereby reducing the chance of community disputes.

When applying these conservative cost savings, our model reveals a \$43 billion potential annual cost saving opportunity. Sectors in which collaborative partnerships can have significant impact include manufacturing, due to its track record of creating large-scale job opportunities (e.g. Coca-Cola Micro Distribution Centres and SABMiller's

Farming Better Futures programme) and mining — particularly in cases where large new deposits are discovered (e.g. Mozambique's natural gas).

## Impact

The benefits from collaborative operating models can be long-lasting and fundamentally improve socio-economic outcomes for Africans.

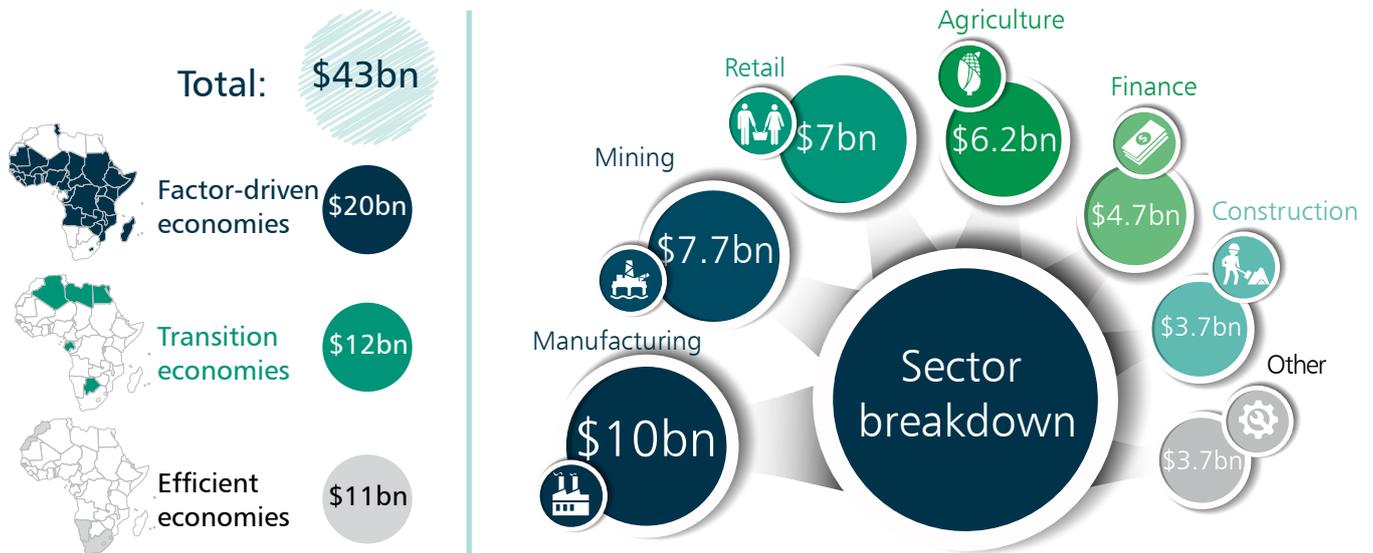
When organisations run integrated procurement and distribution networks, local businesses strengthen their capacity, increase profits, hire more people and pay better wages — all of which will improve the social equity of communities at large while elevating the new floating/middle class.

For many employees, their employer's commitment to pursuing social goals strengthens their identification with the company.

Having employees work in a collaborative operating environment can also be beneficial for job satisfaction and management training purposes.

In addition to economic opportunities, collaborative operating models can have an impact on natural resource efficiency. As suppliers get stronger, their environmental impact often falls dramatically, a fact that further improves their efficiency.

Figure 11: Collaborative operating models: business value and development impact



Impact<sup>45</sup>

Low High

Impact	Low				High
<b>Efficiency</b> Minimise the financial and natural resources required for production and consumption					
<b>Resilience</b> Withstand variability in social, economic and environmental conditions					
<b>Preservation of natural capital</b> Halt and reverse the depletion of natural capital					
<b>Social equity</b> Minimise barriers to participation in the economy					
<b>Job creation</b> Maximise the number of people in employment and quality of jobs					
<b>Growth</b> Create new economic opportunities					
<b>Governance</b> Ensure a transparent and effective system of governance					

# Case study – Coca-Cola

In Africa, Coca-Cola uses a wide and diverse range of distribution methods. In urban and peri-urban areas, where a large proportion of retail outlets are small neighbourhood concerns or one-person kiosks, the company works with small-scale distributors to deliver products to small-scale retailers.

This approach is called the Micro Distribution Centre (MDC) model<sup>47</sup>. MDCs are independently owned, low-cost manual operations created to service emerging urban retail markets, where classic distribution models are not effective or efficient. This model identifies and uses independent entrepreneurs, providing business training and sometimes financing, to become an MDC owner.

In Africa, more than 3,400 of these small MDC businesses employ over 19,000 people directly. More than 800 MDCs are owned by women and an additional 850 are co-owned by women. These numbers are growing rapidly in North and West Africa, and particularly in Nigeria and Ghana, where over 70 percent of the micro distributors are owned by women. In Ethiopia, MDCs account for 80 percent of Coca-Cola's sales<sup>46</sup>.

## Business benefits

- 1** Increased reach  
Facilitates delivery in "road-poor" settings.
- 2** Less inventory  
MDCs can make frequent small deliveries to retailers that are close-by.
- 3** Customer service  
Retail outlets run less risk of running out of supply than under the old model.

## Development impact

- 1** Job opportunities  
Helps create business and job opportunities in the formal sector.
- 2** Women empowerment  
MDCs have created African business opportunities for nearly 1,650 women.
- 3** Skills development  
Coca-Cola, MDC owners and employees all consider training and technical assistance to be a highly important element.



# Case study – SABMiller

The 'Eagle Project' in Uganda is SABMiller<sup>47</sup> Africa's most established smallholder sourcing programme, demonstrating the commercial, economic and wider social benefits of an effective, responsible supply chain.

The project originated in 2002 when SABMiller's subsidiary Nile Breweries launched 'Eagle' to jumpstart a market in which beer was unaffordable to most people. SABMiller decided to source raw materials including sorghum locally, to create more affordable products.

The project was initially met with some scepticism, but it has since grown to encompass around 20,000 farmers. Starting out with a single brewery, Nile Breweries today has two breweries, with the addition of another in Mbarara, western Uganda in 2013. The company supports 180,000 jobs in Uganda. With a direct workforce of around 1,000, this represents a multiplier effect of 180<sup>48</sup>.

## Business benefits

- 1** Crop yield  
Production of higher-yield sorghum through local management.
- 2** Lower costs  
Significantly reduced costs resulting in low-cost beer attuned to local market.
- 3** Market growth  
Market growth of 60 percent in Uganda and 15 percent in Zambia.

## Development impact

- 1** Community reach  
Over 20,000 farming families involved in the Eagle Lager value chain.
- 2** Income growth  
Average farmer income has doubled.
- 3** Social equity  
Provides new value chain job opportunities and future industry growth.



# Case study – Barclays

Most Ghanaians — especially the poor — do not have access to banks, credit unions or similar financial institutions. Many individuals, micro enterprises, and traders prefer to engage with informal mechanisms like Susu collectors. Based largely in Ghana and Nigeria, they are traditionally trustworthy people in the community who visit clients on a regular basis (often daily), collecting very small deposits over the course of a month.

Popular for its informal, low-bureaucracy arrangement of mobilising savings deposits from clients, Susu meets important development needs. It is served by 4,000 Ghanaian operators collecting instalments from about 200 to 850 clients a day.

Barclays Bank of Ghana embarked on an unconventional initiative to connect modern finance with Susu collection in the country. They created a specific account for Susu collectors to deposit their funds and provided them with loans of their own, which they can 'lend-on' to their customers, helping them build their capital. Barclays has also been running an innovative programme in partnership with CARE to improve access to finance through village savings and banking groups<sup>49</sup>.

## Business benefits

- 1 Financial awareness**  
Collectors and consumers get finance education, increasing their engagement with Barclays.
- 2 Cost reduction**  
Leveraging a mobile network, the cost of setting up branches is mitigated.
- 3 New markets**  
\$3.4 million pounds deposited and 188,000 in loans granted during 2006 to 2007.

## Development impact

- 1 Job opportunities**  
Over 4,000 jobs were created in the first year through linkages with local collectors.
- 2 Women empowerment**  
Most Susu collectors' clients are women.
- 3 Access to finance**  
Engaging a larger proportion of Ghanaians, providing links with financial institutions.





By developing the skills of our local suppliers we can help achieve our own business objectives, while also having a significant impact on increasing local employment and supporting growth.

– Ian Moir, Group Chief Executive Officer, Woolworths Holdings Limited

You can't expect consumers to fall in love with the company or the brand if you don't mirror the environment in which you are operating.

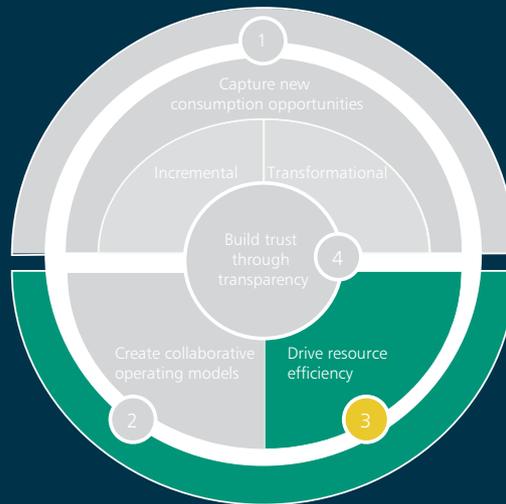
– Therese Gearhart, President of the South Africa Business Unit, The Coca-Cola Company

As business, we should invest in those initiatives that foster real meaningful change in the communities in which we operate.

– Aliko Dangote, President and Chief Executive Officer, Dangote Group



# 2.3 Resource efficiency



## Challenge

Will the growth that Africa so desperately needs come at the cost of plundered natural resources? The world already uses 1.5 planets' worth of resources. Moderate United Nations scenarios suggest that, if current global population and consumption trends continue, by the 2030s we will need the equivalent of two earths to support us<sup>50</sup>.

In Africa we see a similar pattern. The ecological footprint of all African countries increased by 240 percent between 1961 and 2008. The continent will exceed its carrying capacity for the first time in 2015<sup>50</sup>. This is likely to increase rapidly as the global demand for resources increases. Moving into ecological deficit will make it harder to maintain existing living standards and access to resources - this is already evident in the energy and water landscape in several African regions.

The 49 countries making up Sub-Saharan Africa (SSA) have a combined population of approximately 1 billion, but generate only about the same amount of power as Spain (population 45 million<sup>51</sup>). This has a direct impact on economic growth. In South Africa the current electricity shortages are estimated to cost the economy between \$2 billion and \$8 billion a month<sup>52</sup>. Africans' famed resourcefulness has ensured that business has gone ahead despite the lack of power, but at considerable expense. Businesses are

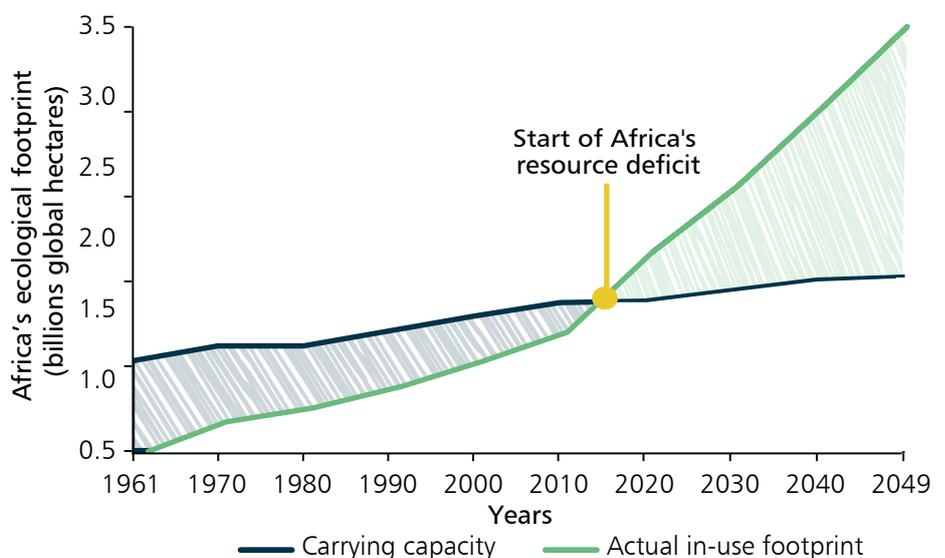
required to own their own generators, while those that cannot are extremely vulnerable. In addition, the price of fixed-line electricity is increasing rapidly, driving a need for greater efficiency.

These access challenges have a significant impact on the daily lives of Africans too. In SSA, over 80 percent of the population remains dependent on solid fuels such as charcoal, dung, fuelwood, and other biomass for cooking purposes<sup>53</sup>. As a result, Africa's forests now face a severe threat: 4 million hectares of forest are being lost per year<sup>54</sup>. It also poses significant health issues for citizens

and employees. Exposure to indoor air pollution from incomplete combustion of biomass fuel accounts for nearly 500,000 premature deaths annually in SSA<sup>55</sup>.

In addition to energy, the continent faces extreme water stress. More than 40 percent of all people without access to safe drinking water live in Africa<sup>56</sup>. This is exacerbated by climate change. Water in the region is not only scarce but also of exceptionally poor quality. Almost half of all Africans suffer from water-borne diseases, with cholera and infant diarrhoea the most frequently occurring sicknesses<sup>57</sup>.

Figure 12: Africa's carrying capacity vs. actual in-use footprint<sup>50</sup>



## Solutions

When resources are abundant and inexpensive, the current “linear” approach to satisfying demand — exemplified by an economy built on the principles of “take, make, waste” — can be very successful. But we are fast approaching a point at which it is no longer viable; where, due to rising global affluence, resource availability can in many cases not keep up with demand.

Accenture research shows that, unless current trends are reversed, resource supply disruptions coupled with rising and increasingly volatile prices will in the next two decades result in trillion-dollar losses for companies and countries whose growth remains tied to the use of scarce and virgin natural resources<sup>58</sup>.

The alternative is to improve resource efficiency through concepts like the “circular economy”, which decouples growth from the use of scarce resources through disruptive technology and business models based on longevity, renewability, reuse, upgrade, refurbishment, repair, capacity sharing and dematerialisation. Resource efficiency can provide economic opportunities and growth potential for African economies, while ensuring the longevity of the private sector by lowering the cost of operation.

To realise the potential opportunity, companies will increasingly have to work together to effectively manage resources across value chains. Governments will also need to play a crucial role in ensuring the right enabling environment (e.g. incentives and penalties) to make circular models a reality in Africa.

Circular economy models notably include using only “lasting” resources, i.e. inputs that can be reused continuously, to break the link between scarcity and economic activity. South African Breweries (SAB), the South African subsidiary of SABMiller, sells more than 85 percent of its volume in a closed-loop returnable bottle system. Changing this into a one-way packaging and distribution system would require a typical country’s glass output to double, just to cater for the increase in demand for beer bottles<sup>59</sup>. In addition, Coca-Cola introduced PlantBottle™ packaging — the first ever recyclable PET plastic beverage bottle made from renewable plant-based materials. The use of PlantBottle™ packaging since its launch has eliminated the equivalent of more than 140,000 metric tons of carbon dioxide emissions from the company’s PET plastic bottles<sup>60</sup>.

In addition, more “liquidity” can be created in markets by making products and assets more accessible and easy to convert between industries and users. Kenya’s 8 million slum inhabitants are forced to rely on unsanitary “flying toilets” (plastic bags are used instead of toilets). An innovative low-cost latrine from Sanergy is now sold to entrepreneurs for \$600. Entrepreneurs charge minimally per use, and collect waste daily for conversion into organic fertiliser, to be sold to farms. As Sanergy grows, the biogas will be combusted to generate electricity, which will be sold directly to the national grid<sup>61</sup>.

And thirdly, companies can focus on reducing the amount of scarce energy, water and liquid fuels used in daily operations. The NBI Private Sector Energy Efficiency (PSEE) programme works in partnership

with business to improve energy efficiency in South Africa’s industrial and commercial sectors. Working with over 30 large, 400 medium and 1,500 smaller companies, the PSEE has identified over 1,000 energy saving opportunities. It is estimated that implementing these opportunities can yield total annual energy spend savings of up to ~\$70k and \$4m for medium-sized companies<sup>62</sup>.



You can operate at global standards in Africa if you get the mind-set right. One of the most efficient breweries in the world is in Southern Tanzania, run exclusively by locals.

– Mark Bowman, Managing Director, SABMiller Africa

We have been able to significantly reduce our resource consumption and cost by investing in sustainable technologies.

– André de Ruyter, Chief Executive Officer, Nampak Limited

Access to reliable power is a major challenge for businesses across Africa. This has resulted in the need to explore efficient, cost effective, and sustainable power sources.

– Tony Dolton, Chief Executive Officer, Unitel Angola



## Size of the prize

Implementing resource efficiency models to become less reliant on key resources like water, energy and core production raw materials can unlock \$84 billion in savings (conservatively).

From an operational perspective, cost reduction is one of the major business drivers for implementing resource efficiency programmes and clean technologies such as renewable energy.

Studies reveal that the average firm can expect sizeable savings in energy and resource consumption from such programmes — 8 percent to 10 percent in raw materials, 5 percent to 35 percent in energy, and 5 percent to 21 percent in water<sup>63</sup>.

Beyond direct cost savings, efficiency initiatives can also lead to substantial “regulatory” savings, for example through reduced disposal costs (such as landfill taxes) and carbon tax liabilities, as well as reduced risk of regulatory fines, which can be crippling.

Also of critical importance is the reduction in risk made possible by decoupling business growth from a dependence on resources, which can lessen companies’ exposure to price volatility, reduce their reliance on finite resources and advance their readiness for future regulatory changes.

Most of the opportunity (40 percent) resides in the manufacturing sector, due to its intensive use of raw materials and inputs such as energy and water in the production process.

## Impact

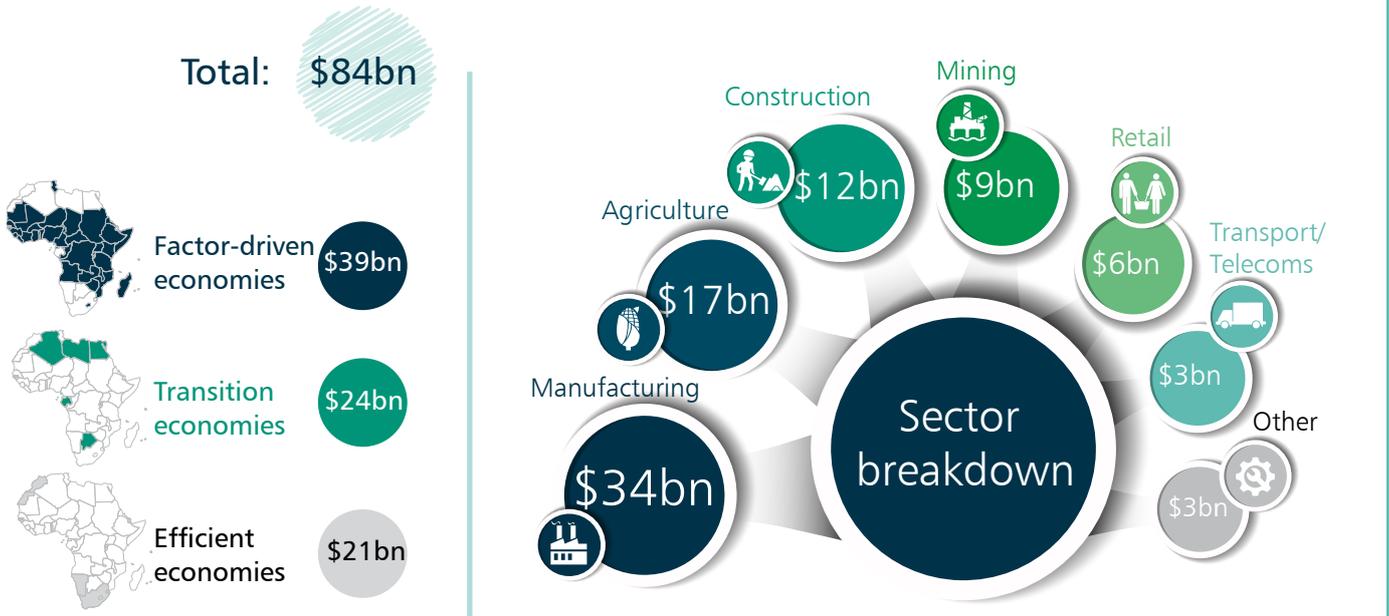
Culling waste from the industrial chain through reuse of materials cuts production costs and resource dependence.

Resource efficiency innovations can create new approaches in resource utilisation e.g. water, raw materials and packaging); expand recycling and reuse; and reduce the impact on the African ecological footprint.

Indirect benefits from clean technology and resource efficiency include less airborne pollution (killing more than 500,000 people in Africa annually) and improved social equity, allowing for more healthy Africans participating in the economy.

Resource efficiency will deliver greater local employment, mainly in entry-level and semi-skilled jobs, hence improving social equity for the marginalised population while also offering improved growth opportunities for SMEs.

Figure 13: Resource efficiency: business value and development impact



Impact<sup>64</sup>



<b>Efficiency</b> Minimise the financial and natural resources required for production and consumption	● ● ● ● ●
<b>Resilience</b> Withstand variability in social, economic and environmental conditions	● ● ● ● ●
<b>Preservation of natural capital</b> Halt and reverse the depletion of natural capital	● ● ● ● ●
<b>Social equity</b> Minimise barriers to participation in the economy	● ● ● ● ●
<b>Job creation</b> Maximise the number of people in employment and quality of jobs	● ● ● ● ●
<b>Growth</b> Create new economic opportunities	● ● ● ● ●
<b>Governance</b> Ensure a transparent and effective system of governance	● ● ● ● ●

# Case study – AngloGold Ashanti

Given the importance of water in AngloGold Ashanti's (AGA) mining and processing activities, it developed a global water security strategy. Based on feasibility and the environmental situation of individual operations, AngloGold Ashanti operates a closed-loop system to recycle and reuse water. In high-rainfall areas, a partial-loop system is used, including a treatment system to ensure water released into the environment is of established water standards.

Recognising the importance of clean and safe water to the communities it operates in, AGA further focuses on ensuring minimum disruptions to water access as well as improving water quality and quantity, evident in the reduction of its water out-take from rivers and construction of new drinking water plants.

Total water consumption for AGA's Continental Africa operation dropped from 20,203 ML in 2011 to 17,582 ML in 2014, whilst the total water use per tonne treated declined from 0.66 kL/t to 0.56kL/t<sup>65</sup>.

## Business benefits

- 1** Water security  
Adequate water for mining and processing where availability is critical.
- 2** Cost savings  
Saving through reuse and recycling of water.
- 3** Reduced environmental risk  
Standards-based water treatment cuts environmental and legal risk due to contamination.

## Development impact

- 1** Job opportunities  
Implementing water management systems in all operations boosts local jobs.
- 2** Less contamination  
Closed-loop approach ensures minimum toxins released in the form of toxic water.
- 3** Access to safe water  
Ensures community access to water and treatment of water before discharging.



# Case study – Hewlett-Packard

There are more mobile phones in Africa today than in America. If we get the disposal of e-waste wrong, the resulting e-waste is a toxic hazard. Done right, it can turn into a valuable resource.

HP in Kenya brought together a group of recycling experts, financiers, regulators and academics to develop a system for separating and dismantling e-waste. The system also had to ensure that Kenyans working on the project received a fair price for recovered materials.

The result is east Africa's first large-scale recycling facility, and Kenya's first ever registered collection network for e-waste. The micro businesses that do the collecting receive equipment and training to ensure they meet global standards, and have 40 collection points housed in shipping containers. Additionally, a network of collectors brings e-waste to the containers. Both are paid fairly.

By the end of 2014, the initiative will have created over 2,000 jobs in Kenya's e-waste management industry<sup>66</sup>.

## Business benefits

- 1 Cost reduction**  
Reuse of recycled materials in production, leveraging an IT system to trace items.
- 2 Brand awareness**  
HP positioned as a leader in development and won an award from *the Guardian*.
- 3 Network**  
The programme created a wide network of academics, consumer groups and government.

## Development impact

- 1 Job opportunities**  
New job opportunities for micro-entrepreneurs to collect waste across Nairobi.
- 2 Skills development**  
Collectors receive equipment and training on global waste management standards.
- 3 Waste reduction**  
Recycling a million mobile phones yields 24kg gold, 250kg silver and 9 tonnes of copper.



# Case study – Nedbank

Nedbank Group unveiled Africa's first ever banking branch that fully offsets its energy usage through renewable energy sources. The Nedbank Landsdowne Corner in Cape Town uses an innovative hybrid power installation, which harnesses solar and wind energy and converts it to standard mains electricity directly to the branch.

The system can supply the branch's full annual electricity demand of 70Mwh, equivalent to approximately six middle-income households in South Africa, ensuring that the branch's operations will now have little to no climate change impact, thanks to its vastly reduced carbon footprint.

Any excess production is allocated to shopping centre lighting, which is compliant with current legislation in that no energy is ever exported to the municipality grid. This model is indicative of how renewable energy can give communities access to resources where there are infrastructure constraints. When scaled it could have significant impact on the continent<sup>67</sup>.

## Business benefits

- 1 Cost reduction**  
Harnesses and converts solar and wind energy to standard electricity, reducing energy costs and emissions.
- 2 Brand**  
Provides platform to showcase the bank's development initiatives and builds customer loyalty.
- 3 Customer reach**  
Provides an effective model to extend banking services in areas with limited access to main-grid electricity.

## Development impact

- 1 CO<sub>2</sub> reduction**  
Lowers South Africa's total CO<sub>2</sub> equivalent tons of emissions by about 71 tonnes per year.
- 2 SME opportunities**  
Provides opportunities for local SMEs to maintain solar and wind installations.
- 3 Financial access**  
When scaled, it will enable banks to operate effectively in rural areas where grid electricity is limited.





When investing in Africa we have the opportunity to use technology to jump ahead and overcome a number of hurdles.

– Ramil Burden, Vice President, Africa & Developing Countries, GSK

There is a lot of unutilised capacity in energy, particularly power generation. This represents great potential for sustainable innovations

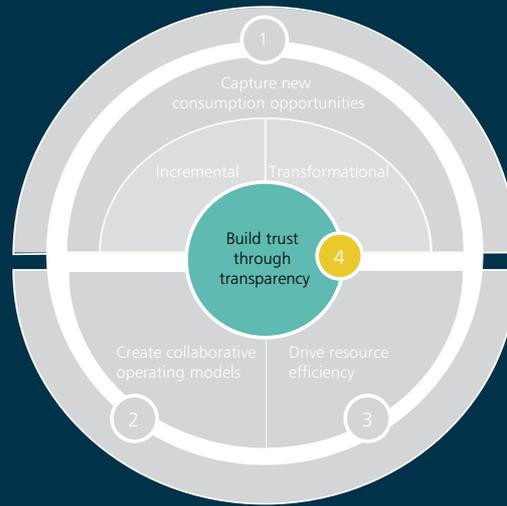
– Colin Coleman, Managing Director and Head of the South African Office, Goldman Sachs International

By focusing on reducing our environmental impact and adopting green energy practices we have been able to significantly increase our resource efficiency, reducing both our costs and our emissions.

– Joshua Oigara, Chief Executive Officer, KCB Bank Group



# 2.4 Trust through transparency



## Challenge

Trust may seem like a vague and intangible notion, but its value in Africa is decidedly real and concrete. Nothing is more fundamental to a healthy business than the belief by consumers, the public, investors, regulators, suppliers and governments that they are doing business with a trustworthy organisation. The underlying assumption is that an organisation will deliver on its promises and behave ethically, consistently and fairly. Trust, one might say, keeps the wheels of commerce rolling. But what do we really mean by trust? Trust in an organisation or brand — often deemed an emotional concept — is actually quantifiable and actionable. It is based on a consistent experience of competence, integrity, honesty, transparency, commitment and familiarity. It defines the quality and sustainability of stakeholder relationships. It builds shared value.

Trust is becoming an increasingly important issue with Africa becoming the world's next manufacturing hub as well as a key source of raw materials found in our everyday products. With domestic labour costs rising in Asia, many manufacturing producers are looking to relocate their factories to other parts of the world. Africa has a number of manufacturing advantages that it has yet to realise, including low labour costs, high-quality raw materials, as well as duty-free and quota-free access to US and EU markets for

manufactures under the Africa Growth and Opportunity Act as well as the Cotonou Agreement<sup>68</sup>.

But with this potential growth in supply chains and local operations come several risks, in particular the mismanagement of natural resources and the shadow of corruption hanging over the continent.

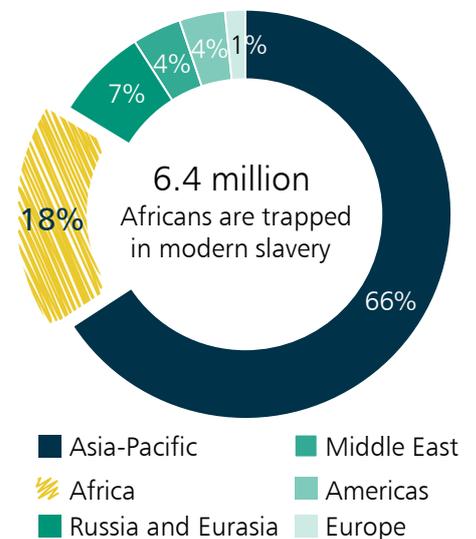
While public, private and social agencies commit large investments to help alleviate development challenges, corruption remains a major obstacle to achieving much-needed progress. According to the latest results in Transparency International's Corruption Perceptions Index, 92 percent of Sub-Saharan Africa countries still have a score of less than 50 per cent, which depicts a situation of endemic corruption.

According to the report, bribes and backroom deals in Africa don't just steal resources from the most vulnerable; they undermine justice and economic development, and destroy public trust in government and business leaders<sup>69</sup>.

In addition to corruption, the protection of labour rights remains low. Slavery is still rife on the continent, with 15 African countries occupying a place among the top 20 worst performers out of 162 nations<sup>70</sup>. More broadly, human rights concerns take many forms, including human trafficking, forced labour and other

slavery-like practices such as debt bondage, forced or servile marriage, and the sale or exploitation of children. It is estimated that more than 6.4 million people in Africa are trapped in slavery<sup>70</sup>. The continent also has the world's highest incidence of child labour.

Figure 14: Global prevalence of modern slavery<sup>70</sup>



## Solutions

Do companies really know what's lurking in the furthest corners of their business and supply chains? If they don't, others will come forward to paint a picture of their business for them. In February 2013 Oxfam published "Behind the Brands", an assessment of the social and environmental policies of the world's 10 largest food and beverage companies and identified a number serious issues ranging from small scale farmer inclusion, farm worker labour practices, water and land use, climate change, and transparency.

Global consumers have increasingly high expectations of companies, regarding giving back to society, and with the rising Africa consumer, reporting and marketing on sustainable business practices will become increasingly important. For those with poor standards, the new era of transparency creates significant risks. Conversely, those that can demonstrate strong ethical and holistic practices from cradle to grave have a growing opportunity to differentiate, build customer engagement and enhance loyalty.

By deploying effective transparency mechanisms and ensuring ethical behaviour, companies can build a strong brand and reputation — securing their licence to operate and building their licence to innovate and grow. However, beware of "greenwashing". Consumers don't easily fall for superficial claims, and environmental groups track greenwashing as much as they do environmental conduct.

Building trust effectively requires companies to invest from two angles. Firstly it requires embedding the right ethical behaviours and building the necessary monitoring capabilities to provide visibility.

Companies should begin by investing in training to drive the right employee employee behaviours. This should be followed by implementing the tools and processes needed to provide transparency across their supply chain and operations. In the past, visibility has been complex and costly to achieve, but mobile and internet technologies can cut costs significantly, allowing more companies to accurately trace material flows from raw materials to factory gate, disclose impacts, identify potential risk hotspots, and inform customers about the provenance of their goods.

By using key information from GeoTraceability's database to trace its cocoa supply — including average farm sizes, tree age, pest and disease prevalence, planting density, pruning practices and plant varieties on thousands of smallholder suppliers — Hershey's is increasing smallholder productivity and more accurately targeting its supply chain investments in Ghana<sup>71</sup>.

Secondly, companies must look at ways to effectively communicate results in an integrated fashion, combining business and social and environmental impact results. It is no longer about creating a positive perception simply through the act of reporting. Oftentimes the victories and learnings are not properly communicated, and the potential value of the exercise is lost to the company and the brand.

One African company that is taking its impact metrics very seriously is South Africa-based Telkom. The communications company has made significant efforts to improve its performance on sustainability issues and enhance its reporting. This has helped support Telkom's turnaround strategy and also resulted in an industry award<sup>72</sup>.



Companies have a big challenge in building trust. High performance on sustainability is a key means to help do this.

– Habil Olaka, Chief Executive Officer, Kenya Bankers Association

Companies must be transparent. When reporting on sustainability, they have to focus on the critical issues that really matter.

– Nicky Newton-King, Chief Executive Officer, JSE Limited

Companies can do a lot by simply tweaking their business model. In tough times, sustainable business models rise to the top.

– Dr. Johan van Zyl, Group Chief Executive Officer, Sanlam Limited



## Size of the prize

Enhanced trust enables better risk management and stakeholder engagement while potentially offering higher-revenue growth and cost reduction.

To date, the potential value of transparency and trust has barely been explored in Africa. But while sustainably sourced products may be relatively niche today, there is huge potential for companies to leverage such approaches across the mass market.

By focusing on issues such as ethics, compliance and transparency across the value chain, companies can positively impact the bottom line by reducing the costs of poor performance (e.g. fines and negative reputational impact, lost business) as well benefiting from increased trust and loyalty from customers and stakeholders. Improved data further enables better assessment of externalities that could lead to failure. Instead, by accurately tracking the provenance of raw materials and manufactured goods, companies can reduce risk, communicate more authentically with customers and build a more trusting relationship.

While consumer goods carry the most visible risk in a product sourcing context, trust and transparency applies to all sectors. In 2012, the Central Bank of Nigeria launched the Nigerian Sustainable Banking Principles - primarily as a means to consistently improve performance on sustainability issues in banks, but also to significantly enhance stakeholder trust in the Nigerian banking industry as a whole<sup>73</sup>.

Finally, although traceability systems have upfront costs, they also have the potential to offset these costs by creating efficiencies and delivering the ability to track the necessary information to successfully upgrade smallholder production.

Evaluating the case results of various companies, the average financial impacts include revenue growth in the 1 percent to 2 percent range, and a reduction of supply chain cost of 0.5 percent to 1.5 percent<sup>74</sup>.

The overall value of the opportunity is conservatively estimated to be \$37 billion.

## Impact

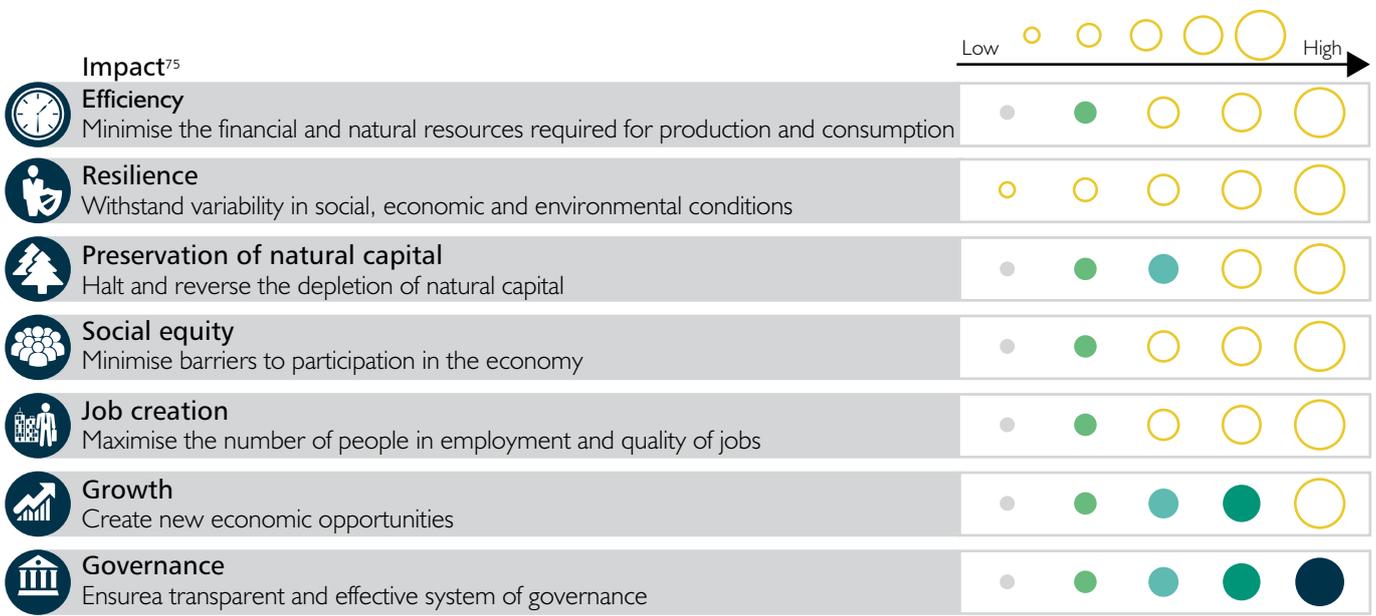
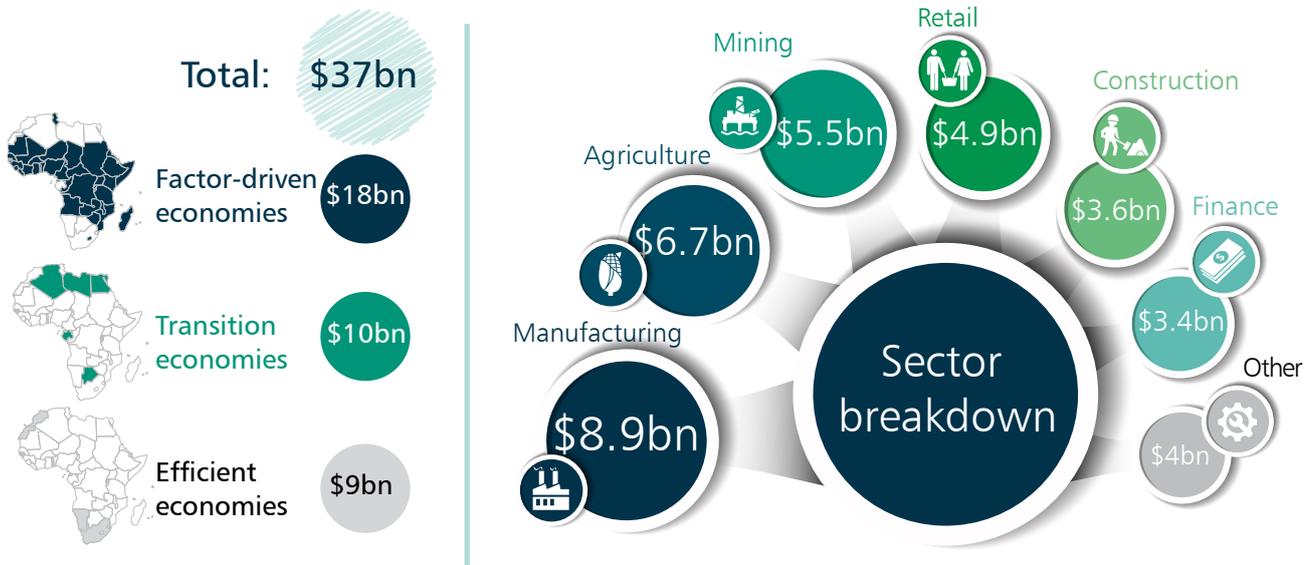
Visibility and transparency can lead to a substantial reduction in corruption and improved governance while also having marked social benefits.

Social outcomes can include improved health and safety (through identification of potential workplace risks); fairer living wages; stamping out child and forced labour (through better auditing against minimum supplier standards); enhanced training; and generally improved working conditions.

Visibility and improved value chain management can also lead to multiple environmental benefits such as reducing transport emissions through smarter logistics management and favouring lower-impact production techniques.

Finally, traceability of products can also translate into increased sales for African businesses as consumers are moving towards more responsible purchases.

Figure 15: Trust through transparency: business value and development impact



# Case study – Mondelēz International

Mondelēz International, the world's largest chocolate company, and FLOCERT, a socially focused global certification body, partnered to verify cocoa volumes and commercial transactions for the company's \$400 million Cocoa Life programme.

Mondelēz and FLOCERT employ a tailor-made version of the latter's FLOTIS reporting system to verify the quantity of sustainably grown and traded cocoa, and to provide verification of Cocoa Life premium payments made to farmers.

Mondelēz is also investing in enhancing its suppliers' productivity and efficiency through Cocoa Life, its holistic programme for transforming the lives of cocoa farmers.

In 2012, Mondelēz expanded the programme with a \$400 million, 10-year commitment to empower more than 200,000 farmers and more than one million people in the cocoa-farming communities of Côte d'Ivoire, Ghana, India, Dominican Republic, Brazil and Indonesia<sup>76, 77</sup>.

## Business benefits

- 1 Supply chain volatility**  
The audit process helps Mondelēz identify supply chain weaknesses and risks and reduce overall volatility.
- 2 Brand improvement**  
Transparency helps reduce concerns about advocacy groups' aggressive targeting of consumer goods supply chains.
- 3 Supply chain efficiency**  
Through the Cocoa Life programme, farmers are trained on best practices to improve operational efficiencies and yield.

## Development impact

- 1 Farm productivity and incomes**  
Farmers benefit from up-to-date agriculture information and best practices (e.g. starting seedlings in nurseries).
- 2 Infrastructure**  
Working with local communities and government improves basic infrastructure (e.g. new roads, electricity etc.).
- 3 Job opportunities**  
The programme empowers families to become entrepreneurs, by providing micro credit to reinvest into their business.



# Case study – Nestlé

Western African countries, including Ghana and the Ivory Coast, supply more than 70 percent of the world's cocoa.

No company sourcing cocoa from Africa can guarantee they have completely removed the risk of children working on small farms in their supply chain. But Nestlé<sup>78</sup> was one the first to take the courageous step to tackle the problem.

In 2012 Nestlé began a pilot monitoring and remediation system in two cocoa cooperatives to raise awareness about child labour and to identify children at risk.

Today, this monitoring and remediation scheme has begun in 16 of the 57 farmer cooperatives and will cover them all by the end of 2016.

Nestlé was one of the first cocoa purchasers to set up such a system. It is starting to provide unprecedented information about the living and working conditions of farming communities and it's an opportunity to help individuals directly and make real progress.

## Business benefits

- 1 Brand**  
Provides an effective means to engage and build loyalty of conscious consumers.
- 2 Risk mitigation**  
End-to-end supply chain mapping helps Nestlé understand where it sources from and the possible risks.
- 3 Supply chain efficiency**  
End-to-end visibility lets Nestlé identify issues at each supply point, giving suppliers a platform to suggest improvements.

## Development impact

- 1 Corruption**  
Helps reduce corruption and bribery in African markets through working with certified suppliers and coalitions.
- 2 Forced labour**  
Reduces modern-day slavery practices and forced labour of children (rife in agriculture).
- 3 Community empowerment**  
With increased transparency Nestlé can identify key challenges and create community-based programmes to improve living and working conditions.



# 3. Capturing the prize

Many individual companies are making progress on their journeys towards more holistic operations. But are they — and we, collectively — on the right track?

To counteract the risk of a steady decline in momentum, businesses in Africa must set a course for real transformation.

To some extent, the continuing preference for incremental changes rather than meaningful long-term transformation is understandable. CEOs have businesses to run, and prioritising radical systemic change — especially if it threatens to disrupt daily operations — may look like a bad idea, or at least an initiative for the back burner.

However, a few leading businesses are taking a different view. Recognising the limitations of piecemeal advances — as well as the prospect of real business opportunities for true innovators — they are setting their own course for renewal and growth.

The efforts of a select number of leading companies are unlikely to be sufficient in creating a sustainable future for Africa. Instead, industry, governments and NGOs will have to combine their efforts and collaborate to capture the prize for businesses and society.

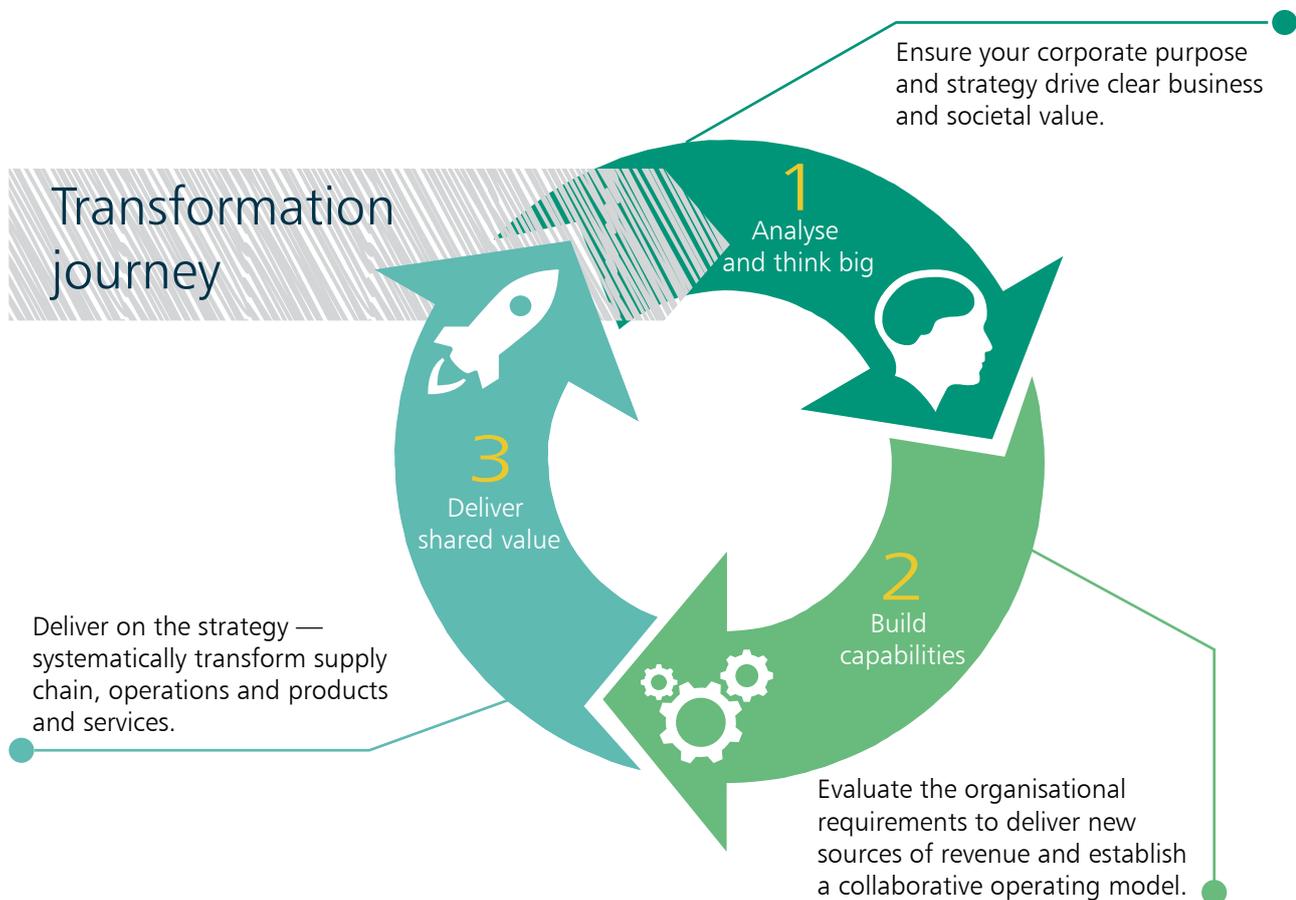
In the next section we explore three key steps and supporting elements required to achieve real transformation in Africa.



## Transformation blueprint

For companies to realise the value at stake, they will need to systematically re-think and re-build their business models to consistently identify and deliver shared value. Unlocking the opportunities highlighted in this report requires companies to focus on three key transformation steps.

Figure 16: Transformational blueprint





We owe it to our customers and our children to create a future that is better than the past.

– Herbert Wigwe, Group Managing Director, Access Bank Plc

Through collaborative partnerships we can continue to build the continent and sustainably address Africa's economic and environmental challenges.

– Robert Venter, Chief Executive Officer, Altron

Putting a financial value to sustainability opportunities is essential in order to maximise business and stakeholder benefits.

– Siphon Maseko, Group Chief Executive Officer, Telkom Group

No one organisation acting alone can deliver the kind of sustainable programmes that will make a difference at the grassroots and at the boardrooms – a holistic and collaboration approach is crucial.

– Osagie Okunbor, Managing Director, Shell Petroleum Development Company of Nigeria Limited



## Step 1: Analyse and think big

Think critically at the outset; craft a corporate strategy that drives business and stakeholder value based on information from the field, taking into account opportunities from across the value chain.

### Key questions

- Do we understand the socio-economic and environmental risks in Africa that will affect our business in the short and long term?
- What is our company's core social purpose?
- Does our corporate strategy reflect the opportunities and risks presented by sustainability?
- Have we identified the specific opportunities to execute the strategy?

Business leaders distinguish themselves by defining clear aspirations and goals for social and environmental impact at the start of the journey, using them to galvanise the entire organisation. Their focus is beyond incremental change but rather creating a vision capable of inspiring staff as well as external stakeholders.

They are able to look through the sustainability lens to identify business solutions that can have positive social and environmental impact and also lead to new sources of competitive advantage.

A critical step in this phase is to evaluate your full value chain and understand the key development challenges or opportunities that your company can address. Take care to understand the value at stake for all stakeholders. Do not do the analysis in isolation, but always seek to align it to country priorities, usually set out in national development plans.

Remember also that to seek an understanding of African market dynamics from a desk or boardroom is dangerous. Information can be sparse and unreliable. Managers must be prepared to walk the markets and gain insights from talking to street vendors, watching consumers and building a qualitative model of how the value chain operates. Really understanding the trends also requires looking beyond the scope of one's core business. Establish collaborative networks with all stakeholders, for example local communities, suppliers, manufacturers, retailers, service suppliers and customers to get a broad and holistic understanding. Once companies have a good understanding of the trends and full value chain, they're ready to craft a future strategy. We recommend focusing on three core areas:

**1. Re-evaluate your corporate purpose:** Consider the fundamental purpose of the business and understand how it is driving social, economic and environmental benefits for stakeholders.

- 2. Identify opportunities for shared value:** Consider how the company can maximise shared value across the whole value chain by providing socially valuable products and services, ensuring an inclusive and transparent supply chain and implementing resource efficient operations that are managed by a diverse and engaged workforce.
- 3. Understand the value at stake:** Analyse and value the identified opportunities in order to prioritise and help maximise the financial benefits to the company and the economic, social and environmental impacts.

## Case study — FirstRand

FirstRand has embedded social and environmental value in its group-level strategy, underpinned by a five-pillar framework: the group's core purpose; portfolio management; approach to sustainability; values and cultures; and stakeholder value creation approach.

As such, the organisation's impact and progress on sustainability targets is monitored indirectly through company performance, as well as directly through KPIs, COO reports and CFO reports. Strategic and operational value levers are used in the indirect context to manage earnings volatility, thus delivering sustainability to earnings for the group's stakeholders, but also to provide solutions to long-term social and environmental concerns. FirstRand believes that it plays a very important role in making sure that environmental and social issues are included in economic sustainability plans.

Sustainability is also at the heart of FirstRand's corporate values and culture. The group's current and future growth is driven by its track record of organic growth through innovation and the promotion of an entrepreneurship culture.

FirstRand's philosophy and its social value proposition is underpinned by its belief in respecting and empowering individuals, integrity and responsibility and being a good corporate citizen. It does this by 'thinking big' and seeing sustainable development and sustainable profit growth as complementary in helping to create a better world<sup>79</sup>.

## Step 2: Build capabilities

As a next step, evaluate the organisational requirements to deliver new sources of revenue and determine how to create an operating model to deliver shared value.

### Key questions

- What skills, processes and technologies are required to ensure sustainability is embedded in the corporate strategy and that shared value is consistently created?
- What capabilities can we leverage from other stakeholders locally and internationally and what value is each partner receiving from the agreement?

Pragmatic business leaders recognise that strategy alone is rarely enough to produce the desired outcomes, and accordingly develop the appropriate capabilities.

The fact is that most companies today are not built to capitalise on the opportunities this report identified. Their strategies and structures are often deeply rooted in the abovementioned linear approach to growth (“i.e. take, make, waste”). A key step is to look outside your organisation for capability partners; this can include partnerships with government, non-governmental organisations and even other sector partners. The challenge in Africa is large and cannot be solved alone, it requires a mix of skill sets across institutions.

It is critical to collaborate effectively to overcome the wasted effort of doing things independently e.g. GlaxoSmithKline (GSK) and Barclays partnership aims to increase access to affordable healthcare and medicines for Zambians while helping to create improved economic conditions for growth by supporting small business and helping to create jobs<sup>80</sup>.

When forming these partnerships, we recommend that companies focus on four critical capability areas:

- 1. Implement a sustainability performance management process:** Implement the processes and technologies to provide actionable data to consistently improve performance. Ensure effective communication with stakeholders on performance against targets.
- 2. Set up stakeholder management and partnership frameworks:** Ensure the vision and purpose of the partnership is clearly defined and ways of working and the contributions of each partner is agreed.
- 3. Enhance employee skills:** Ensure the right people have the right skills to continuously identify opportunities and effectively deliver the value at stake.
- 4. Identify and manage risks:** Continuously scan the horizon for risks and opportunities to future-proof your strategy. Embed the strategies and ways of working in the core of the business.

## Case study — The National Education Collaboration Trust

The National Education Collaboration Trust (NECT) is an organisation dedicated to strengthening partnerships within the private sector, civil society and government, in order to achieve South Africa's national goals for basic education. It strives to support and influence the agenda for reform of education.

The organisation is based on the principle that collaboration and focused effort by important role players increases our power as a nation to secure the changes required to deliver good education. It was created in response to government's call for collaboration to accelerate the pace of national development.

Some the founding trustees include private sector executives from FirstRand Ltd, Massmart and Deloitte.

Since its inception in 2013, the NECT has coordinated a range of interventions, focusing on eight school districts that represent 18 percent of South Africa's schools — an estimated 2 million learners. In 2014, government pledged to match the contributions of the private sector to the initiatives of the NECT, rand for rand, resulting in a commitment of ~\$30 million<sup>81</sup>.

This programme is an excellent example of an initiative that leverages the power of all stakeholder groups from the public and private sectors as well as broader society, to address a core development challenge in South Africa.

## Step 3: Deliver shared value

In the last step, companies need to deliver on the strategy — systematically transforming their products and services, supply chain and operations while ensuring a motivated and inspired workforce and making certain that partnerships operate effectively.

### Key questions

- How can we embed sustainability in the core strategy and culture?
- How do we ensure effective delivery of the opportunities and maintain momentum?
- How do we continually identify, develop and test innovative market solutions?
- How do we make sure we have the right partnerships and that they are effectively managed?
- How do we measure, manage and report our performance to ensure we keep alignment with our vision?

Businesses should balance their short-term needs for profitability with longer-term business and societal opportunities. Achieving the right balance is not easy. Embedding a new strategy and delivering on new innovations requires four main steps:

1. **Test and experiment:** Testing new innovations can offer pathways to development in the medium- to long term. Experimenting and applying lessons creates the evidence base to scale up over time.
2. **Create a motivated workforce:** Senior sponsorship can help drive change. Combining this with a motivated workforce can drive large scale change at pace. Companies should leverage bottom-up insight to identify opportunities, capture value and create a lasting cultural shift.
3. **Measure value:** Ensure ongoing measurement of value to continuously improve and correct performance.
4. **Continually improve:** Look on the the transformation as a journey. Continually re-evaluate progress and look to continuously improve performance.

## Case study — Woolworths

For Woolworths, a South Africa-based retailer, sustainability is the business. It is treated in the same way as any other essential part of the business and is integrated into the annual report.

To put sustainability to work outside the boardroom, the company promotes a culture of innovation, rewarding staff for ideas that improve the business. The transformative success of this approach is evident in how many of Woolworths' best new initiatives do not come from senior management.

To test and reinforce the business case for sustainability, the company endeavours to measure costs and benefits rigorously. Each business unit is rated on key performance indicators using a balanced scorecard, with the results linked to compensation.

Some of Woolworths' achievements include:

1. Its head office saves Cape Town municipality over 27 million litres of water a year by tapping into an underground water supply.
2. It has reused over 10 million recycled plastic bottles in packaging and products.
3. 98 percent of its produce suppliers are part of their Farming for the Future programme, a programme focused on improving quality produce while conserving natural resources.
4. It supplies the widest range of Marine Stewardship Council certified fish in South Africa.
5. Woolworths contributed almost ~\$25 million to more than 10 000 schools, charities and environmental organisations through their MySchool MyVillage MyPlanet programme<sup>82</sup>.

## 4. Call to action

Companies must dare to devise, test and scale new approaches to driving future growth and prosperity.

Our research, client and member company experience, makes a compelling business case for moving away from current growth models. Efforts by leading companies suggest this change is already happening — successfully — and that it cannot be avoided.

Organisations, regardless of market, geography or industry, must lay the foundation now for a new way of doing business that will enhance the customer value proposition and revenues, while improving resource productivity and reducing costs.

Moving towards an equitable African growth model can be daunting. Yet by adopting the principles highlighted in this report, progressively more companies are gaining competitive advantage and creating change at the nexus of strategy, technology and operations.

Companies must be alert emerging wants and needs — even when the customer doesn't recognise them yet. When sustainability has become critical in every respect, as it is in Africa and elsewhere in the world, business has to lead the consumer with revised business approaches.

New approaches must go beyond traditional solutions, reporting and philanthropy, allowing social and environmental impact to take root at the heart of business strategy. At the same time, businesses must work harder to engage their customers by making sustainable lifestyles an accessible, easy and obviously better choice.

Business leaders across Africa have told us that this new era of sustainable business will not be ushered in by individual companies operating alone — it will require collaboration amongst industry, governments and NGOs to pool their capabilities to achieve a brighter future for all.

As Africa stands on the brink of a demographic dividend, the rising consumer class presents enormous new opportunities. Fast movers can get to the prize first with innovations that leverage scalable and cost-effective technologies and collaborative partnerships to improve quality of life locally while broadening their markets and contributing to the future success of this incredible continent.



# Business leaders on sustainability in Africa

## Operating in Africa

"Africa is rich in commodities which are extremely important for our growing economies. The challenge is to decide how we support economic growth and yet make sure that we care for the health of the planet, environment and our society."

– Sizwe Nxasana, Chief Executive Officer, FirstRand Limited

"There is a direct relationship between what's good for the country and what's good for business."

– Colin Coleman, Managing Director and Head of the South African Office, Goldman Sachs International

"We consider our own place in the community, not just as a telecoms service provider, but as an 'enabler' to people, communities and businesses."

– Tony Dolton, Chief Executive Officer, Unitel Angola

"Nowhere is the advancement of technology and the digitisation of societies more evident than in Africa, which showed a 69 percent mobile cellular growth in 2014. Africa's potential remains largely untapped."

– Sifiso Dabengwa, Group President and Chief Executive Officer, MTN

"Sustainable businesses are resilient over time and have the ability to survive shocks. Ultimately, business is intimately connected to healthy economic, social and environmental systems."

– Robert Venter, Chief Executive Officer, Altron

## Opportunity areas

"We need to do a lot more in terms of reaching the middle class and aspiring middle class – in practice this means thinking a lot more about channels, partnerships, pricing and strengthening our retail mode."

– Ramil Burden, Vice President, Africa & Developing Countries, GSK

"We see some hugely innovative opportunities to address new markets through things like mobile and agency banking – done well, this can be a new source of revenues for banks, whilst also significantly increasing economic development and social equality."

– Habil Olaka, Chief Executive Officer, Kenya Bankers

"Africa is the last remaining emerging consumer market. It is a huge opportunity, in particular for consumer goods."

– André de Ruyter, Group Chief Executive Officer Nampak

"The benefits at stake are large – across the whole value chain we see opportunities. As well as presenting new opportunities for revenue growth, we also see opportunities to reduce costs and benefits across our whole business to operate in a way that benefits both ourselves and our stakeholders."

– Robert Collymore, Chief Executive Officer, Safaricom

"Operating in Africa has many challenges, but the opportunities are massive. Our main asset is the ability to leapfrog."

– Dr. Johan van Zyl, Group Chief Executive Officer, Sanlam Limited

"We are committed to workplace diversity and financial inclusion... we believe that financial inclusion is a prerequisite to economic and inclusive development."

– Stephen Onasanya, Group Managing Director/Chief Executive Officer, First Bank of Nigeria Limited

"Africa's financial inclusion challenge presents a great opportunity for business. We need to formalise savings groups (common in local communities across Africa) and increase financial access to the wider population through the use of technology."

– Dr. Mario Machungo, Chairman, Millennium bim

## Capturing the prize

"Don't be scared by the sustainability topic. It is about making sure that you have a good handle on your strategy for survival and the impact your company has on its stakeholders."

– Nicky Newton-King, Chief Executive Officer, JSE

"You can't fake this journey. If you are not ready to really think about holistically making a difference in the country or society in which you're operating, then don't pretend. Everyone will see right through it, it will be expensive, and it won't be beneficial."

– Therese Gearhart, President of the South Africa Business Unit, The Coca-Cola Company

"Sustainability has to start from the very top of the company – the CEO. It is also critical to get the right skills and expertise to guide you and to have a great team that can deliver results."

– Michael Brown, Chief Executive Officer, Nedbank Group Ltd

“It is vital to have a good understanding of what it means for the country you are in, and the value you can bring to both enable sustainable growth and give you a competitive edge.”

– Dr. Lazarus Angbazo, President and Chief Executive Officer, GE Nigeria

“Sustainable development is key to the success of a business, and not purely from profit perspective. At Shell we believe that our success is tied to the future of our host communities.”

– Osagie Okunbor, Managing Director, Shell Petroleum Development Company of Nigeria Limited

“Sustainability is at the core of our business strategy and its implementation will benefit the organisation, our employees and our communities whom we serve into the future.”

– Joshua Oigara, Chief Executive Officer, KCB Bank Group

“Good corporate governance and a continued focus on our stakeholders are essential components of our corporate responsibility and sustainability strategy – it’s how we have done business for over 120 years.”

– Stephen Onasanya, Group Managing Director/Chief Executive Officer, First Bank of Nigeria Limited

“You can’t see sustainability as separate from business. The efficiencies you can drive through sustainability must be part and parcel of what you do.”

– Shameel Joosub, Chief Executive Officer, Vodacom Group

## Call to action

“Business is not just about market share or market capitalisation – it is about creating a better future. It’s clear we have to work together on sustainability to make this happen.”

– Aigboje Aig-Imoukhuede, President of the National Council of the Nigerian Stock Exchange

“Living in Africa, we not only have an economic and social obligation, but also a moral obligation to help create solutions to the challenges we face as a continent.”

– Peter Cowan, Chairman Unilever South Africa

“Overall, to be successful in Africa, sustainability has to be core to your strategy. It is not someone else’s responsibility. CEOs across the continent have to step up and take responsibility to drive this agenda.”

– Mark Bowman, Managing Director, SABMiller Africa



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National Business Initiative – Project manager climate change mitigation

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# Disclaimer

For this report, we examined African companies across industries and geographies that show evidence of sustainable business strategies delivering significant benefits. It does not represent an exhaustive database of potential opportunities. Although the authors of this report tried to secure CEO representation from all regions in Africa, it should be noted that limited representation was achieved for North Africa and French-speaking countries. This report aims to stimulate debate among business leaders about the potential of investment in such innovations and strategies.

The authors recognise the challenges in availability and quality of data across the continent and acknowledge the limitations these present for the reliability of the economic figures in the report. As such this should not be seen as an extensive academic study, and the figures presented herein will necessarily contain a margin of error. The purpose of the report is to provide an order of magnitude figure for the value at stake.

This study was prepared from sources and data which Accenture and NBI believe to be reliable, but it makes no representation or warranty, express or implied, as to their accuracy or completeness. Any figures and statistics used were up to date at the time of writing and are subject to change without notice. The views and opinions expressed in this publication are those of Accenture and NBI only and do not necessarily reflect those of any of the companies researched or surveyed or any other third party referenced in the report.

Such opinions should not be construed as providing professional advice, recommendations or endorsements, or relied upon as such. Neither Accenture nor NBI accept responsibility for any loss or damage arising from reliance on the information contained in this publication.

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Accenture Sustainability Services helps organisations achieve substantial improvement in performance and provide more value to their stakeholders. We help clients leverage their assets and capabilities to drive innovation and profitable growth, while striving for a positive economic, environmental and social impact. We work with clients across industries and geographies to integrate sustainability approaches into their business strategies, operating models and critical processes. Our holistic approach encompasses strategy, design and execution to increase revenue, reduce cost, manage risk, and enhance brand, reputation and intangible assets. We also help clients develop deep insights on sustainability issues based on our ongoing research, including recent

studies on consumer expectations and global executive opinion on corporate sustainability and climate change. To find out more about how Accenture can help you meet your sustainability objectives and chart a course toward high performance, visit [www.accenture.com/sustainability](http://www.accenture.com/sustainability).

Please also join our ongoing conversation about sustainability, business and policy by following us on Twitter at @ActSustainably.

## About National Business Initiative

The National Business Initiative (NBI) is a voluntary coalition of South African and multinational companies, committed to working towards sustainable growth and development in South Africa and the shaping of a sustainable future through responsible business leadership and action. This collective action provides progressive leadership and advocacy needed in South Africa to support and accelerate business action to achieve a sustainable, equitable and thriving society.

Since our establishment by companies and launch by the late President Mandela in 1995, the NBI has been an advocate for the collective role of business, working in partnership with government in support of a sustainable, equitable and thriving society that makes South Africa one of the world's great places to live, work and do business.

As South Africa's preeminent voluntary collective movement, the NBI has been acknowledged by government and other stakeholders as a credible partner. Through this impactful collaboration, business is seriously and substantially engaging on socio-economic and environmental issues. At the same time, business and international partners such as the World Business Council for Sustainable Development (WBCSD) and the United Nations Global Compact (UNGC) have recognised the NBI's ability to inspire and mobilise business for collective and voluntary action towards progressive business leadership and action. Through this recognition, the NBI is one of 66 global regional partners of the WBCSD and the anchor of the UNGC Local Network in South Africa.

As a voluntary association of companies, mobilising business leadership and resources for specific action/programmes/projects, NBI does not claim to represent the views of its member companies.

Find out more at: [www.nbi.org.za](http://www.nbi.org.za)

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