

BMF POLICY CONFERENCE
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BREAKING THE CYCLE:
HOW TO FAST-TRACK SOUTH AFRICA'S ECONOMIC TRANSFORMATION

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Allow me first to express our appreciation as the Mapungubwe Institute (MISTRA) for this opportunity to share views with a critical contingent of the leadership of our country.

This characterisation of the Black Management Form as a critical contingent of South Africa's leadership is not made lightly. Managers in both the public and the private sectors – and indeed in civil society – are by definition, or at least potentially, leaders in the narrow sense of the word.

But, in the context of a transforming society, the BMF occupies a critical position also because of two fundamental reasons. Firstly, such is the nature of South Africa's process of change that those who originate from the majority of the population and were systematically oppressed and marginalised have, by sheer weight of logic, a leading role to play in defining and constructing the antithesis to the heinous system we seek to destroy. Secondly, that position of relative privilege also accords immeasurable responsibility on black managers and professionals to play their role as fountains of progressive thought – as part of the vanguard in fashioning both the theory and praxis of social transformation.

And so, acting in that capacity of leadership, the BMF is, at this Policy Conference, posing a question that should exercise the mind of South African society at large: how to break the cycle and fast-track South Africa's economic transformation! It is safe to assume that you assert the need to break the cycle because you are convinced that South Africa needs to strike out along a higher economic trajectory; having consciously and systematically come to the conclusion that the current path dependency has not resulted in, and cannot advance, speedy economic transformation.

Naturally, the question then immediately arises: what is economic transformation!

Without claiming any intellectual authority on such a complex matter, I would argue that there is a common appreciation across all reasonable schools of thought that transformation entails the fundamental change in the essence of a phenomenon, its substantive transmogrification; but also a change in its form.

With regard to the economy in particular, such substantive change implies re-constructing, afresh, the apartheid social relations that South Africa inherited in 1994, with the attainment of formal democracy. Our Constitution fully embraces this logic of fundamental change – or, if you like,

revolution – in its assertion of not just civil and political rights; but also the generations of social and economic rights; on resources and the environment, as well as gender and communication.

In other words, economic transformation is about more than just affirmative action or Black Economic Empowerment (even if it's prefaced by the designation, 'broad-based').

In case it may not be self-evident why the issue is couched in this manner, let me underline that there has been a tendency in public discourse to use the notions of affirmative action (including BEE) and economic transformation interchangeably. As such, particularly if articulated in this narrow fashion by the black middle and upper strata, the concept of economic transformation starts to lose its generic character; and advocacy around it can easily be construed as the promotion of narrow self-interest by an elite.

What is it then that we seek to transform and why? If, as the BMF argues, there is need to fast-track economic transformation, what is the path dependency that we need to liberate ourselves from?

We are all familiar with the colonial inheritance; and so it will not be necessary to elaborate on what some used to refer to as 'racial capitalism'. Save to say that it straddled all facets of economic life such as ownership of assets including land, apportionment of wealth and income, access to skills and the professions, employment possibilities, positions of economic leadership, access to social and economic services, levels of employment and social capital, the structure of the economy in terms of proportions of various sectors, as well as the country's international economic relations. Race and gender – and intersecting with them, spatial location – determined a person's social status.

If from the very outset, in the constitutional framework, in the Reconstruction and Development Programme and through the multitude of socio-economic programmes, there was clear intent to change this apartheid inheritance; and if there have been major changes in South Africa's polity and socio-economic set-up since 1994, why the need for fast-tracking?

Let us answer this question by examining a few home truths about South Africa's political economy today.

First, our economy remains trapped in the path-dependency of the minerals-energy complex; and it has in the past thirty years experienced major de-industrialisation, with manufacturing having massively declined as a proportion of GDP.

Second, because of its colonial origins, South African capitalism was built on the foundation of monopoly companies, the ubiquity of which is unlike in most comparable countries. An erstwhile imagined outpost of Europe, South Africa remains poorly networked on the African continent; and it has an entrenched subordinate relationship with the erstwhile colonial powers.

Third, whatever figures we may haggle over, the reality is that the bulk of the country's wealth (as measured by assets and income) is owned by the white community. The same demographic anomaly manifests itself with regard to race and gender balances in board, executive and skilled positions.

Fourth, macro-social indicators such as unemployment rates, skilled qualifications, income poverty, consumption expenditure and access to social services reflect similar patterns. The same applies to

the various measures of social capital, including access to networks that open up the doors of opportunity.

Fifth, the share of aggregate income of the lower and middle strata has declined since 1994; while that of the upper strata has increased – signifying stubborn manifestations of inequality.

Of course, these home truths do not subtract from the progress that has been made since 1994, in changing South Africa for the better. At the same time, the point also needs to be made that some of the weaknesses, such as poor broadband access, weak governance in State-owned Enterprises and the electricity-generation crisis owe their origins to post-1994 suboptimal planning, poor decision-making and the ‘sins of incumbency’.

In other words, the BMF’s assertion about the need to break the cycle is as apt as it is evocative of urgent action. How then can the cycle be broken?

Simply put, the narrative that should describe faster economic transformation should have industrial policy and its implementation as the basic underpinning. South Africa has committed huge resources towards an infrastructure programme aimed at providing economic and social services. Besides the crowding-in and employment effects of such a programme, it does provide a basis for a major re-industrialisation drive on the basis of local production of relevant supplies. The changes in the social demographics described earlier, provide a basis for manufacturing on a large scale. The successes registered in the green technologies procurement process suggest major opportunities across the value chain of the green economy. While there may be a downturn in global demand for minerals, the fact of the matter is that the factors that drove high demand in China may start playing out in other countries and regions. Agriculture requires a few major interventions across the commercial and communal spheres for the objective set out in the National Development Plan of one-million additional jobs in this sector by 2030 to become reality.

In other words, there are a few major structural interventions required to break the cycle of the current path dependency. This, as we have argued, should form the basis of fast-tracked economic transformation.

How other elements of transformation can flow from this basic approach is illustrated, for instance, with regard to our relations with the rest of the African continent. South Africa’s infrastructure programme is only a tiny fraction of the programmes that will unfold in sub-Saharan Africa over the coming decades. Combined with the changes in Africa’s social demographics, this should provide massive opportunities for manufacturing. In other words, breaking the cycle should also mean a reconfiguration of our strategy in relation to our ‘near-abroad’ (to borrow a phrase from another setting): how we take advantage of the high rates of growth and development in sub-Saharan Africa to help pull South Africa from being an economic growth laggard; how we build strategic partnerships with regional anchors in various parts of the continent; how we take full advantage of our unique ‘geography’ as the southern mid-point between East and West; and how our financial and legal systems can stand us in good stead...

I would also argue that an approach to breaking the cycle that is founded on changing the structure of the economy contains the possibility to implement a Black economic empowerment programme that is truly transformative, sustainable and inclusive. While the standard approach to matters such

as asset ownership in existing enterprises need to be sustained, one's imagination is simply overwhelmed by how the opportunities we have described in infrastructure and manufacturing both in South Africa and the rest of the continent can lay the basis for the emergence of black industrialists – not out of some mysterious list, but in the furnace of actual practice. The role of state-owned enterprises and development finance institutions in this regard cannot be overemphasised. Indeed, if they are properly governed; if they are ethical and strategic in leveraging their procurement capacity; if they are appropriately oriented to serve developmental objectives, the role they can play as a catalytic instrument in economic restructuring and empowerment defies description.

As we reflect on how to fast-track economic transformation, we should also interrogate two critiques of the National Development Plan on this issue.

The first one is about its lack of ambition in so far as the 2030 target for the Gini coefficient (a measure of income inequality) is concerned: from the current 0.68 to 0.60 which is still at the top end globally. Fast-tracking economic transformation also has to entail a raft of measures to address social inequality: education and skilling; employment-intensive economic growth; incomes policy; as well as profit-sharing and employee share-ownership schemes, among other interventions. It is in the profound interest of both the rich and the poor – of whatever colour – that this matter is addressed. Macro-social stability crucially depends on this.

The second critique is about whether the NDP renders sufficient treatment of the issue of empowerment as it applies to all-round material and cultural transformation in existing enterprises. Indeed, only those without eyes to see and ears to hear, will be blind and deaf to the sense of anger and impatience brewing among black professionals in the economic mainstream. I'm quite certain that the BMF's own surveys do confirm this trend. And the upheavals among the budding intellectuals and professionals in our universities may indeed suggest an incipient rebellion that we ignore at our own peril. Fast-tracking economic transformation also has to mean a change of paradigm in the management not only of workplaces; but also of the institutions of higher learning as well as the content of their offerings, which are central in shaping the corps of future leaders.

Can the cycle break itself: what is the role of societal agency?

Needless to say, in the context of a transforming society, the state stands out as the most crucial institution in changing society for the better. Thus, beyond its broad orientation, and broad declarations of intent, the state should in actual practice be able to implement its policies and programmes. It should enjoy the confidence of society, which in turn depends, among others, on how the state provides social and economic services; and on whether political leaders and public service managers and other employees conduct themselves ethically, in relation to public resources, employment practices and treatment of citizens.

Studies of states that managed to sustain high rates of growth and fundamentally transform their societies – i.e. developmental states – do demonstrate that a critical element in state economic leadership is a central economic agency within government. Such an agency should have both the authority and the leverage to direct what happens in economic policy development and implementation across government in its entirety. South Africa lags far behind in this regard; and

breaking the cycle should therefore also entail doing more in terms of co-ordination and integration among economic departments and ministries.

But the state cannot run the economy as such; and it cannot alone implement economic transformation. This is one area where the BMF should self-critically examine its own role. If we are agreed that Vision 2030 and the NDP constitute a solid foundation for society to move to the ideals enshrined in the Constitution, what practically should the business community do to meet its side of the bargain? Are BMF members strongly enough advocating for sectoral and enterprise-based visions and strategies that contribute to the realisation of the objectives of the NDP? Within broader society, to what extent are the managers and professionals contributing to discourse and action to attain these ideals?

We asserted at the beginning that the BMF constitutes a critical contingent of the leadership of our country. This was not an act of courtesy. In our history in the liberation movement, and in the experience of other countries, it is precisely advanced elements within this sector and the broader middle strata who strove to identify, theorise and advocate the collective national interest, and who joined other sectors and put themselves in the firing line in defiance of repression. Now, in the context of the desired fast-tracking of economic transformation, is our voice loud enough, not merely pronouncing on the self-interest of managers and professionals; but also championing the cause of society at large?

What this means, quite clearly, is that breaking the cycle should be as much about efforts to change material conditions as it should be about the liberation of the mind...for it to wander in imagining new ideas and fashioning new creations. Critiquing and seeking to negate the hurts and humiliations of the past and the weaknesses of the present naturally has to form part of such an exercise. But beyond this, the BMF and the broader community of managers and professionals should see themselves primarily as tribunes of a future yet to manifest; as advocates of hope about a better tomorrow.

However, the legitimacy and credibility of such a message will depend not merely on its ringing truism; but also on how we carry ourselves as black managers and professionals wherever we are located: pursuing excellence in whatever we do rather than celebrating mediocrity; standing up for what is right rather than cowering before the powerful; defining the new rather than merely decrying the old; and strengthening our strategic capacity by building a progressive think industry.

In that way, we shall not only break the cycle but also ensure that departed luminaries of the Black Management Forum such as Lot Ndlovu are able to rest in peace, secure in the celestial comfort that South Africa is in good hands.

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