AFFIRMATION

TOWARDS SUSTAINABLE ECONOMIC EMPOWERMENT

by Mehlaleng Mosotho

Over the past fifteen years, aspects of black economic empowerment have been put forward as recipes for creating parity in the employment environment and encouraging entrepreneurship. Keith Mokgethi Mabeta, a researcher who dealt with the subject as part of his requirements for an MBA degree, looked at ways of ensuring sustainable development.

Motivating enterpreneurs plays an important role in Black Economic Empowerment processes

AS SOUTH AFRICA moves closer to a political settlement, there is a common belief that peace and prosperity in the country may remain distant dreams, unless direct efforts are made to empower underprivileged communities. Such problems as crime, poverty, political instability and economic stagnation could continue to plague our society unless the have-nots of today are given opportunities to uplift themselves.

It is with this backround in mind that proponents of affirmitive action and entrepreneurial development programmes often use the phrase "Black Economic Empowerment" as the most advisable strategy if South Africa is to achieve parity in the business and entrepreneurial areas.

Keith Mabeta, a researcher who dealt with the subject for an MBA degree, states that the meaning, objectives and processes of black economic empowerment are important elements in achieving such development goals. He also puts a lot of emphasis on such factors as motivation and intervention in business and entrepreneurial development.

"Black economic empowerment is essential to the economic development of black people. Its main aims are to remove stumbling blocks and increase economic options."

He further says that sustainable economic development of the poorer communities of South Africa has, up to now, remained an elusive goal for economic development organisations and practitioners. The issues that hold the key to this are: technologies used by those who wish to intervene in the development of black business, finding leverage options that are higher than small business and the informal sector and using business motivation to achieve results more speedily."

DEFINING EMPOWERMENT

One of Mabeta's concerns is that definitions of what the concept really means have not been forthcoming. Because of this, most speakers and authors on the subject assume that the meaning is understood or that most people share the same meaning.

"Although there appears to be agreement that the economic "empowerment" of the impoverished masses will solve many of the socio-economic problems in South Africa, the concept has hardly gone beyond rhetoric. Some argue that it has become a fashionable phrase which is used loosely at business seminars and workshops."

On the other hand, the concept has raised anxieties amongst other stakeholders in the South African economy due to the political connotations associated with the word 'empowerment'. In addition, as with the advancement of blacks in corporations, the concept might be perceived to be threatening to other key players such as established white business and certain public institutions whose co-operation is needed to facilitate the process.

In the course of his research, Mabeta came across different themes. Among these were: Economic independence, involvement of blacks in the mainstream economy, upliftment of blacks economically, access to and control of resources, redress of economic imbalances and wealth creation.

"Although it appears that the concept means different things to different people, the results of my research suggest that development agencies and practitioners share the same meaning."

While there is agreement that empowerment suggests that black peo-

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ple should be in control of their own economic activity, putting this belief into practice remains difficult. For one thing, government spending in certain areas is still biased towards the white population group. Education, which is vital for the development of a nation, is one example of such biases. Other areas in which this occurs are agricutural support, job creation, housing, health, energy and the provision of infrastructure.

"Financial and human resources which could have been invested in productive economic enterprises, were applied by the State to control, restrict and prohibit people from pursuing their chosen social and economic interests. Except for those who were forced to enter the small business and informal sectors by unemployment and the need to supplement meagre incomes from the formal sector, entrepreneurial activity was rendered largely unattractive for most enterprising black individuals because of restrictive policies.

"As a result, black people's contributions to the economy have mainly been in the form of labour. However, due to our difficult economic times, growth in the formal sector of the economy has stagnated. Because of this, benefits that blacks formerly derived from the system as workers are diminishing as retrenchments increase."

Mabeta believes the extent to which an empowerment programme reaches its set goals can be assessed by its ability to remove powerlessness and dependency.

While he advocates the removal of constraints, Mabeta cautions against creating a culture of dependency. Qouting Conger and Kanungo, US based researchers who looked into black economic empowerment issues in that country, Mabeta cautions against imagining that the removal of constraints will automatically lead to empowerment.

"These authors argue that feelings of self-efficacy are important in the process of generating sustainable development. To put it simply, you can provide a man or a woman with all the resources for starting and running a business, but they will probably not succeed unless they feel within themselves that they can carry the project towards a higher performance level. This can most effectively be done through the provision of motivation programmes."

Confidence in business activities has a way of leading to self-fulfilling prophecies. To support this view, Mabeta gives a building materials wholesaler, Cashbuild, as an example.

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He emphasises that while this case is centred around employer and employee relations, some aspects of it can be applied to agencies assisting entrepreneurial development.

"According to a Wits Business School Study, this company introduced participative management, but power remained vested in the hands of management. Although this style of management had initial successes, management had to address the distribution of power when the employees wanted a say over their work place, active participation in the decision making process, equal benefits and authority to handle conflict.

"The company responded by establishing worker committees, which over and above their day to day decision making, were given the power to hire and fire. This meant that they participated in the processes of performance evaluation, promotion decisions and to vote against other team members, managers included, whose performance was unsatisfactory. This could be a classic example of participative management and development. The company experienced phenomenal success both in terms of profits and the development of its people."

Mabeta points out that some business developent organisations in South Africa have been successful in their programmes mainly due to their ability to motivate their clients. He cites the Foundation for Entrepreneurship Development as a worthwhile model of the effects of complementing entrepreneurial training with programmes aimed at encouraging self-confidence.

"The Foundation for Entrepreneurship Developmentis a good example of organisations which have recognised the need to complement entrepreneurship development courses with motivation programmes. Relative to other organisations which provide similar training, this organisation appears to have experienced high success rates. In 1988, 60 percent of their home industry development programme graduates were self-employed, while only 20 percent found employment as a direct consequence of their newly acquired skills."

EMPOWERMENT PROCESSES AND TECHNOLOGIES

The results of Mabeta's research show that most respodents believe the removal of constraints, training, provision of finance, collective action, affirmitive action, reinvestment in the black community, business lobbying and equitable access to opportunties are among the most urgent concerns.

"Empowerment in the context of business development agencies appears to be in stage one and two of the Conger and Kanungo model of empowerment. These two stages are concerned with indentifying psychological factors that make people powerless and the application of techniques and strategies aimed at removing some of the external conditions responsible for such powerlessness. Although motivation is an important element in black business and development agencies activities, it cannot be concluded that it is perceived to be an empowerment construct as proposed by Conger and Kanungo."

Mabeta emphasises that empowerment technologies play an important role in the process.

"Three generic technologies of empowerment have been identified. These are mediation, organising and recipes. Mediating means the linking of groups and individuals in order to further the interests of one or more of the parties. This technology is mainly used in lobbying processes.

"Organising is centred around the accumulation of resources and transforming them into a product or service. This technology is prominent in training courses, lending schemes and industrial parks.

"Providing recipes for development means producing specific methods for business activity and imforming entrepreneurial actors about them or directly implementing them. This technology is utilised largely in franchising and subcontracting schemes.

"These generic technologies could possibly define the function of business development agencies. The definition of a business is the starting point on which strategic planning hinges," commented Mabeta.

AFFIRMATIVE ACTION AS AN ECONOMIC LIBERATOR

One of the Affirmative Action papers which were delivered at NAFCOC's 7th SUMMIT by S E N Tlhophane, Manager of Equal Opportunities Programme. Following is the full text of his paper.

IN our political and historical self-discovery we learn important lessons and, especially, create a sense of self-worth, of pride and dignity in our institutions, in our leaders. Similarly in the economic field we have to create a mythology of competence, of high motivation and high ideas of success, of glory in pursuit of economic liberations and development.

We must create economic giants in the many of our heroes, who will stand out throughout history, as beacons that will inspire those who will follow us to seek economic as well as political greatness. That will be the essence of true affirmation action!!

Today reference is often made to a booming black market or at least an emerging black market. To a large extent it is the white companies that are gearing themselves to exploit the expected boom. As new opportunities begin to unfold, black business must brace itself to take up the challenge of taking their rightful share in this major economic activity in order to promote our development and total liberation.

To enhance the achievement of this critical economic development goal, NAFCOC, at its 6th Summit Conference held at Venda 19 – 21 October 1990, advocated 3-4-5-6 measures toward the restructuring of the formal economic sector in terms of black involvement in ownership, management and operational activities of the formal sector.

These guidelines were considered in the light of, amongst others, the many challenges facing black business: the challenge to eradicate the dichotomy between the people and business middle class; the challenge to exhibit more entrepreneurship and more self-confidence in our business; to support our own institutions; and finally to begin to act more like political as well as economic pressure groups.

In short, black business is challenged to fight not only for concessions for black business but for the economic rights and opportunities of Blacks in this country. We Blacks have to move to the centre stage of economic, and socio-political action in this beloved country. We cannot afford to be passive viewers watching history unfold.

Change is inevitable. We must make history, not just watch it. We must invent the future not just accept it. The future belongs to those who plan it. Within this context NAFCOC Summit Conference recognised that apartheid laws placed black business community in a severely disadvantaged position and that any meaningful attempts aimed at correcting the distortions of the apartheid economy in democratic South Africa would entail serious efforts towards the broadening of the horizons of the black business community.

These guidelines should be perceived as preparing black business persons for more meaningful role in a post-apartheid South Africa. Specifically, the guidelines are: NB

1. that all companies listed on the Johannesburg Stock Exchange must have at least 30% of their Board members from the black community;
2. that at least 40% of their total shareholding must be controlled by the black community;
3. that at least 50% of the value of their outside purchases must come from black owned supplies and contractors;
4. that at least 60% of their top managerial and personnel must come from the black community.

It is indeed an unquestionable reality that a democratic South Africa will require entrepreneurs, skilled people, the creation of an enabling environment to promote investment, the work ethic and the efficiency required to compete successfully in the modern world. The above NAFCOC guidelines, or affirmative action principles if you like, focus intentionally on bringing about meaningful change in the formal sector and business in general.

Some people await this change with some trepidation, most anticipate this change wit eagerness and hope. When people believe that the pending change can only be ruinous, their aspirations and fears only tend to distort the change process. Those who desire the change will be largely oblivious to the obstacles, the potential pitfalls, the cost of change. Those who fear that change will exaggerate the obstacles, the potential pitfalls and potential cost of change.

They, in turn, will be oblivious of the possibilities and the opportunities and the potential benefit that could be brought about by the change.

To achieve these major change goals, the major actors and institutions of the society have a primary responsibility to enact and maintain realism in this process and to advocate a course that is just and serves the legitimate rights of their constituencies.

The major actors and institutions refer to those with national impact, with the capacity to influence and to affect the lives and fortunes of the body politics. They are those institutions and actors vested with public trust, power and resources to achieve societal goals. In the main these would include politicians and political parties, the clergy, organised labour, and business people, corporations, and organised business.

Notwithstanding, business is best-placed of society's institutions to effectively and responsively address issues of change NAFCOC is talking about. The modern corporation is currently the most efficient and also the prevalent social institution mandated by society at large to carry out the vital role of wealth creation and distribution. Of all the societies major institutions business is best placed in terms of resources to actualise the common good in terms of enhancement of both the standard and quality of life through full and meaningful participation of Blacks in the economy.

What then is the role of business in a 3-4-5-6 change advocated by NAFCOC? Principally, the role of business in a changing as well as in any other environment is to ensure that the social economic and political climate is best designed for business to fulfill optimally its central responsibility.

Without elaborating the point, South Africa's political and economic past is one of injustice and discrimination based on racial exclusivism. It is an accepted truism that both the government and business

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establishments in South Africa conspired to deprive black South Africans just rights, opportunities and access to resources thus making them beholden and subject to whites. This has then undermined business legitimacy to claim the primary responsibility for the creation and especially the distribution of wealth.

It has thus become implausible to argue that the majority of black South Africans are voluntary participants who believe that the economic process serve the common good. As a result of the denials of rights and opportunities in the past an overwhelming majority of the population (blacks) currently enjoys marginal influence and control of business in South Africa, and have little reason to believe that a change is eminent in this regard.

Thus quite apart from ideological considerations, the bulk of the black population believe that equity and justice in the economic field in the short-term is best achieved by a concerted affirmative action on the part of the business sector, hence the 3-4-5-6 NAFCOC principles.

A comprehensive systematic approach needs to be devised and developed by business if its efforts are not to be seen as insignificant, insincere, and ineffective and therefore, only to be scorned and spurned. What is quite clear is that in South Africa business cannot afford the sanguine attitude that the business of business is business. There are historical logical and self-interest imperatives for business to play a role in society. In a changing South Africa the primary role of business is the following:

* Business has to illustrate clearly and empirically by adopting the 3-4-5-6 NAFCOC principles that the responsibility for wealth creation and especially wealth distribution is best vested in business community rather than in the state. The business community efforts must be so convincing that black people have to believe on the basis of evidence put to them, not ill-conceived, self-serving ideological posturing, that they are better off relying on the mechanisms of private/formal enterprise to maintain and enhance their standard and quality of life and full participation in the economic mainstream of the country. Business has to advance imaginative proposals, very akin to those by NAFCOC, that ensure an equitable and just distribution of the generated wealth of the country.
* To achieve lasting solutions, business must appreciate and propagate the fact that the most fundamental and lasting of wealth forms is opportunity, not existing wealth. Therefore, business has to actively encourage a channeling of public and private resources into the redistribution of opportunities. This is indeed the argument of the NAFCOC's 3-4-5-6- principles.

These will assume many forms but they should include prominently the most enduring opportunity, education and skills training. Other opportunities will be creation of business opportunities in established as well as nascent industries; technology and resource transfer in the form of judicious joint ventures in a manner that enables big black business to emerge and flourish, vigorous support for small entrepreneurs in new and traditional forms such as Matchmaker concept, sub-contracting and financial support.

This form of distribution while having the drawback of taking quite long to take effect, has the overwhelming positive attribute that it will be more lasting and fundamental. It is an investment in the future.

* The logic behind the NAFCOC 3-4-5-6 guidelines is to ensure that business seriously begins to transfer itself from white business to South African business; reflective of the values, aspirations and interests of a broad South African community rather than an exclusive minority.
* The introduction of appropriate education programmes to facilitate the acquisition of desirable managerial skills which are presently in short supply. Here greater emphasis shall have to be put on business and technical education which were in the past severely neglected.
* The South African business community shall have to be deracialised so as to enable Blacks to acquire a meaningful stake both as entrepreneurs and workers in the business life of our country. The private/formal sector is not yet doing enough to meaningfully integrate companies at top management and shareholding levels.
* The training of black managers must be given top priority. For example, of the 256 000 managers and administrative personnel in South Africa today, only 10 864, a mere four percent are classified as black. This indeed is a sad indictment on South Africa. The truth is that South African business has never had enough executive, managerial, professional and technical talent from the population.

Today we face the reality of gross disparities in the distribution of resources among the various sectors of our population. As far as black people are concerned, they have never really been placed in a position of clearly recognising and appreciating the crucial role which business plays in the development of the country because their role therein has always been circumscribed with restrictions both on the entrepreneurial and labour front.

There is ample evidence pointing to the dire need for a well orchestrated affirmative action (3-4-5-6 principles) in South Africa to ensure an equitable redistribution of opportunities and wealth. It has been well documented for example, and amongst others, that less than five percent of the total capital assets are owned by Africans; 87 percent of our land is white-owned or controlled; about 7 – 9 millions live in shacks as so-called squatters; about 5 – 7 million Africans are presently unemployed; and fifty percent of African babies die before they reach the age of five.

The urgent implementation of the 3-4-5-6 principles or affirmative action if you like in South Africa is indeed a must. There is a need to proactively address the issues of redistribution in imaginative and lasting ways and the initiative still rests with the business community. Business must transfer in character and structure into a more representative nature reflective of broader national values, aspirations and interests.

For those who think affirmative action is reverse-discrimination or apartheid-in-reverse, stop and ponder about the saying that goes: there is nothing so unequal as the equal treatment of unequals.

President Lyndon B. Johnson of USA in 1965 had this to say in support of affirmative action for the disadvantaged: You do not take a person who for years, has been hobbled by chains and then say, "you are free to compete with others", and just believe that you have been fair.

The 3-4-5-6 NAFCOC principles of affirmative action are truly an investment in people. We believe amongst others, that the best way to relieve poverty is by improving the ability of the poor to earn. In this regard the link between education, earnings and development is well established.

A crucial question facing us is how to allocate educational/developmental spending in the most equitable and efficient manner. The principles or guidelines stated above will fail if they amount to window dressing, based on the assumption that recruiting, employing, and developing blacks is a social responsibility only and not wise investment in the future of the businesses in terms of human resources development. The overriding importance here is to harness every available talent if we have to achieve our national economic development goals. Business is what makes South African run, but "talent" is what "runs business".

Given the sheer task of creating wealth and opportunities in a post-apartheid economy, this country will need all the talent and skills it can get. It has no time for cosmetic racial diversity in business or other institutions at the expense of excellence.