Sunday Times TOP 100 COMPANIES

THE DIRECTORS EVENT

in association with MMI HOLDINGS

The Directors Event: SA's biggest board meeting

23 June 2015 – Hilton Hotel, Sandton

The time for collaboration and frank discussion between South Africa's most influential leaders in business, government and civil society has never been as pressing in order to chart a new path for the country, asserted Nicolaas Kruger, CEO of MMI Holdings at the inaugural The Directors Event.

Held in association with the Sunday Times Top 100 Companies Award, MMI Holdings, the Institute of Directors and Mancosa Graduate School of Business, The Directors Event attracted influential leaders from all spheres of society.

The event, which took place in Sandton on Tuesday, 23 June 2015, has been pegged as South Africa's biggest board meeting. Certainly the calibre of panellists met board member criteria.

According to Kruger, South Africa needs faster growth and to become a more equitable society. "To achieve this requires mobilising all our resources, visionary and values-based leadership, policy certainty, a positive attitude and greater collaboration both locally, regionally and internationally," he said.

"Collectively we need to rise to the challenge and direct our energies to those inflexion points that make the most impact. As leaders we are accountable to our broader society. While there is a great deal of work to be done, South Africa has extraordinary potential."

Dr Reuel Khoza, former chairman and non-executive director of Nedbank, then addressed delegates on the important role of the chairman and the chairman's report.

Chairman, he said, don't operate in a vacuum, but in context, as do their organisations. They need to be vision led, purpose driven and harbingers of the future – destiny is not a matter of chance, it's a matter of choice.

The role of the chairman, he stated, was to identify, reflect and report on corporate performance. "The chairman is the ultimate corporate flag bearer," he said.

Today's chairs face a plethora of challenges: they're expected to have an in-depth knowledge of the company and the markets in which they compete; they should draw on their own experiences and insights to guide management teams; and even though ultimate executive control lies with the CEO, he or she has ultimate responsibility for the direction and performance of the corporation.

An engaged chairman should enhance the organisation and have the ability to establish a productive board atmosphere. He or she, added Khoza, is the custodian of the corporation’s moral compass and as such, can’t afford to ignore corrosive forces.

He concluded with a quote from Baltasar Gracian: “Without courage, wisdom bears no fruit.”

The event was broken up into four ‘meetings’ each focusing on different issues: governance, accountability and reputation management; leadership and talent management; infrastructure development; and economy and entrepreneurship.

Governance accountability and reputation management

The first panel discussion examined our adherence – or lack thereof – to the principles of accountability in both the public and private sector and how failure impacts reputation.

The panel consisted of Public Protector, Advocate Thuli Madonsela; PWC Senior Partner for Africa, Suresh Kana; the Institute of Director’s Executive for the Centre of Corporate Governance, Parmi Natesan; Brand South Africa chairman, Chichi Maponya and chairman and non-executive director of companies, Dr Len Konar.

Good governance is a little like health: you don’t realise how important it is until you lose it, said Bruce Whitfield, the host of the panel discussion as he opened the session.

Increased pressure on earnings and a tough economic climate has seen many businesses resort to short term reporting – and short term benefits, which can ultimately lead to long term damage. “It’s hard to build up trust with stakeholders once you’ve lost it,” reminded Kana, adding that short cuts are not a sustainable solution and that boards have an important role to play in ensuring that a company’s reputation is maintained.

“It takes 20 years to build a corporate reputation - but just five minutes to ruin it, which is why it’s so important for businesses to take corporate governance seriously,” said Konar. He said that corporate governance principles – particularly in the public sector – were not well applied which was why it is so critically important that all organisations have a credible, representative and skilled board in place.

Boards have a particularly important role to play by ensuring that organisations adhere to the principles of good governance. The Minister of Public Enterprises is well aware of the need to ensure that boards in the public sector are made up of individuals with the right skills and that conflict of interest is avoided, revealed Madonsela.

Not only do board members need to set the tone and demand delivery from executives, but they should also have sufficient industry knowledge to advise their executive and management teams, agreed the panel.

“Governance applies to all entities, irrespective of whether they are public or private,” pointed out Natesan, adding that the Institute of Directors has guidelines in place to assist companies implement better governance. She said that as a result of an increased focus on independence, many directors don’t have sufficient industry knowledge to be able to adequately advise either the board or management teams.

Maponya argued that the private sector was over governed with too many statutory requirements. In response Madonsela said the ideal would be for business to take responsibility for doing the right thing and come to the party under the UN Global Compact. This is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption. “However, in addition to obeying the rules and ensuring good governance, companies still need a purpose driven approach. If an organisation’s secretariat is neither competent, nor honest, the board is going to be misled.”

Business mogul Johan Rupert has been quoted as saying it has become increasingly difficult to defend South Africa to potential international investors. Maponya, in her role as chairman of Brand South Africa, agreed this was a concern but pointed out that we should not only focus on the negatives. “Not everything is in crisis. It’s a work in progress and we all need to be part of the solution. Brand South Africa is trying to champion an economic Codesa but at the end of the day it’s South Africans themselves who lack confidence in their own country.”

Madonsela agreed that South African companies are struggling to convince global investors that South Africa is a good investment destination. “We know we’re still a viable investment destination and until very recently one of our areas of pride was that the rule of law was paramount.” However, she added that the recent diplomatic crisis caused by government’s failure to stop Sudanese president Omar Al-Bashir from leaving the country despite an interim court order barring him from leaving, would raise questions about the rule of law amongst investors. South Africa, she said, would now have to work hard to ensure it did not appear to be eroding its reputation as a country which abided by the rule of law.

The panel agreed that South Africa needs to acknowledge its weaknesses rather than deny them. Transparency is required in everything from the country’s cashflow situation to running a due diligence on Eskom. “We need the truth and we need credible, seasoned boards at the helm of public entities,” insisted Konar.

Leadership and talent management

Estimations indicate that there are currently as many as 830 000 unoccupied positions requiring high-skilled workers across a range of occupations in South Africa. “How do we create leadership that shares their talent and avoid some of the epic leadership failures from our recent past,” asked host, Iman Rapetti of her panel including Johnson JJ Njeke, chairman of MMI Holdings; Professor Adam Habib, vice-chancellor and principal of Wits University; Gill Connellan, chairperson of the Association for Skills Development South Africa; Sdumo Dlamini, president of Cosatu; and Glen Nwaila, Geology Superintendant at Sibanye Gold.

“We need to move away from the rhetoric, add a healthy dose of pragmatism, a goal and a plan of how we’re going to get around the obstacles around leadership and talent management,” suggested Habib.

The problem, said Njeke, is that too many organisations parachute people into positions they’re not ready for, instead of nurturing them.

We need to transform the way we identify potential talent out of the youth market, maintained Connellan. In addition, she said many of the structures in place gave rise to serial learnership job hoppers. Organisations need to put strategies in place which embrace people and enable growth and opportunity. Furthermore, leadership needs to be able to recognise and selflessly develop talent, she said, pointing out that a talent development strategy would achieve this. “However, business appears to be afraid of putting people on show and sending them on training.”

Individual development plans are one of the mechanisms many corporates use to enable employee growth but as Nwaila pointed out, they often end up being little more than pieces of paper. “Development plans need to be used for the right reasons rather than just compliance purposes,” he said, adding that all companies have the ability to attract the necessary skills.

Dlamini noted that there is a great deal of talent coming from the SME sector which could ultimately create a larger base of taxpaying South Africans.

The panel cited a number of South African leaders they admire, including the founders of First Rand (Njeke); Trevor Manuel (Connellan); and the leaders of Sibanye Gold and Capitec Bank (Nwaila).

“Different organisations require different types of leaders – too often we think that a leader has to meet certain criteria but ultimately it depends on where the organisation is in terms of its development,” pointed out Habib, adding that it is leaders who go against the grain and who have a plan that are often successful.

He said companies had the ability to be successful locally: “Take Old Mutual and Sanlam, for example. Sanlam went local, Old Mutual went international. Today Sanlam is the company to look out for. Goldfields decided to leave South Africa and split its local assets. Today it is those local assets that are performing better than the offshore assets.””

President Zuma came in for robust criticism from some of the panellists. “One of the attributes of a successful leader is to have a good value system in place and an image that young people can aspire to,” asserted Njeke.

Added Habib: “Zuma is the worst example of a leader; his goal was an inclusive economy and to get business, labour and the state to work together. He hasn’t achieved that. The economic plan is incoherent and nobody is collaborating.”

Dlamini, however, had a different view, arguing that nobody had the right to undermine the voice of the majority. While Zuma has been under attack from the first day he took office, he was still around years later, making him a good leader, he said.

Habib countered this argument saying 15 million people voted for the ANC – not for Jacob Zuma. “He was chosen by 400 people. Majorities do make mistakes. The majority voted Hitler into power in Germany and Al-Bashir into power in Sudan. Just because the majority voted doesn’t mean you suspend your thinking. At some point somebody has to stand up and say enough is enough.”

“The problem within government currently is that there is a culture of protectionism whereas we need a culture of humble leaders who eschew ego,” added Connellan.

The panel was divided on what qualities constitute a good leader mentioning, amongst others, characteristics such as decisiveness, humility and consistency. “Different organisations require different types of leaders – too often we think that a leader has to meet certain criteria but ultimately it depends on where the organisation is in terms of its development,” pointed out Habib.

Many leaders fail when they think they’re bigger than the organisation itself, added Dlamini, forgetting that they’ve been given a mandate. Leaders need to know when to step down: “I want to see CEOs coming in, saying what they want to achieve and then leaving once they've achieved their goals."

Habib pointed out that racialised networks continue to challenge people to connect to opportunities. We need to learn how to break out of our traditional networks and make linkages with other networks.

With regard to talent retention strategies, Habib said, "There will always be somebody willing to pay more: what keeps people in their jobs is a sense of belonging, being valued, company culture, being treated fairly and feeling that you are making a difference."

Njeke pointed out that while South Africa appears bent on producing high numbers of university graduates, there are a number of lower level skills required – and we don't have sufficient numbers of those skills. "We import welders, for goodness sake," he expostulated. "How difficult can it be to train welders?"

Infrastructure development

There are numerous challenges around infrastructural development including speed of delivery, job creation and the spectre of corruption. Infrastructure development is high on the government agenda based on the need to achieve real economic growth.

Hosting this session was Nikiwe Bikitsha which included panellists, Chris Yelland, MD of EE Publishing; Sisa Njikelana, chairperson of the SA Independent Power Producers Association; Lungelo Gumede, co-founder of Headboy Industries; and Adre Smit, consultant senior policy advisor at ASISA.

Energy is a critical issue in any conversation around infrastructural development and Njikelana admitted that there was a huge opportunity for independent power producers who are predicted to play a significant role in the country's future generating capacity.

The panel revealed that government are looking for an injection of equity into Eskom. Yelland warned against incessant Eskom tariff hikes arguing that little consideration had been given to affordability both to the economy and the man in the street. "E-tolls should have taught us that you can't stuff high tariffs that people can't afford down their throats."

He suggested that government should focus less on being an implementer and more on being a facilitator citing the renewable energy programme – a programme facilitated by government – as being a great success.

Gumede said he could almost forgive government for its poor track record in terms of execution as this was the first time such a huge infrastructural reform programme was being implemented. However, he argued that the learning curve is just too long. "We have to learn how to learn much faster," he insisted.

Yelland agreed, adding that we also have to learn from our recent past. "There is only one utility that has not restructured and modernised and that's Eskom. It hasn't listed, it has no access to outside management, vision or external capital. It's time to put ideology aside and modernise Eskom."

Smit revealed that government were "putting their hand out" and looking for more private sector involvement. "From ASISA's perspective we are trying to get the private sector involved in the debate because clearly, government's budgets are stretched. The challenge, however, is how we physically engage, particularly as there is a traditional lack of trust between government and business. We need policy certainty or we won't get investors."

The panel agreed that there are opportunities in intra-African trade. Gumede warned that South Africa is perceived as Africa rather than an individual country to investors. "We need investors and we need them to regard perceived risks as even lower than they really are. However, all too often what is reported in international media is an international insight rather than an African insight. It's time we started telling our own stories so that investors understand what is happening on the ground."

The panel concluded by saying that the National Development Plan is a good one but that it needs execution to get projects up and running. "We need more partnerships and more engagement," said Smit. Furthermore, government must not be overly optimistic and needs to be honest and transparent about its shortcomings, said Gumede. Njikelana concluded by saying there were opportunities for multiple ownership of projects but that he blamed those with the political will who failed to take ownership of infrastructural projects.

The last word went to Yelland: "It's time to get down to executing and while trust is an inhibiting factor, we need to be less ideological and more practical in our approach. We need real ownership of the revenue stream. Ultimately, we need to start doing things differently."

Economy and entrepreneurship

Economic growth relies on job creation. The development of smaller businesses is key to solving many of South Africa's economic woes. But to achieve that we need an enabling environment, one that minimises red tape and legislation, encourages a culture of savings, and has a well-developed venture capital industry, said Andile Khumalo, host of the final panel discussion at The Directors Event.

Panellists included Sanisha Packirisamy, an economist from Momentum Asset Management; Ian Fuhr, CEO of Sorbet; Jabu Mabuza, chairman of Telkom; and Leon Campher, CEO of ASISA.

Packirisamy said that in order to create the nine million jobs required by the NDP, significantly more economic activity is required, adding that 90% of these new jobs would need to come from the SME sector. "Revenue is under pressure which means that government is not going to be able to create more jobs," she revealed, adding that faster economic growth does not necessarily translate to more jobs.

"Of critical importance is that we normalise industrial relations – many companies are uncomfortable with the labour situation and stringent labour regulations in South Africa, and as a result are moving offshore. We need structural reforms in this area to make us more competitive. In addition, we need to rein in our labour costs and stick to our expenditure limits. It's about aiming for quick fixes in a low growth market," she said.

"The only way to confront the challenges of inequality and poverty is to ensure economic growth," stated Mabuza. "And while we've had jobless growth, it hasn't been inclusive. We need predictable legislation and a more enabling environment – one that is conducive to the creation of small businesses and entrepreneurship. Entrepreneurs are those individuals who see the gap between needs and opportunities – and we need more of them."

A key element of entrepreneurship is mentorship, maintained Fuhr, adding that the mentorship groundswell needs to become a tidal wave going forward. He outlined the characteristics of an entrepreneur as somebody with intuition (intuitively knowing that something will work even without the empirical evidence); courage (it's important to always keep your head); perseverance (being in business is about being in it for the long haul); and the ability to serve people (if you serve people you will ultimately make money). "Don't go into business just to make money," he asserted.

Campher maintained that while South Africa was still in a reasonable shape economically, it was headed in the wrong direction. "We need to agree on the priorities emanating from the NDP plan – energy, infrastructure, education and water – and act on them," he said.

In terms of employment, he argued that many graduates were unable to find jobs because they had inappropriate majors. He pointed out that the country needs more artisans and welders, for example. He suggested deploying retired people with experience into industries where their knowledge could be passed on and where their skills could be utilised.

Mabuza argued that business leaders don't wake up in the morning pondering the challenge of job creation. "We wake up thinking of ways to make money," he insisted. "A consequence of making money is that we will employ more people. The bottom line is that executives make decisions in the best interests of their organisation. Sometimes we also have to make tough decisions – like retrenching people." He revealed that Telkom set up a R100 million enterprise development fund to set some retrenched Telkom employees up as entrepreneurs.

The Directors Event: an exercise in nation building

"This event has been a focused exercise in nation building," said Nicolaas Kruger, CEO of MMI Holdings Limited. "We need visionary, value-based leadership, a positive attitude, inclusive collaboration and to be prepared to change the way we do things if we want to create a better future for our country.

"MMI has been proud to be associated with the inaugural Director's Event and we trust that these proceedings are only the start of the conversation towards collaboratively charting a new path of economic prosperity for all South Africans," he concluded.