

# EXPLORING THE PERFORMANCE OF SHARED-VALUE BANKING AT DISCOVERY BANK: A LEADERSHIP PERSPECTIVE

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## Abstract

The concept of shared value was born out of a determined effort to find methods for the corporate sector and society to grow while being sustainable. Often, banks are criticised for focusing on maximising shareholder value while not addressing societal issues or creating value for society. However, corporate shared value in banking is beginning to be embraced in the financial banking sector. Discovery Bank is a new-to-market entrant in the South African banking sector that has implemented shared-value banking to distinguish itself from competitors and create value for society. There are limited studies that explore the performance of shared-value banking in South Africa and whether implementation is viable or provides a competitive advantage. This study aimed to explore the performance of shared-value banking based on the perceptions of Discovery Bank leaders using a qualitative study methodology. The population in this study comprised 300 employees of Discovery Bank that were involved in the implementation of Discovery Bank since 2019. The target population of this research inquiry was 30 leaders of Discovery Bank. From the target population, 8 participants were chosen as the appropriate sample size to obtain the necessary data to address research objectives through interviews. Computer-assisted qualitative data analysis software, NVivo version 1.5.2 (946), was used to analyse the data. Study findings were used to draw up recommendations to Discovery Bank South Africa management regarding improvement areas to meet performance objectives. The findings of the study revealed the following: Discovery Bank has created its shared-value banking model that deviates from the academic framework, it has created a new market of highly desirable clients who exhibit healthy financial behaviours and enhancing client engagement through client communication may yield greater success. Limitations and areas of future research was addressed in this study.

**Keywords:** corporate, social, responsibility, corporate, shared value, computer-assisted, environmental, governance, user interface, discovery.

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## 1. Introduction

Corporate shared value was introduced by [1]. The concept gained traction in the *Harvard Business Review* in 2011 [1, 2]. According to [1], shared value can be defined as “policies and operating practices that enhance the competitiveness of a company, while simultaneously advancing the economic and social conditions in communities, in which it operates”.

Shared value attempts to redefine the purpose of business as “creating economic value in a way that also creates value for society by addressing its needs and challenges” [1]. When implemented correctly, it ensures that organisations that adopt it enjoy profitability and even a competitive advantage, while addressing pertinent social issues. This has been proposed as a win-win situation for companies, clients, and various stakeholders.

After more than 25 years of democracy, South Africa has become one of the most unequal nations on the planet [3]. South Africans have poor financial habits and literacy, with high rates of debt and low savings [4]. To address these societal financial challenges, Discovery Bank South

Africa, a bank new to the banking industry, built the concept of shared value into their banking business in 2019, most evidently manifesting in the Vitality Money programme. According to a technical white paper, produced by Discovery Bank in 2021, *The application of shared-value banking: A focus on interest rates and the potential benefits for South Africans*, Discovery Bank created and follows a shared-value banking model that allows it to reward and incentivise clients for good financial behaviour, which has far-reaching consequences for society, while also ensuring profitability for the company due to financial risk mitigation through desired client behaviour [5, 6].

The concept of shared-value banking, although new in South Africa, has been implemented in Finland, Scandinavia, but there have been limited studies conducted and theoretical frameworks for corporate shared value in banking produced [1, 7]. There remains a paucity of studies that explore the performance of shared-value banking, especially in the South African context. The implementation of shared-value banking in the South African banking sector remains unique, and leadership at Discovery Bank has been instrumental in the introduction and application of the relatively new concept to banking with what may be considered as a blue ocean strategy by them.

Corporate shared value in banking is starting to be embraced in the financial banking sector. Discovery Bank is a new-to-market entrant in the South African banking sector that has implemented shared-value banking as a means to distinguish itself from competitors by adopting shared-value banking.

There are limited studies that explore the performance of shared-value banking in South Africa and whether implementation is viable or provides a competitive advantage. As far as known to the authors, this is the first study that sets out to determine the performance of shared-value banking in South Africa based on the perceptions of leaders who implemented it.

Studies on shared value are scarce, and rarer still are studies on shared-value banking due to the concept being relatively new and niche. A preliminary literature review does not provide an abundance of research on shared value or shared-value banking in South Africa. Because of the posited benefit and positive impact on business, stakeholders and society, the study sheds light on the implementation of the business concept, business goals, as well as leadership perceptions on its successes and shortcomings. While the research focuses on the perceptions of leaders of a single company, namely Discovery, the research has the potential to stimulate and serve as a foundation for future research on shared-value banking in South Africa, especially from a client perspective.

### 1. 1. Shared value

According to [1], shared value can be defined as “policies and operating practices that enhance the competitiveness of a company, while simultaneously advancing the economic and social conditions in communities, in which it operates”.

[2] asserted that corporate shared value was a new way of achieving economic success and was beyond philanthropy, corporate social responsibility (CSR) and environmental, social and governance (ESG) criteria. Porter and Kramer were also critical of corporate social responsibility because of their belief that societal issues were not viewed at the heart of the business but more as a peripheral measure to having a positive corporate reputation [8].

Value creation, which is benefits relative to costs, and not just benefits alone, has mostly been the main purpose of business [1, 9, 10]. Shared value provides a shift in mindset where value creation is essential. [11] report that shared value encompasses two types of value: social (societal) and business (economic) value, both of which are linked by company strategy. However, businesses did not historically approach societal issues to provide value, and businesses often view the creation of value as a secondary concern [1].

The concept of shared value puts forward that the aim of business is to be redefined as producing economic value, while simultaneously addressing society’s needs and concerns [1]. The validity of traditional business models, focusing on shareholder profits, is being called into question as society continues to face complex economic, social, and environmental concerns, such as poverty, food insecurity, and resource depletion [12–15].

There has been criticism of the concept of shared value, especially regarding the minimisation of philanthropy. Academics believe that the notion of shared value has severe flaws, such as

disregarding the tensions that develop within responsible business actions and having a weak understanding of an organisation's role in society [16, 17]. [18] also argue that business philanthropy should not be viewed as an act that does not create value in shared-value creation because it leads to positive social change and allows collaborative problem-solving and social innovation to address common concerns.

[13] was especially critical of shared value by stating that shared value is “neither so radical nor such a departure from standard management thinking as the authors make it seem” and that Porter and Kramer's assessment of corporate social responsibility involved using the concept as a logical fallacy (straw man) “to rhetorically justify the authors' contribution and its proclaimed originality” [13]. Still, a shared-value approach argues that mutual dependence and upliftment between business and society is essential to advancing the economic and social conditions and enhancing the competitiveness of a company [8].

### 1. 2. Creating shared value

Creating shared allows for a framework that businesses can employ to have a societal contribution, while both securing and improving their competitiveness. However, a shared value strategy requires firms to incorporate social requirements into their value propositions [1, 2, 18]. [1] emphasised the importance of creating shared value through value chain activities that may lead to competitive advantage by fostering a forward-thinking, inclusive awareness of the impact of business decisions on society and the environment across the value chain [19]. [1] identified three factors to create shared value:

#### 1. Creating or remodelling products and markets to address societal needs.

Businesses should start by examining environmental and social benefits that they might be able to offer through their offerings.

**2. Redefining productivity in the value chain.** Fundamentally, this is enhancing employee productivity and distribution networks. Among other things, such tasks would include measuring supply chain productivity in terms of logistics, resource use, energy consumption, and personnel productivity [19–22]. Leaner operations and smarter use of resources result in less waste, thus offering environmental benefits (societal value) and savings on costs, which in turn offer greater profitability for the company (economic value).

**3. Developing local clusters or operations.** This is an investment in local infrastructure to better provide services or goods. Developing local operations also stimulates collaboration between enterprises, governments, and non-governmental organisations, which may result in scalable social benefit and corporate profits if done correctly [9].

### 1. 3. Measuring shared value

Several scholars have contributed to the measurement of shared value. [23] conceptualised a four-step measurement process, creating the foundation for measuring shared value. Porter is well-respected and considered the father of modern corporate strategy, and the non-profit Foundation Strategy Group (FSG), which he founded in 2000, popularised the implementation of shared value and shared-value banking [21, 22]. Therefore, his shared-value measurement process remains relevant and central to the measurement of shared value.

However, other scholars have also produced literature to measure shared value. [22] put forward a three-step assessment, which requires the assessor to estimate [23] business and social value by linking changes in social condition to profits, to track [24] real-time measures and progress to confirm the would-be shared-value link, and [25] calculating all social and business benefits. [26] put forward the assessment of key organisational and societal indicators that include economic and intangible value for the organisation as well as indicators, showing a positive impact on society or the reduction of negative outcomes. [27–30] proposed that there are three essential aspects to consider, which include the nature of creation, its outcomes, and the recipients of the outcomes.

According to [1] shared value measurement is a four-step lemniscate process, integrated with business strategy, which is a self-perpetuating double feedback loop, that leads to more shared-value creation through understanding circumstances.

The study aims to explore the performance of shared-value banking based on the perceptions of Discovery Bank leaders. Study findings will be used to draw up recommendations to Discovery Bank South Africa regarding areas to improve to meet performance objectives.

## 2. Materials and methods

This study employed an exploratory research design to gain a deeper understanding of the implementation, successes and shortcomings of corporate shared-value banking in South Africa, by obtaining views and perceptions from Discovery Bank leaders. As this is a fairly new concept within the banking industry in South Africa, an exploratory study provides the necessary information and depth to direct future studies.

This study is led by an interpretivist research philosophy, using an inductive approach, where the subjective views, experiences and recollections of the study participants were analysed and interpreted, as opposed to the process of hypothesis testing. The advantage of adopting an interpretivist philosophy is that phenomena can be studied in a great deal of depth, especially in multifaceted social processes and in areas where there is insufficient prior theory [31–35]. This is especially appropriate for exploring various aspects of the shared-value banking concept in this study.

Based on the underlying interpretivist philosophy, the exploratory research design and the research questions, a qualitative study methodology was chosen for this research project. Using this approach, an in-depth analysis of obtained information was conducted to produce a rich understanding of various aspects, involved in the implementation and performance of corporate shared-value banking in South Africa based on the perceptions of industry leaders at Discovery Bank. Information, obtained from this, research has the potential to lay the groundwork for further quantitative research approaches, investigating this particular topic.

The qualitative method of inquiry that was used in this research project is a case study. The case in this study is defined as bound by parameters of an organisation (Discovery Bank) and a strategy implemented (shared value). The benefit of using this method is that it allows for a comprehensive analysis of the multiple complex steps, involved in the execution and performance of this strategy. In addition, tentative hypotheses may be generated that may direct future research on this relatively unstudied topic in the South African context.

The population of interest in this study is the 300 employees of Discovery who were involved in the implementation of Discovery Bank. The subset of this population of interest, that is the target of this research inquiry, is the 30 leaders of Discovery Bank, as they possess the requisite knowledge and experience regarding the implementation of Discovery Bank to provide data that adequately address the research objectives. Due to resource constraints (time, availability), a smaller sample of this target population of 30 leaders was chosen. The leaders that constituted the sample population of this study were also chosen as they were involved from the time of inception (2019) of the Discovery shared-value banking strategy. A *purposive non-probability sampling technique* was used to obtain data from a heterogeneous group of 8 Discovery Bank leaders in order to address research objectives and questions.

Primary data was obtained for this study using semi-structured interviews, either face-face or via video communication (Microsoft Teams or Zoom meetings). Open-ended questions based on pre-defined themes, dictated by the research objectives, were used.

Interviews were recorded (with participants' permission) and later transcribed, so as not to hinder the interview process with note-taking. A combination of speech-to-text software, such as Microsoft Team's built-in transcription utility, and manual transcription was used for the interview data. Secondary data, such as Discovery industry reports, was readily available and was obtained in order to interpret research findings in a broader context.

For this study, thematic analysis of the qualitative data, obtained from the interviews, was conducted in order to use an inductive approach to define themes and theories that attempt to answer the research questions. A computer-assisted qualitative data analysis software (CAQDAS), NVivo version 1.5.2 (946), was used to streamline this process.

Written permission to conduct the study within Discovery Bank was obtained by drafting a letter, detailing the research purpose and process and getting permission from Discovery's chief marketing officer.





### 3. 3. Themes

After a deep, thorough assessment of the transcripts and cleaning of the data, there was an elucidation of themes. With the research design aimed explicitly to explore the performance of shared-value banking based on the perceptions of Discovery Bank leaders using a qualitative study methodology, codes/nodes were further extrapolated by word-text frequency analysis as can be viewed in the word cloud visualisation in **Fig. 1**.

Words were coded using Nvivo software and themes were developed to understand the data on leadership perceptions of shared value further using a word tree and word cluster (Appendix E and F) as well to get a holistic view of the data. Themes had to also be further extrapolated manually to filter relevant data content. Analysis was iterative and involved trial and error. After the additional filtration of data in an effort to find succinct themes, the table below presents codes and subcodes for each research objective. **Table 2** below shows the codes and subcodes for the research objectives.

**Table 2**

Codes and subcodes for research objectives

Code/Subcode for RO1	Code/Subcode for RO2	Code/Subcode RO3	Code/Subcode RO4
Discovery business model – Behavioural model	Key performance objectives for bank – Growth/acquisition – Product usage – Credit utilisation Money status and risk correlation	Challenges in meeting KPIs – Client engagement – Complicated products – User experience – Communication Education	Changes in implementation of shared-value banking – Client communication – User experience – Spend requirements Family shared-value banking
Incentivising clients – Vitality money programme – Five behaviours – Shared profits/rewards	Key performance objectives for clients – Client satisfaction	Successes in meeting KPIs – Digital banking – High-quality clients	Competitive strategy
Profitability – Risk – Bad debt – Deposits	Setting key performance objectives – Business plan/case – EXCO – Technical marketing		Differentiators – Behavioural economics – Digital banking Integration
Society – Credit rates in South Africa – State-funding reliance – Defaulting debt repayments	Measuring the efficacy of shared-value banking – Reports		Blue ocean strategy
Success (of the model)	Reviewing the shared-value banking model – Strategy reviews		Recommendations for improvement – Service – Products – Engagement Innovation
Perception (Public)			

Source: own data

### Saturation

A total of eight interviews were conducted, with saturation occurring around the seventh interview. Although saturation had been achieved, the largest number of interviews were done in the shortest time feasible in order to obtain a more representative sample and boost the data's richness. 23 codes were generated from the first respondent, with dwindling returns until 0 codes were generated from the eighth respondent. **Fig. 2** shows code development, demonstrating saturation.

### 3. 4. Analysis of themes

#### Objective 1 themes

To establish leadership views on the performance levels of the shared-value approach within Discovery Bank South Africa. Objective 1 codes, explanation and themes is shown on **Table 3** below.

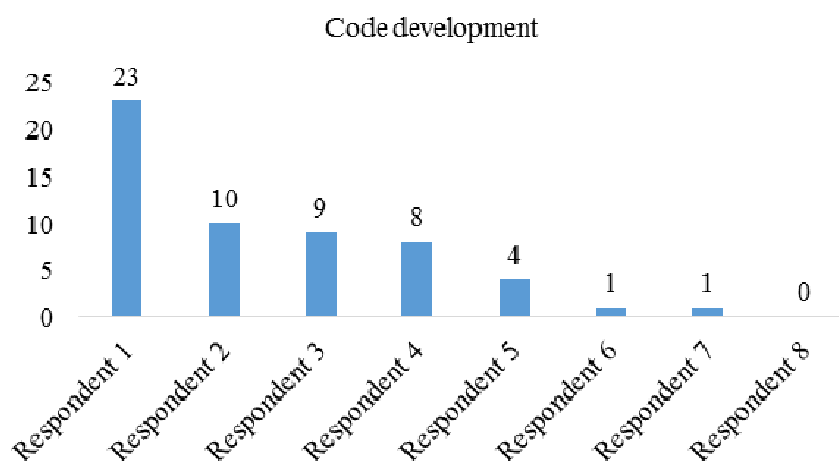


Fig. 2. Code development, demonstrating saturation

Table 3

Objective 1 codes, explanation and themes

Code/Subcode	Explanation	Theme
Discovery business model – Behavioural model	Comments related to this behavioural model already in place in other business areas. For example, Insurance and Vitality	Behavioural business model and applying shared value
Incentivising clients – Vitality Money programme – Five behaviours – Shared profits/rewards	Comments related to why shared-value banking was implemented in relation to client incentives for being financially healthy.	
Profitability – Risk – Bad debt – Deposits	Comments related to how the shared-value banking model equates to company profitability.	Shared-value banking
Society – Credit rates in South Africa – State-funding reliance – Defaulting debt repayments	Comments related to the impact of shared-value banking on South African society in terms of financial wellbeing.	
Success (of the model)	Comments related to whether leaders feel the shared value model is successful or not.	Premise control
Perception (Public)	Comments related to whether leader's think that the public understands what shared-value banking is.	Consumer knowledge of shared-value banking

Note: primary data

#### Theme: behavioural business model and applying shared value

Seven of the eight respondents spoke about the shift from initially adopting a behavioural banking model to adopting shared value, which Discovery uses for its other businesses – *the Discovery Shared-Value business model* [37]. Then they could apply shared value to their banking model to create a unique shared-value banking model with behavioural banking, built in as a chassis to run the engine of shared-value banking. According to the interviews, this was a strategic measure to get Discovery Bank in line with other Discovery businesses. Synergy exists between

responsible behaviours and desirable, actions which are consequently good for the business and society as well. **Table 4** shows the sample of corroborating responses for shared value theme.

**Table 4**

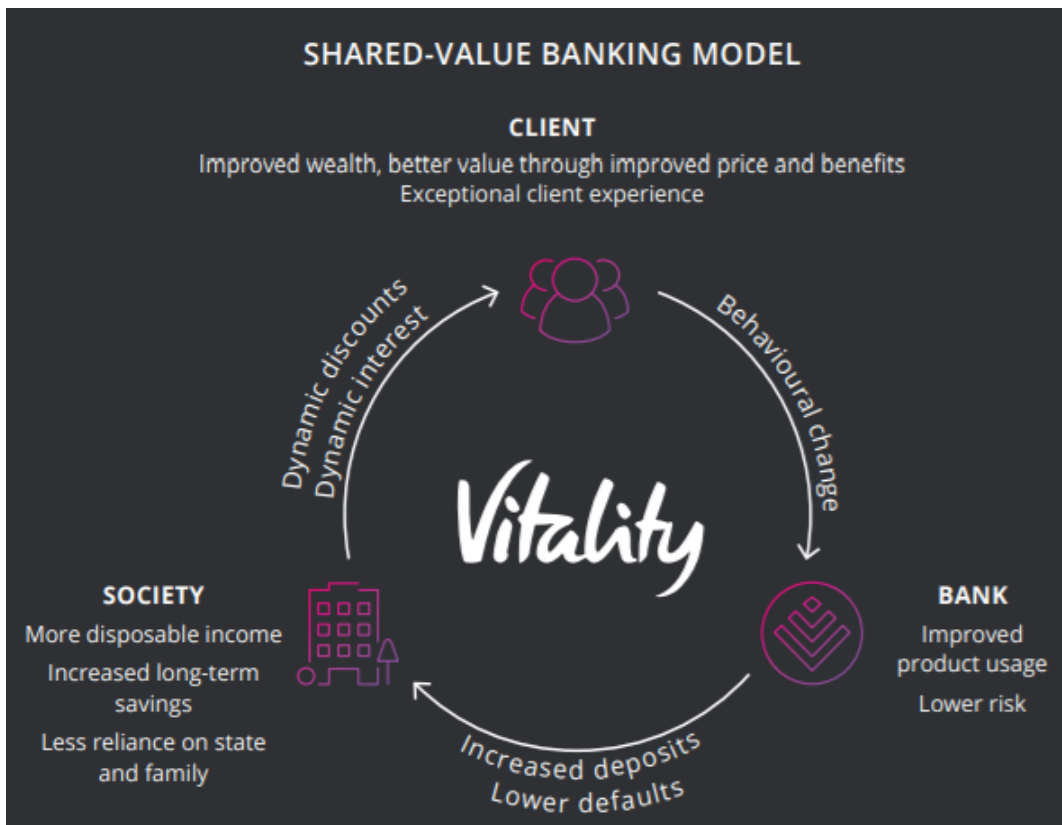
Sample of corroborating responses for shared value theme

<b>Respondent 1</b>	<i>“And we said the shared-value banking model is what creates the case for a behavioural bank. Whereas now we just flip that around to behavioural, a behavioural change programme is how we enforce the shared-value banking model.”</i>
<b>Respondent 2</b>	<i>“So, I think it comes back off the experience we’ve had in the rest of the business where I think we’ve understood that the nature of the risk is much more behavioural than socioeconomic. And because of that, we believe that by changing behaviour, we can fundamentally change risk. And by changing the risk, this allows us to get benefits in the bank and unlock value for a client.”</i>
<b>Respondent 7</b>	<i>One of the reasons, of course, is based on the success of the shared value model in other areas of the company. In addition, shared value concepts are very attractive in the sense that they can benefit clients as well as the company.</i>

Source: own data

**Theme: shared-value banking**

All respondents had a strong understanding of Discovery Bank’s shared-value banking model. The consensus is that the model is a “virtuous cycle” because when clients exhibit healthy banking behaviours, they, in turn, lower the bank’s risk, such as default on credit, allowing the bank to be more profitable. This profit is shared back with clients through incentives and rewards for healthy behaviour, which places clients in a better financial position. This in turn is a boon for society and lowers the burden on the state as it enhances wealth creation. **Fig. 3** shows the Discovery’s shared-value banking model.



**Fig. 3.** Discovery’s shared-value banking model. Source: [37]

However, Discovery’s shared-value banking model differs from the shared-value banking model, put forward by [38], in that the Discovery model is only based on the client, business and



society, the theoretical version is based on economic and social value as well as the three pillars of (a) furthering client prosperity, (b) fuelling the growth of regional economies, and (c) financing solutions to global challenges. From the data provided, Discovery Bank focuses solely on South African financial wellness and does not truly finance solutions to global challenges as yet. It could be argued, that Discovery Bank does fuel the growth of the regional economy by lowering banking risk in the local banking industry, thus strengthening the banking sector. **Table 5** below shows the Sample of corroborating responses for shared-value banking theme.

**Table 5**

Sample of corroborating responses for shared-value banking theme

<b>Respondent 1</b>	<i>“If you think about it, by just impacting our clients and improving their financial wellbeing, the effect of that is a lower reliance on state and other family members to help these clients out when they are financially distressed and therefore you improve society overall.”</i>
Respondent 7	<i>“So South Africans are generally over-indebted. And you probably know the stats better than me, but there are more people with credit cards and they are earning salaries and essentially, we strive to really help our clients understand their finances, improve their finances. This has a knock on to their family lives, the people they have close to them, but it also then has a less dependency on the state overall. We’re building up the financial capability of South Africans, in general, one client at a time.”</i>
Respondent 8	<i>“I think that the main benefits to society are related to improving financial behaviours. As you know, surveys have shown that South Africans have poor spending and saving habits. With this type of model, we incentivise change. Hopefully, this can impact on all areas of the society in the long term – less reliant on debt, and just more awareness around the impact of bad financial behaviours on their lives as a whole.”</i>

Source: own data

**Theme: premise control**

All respondents agree that shared-value banking is yielding results for the company. This includes take-up and adoption of Discovery Bank products. In terms of premise control, at the initial launch of Discovery Bank, the bank was touted as “the world’s first behavioural bank” and a bank that helped clients manage their money better [39–41]. After reviewing client engagement with behavioural banking and attempting to align Discovery Bank with the Discovery shared-value model, Discovery Bank adopted shared value formally to create its own shared-value banking model. This is a good example of premise control – founded on validity and dependability, a firm must regularly assess whether the premises and assumptions, on which the strategy is based, are still true. If a key premise is no longer true, a strategy adjustment is necessary [42, 43]. Currently, all respondents were pleased with the change in direction and the success of the adjustment. **Table 6** shows the sample of corroborating responses for the premise control theme.

**Table 6**

Sample of corroborating responses for premise control theme

<b>Respondent 2</b>	<i>“We’re onboarding over 500 clients a day. So, from that perspective, “is this a model that clients can identify with and want to be part of shared value banking?” I think the answer there is yes. I think then you need to look at whether the shared value model is working. So, are we effective in reducing risk? And there what you can see is there’s a very strong correlation between the arrears rates and your vitality money status, which is essentially an indicator of your behaviours. So, the better client’s behaviour, the better their risk profile with us, the lower the likelihood of them being in arrears. So, from that perspective, I think the model is working exactly how we envisaged it to work.”</i>
Respondent 3	<i>“Yes. Definitely. If you think about other banks and other organisations, it’s really in the infancy stage and already we are the fastest growing bank in South Africa. So I think it’s doing very well.”</i>
Respondent 8	<i>“Yes, I do feel like we are moving in the right direction. Discovery Bank is the fastest growing bank currently and we are steadily acquiring clients. Also, we noted that clients who are on higher tiers (gold and above) on the Vitality Money status – have lower default rates and arrear rates than those on lower tiers. Highlighting the success to some extent of targeting behaviour in this model.”</i>

Source: own data

**Theme: consumer knowledge of shared-value banking**

All respondents shared the common concern that the public does not fully understand shared-value banking and the company has a lot of work to do regarding educating clients around

the benefits of shared-value banking. Shared value and shared-value banking are academic terms that have not found their way into public acceptance as much as a term like ubuntu. However, Discovery Bank has been strategic in that it has claimed the term for itself before competitors even though it is not the first bank, or the first bank in South Africa, to adopt shared-value practices [10, 13, 26, 33]. While the results and returns from adopting a shared-value banking approach have been positive, respondents have divulged that much work has to be done regarding educating clients through marketing campaigns. **Table 7** shows the Sample of corroborating responses for consumer knowledge theme.

**Table 7**

Sample of corroborating responses for consumer knowledge theme

<b>Respondent 3</b>	<i>“We have a big job ahead of us and a lot of work to do. But there’s such a lot to benefit from if customers understand it. But the simple answer is no. And I think, less than 50 % of people understand really. I don’t know if there’s any kind of stats out there or research out there that can prove the point, but I don’t think people understand it.”</i>
<b>Respondent 4</b>	<i>“I think, Discovery Bank is slowly chipping away at those perceptions. I think before Discovery Bank, it wasn’t something that was part of the average man’s vocabulary. It’s not something that was discussed or spoken about or materialised into tangible things. But Discovery is actually showing you how it’s working.”</i>
<b>Respondent 7</b>	<i>“I think there’s still more to do. The ad campaign that we launched at the beginning of this year was a big step for us for educating what shared value is to clients, so that when they manage their money well, they create wealth and we share this back with them through interest rates and rewards. So, I think it is an educational thing, but I think more and more people are starting to understand it.”</i>

Source: primary data

**Objective 2 themes**

To identify the key performance objectives for the shared-value approach within Discovery Bank South Africa.

Below is **Table 8**, describing objective 2 codes, explanation and themes.

**Table 8**

Objective 2 codes, explanation and themes

<b>Code/Subcode</b>	<b>Explanation</b>	<b>Theme</b>
Key performance objectives for bank		
– Growth/acquisition	Comments related to measuring KPIs, such as the growth of the bank, bank product usage, credit utilisation by clients and money status/risk correlations.	Measurement (Business)
– Product usage		
– Credit utilisation		
– Money status and risk correlation		
Key performance objectives for clients	Comments related to measuring KPIs in terms of client satisfaction with the products, rewards or service.	Measurement (Business)
– Client satisfaction		
Setting key performance objectives		
– Business plan/case	Comments related to how Discovery bank sets its KPIs.	
– EXCO		
– Technical marketing		
Measuring the efficacy of shared-value banking	Comments related to how/what tools are used to measure the efficacy of the shared-value banking model	Measurement (Shared value)
– Reports		
Reviewing the shared-value banking model	Comments related to how the shared-value banking model is being reviewed by management or marketing	
– Strategy reviews		

Note: primary data

**Theme: measurement (business)**

All respondents confirmed that for their business units, they have goals to achieve through department and business KPIs, which are pursued aggressively. Two respondents mentioned that these goals are reviewed every six months. Each unit has specific KPIs, but these are based on the overall business objectives to:

**1. Increase credit utilisation:** Credit utilisation is important for banks as it serves as a revenue stream. Banks profit from credit interest.

**2. Attracting deposits:** Having clients save with a bank is a source of revenue.

**3. Increase product utilisation:** Discovery Bank wants clients to use and take on more products, not only Discovery Bank products, but also other Discovery products, so clients are part of a Discovery ecosystem.

**4. Growth and the acquisition of new clients:** An objective based on gaining market share in the South African banking industry.

**5. Lowering client risk:** By improving their financial behaviours, clients pose less of a banking risk, leading to fewer defaults. Their good financial behaviour will be rewarded with lower interest rates and other lifestyle rewards.

This is relatively in line with Discovery Bank's Pillar III report [36, 44–46], which states that the strategic focus areas are (a) High-quality client growth, (b) Attracting deposits (c) Growing quality advances (d) Powerful shared-value fundamentals and currency, and (e) Market-leading functionality.

Below is **Table 9**, describing a sample of corroborating responses for measurement (business) theme.

**Table 9**

Sample of corroborating responses for measurement (business) theme

Respondent 1	<i>“So, there are two angles there. The first one is a huge strategic objective at the moment is increasing credit utilisation, increasing credit. I think increasing credit uptake help your responsible use in all the credit that we extend. The second component then is in order to be able to fund that credit, we obviously need to be able to attract deposits.”</i>
Respondent 6	<i>“So, in terms of what we would want to measure, I think there are a few things. In terms of the actual bank, we'd want to see product usage. We'd want to see the number of accounts, the number of clients, and then engagement with our products. So, the number of people actively using credit or actively saving.”</i>
Respondent 7	<i>“We look at client acquisition, which gives us an idea of how the bank is growing. But we also want clients to increase deposits as well as increased credit utilisation in a healthy way. Then we also want to assess whether the program is, in fact, changing client behaviours and whether that is equating to lower risks to the bank and thus profitability. Lastly, we also want to determine if clients are satisfied with rewards and products that are on offer.”</i>

Note: primary data

#### **Theme: measurement (shared value)**

The majority of respondents (six) found the question around this theme difficult to answer. Two respondents, due to their seniority, were able to confirm that a review of the shared-value strategy occurs every six months at strategic meetings. The respondents who had difficulty, answering this question, leaned heavily on the notion of having clients adopt more healthy behaviours. All respondents are of the belief that the Vitality Money programme is the mechanism for shared-value enablement (a programme that checks how well clients perform five key financial tasks and offers clients a way to view how well they manage their finances) and rewards good client behaviour [47]. This presents an opportunity for Discovery to follow academic precedents because [48–50] provide a means for measuring shared value and [38] provide a framework for conducting shared-value banking.

**Table 10** below describes the sample of corroborating responses for measurement (shared value) theme.

**Table 10**

Sample of corroborating responses for measurement (shared value) theme

Respondent 2	<b>“We review the strategy every six months.”</b>
Respondent 6	<i>“I think we've done a few sorts of dipstick measures, but overall, I think that's certainly a blind spot for us at the moment. And being a new bank, we're still figuring out, which teams we need to grow and develop. And it's an area that's got a lot of focus in the last few months within the bank.”</i>
	<i>“Right at the top you have regular board meetings and they will certainly discuss strategy, but often it'll be the business teams, bringing their strategy up and sharing it with the board. The Bank EXCO then have strategies at least twice a year, but could be quarterly.”</i>

Note: primary data

**Objective 3 themes**

To identify the successes and shortcomings in meeting key performance objectives of the shared-value approach within Discovery Bank South Africa.

Below is **Table 11**, describing objective 3 codes, explanation and themes.

**Table 11**

Objective 3 codes, explanation and themes

Code/Subcode	Explanation	Theme
Challenges in meeting KPIs – Client engagement – Complicated products – User experience – Communication – Education	Comments related to the challenges, experienced by Discovery bank in meeting KPIs with regard to client understanding and engagement with products.	Client engagement challenges
Successes in meeting KPIs – Digital banking – High-quality clients	Comments related to the successes of implementing the SV banking model in terms of it being a successful digital platform and attracting quality clients.	Business successes

Note: primary data

**Theme: client engagement challenges**

Half the respondents spoke about the challenges of communicating shared-value banking to clients. The consensus is that Discovery Bank has to create more awareness about the term, the benefits clients could get when banking with them, improve usability and the user interface (UI) of the Discovery Bank app (which is the main way a client can access their banking portfolio), un-complicate products and promote client engagement. Naturally, if Discovery Bank overcomes these challenges, they will be able to boost engagement with products, increase client knowledge, thereby reducing the burden of the clients phoning into the Discovery Bank call centre to query products, improve customers satisfaction, organically create brand affinity, promote uptake of Discovery Bank and Discovery products and make banking an easier, simpler experience for clients. A key learning is that once a client is engaged, they stay engaged. The difficulty is getting low-engagement clients to engage.

Below is **Table 12**, describing the sample of corroborating responses for client engagement challenges theme.

**Table 12**

Sample of corroborating responses for client engagement challenges theme

Respondent 1	<i>"I think overall engagement is quite a problem. The program can already be a success, I mean the program is completely data-driven. And we pull as much data as we can automatically from within the group, from credit bureaus, from property bureaus. But we also rely on clients to upload data that we can't see in order to create a holistic view of their financial health. Now, what happens is that when clients aren't engaging with the app or aren't using their rewards, that's kind of makes it difficult for us to know how accurate a client's money status is."</i>
Respondent 3	<i>"Clients only engage or want the information when they are actually in that situation. And I feel that is also what we face in our environment. We put out tons of material and communication content. And even a simple metric is the open rates of emails. So, I think a huge challenge is to get clients to see the messages when it is needed."</i>
Respondent 4	<i>"So, our clients who are engaged are definitely likely to be engaged with all of the products, not just a single thing. Whereas the low engaged people take a bit more work. But once you have them, you can see that engagement does increase across the board."</i>

Note: primary data

**Theme: business successes**

All respondents were especially proud of business successes achieved. Two successes, in particular, were identified by half the respondents: Digital banking and high-quality clients. With regard to the former, digital banking allows the bank to exist only in a digital space. There are no

bank branches and banking can be done completely on their banking app [51]. This correlates with the notion that shared-value banking creates economic value as it promotes financial inclusion by allowing citizens of South Africa over the age of 18 years the chance to sign up and bank at all times, thus, banking is more accessible and not limited by banking hours [38]. Clients can also use the app without paying data costs as the app is zero-rated. Attracting and creating high-quality clients (clients who exhibit healthy financial behaviours) is of particular interest as it means that they are creating a new market to operate in that is beyond their competitors [52–55].

Below is **Table 13**, describing the Sample of corroborating responses for the business successes theme.

**Table 13**

Sample of corroborating responses for the business successes theme

Respondent 2	<i>“You can really see that a bank has been successful in attracting clients and attracting good quality clients. I think the second thing is engagement factors are high with healthy clients. So, what you find is people who engage in your shared value model are typically more engaged in general with your bank. They use your bank more. They understand, and they find it more convenient. So, from that perspective, there’s been huge successes. I think if we step away from shared value and look at it from a digital perspective, I think the bank has done extremely well in terms of creating an easy to understand and a fluid client journey, which I think has been another success.”</i>
Respondent 3	<i>“I think, for example, our app. I think it’s brilliant what we’ve achieved in such a short period and how we brought a bank into the hands of people. I think that in itself is a success. And in that success comes the engagement with their behaviours and engagement with the product.”</i>
Respondent 8	<i>“I think we did quite well in the digital banking space by creating a user-friendly system for clients to get more acquainted with their finances and hopefully allow them to make better financial choices. The other success that I mentioned earlier is the fact that we are seeing that clients on higher Vitality Money statuses tend to have better saving habits and lower default rates.”</i>

Note: primary data

#### Objective 4 themes

To make recommendations to Discovery Bank regarding areas to improve to meet performance objectives. **Table 14** represents objective 4 codes, explanation and themes.

**Table 14**

Objective 4 codes, explanation and themes

Code/Subcode	Explanation	Themes
Competitive strategy	Comments related to whether leaders believe shared-value banking is a competitive strategy	
Differentiators		
– Behavioural economics	Comments related to what leaders believe are factors that differentiate Discovery bank from competitors	Business strategy
– Digital banking		
– Integration		
Blue ocean strategy	Comments related to leaders’ options on whether SV banking is a Blue Ocean strategy	
Changes in implementation of shared-value banking		
– Client communication	Comments related to what leaders believe they would have changed/would change in the current shared-value banking model.	Recommendations
– User experience		
– Spend requirements		
– Family shared-value banking		
Recommendations for improvement		
– Service	Comments related to the recommendations to improve shared-value banking	
– Products		
– Engagement		
– Innovation		

Note: primary data



**Theme: Business Strategy**

All respondents were in agreement that shared-value banking is a competitive strategy. Respondents are of the opinion that shared-value banking is not offered by all banks, but it meets the demands of modern tech-savvy customers who want more from their banks than simply basic banking, and they are willing to improve behaviour to get better rewards. The shared-value banking model approach has the potential to help society, which is good for public relations because it reinforces that Discovery Bank is a responsible bank, looking to uplift its clients.

According to the respondents, Discovery Bank differentiates itself from competitors in three ways: (a) the use of behavioural economics, (b) deep integration with other Discovery products to create a Discovery ecosystem, and (c) a smart digital experience. There were mixed reactions as to whether shared-value banking with Discovery Bank was a blue ocean strategy. Some argued that Discovery Bank was tapping into an existing market and competition remains, while others argued that it is because of the unique model. The blue ocean strategy, which is a business concept that those who study business are familiar with, may not have been known to respondents, which may have influenced their feedback.

**Table 15** explains the sample of corroborating responses for the business strategy theme

**Table 15**

Sample of corroborating responses for the business strategy theme

Respondent 4	<i>"I think eventually the whole world will change towards shared-value banking, like all banking industries. Those that haven't already started to adopt it will adopt it. I think at the moment because of our legacy of Vitality Health and behavioural economics, we understand it a lot better than most. So, that does give us a competitive advantage, which makes us a more bankable option than most. But I do think, as a strategy for new banks, any new banks that are going to follow, need to follow a similar template or a similar format."</i>
Respondent 7	<i>"Other banks have said that they're doing the same thing, and I think it's easy to give lip service to it. But unless you genuinely are doing it and your business model is fundamentally built that way, then no. We are built differently, so while other companies may say they're doing it and they have larger budgets to claim it, I think it is more lip service than anything else, and our business model cannot be changed."</i>
Respondent 8	<i>"Yes and no. I wouldn't say that we are creating a new market space. And I say that because the fundamentals of certain aspects of banking are not much different from traditional banking. But what does differentiate us is that we have integration between various aspects of a client's wellbeing like Vitality Health with Vitality Money, etcetera, and this allows us to incentivise clients for doing well in certain targeted areas."</i>

Note: primary data

**Theme: Recommendations**

All respondents provided information on changes they would make to the shared-value banking model and recommendations for improvement. These are centred around engagement, innovation, products and service. With engagement, ideas were touted to improve, such as instant spend notifications to alert a client that they could earn a potential reward the next time they use their bank card.

With innovation, it involves creating and executing ideas that will have a significant positive impact on the business. With products, Discovery Bank's aim is to get up to speed with established banks and offer all the products they do but still offer shared-value banking, behavioural tracking and incentives.

There is also a push to get clients self-sufficient so they can service themselves and also a concerted effort to ensure that current servicing improves, so that every client interaction with the business is a pleasant one.

**Table 16** represents the sample of corroborating responses for the recommendations theme.



**Table 16**

Sample of corroborating responses for the recommendations theme

Respondent 1	<i>“The big thing is around engagement. We need clients to be actively using it. Not just using our products, but not just using them using, but understanding them.”</i>
Respondent 2	<i>I think just given the current circumstances, I think the way the economy is going and everything else, I don't think there's much else we could potentially do. I think the one thing that we could do is probably increase our capacity to develop and roll out new products, etcetera. Because I think, the faster we get to a full product set, the more compelling we're going to be as a full and standalone bank.</i>
Respondent 7	<i>“I think we've committed to being a future of banking, and I think that relies on us to constantly innovate and push ourselves. And I think other banks will continuously catch up, and so there's almost a pressure on ourselves to keep living up to our promise of delivering innovation and better banking that suit our customers better and help them manage their finances better.”</i>

*Note: primary data*

#### 4. Discussion

From literature, it is evident, that shared value has come a long way since its creation. Initially, it was considered a buzzword but it has steadily gained traction as a business concept across the world, with leading multinationals adopting the concept [7, 16, 23]. In essence, it seeks to humanise business and be fairer to all stakeholders in society by becoming a form of responsible capitalism [56–58]. Companies have often earned the ire of the public because of the perception that they keep on taking from consumers, society and the environment, and shared value seeks to address that. This is especially true in the banking world where the public perception is that banks leech on society and banks and money are the roots of all evil and that the modern banking system is systematically flawed, with financial inclusion being a concern [38, 59].

Shared-value banking offers possible solutions for equity and wealth creation, which is desperately needed in South Africa. Discovery Bank has claimed the notion that they are a shared-value bank, and leaders who have helped implement the concept at the bank feel that this is a concept that will lead to a greater good for society, the client and the company. Discovery Bank has created its own shared-value banking model, which differs from literature, as this model currently focuses more on the South African market. Leadership feels that the company is making a difference in society by rewarding good financial behaviours, especially when clients engage with their products, lowering the bank's risk to allow for greater profitability, and that both these factors lead to building up society through greater wealth creation and lower reliance on the state.

Much work has to be done in the assessment of shared value and shared-value impact. Discovery does not have a true framework to measure the impact on society and deviates from the established shared-value banking academic framework, while it does meet the high-level measurements of the shared-value measurement model. Still, like all high-performance businesses, Discovery Bank has key performance objectives to attain. Some are at a micro level and some are at a macro level.

At a macro level, *“Discovery's core purpose is to make people healthier and enhance and protect their lives”*, which already has a synergy with shared value, and *“Discovery Bank's core purpose is reward people who manage their money well”*. From this, Discovery Bank created a shared-value banking model for themselves, which is the virtuous cycle with the objectives of:

1. Improving client behaviour, which will lead to them earning more rewards through incentives and building personal wealth.
2. Lowering the bank's risk and increasing product usage, which allows for increased deposits and fewer defaults of credit.
3. Increasing long-term savings, allowing for more disposable income, and financial independence, which will be accomplished through incentives and dynamic interest rates.

However, according to Discovery Bank's *Pillar III report* [37], the company's strategic objectives are (a) High-quality client growth, (b) Attracting deposits (c) Growing quality advances (d) Powerful shared-value fundamentals and currency, and (e) Market-leading functionality. At a micro and business department level, all business units within a business department have personal and departmental performance objectives to attain. These KPIs are pursued relentlessly as Discovery is a high-performance company that prides itself on achieving goals, with goals reviewed every six months.

Some of the successes identified include that their products are conceived from the ground up with shared value in mind, they propose a wholly digital banking offering with smart UI and they demonstrate advanced use of behavioural economics, which is used to incentivise good financial behaviour to create and attract high-quality clients. Respondents were proud of their digital sign-up process, which works as an inlet for financial inclusion in the banking system, as well as the adoption and creation of high-quality clients through behavioural economics and the Vitality Money programme, Discovery Bank's behavioural change programme. According to [60], they offer clients significant tangible lifestyle rewards when clients exhibit these specific behaviours:

1. Spend less than they earn
2. Have sufficient emergency funds
3. Pay off their property
4. Invest for the long-term, and
5. Have essential insurance in place.

These five behaviours have been identified because if left unmanaged, they account for 80 % of risk of a client defaulting on financial responsibilities. The bank needs clients to exhibit these behaviours to reduce their risk. When clients follow these behaviours, there is a knock-on effect, that leads to a more robust financial system and less reliance on the state, thus improving society.

Shortcomings include client engagement, complicated products, middling service, communication, and education. This can all boil down to client engagement challenges. It's been difficult for them to get clients to understand this relatively new notion of shared value in banking. This may be due to the belief that it's more complicated than what clients are usually used to, given that other banks provide a product and rarely reward good financial behaviours. As a result, Discovery Bank finds it difficult to create a digital experience and communication as understandable as possible. Also, Discovery Bank's Vitality Money programme's effectiveness is contingent on client involvement with the banking app. They need clients to engage to get more accurate data to better gauge and reduce the degree of risk.

## 5. Conclusions

For this study, a research objective was to provide recommendations to Discovery Bank regarding areas to improve to meet performance objectives. These recommendations will attempt to fulfil that research objective.

Discovery Bank is a unique combination of technology, social responsibility, and the execution of behavioural economics, all of which are underpinned by its shared-value business model. The use of incentives and rewards, supported by behavioural analytics and technology, is at the heart of Discovery's business strategy, which encourages clients to make smart financial decisions. This business model allows clients to improve the quality of their lives, while simultaneously providing Discovery with long-term revenue and contributing to the improvement of society.

It is recommended, that Discovery Bank continue its strong performance, especially to get out of the loss they still find themselves in after having to start up the business [61, 62]. The bank must remain committed to product development, enhancing its behavioural analytics and refining its user experience. Educating consumers about the benefits of shared-value banking must become a performance objective to meet. As they are still establishing the bank, it would be amiss to be content with their current successes, and the need, motivation and desire to establish itself and gain market share or create a new market should be a top priority.

They are in the enviable position of being in a blue ocean and making the competition irrelevant because the shared-value banking model they created allows them to create a market of highly-desirable clients that exhibit healthy behaviours and exist in only their product ecosystem due to integration with other Discovery products. Converting clients to healthy clients will be key to driving profits and reducing risk.

Discovery should maintain its current objectives, but it would be prudent to follow established academic frameworks, such as the shared-value measurement by [62, 63], but critically, the shared-value banking model, put forward by [63, 64], especially when it comes to (a) Fuelling the growth of regional economies and (b) Financing solutions to global challenges.

With regard to fuelling the growth of regional economies, it can be argued, that Discovery Bank attempts to uplift the client using behavioural economics and that when the client is uplifted, so is local society, as well as that if the bank is managed and run well, it strengthens the local banking system, thus strengthening the growth of the regional economy. However, these are not direct actions. Direct actions include financing lucrative projects that will ensure profitability for the bank, but also providing much-needed development and helping the economy by funding long-term growth initiatives, local development projects or building up local infrastructure to ensure efficiencies in the value chain [62, 64, 65].

With regard to financing solutions to global challenges, Discovery has to look beyond the South Africa and finance solutions for the greater global good. This includes financing environmentally friendly businesses. However, at this stage, Discovery Bank does not offer business loans and this is an area that they can look into to complete their product set, which was an issue, identified in the interviews. For example, an environmentally friendly business will receive lower interest rates. The company did allow for payment holidays during the height of the global pandemic. However, most banks in South Africa offered the same relief. Discovery, as a company, dedicated to being a positive influence in the world from its core purpose, must not take global challenges lightly and seek to finance solutions to global challenges, especially if there is synergy between Discovery Bank and the investment opportunity.

Supported by interview data and media reports, Discovery Bank continues to grow at steady rates and is South Africa's fastest-growing bank in terms of retail deposits. They had R8.1 billion in deposits as of May 2021, growing by 281 % in retail deposits over the previous 12 months, beating the rest of the market in South Africa, which only increased by 7.6 %, and they add approximately 500 new customers every day [65]. The successes require no change and Discovery Bank should continue on that path to grow, especially concerning optimising its digital offering. They need to double-down on their app and turn it into a mega app (one-stop banking shop) that allows for retail purchases and full integration of rewards and rewards currency.

However, in terms of shortcomings, it would be wise of Discovery Bank to push client engagement higher, as engagement drives the business model. Without a client engaged, Discovery Bank cannot mitigate risk, thus the client cannot get rewarded, and the shared-value effects and societal benefits will not be felt. A concerted effort has to be made to simplify the product offering, so that digital and physical content is easily digestible for clients. This could start by publishing all content in plain language, so that anyone can understand their offering and, in turn, this will aid financial inclusivity. Pushing engagement through social media is an avenue that Discovery Bank can look into, especially influencer marketing. If clients follow a certain good-fit influencer and see how easy it is for them to earn rewards with Discovery Bank, there is a high likelihood that they will be influenced to join the bank. Discovery Bank can also look into gamification to motivate clients. Listening to client feedback is important because it will help identify blind spots that the strategic minds in Discovery leadership have not yet viewed. Even simple measures, such as crowdsourcing, such as Twitter polls, can drive engagement to this effect, and allow for the gathering of information to consider new products or quality-of-life improvements.

Studies on shared value are rare but gaining momentum. There are a number of possibilities and other business areas to apply it to, such as the insurance industry. Perceptions and exploratory studies are all possible. The researcher initially attempted to conduct research on shared-value banking from the client's perspective using a mixed-method design, however, with time scarce, the research shifted to explore leadership's perception of shared-value banking. This client-centric study can still be undertaken by a willing researcher. For doctorate research, an investigation of shared value and ubuntu is a possibility. With shared value and shared-value business models now gaining popularity, many opportunities are available to research further.

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