

SA'S BIGGEST BOARD MEETING

THE DIRECTORS EVENT

Sunday Times
TOP 100
COMPANIES



Business heeds the call 'Thuma Mina' and says Count Us In

The overriding theme of this year's The Directors Event, 'SA's biggest board meeting' held in Sandton, Johannesburg on 8 June, was the response by business to President Cyril Ramaphosa's 'Thuma Mina' (Send Me) call.

This was the fourth edition of the event which has become an annual platform for dialogue and debate between keynote speakers, panellists and delegates on some of the challenges facing the country. This year, the spotlight was on technology solutions to grow a more inclusive economy, solutions to alleviate youth unemployment and promote entrepreneurialism as well as the impact of politics on the economy.

A NEW SENSE OF OPTIMISM

There is no doubt that President Ramaphosa has inspired a new sense of optimism. This optimism is in large part the result of a visible effort to undo the previous administration's patronage network. President Ramaphosa's overhaul of the boards of state owned enterprises (SOEs) to ensure good governance is restored to these critical institutions as well as his determination to attract investment back into the country to grow the economy is the first step towards restoring faith in government.

This past year was always going to be a watershed year for SA as the impact of former President Zuma's poorly managed presidency began to be felt more strongly, said Sunday Times Business Times editor, Ron Derby. It now needed to get back to work and take advantage of a window of opportunity to effect a turnaround.

Key will be how the government addresses the challenges facing the country, insisted Derby, including fiscal stability in SOEs; policy certainty around the mining charter; economic growth; and policy solutions for the health and education sectors.

GOVERNMENT CALLS ON BUSINESS TO GET INVOLVED

However, as several speakers attested – including Minister of Finance, Nhlanelhla Nene, Business Leadership South Africa (BLSA) chairman, Dr Jabu Mabuza and newly appointed deputy CEO of MMI Holdings Limited, Jeanette Marais – government cannot hope to ignite economic growth and alleviate unemployment without the aid of the private sector.

Having emerged from a period where South Africans had lost confidence in the leadership of the country, with scarce resources being mismanaged, misallocated and misappropriated; low economic growth marked by persistently high unemployment, and low levels of foreign direct investment, it is time for all South Africans to heed President Ramaphosa's call and lend a hand. As such, said Marais, South Africans must start to act in a way that will build confidence in the country bearing in mind that business can only prosper in a prosperous society.

In many ways, she pointed out, the economy runs on confidence as it is confidence that encourages consumers to make purchases, convinces investors to place their money in the country, encourages growth and creates jobs. Marais argues that it's as much the responsibility of the private sector to pitch in and ensure that the new dawn is not a false dawn, as it is the responsibility of the public sector. Just as government has to address its challenges, so too must the private sector address and fight corruption, fraud and collusion. Inclusive growth, she pointed out, can only be achieved if the country as a whole, comes together to find practical ways to create jobs, drive investment and speed up real transformation.

The president's task to rebuild the economy is both formidable and enormous, agreed Mabuza. He implored every business leader attending the conference to think carefully about what they could do to drive economic growth and transformation. In addition, he called for business and government to work together on scalable projects and to come up with practical and workable solutions to address the lack of capacity in the public sector.

Businesses, reminded Mabuza, don't operate in isolation and it is everybody's duty to ensure a more equitable society because equitable societies do better in the long run in almost every measure.

Without a sustained increase in economic growth, unemployment cannot be addressed. Government will play its part to deliver on reforms, strengthen good governance at SOEs and maintain a stable fiscus, said Nene, as well as address structural challenges such as high costs around broadband, transportation and regulation to make it easier for small firms to enter the market and compete against large players.

UNEMPLOYMENT

A key element within the South African economy – and one of the major themes discussed throughout the conference - involves addressing unemployment, particularly among the youth, to allow more people to play a meaningful role in the formal economy. The Youth Employment Service (YES) initiative which launched earlier this year with the aim of providing more than one million young South Africans between the ages of 18 and 35 with paid work experience over the next three years is a positive first step, but on its own is not enough.

Speakers from both the public and private sectors acknowledged that addressing SA's high rate of unemployment is an urgent imperative. Job creation, said Marais, requires multiple approaches from all sectors of society, particularly when one considers recent research from Accenture which revealed that 35% of all jobs in SA are currently at risk of total automation and that machines can perform three quarters of the activities that make up these white and blue-collar jobs.

Addressing the country's unemployment problem, said Dr Tashmia Ismail-Saville, CEO of YES, will require creativity and disruption, and the creation of new economic spaces to literally invent jobs. Rather than focusing on high growth unicorn type model to provide employment she suggested focusing instead on growing the number of SMEs that each employ a small number of people because ultimately, the majority of jobs, should come from this sector.

To support these small and medium sized enterprises a suggestion was made to develop a database of SMEs and their products or services on offer.

SKILLS DEVELOPMENT

In addition to youth unemployment there is a growing adult unemployment problem which requires interventions to be put in place in order to reskill people, said Professor Barry Dwolatzky, Director of the Jo'burg Centre for Software Engineering at Wits University. A university degree is no longer a guarantee of a job and while he conceded that there is much wrong with universities including the fact that they compete

for scarce resources and the best students, and operate in silos, he argued that where they succeed is in creating deep thinkers who are capable of delivering solutions.

There is little doubt that there is a need for both current and future workforces to be prepared to compete in the future digital workspace. As more routine jobs become redundant we need cool headed dialogue on this issue, insisted Mabuza, referencing the fact that coal workers had marched to halt renewable energy projects fearing that their jobs would be jeopardised.

EDUCATIONAL CRISIS

In addition to the need to reskill the existing labour force, SA's poor educational outcomes and lack of sufficiently trained teachers were frequently referenced during the course of the conference. SA's track record on educating the future generation is woeful, said Marais, referring to alarming statistics proving her point including the fact that only six percent of matriculants this year will achieve a reasonable mathematics mark of 60% while only half will pass matric. It's no surprise that 75% of the country's unemployed are the youth given the 80% illiteracy rate for Grade 4 learners.

Perhaps not unsurprisingly, most unemployed youth don't have a matric certificate, revealed Ismail-Saville and are educationally, culturally and geographically distant from opportunities given SA's industrial concentration. Without a matric certificate they are automatically excluded from any bursary schemes, with the result that the majority are thus constrained from making a meaningful contribution to the formal economy.

The recent World Bank Systematic Country Diagnostic for South Africa identifies a focus on children and young adults as critical, said Marais. She suggested a holistic approach that will transform the entire education system, with an emphasis on literacy and numeracy, as well as the upskilling of teachers, focusing on these factors from the foundation phase and not solely at matric level.

SA cannot keep supplying commercial solutions to its educational crisis, argued Barbara Mallinson, founder and CEO of Obami, given that brick and mortar structures are expensive and that we don't have enough suitably qualified teachers. Technology has the ability to address many of these challenges through online learning platforms and qualitative facilitators which will allow both SA and the continent to scale educational and skills development solutions.

Education and unemployment are two of the most crucial areas in which South Africans must come together to build confidence, argued Marais, adding that the greatest asset of a country is not its land or infrastructure, but rather its people. Investing in people and building human capital is the best investment a country can make, she insisted.

TECHNOLOGY

Technology, agreed many of the speakers at the 2018 The Directors Event, has the potential to unlock economic growth but, perhaps even more importantly, to allow for inclusive growth through the deployment of large scale infrastructure advancements that place ICT at their core. It has the potential to deliver transformative solutions to unemployment, for example because it cuts across multiple barriers and allows a technically sound enterprise to indirectly have a spider effect on job creation, said Zachariah George, co-founder and chief investment officer of Startupbootcamp Africa.

During his keynote address, Nene revealed that reducing costs in the ICT sector by half could increase GDP growth by 0.3 percentage points per year and create 200 000 jobs over the next decade.

All indications are that government is prepared to play its part. Minister of Science and Technology, Mmamoloko Kubayi-Ngubane acknowledged that government needs to fast-track the migration to digital in order to free up spectrum. A lack of spectrum has been blamed by network operators for the high costs of data.

However, government is limited in what it can achieve given its constrained fiscus. Rolling out ICT infrastructure is an example of one area where government will not be investing and where private sector investment has played a significant role. Under discussion was the fact that private sector organisations have tended to prioritise rolling out ICT infrastructure in urban rather than rural areas. This has resulted in a digital divide between urban and rural areas which threatens to further exacerbate the class divide.

There was widespread recognition amongst speakers that priority needs to be given to connecting low income communities as well as lowering the cost of communication and connectivity, given that connectivity provides a myriad of social benefits. While the argument was tendered that network providers are raking in huge profits, business leaders countered this vehemently, arguing that input costs currently are unnecessarily high as a result of a lack of spectrum.

SA does have the ability to deliver world class technologies and these technologies can deliver economic opportunities and create employment, as evidenced by the success of the drone technology sector, as just one example. SA, it was pointed out, is currently at the forefront of drone regulations globally.

POLICY CERTAINTY

Another theme that emerged from the conference was the need for policy certainty. Investors require policy certainty now more than ever, and SA's policy responses are inadequate, particularly around the mining charter, said Derby. And these inadequate policy responses are dissuading much needed foreign investors, insisted Peter Major, Director Mining at Cadiz Corporate Solutions.

Mabuza agreed on the need for policy certainty, revealing that one of the challenges faced by Telkom recently was a decision of which business entity to buy fibre from. One of the contenders employed 600 people but Telkom would get low empowerment credits if it bought from them. Another contender involved a black businesswoman who imports fibre from China – and employs no-one – but the company would get full points if it procured from them. These kinds of issues, said Mabuza, needed to be addressed.

One of the failings of the ruling party, said economic strategist, Thabi Leoka, was the ANC's tendency to formulate policy without committing to implementing it. Business Leadership South Africa COO, Busiswe Mavuso, concurred and said she was not convinced that the current administration understood the urgency of the situation and was putting any meaningful reforms on hold until after the 2019 elections, prioritising political decision making over what was best for SA and its economy.

During a panel discussion on politics and the economy, it was agreed that coming in midterm for President Ramaphosa is a challenge given that he does not have sufficient support from within his own party. Political analyst and author, Ralph Mathekga, urged the president to 'avoid unnecessary adventures' and rather just 'close the tap at Transnet' and 'plug the holes' in the run-up to the 2019 elections.

Conceding that the country had been through a challenging phase, Enoch Godongwana, chairperson of the ANC's sub-committee on Economic Transformation, said government's priority now was to rebuild trust in the ruling party, strengthen the balance sheet of SEOs and end corruption in order to rebuild the economy and take the country forward.

TRUST DEFICIT

In addition, it appears as if there is still a significant trust deficit between the public and private sectors and a perception amongst government that if a solution is privately supplied it is not a quality offering, revealed Mallinson. Mallinson founded Obami, a digital-solutions teaching company which offered its online teaching and learning solution to government for free – and had been turned down.

This trust deficit manifests in other ways too. In the ICT space, revealed SEACOM CEO, Suveer Ramdhani, government – in the form of regulator ICASA – and business have been at a stalemate for far too long.

A frequent call from business leaders at this year's conference was that government, for its part, needs to understand the impact and consequences of decisions made from a political perspective that restrict businesses from being globally competitive. The disconnect needs to be addressed and both the public and private sector need to collaborate in order to find workable and sustainable solutions which promote inclusive growth.

BUSINESS UNDER PRESSURE TO DEMONSTRATE VALUE

Another theme emanating from the 2018 event was the fact that businesses are under increasing pressure to demonstrate their value to society. This trend is not unique to SA, pointed out Mabuza, explaining that every business's license to operate is dependent on its ability to demonstrate its value. This is why, he said, SA businesses need to give due consideration to the creation of social value and find ways to work together to get both the country's economy and society on a sustainable trajectory. He implored business leaders to provide SA with the solutions it requires to take it forward.

Delegates at the conference were encouraged to play a part in creating the country they want to see, by contributing to skills education and as Mabuza so succinctly put it, to consider bursaries as an advance payment for more stable future.

The Tiso Blackstar Group, owners of Sunday Times, Business Day and Financial Mail, together with headline sponsor MMI Holdings heeded this call and together have contributed R450 000 as well as a percentage of ticket sales from The Directors Event to the YES initiative.

The risks facing SA remain significant as indicated by Statistics SA's announcement that real GDP fell by 2.2% in the first quarter of 2018. These results, said Nene, will mean a downward revision of optimistic predictions for growth in 2018. The message is clear: while SA may have been dragged back from the precipice, there is no room for complacency.

Both government and business need to heed the calls made at The Directors Event to show leadership and to ensure the public and private sector collaborate meaningfully and constructively to find sustainable solutions to SA's most urgent and pressing challenges.

To achieve this, they will have to bridge the distrust that currently divides them. Furthermore, we need less empty talk and more constructive engagement. Government entities need to stop operating in silos and instead work together along with the private sector if SA is to realise President Ramaphosa's new dawn.

The message from this year's The Directors Event is that if the public and private sector can work together to catalyse investments into the economy, SA will be able to find sustainable solutions to its most pressing challenges and grow the economy.

The conference was bought to you by the Sunday Times Top 100 Companies and JSI listed MMI Holdings, in partnership with the Institute of Directors Southern Africa (IoDSA), Mancosa (GSB) and Greymatter & Finch.

Nontokozo Madonsela, Chief Marketing Officer of MMI Holdings commented that The Directors Event is an opportunity to discuss how we as business can lend a hand in fixing some of the country's pressing

problems. “We want to be counted in to help shape a much better future for all of us. MMI believes this platform enables constructive conversations between the public and private sectors as a starting point to create solutions together.”

“The value of an event such as this is that it creates a platform to discuss difficult issues in SA – the fact that it includes public, private and entrepreneurial members with different insights is a boon. Moreover, it provides a rare opportunity to see them interact and air their views. The value of The Directors Event in particular is that it provides insights into what people are doing in the entrepreneurial space in terms of initiatives, ideas and approaches. My clients shared the same view – as bleak as some of the information was, the overall feeling generated was that of hope, enthusiasm and a renewed excitement for South Africa,” said Adriana De Rook, MD, Greymatter & Finch.

The IoDSA’s Vusani Ndlovu believes that it is imperative that conversations around the boardroom table do not revolve only around the financial performance of an organisation. “The solutions to complex problems might just be contained in suggestions by stakeholders. It is also important to ensure that those involved in boardroom discussions should hail from a variety of backgrounds, upbringings, and lifestyles. South Africa - now more than ever - needs directors that don't sit on boards, but that serve for the greater good.”

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