

**A PERSPECTIVE ON THE ROLE OF CORPORATE BUSINESS IN
RESTRUCTURING SOUTH AFRICAN SOCIETY
AN ADDRESS TO SA BREWERIES ANNUAL PERSONNEL
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1. INTRODUCTION

John W Gardner opines that “We are all continually faced with a series of great opportunities brilliantly disguised as insoluble problems”. This observation is particularly true of business in a fast-changing socio-political environment. Business corporations and entrepreneurs in general are continually challenged to turn problems into challenges and challenges into opportunities.

If you want to change or influence the world, there is no time like the present. That has been the activist’s motto since time immemorial. But today, in South Africa of the late 1980’s, that advice is taking on new meaning. For several key reasons, there really is no better time than now for re-inventing or reorientating our institutions - especially the corporation.

The corporation is an analogue for the rest of society - it is society’s microcosm. South Africa is currently agonizing about re-inventing Black education, health care, politics, labour relations, and virtually all other social structures. But the corporation must confront the harsh judgement of the marketplace. Not every five years, not every school year, not every month. Customers, unlike other constituents, vote in rands every day, and that, for circumspect and far-sighted companies is the driving force that hastens corporate evolution.

2. SOME OF THE INGREDIENTS FOR CHANGE

South Africa is going through one of those rare times in history when divergent forces generate a fluid situation which makes radical change possible: the youth is asking searching questions about the status quo; sectors of white society are challenging the morality of our political institutions and demanding adherence to basic human freedoms; black leadership groupings are seriously questioning the legitimacy of state authority as currently constituted; the international community is demanding restoration of human dignity to Black South Africans and so on.

For the sake of our economic survival and betterment, corporate business has to help channel and harness these forces for positive change. Against this broad background, what are the challenges facing corporate business? What role can corporate South Africa play in restructuring South African Society?

3. CHALLENGES : BROAD INDICATORS

In the race for higher standards of living for all in this country, the turn of the present century will be a crucial period for South Africa. If this country has been successful in generating a measure of growth hitherto, then the turn of the century should find it approaching what economists call the "take-off" period when its people, black and white should be enjoying a standard of living approaching that existing in the advanced countries today.

If, on the other hand, this country fails to achieve faster growth in the next decade or so, what meagre development it does achieve will be swallowed up by the population explosion. The result will be abject poverty, socio-political turmoil and worse.

One of the most important requirements for the desired economic development is the effective management of available resources, for capital can achieve little unless there is proper and efficient utilization and the support of other factors of production. For this reason, a great responsibility rests on the present generation of corporate management over the next decade.

If the requisite type of a forward surge in development is to be achieved, then we must be prepared to undertake a wholesale reassessment of the assumptions of conventional (Western) management concepts as they are practiced in South Africa. We should not be afraid to question those assumptions which have been for long in use in the more advanced Western countries simply because we think that the West's achievements justify the means they used. We must seek to adapt those concepts that we think are applicable to African conditions. Secondly, we should, after the reassessment, evolve new concepts in areas where existing practices are found wanting.

The challenge of the next decade or so in South Africa in the field of management development will seem to lie increasingly in the attempt to build up a body of knowledge to fit the prevailing socio-political mood and economic demands. We should heed the emergence of new values such as those inherent in the call for participative management.

4. PARTICIPATIVE MANAGEMENT

The area of participative management is one which holds one of the most crucial challenges for business. Not least because it is just sound management practice, participative management is especially important for South Africa because of the unnatural or extraneous division between management and labour. This unnatural or extraneous division is based largely on race and has extended to socio-economic and ideological cleavages.

South African business has to achieve common purpose with their employees; it has to find ways of overcoming these cleavages and the one which is within business ambit to address is the manager and the managed dichotomy. The one way in which business can address this challenge is participative management.

What is participative management? I believe participative management to be a practice whereby management involves employees significantly in the running of the companies. One finds resistance to this concept for a variety of reasons. The first reason is a genuine inability of management to grasp or understand the concept of participative management. The second reason is that born of a mindset cultivated in the South African cultural

and socio-political milieu that cannot see blacks as partners or significant contributors of any kind. The last reason is that based on the false understanding that a call for genuine participative management is a call for management to abdicate their managerial responsibilities and prerogatives.

To deal with the last objection first, participative management requires not that management abdicate their decision-making roles, but that they solicit and take into consideration input from those expected to implement and/or be affected by these decisions. It is a concept of making employees own the decisions and thus feel committed because they have been meaningful partners in the decision-making process. It is a means of breaking the “us” and “them” division between management and employees because participative management in essence is consensual management. Participative management is also a recognition that management does not necessarily have all the answers, that there is a significant store of informational and strategic input that is being neglected within companies.

As mentioned earlier, it is difficult for some of our managers to apply this concept to blacks because they have become conditioned to the notion that blacks are congenitally or for environmental reasons incapable of meaningful participation in management. This sort of mentality in management tends to breed practices where employees are not informed and not involved and consequently alienated from their jobs. It thus becomes a self-fulfilling assertion that blacks do not want involvement because for most of the time they are alienated.

That group of management mentioned first that is incapable of understanding the concept is quite crucial. This is the group that tends to look at management as power relations and therefore know and understand the use of power. They are in the mold of our political leaders, incapable of genuine consultation, never mind negotiation of any kind. This is where the major challenge lies because most of our top management is in this mold, i.e. not resistant to participative management but totally incapable of comprehending its nature and requirements.

It is critically imperative for top management to grasp and fully understand this concept because the top echelon I speak of will increasingly be the ones that engage top union, political and other community leadership on the agenda for the future. If like their political counterparts, management cannot value and seriously consider the input of those they deem not to be equals, then the future is bleak.

5. EQUITY PARTICIPATION

Equity participation is increasingly being seen as a panacea that will address South African socio-economic problems. It is seen as a mechanism that will stem, if not reverse the disaffection with the “free enterprise” system that has become quite evident amongst blacks. Equity participation schemes have also in some aspects arisen primarily as a response to economic-political pressure from the sanctions movements abroad. So in the main equity participation schemes have been advanced for two primary reasons which in themselves, make it difficult for blacks to support or welcome these schemes without reservation.

In a system where “free enterprise” or “capitalism” is often seen, if mistakenly so, as inextricably woven with apartheid, it is hard to muster support from blacks for any system

or mechanism designed to sustain free enterprise. The same argument flows logically in the rejection of any collaboration in easing international pressure against the South African establishment - be it political or economic establishment.

The above is not to imply that equity participation per se is undesirable. In fact quite the contrary. For quite a while now black economic spokes-people have been talking about black economic empowerment, about blacks entering the mainstream of the economy. Equity participation is one of the most potent tributaries towards this economic mainstream.

However, for equity participation to work effectively it has to satisfy certain criteria, and they are as follows:

Firstly, and most importantly, equity participation must be one more element in the total arsenal of effective participative management. If it is not part of a genuine attempt to engage employees meaningfully in issues affecting them in the workplace, then equity participation will not achieve its full potential. This means that those meant to be the beneficiaries of equity participation schemes, especially employees, must be consulted and their views taken seriously about the form, extent and mechanisms for equity participation. It should not be approached in a prescriptive and paternalistic manner.

The second criterion, closely allied to the first, is that the offer for equity participation must be made for reasons seen to be acceptable by the ostensible beneficiaries. It must not be for economic or political reasons that are perceived to be treacherous, or even at best compromising their economic and political ideals. In this sense, management must realise it starts from a disadvantaged position with the majority of employees, that management bona fides have yet to be established. Thus, to reiterate, saving the country "for enterprise" or alleviation of foreign pressure is not going to be successful as reasons for introducing equity participation schemes.

If the reasons for introduction are acceptable, and the scheme in concept is also acceptable, the third criterion is that such participation must be substantial and not merely token. This observation is made in respect of both the relative share participation and the absolute amounts of money involved.

Substantial participation would necessarily presume large share percentages. In practical legal terms in SA, substantial share participation is that which exceeds 25%. Thus equity participation schemes which in principle or as a point of departure make it impossible for blacks to acquire at least 26% of the equity will be seen as an attempt to draw employees in without affording them an effective voice in the running of the corporation.

It must also not be token in the sense that, having offered employees equity participation, management feels that it has by so doing done enough to involve employees in the workplace. Equity participation by itself will not induce the loyalty and pride in the workplace that is necessary to make it meaningful. If pride and loyalty to the company are missing, then equity participation becomes meaningful to the employees only for its monetary value. Therefore for companies that do not offer equity participation as an integral part of participative management, the exercise is likely to prove of limited success, if at all.

6. THE NEED TO BROADEN THE MANAGEMENT CLASS BASE

Corporate South Africa by now appreciates that if this country is to develop and prosper, by the turn of this century, 60% of all executive and professional and 85% of all white collar jobs will have to be filled by blacks.

That up to 94% of South Africa's current management is drawn from the white sector of the population - a sector that constitutes less than 15% of the total population - is by now painful common knowledge.

A situation so anomalous must of necessity have thrust a substantial proportion of these white managers to their levels of incompetence (in terms of the Peter Principle) and as we know, at this level (of incompetence), managers, or any employee for that matter, are at best unproductive and at worst counter-productive.

Preoccupation with the use of whites only as managers has gone beyond the point of diminishing returns and it is now imperative for corporate South Africa to tap into and develop the virtually untapped management potential of people other than whites. This is one area where corporate business leadership can set a good example for the bigoted political leadership in restructuring South African society.

7. FACING THE EDUCATION CHALLENGE

The task of education is to prepare students for life - a large portion of which is work. Yet in present day South Africa there is a profound mismatch between commerce and industry needs and what the educational system is providing. So wide is that gap that business should feel compelled to enter the education arena in a big way.

Today's ill-prepared graduates become tomorrow's corporate burden. A number of leading South African corporations teach remedial education and basic skills. An unnecessary and very costly exercise. This alone should thrust corporations into the role of educator-activist geared to ensuring the secession of the churning out of deficient human models by an ill-conceived ideologically inspired education system.

But most important, as we are already in a seller's market, unless corporate South Africa does something and does it in a hurry, companies will come face to face with the prospect of employing graduates who are even more poorly qualified. This represents a far-reaching threat to the desired economic development so badly needed to ensure socio-political stability and economic progress.

8. MERGING THE CORPORATE BUSINESS AGENDA WITH THAT OF THE BROADER SOCIETY

South Africans of all races interface through business and economic relations more than through any other aspect of our over-regulated lives. Our political overlords have sought to divide South Africa on all fronts, socially, politically and economically. Whereas they had to date achieved some measure of success in racially compartment-alysing South African political and social aspects, their chimera of total separation crumbled against economic logic. South African lives are more intertwined through economic interests than

other aspects.

This places an enormous burden on corporate South Africa. Those in charge of our economic resources are custodians of a common wealth and heritage to a people severely and increasingly polarised. The resources of our country have to date been deployed to serve sectarian interests; interests of a politically illegitimate minority of the population. The interests of those who currently control and enjoy the lion's share of our economy are not seen to coincide, except only incidentally and marginally so, with those of the broader society. By the "broader society" I refer to about three-quarters of our South African population that has been legally deprived and disadvantaged on all fronts. Unfortunately, as it would be, the multilateral cleavages in our society tend to have a common factor; they tend to coincide with the racial divide. Thus what are relatively common socio-economic phenomena in other countries tend to assume added political dimensions, with dire consequent implications. We therefore cannot talk glibly about the dichotomies between the have's and the have-nots; the manager versus the managed; organized industry and commerce versus organized labour; business versus consumers etc.

Ironically, despite the evident inextricably linked interests in this arena, the economic arena has these past few years been increasingly used to fight political battles - consumer boycotts, organized labour campaigns, stayaways, calls for sanctions, come to mind. One would venture to say this is because business has not made common cause with those sectors of the population that it perhaps ought to have. That as a total integrated society our economic and other interests are inextricably woven together is clearly evident. That we all, especially those in relative command i.e. corporate SA, are actively working for the achievement of common goals is not so evident.

Therefore corporate South Africa stands challenged to forge a new direction which clearly identifies these common interests, acceptable structures and systems of achieving these common goals and lastly identifies would-be allies in this venture. In short, business in South Africa has to forge a new common agenda with the broader South African society. This may not be an original nor earth-shattering thought for most business leaders. However little has been done to reconcile the agenda of the different sectors of our society. As the dominant sector, corporate South Africa has at most been arrogant in being prescriptive and paternalistic in this effort. The effort at creating a common agenda so far has largely consisted of trying to preach the gospel of free enterprise to those who have and still largely are structurally denied access to benefits of this "free enterprise".

Instead of actively and genuinely working for the freeing of the South African economy so that all, without prejudice, may be free to be enterprising, corporate South Africa has hectorated and lectured those who seek alternative socio-economic systems on the failures of countries to the north of us.

Lately, the effort at creating a common agenda seems to be one that assumes this can be done by stealth and by default. There is an increasing body of corporate South Africa that seems converted to the idea that equity participation schemes offer the best way towards creating a common agenda and a true merging of interests. The thinking seems to be that by offering a piece of the cake, employees and other interested parties can be won over uncritically to present economic structures and goals. This as I have tried to argue earlier on, has limited chances of success it

i) the stakes offered are not substantial and

- ii) the whole exercise is not part of a genuine participative management effort to truly and meaningfully involve all in the goals and processes of our economy.

Even more than this a more fundamental issue arises. To paraphrase an observation made by a respondent during research, for free enterprise to be sold to us, we do not want to share the fruits of the enterprise, we want the opportunity to plant and cultivate our own fruit.

Therefore, it is not an easy task to ask of corporate South Africa that it merges its agenda with that of the broader South African Society. Working out a common agenda is not a simple matter of lecturing South Africans on the inefficiency and failures of socialism nor of buying them off with a few shares in corporate South Africa. It is a rather more difficult matter of working, and seen to be working, towards the dismantling of legal, structural and attitudinal barriers both political and economic that inhibit full participation by all South Africans.

It is a matter of working for a system, be it free enterprise or not, that manifestly benefits the broader society and is not seen as merely an attempt to preserve existing privileges.

In striving to structure a common agenda, provided that it serves the interests of the broader South African society, corporate South Africa should be able to muster some allies across the racial divide. The ones that come immediately to mind are employees, black management cadre, black business entrepreneurs and even our community leaders. However, in our present polarised climate, it is important to note that none of the groupings mentioned are disposed towards compromise or being compromised. Therefore business has an unenviable task in establishing its bona fides.

This task lies upon business because as mentioned earlier, business represents the one sector despite our polarization, where there still is significant day to day interaction and where demonstrably our interests as a society are inextricably woven.

9. CONCLUSION

In concluding it is clear that corporate South Africa is uniquely situated to begin restructuring the society to better reflect the common goals, values and interests of our diverse people. Moreover, this is not to be seen as a philanthropic exercise, as an area to be relegated to third tier management or solely confined to social responsibility programmes. The effective and speedy restructuring of our society is crucial for business' existence, especially if we are to ensure that the baby is not to be thrown out with the bath water by those who will not recognize any commonality of interests. Thus, it is the responsibility of management at the highest levels, to consider their strategic options for the future of our economy and to make those choices, in conjunction with all concerned, that serve the best interests of all South Africans.