MEASURING SHARED VALUE THROUGH STAKEHOLDER COLLABORATION: A QUALITATIVE REVIEW OF SOCIAL AND ENVIRONMENTAL VALUE CREATION

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ABSTRACT

This desktop review explores how shared value can be measured through collaboration with stakeholders, particularly focusing on social and environmental value creation in South African JSE-listed companies. Drawing on literature from Porter and Kramer (2011), this study examines the argument that stakeholder relationships are fundamental to sustainable performance and that qualitative engagement serves as a key measurement tool. Traditionally, companies focused on financial returns, often neglecting the voices of stakeholders such as civil society and environmental groups. However, as stakeholder pressure has increased, businesses have begun integrating collaborative practices into their strategies. This paper highlights frameworks for stakeholder identification, including classifications based on power, legitimacy, urgency, and influence. A focal point is Porter's qualitative measurement model, which outlines engagement and collaboration as central instruments for assessing sustainability, shared value, and reputation. By synthesizing existing studies, the paper advocates for the adoption of tailored, context-specific collaboration strategies. The findings reveal that companies that disregard stakeholder concerns risk reputational damage, financial loss, and regulatory backlash. Effective collaboration, therefore, is not just ethical but strategic. This study concludes that stakeholder engagement must be viewed as a measurable and critical input to organisational success and sustainability.

Keywords: Stakeholder Collaboration, Shared Value, Sustainability Measurement, Social And Environmental Stakeholders, Integrated Reporting.

1. INTRODUCTION

Stakeholders are fundamental to the operation and sustainability of business organisations. Historically, companies were solely driven by the pursuit of profit, with accountability focused on shareholders. However, this model proved unsustainable as it overlooked the broader social and environmental context in which businesses operate. Freeman (2010) and other scholars have argued that companies must consider the rights and interests of a wide range of stakeholders, including employees, customers, communities, governments, NGOs, and vulnerable groups whose support is critical to long-term success.

As companies become increasingly integrated into societal and environmental systems, they are required to adopt more holistic models of value creation. Stakeholder engagement is now seen not only as a form of risk mitigation but also as a strategic tool to co-create value. This literature review analyses stakeholder classification methods, measures of stakeholder collaboration, and models such as Porter and Kramer's shared value framework. Special attention is paid to how qualitative engagement — particularly collaboration can be used to measure social and environmental outcomes, especially in the context of JSE-listed companies.

2. LITERATURE REVIEW

Measuring Social and Environmental Value Through Stakeholder Collaboration

To effectively measure the social value generated from stakeholder relationships, it is essential for company management to assess the willingness of stakeholders to engage in dialogue and their openness to compromise when conflicts of interest occur. This kind of evaluation cannot be accurately captured through quantitative data alone, since relationships and trust are inherently intangible. Rather, the degree of collaboration between the company and its external stakeholders becomes a meaningful indicator of how much shared value is being generated. This includes how well the business complies with legal obligations, voluntary standards, and ethical codes, and how effectively it sustains its reputation.

Porter (2011) highlights that social and environmental value is best understood through qualitative measurements, particularly by examining the depth and frequency of collaborative interactions with stakeholders. In this context, collaboration becomes not just a management tool but a metric for gauging shared value creation, environmental responsibility, and long-term reputational impact.

Three key areas have been identified as critical for measuring such value:

1. **Shared Value Creation:** This refers to the mutual benefits generated for both the business and society. The primary purpose of measuring this area is to assess whether the total amount of value created—financial, social, and environmental—is growing. The instrument used here is targeted communication and collaboration with stakeholders to ensure alignment between business goals and social needs.
2. **Sustainability Performance:** This area assesses how efficiently the company uses input resources such as labor and natural assets while also enhancing the wellbeing of communities and the quality of products. The main reason for measuring sustainability is to reduce negative externalities while boosting positive impacts, thereby ensuring the company maintains its license to operate. External stakeholder communication and collaborative feedback are central to this measurement.
3. **Impact and Reputation:** This considers the long-term outcomes of business operations, corporate social investment, and community relations. It focuses on how these contribute to the company's social image and standing. Measurement in this area is vital for tracking progress in social outcomes and maintaining both societal approval and corporate reputation. Once again, stakeholder collaboration is the chosen method to assess performance in this regard.

Across all three categories, collaboration is presented as the unifying mechanism that not only enables the generation of value but also allows its measurement. The nature of stakeholder engagement—whether consultative, participatory, or collaborative—serves as a proxy for evaluating a company's ethical posture, strategic inclusiveness, and sustainability orientation.

However, effective collaboration depends on applying the right type of engagement. Many corporate managers still rely on a uniform approach, failing to tailor their stakeholder strategies to specific contexts and needs. As Vazquez-Brust et al. (2020) argue, this "one-size-fits-all" mindset undermines the potential of stakeholder engagement to serve as a reliable metric. Like using a dirty broom to clean a house, ineffective or misaligned collaboration tools can produce unreliable results. Therefore, for collaboration to act as a valid instrument of measurement, it must be properly selected, implemented, and adapted from the beginning.

This review extends Porter’s original model by suggesting that collaborative processes themselves should be evaluated independently, even before the outcomes they aim to generate are assessed. In other words, management should measure not just what collaboration achieves, but how it is conducted—its structure, depth, frequency, and inclusiveness. A model to guide this measurement of collaboration will be introduced later in Chapter 6 of the study.

Despite growing awareness of these principles, many JSE-listed companies have struggled with integrated social and environmental reporting. According to a 2019 evaluation conducted by Ernst & Young, firms such as Globe Trade Centre SA, Hosken Consolidated Investments Ltd, Italtile Ltd, KAP Industrial Holdings Ltd, and MMI Holdings Ltd had made limited progress in demonstrating how social and environmental efforts connect to financial performance. This highlights a pressing need for these companies to understand the interrelationship between financial success and non-financial performance indicators. Measuring shared value requires identifying social outputs and outcomes generated from investments in society and then using that information to refine and improve business practices.

Arnold (2018) argues that while there is often resistance among companies to adopt yet another measurement framework, the existing systems of financial and non-financial metrics are inadequate. Current models emphasize comparability and comprehensiveness, yet they fall short in capturing the real benefits derived from social responsibility, stakeholder relationships, and community investments.

To bridge this gap, Porter and Kramer (2011) propose a four-step integrated shared-value strategy and measurement process. The process begins by collecting and analysing stakeholder concerns to define the company's strategic priorities. These priorities form the basis of a shared-value strategy, which is implemented with ongoing collaboration, consultation, and engagement of relevant stakeholders.

The process unfolds through the following key stages:

1. **Identifying Social Issues and Collaborative Opportunities:** The first step involves systematically identifying pressing social issues that also present opportunities to improve business performance, either by reducing costs or increasing revenue. These are identified through structured analysis, often involving cost-benefit tools, to highlight areas where social needs and business operations overlap.
2. **Making the Business Case:** Once opportunities are identified, the next step is to build a sound business case. This includes determining targets, mapping activities, estimating associated costs, and projecting both business and social outcomes. This feasibility analysis enables management to decide whether to proceed with specific shared-value initiatives.
3. **Tracking Implementation and Progress:** As with any performance improvement effort, the company tracks the implementation of activities, inputs, and outputs against pre-defined targets. This includes monitoring both financial results and social benefits achieved through stakeholder collaboration.
4. **Measuring Outcomes and Refining Strategy:** Finally, the company evaluates whether the investment in social initiatives has produced both social impact and business value. The insights gained from this process guide strategic adjustments and unlock new areas of opportunity for shared value.

This feedback loop creates a continuous learning environment in which shared value can be measured, refined, and expanded. The overarching message is that economic returns and sustainable social and environmental value are not mutually exclusive. A profit-driven organisation does not need to abandon financial discipline to pursue social good; rather, it should ensure that social investments yield tangible returns, both for society and shareholders. For JSE-listed companies, this means adopting a more strategic and systematic approach to stakeholder collaboration—not only as a pathway to sustainability but also as a mechanism for competitive advantage.

3. DISCUSSION

The traditional metrics of business success, rooted in financial and operational performance, are increasingly seen as insufficient. Modern companies, particularly those listed on the Johannesburg Stock Exchange (JSE), must account for social and environmental performance as key indicators of sustainability. This shift calls for new models of measurement that prioritise stakeholder collaboration. Porter's qualitative framework, supported by scholars such as Arnold (2018), suggests that companies can only understand the true value they create when they engage meaningfully with stakeholders.

Stakeholder collaboration is not uniform. Evidence shows that many companies apply a generic, one-size-fits-all approach to engagement, often overlooking the contextual differences between stakeholders. As Vazquez-Brust et al. (2020) argue, companies must customise collaboration strategies to reflect stakeholder power, urgency, and legitimacy. Furthermore, if collaboration is to be used as a measurement tool, it must be properly designed, implemented, and evaluated. Poor stakeholder engagement, as demonstrated by events such as the #FeesMustFall movement, can lead to significant financial and reputational damage. Therefore, collaboration is not just about value creation but also about risk prevention and resilience.

4. CONCLUSION

This desktop review has revealed that measuring social and environmental value requires a shift from quantitative outputs to qualitative engagement. Stakeholder collaboration is a crucial instrument not only for creating shared value but also for assessing it. Porter's framework, alongside broader literature, positions collaboration as a strategic, measurable input that contributes to sustainability, reputation, and long-term success. JSE-listed companies must evolve beyond compliance and philanthropy and embrace stakeholder engagement as central to business performance. Ultimately, the companies that succeed will be those that view stakeholders not as external entities, but as co-creators of value.

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