

Responsible leadership in business and society

Cas Coovadia, CEO of Business Unity South Africa

INTRODUCTION

Mr Cas Coovadia is a former managing director of the Banking Association of South Africa, the current CEO of Business Unity South Africa (BUSA), and chairperson of the South African National Business Initiative. The conference started with a focus on research in the responsible leadership field, followed by discussions on the education and development of responsible leaders. Mr Coovadia will specifically speak on the challenges of practising responsible leadership in business and society.

PRESENTATION BY MR CAS COOVADIA

South Africa as the most unequal country in the world

Thank you very much for the invitation. I hope I can add value to your discussion and deliberation. I think it is quite an opportune time to have this discussion on responsible leadership reimaged.

Let me start by briefly looking at the context in our country and why this discussion is important. Recently, in a World Bank report, South Africa has been classified as the most unequal country in the world. We have had plenty of negative ratings in the last few years, but this is certainly the one that scares me the most. It is not something that we probably intuitively do not know. It is not something that our own data does not show. But for the World Bank to classify us as the most unequal country in the world is just a jarring reminder of the context in which we find ourselves.

We need to ask ourselves what this means in a context of a government that is increasingly incapable of doing what it should be doing. Within the context of the party-political architecture, and with reference to the last local government elections, the electorate basically said, 'We don't trust any of you guys, quite honestly'. It wasn't just a vote of no confidence in the ANC. Scores of people that did not vote for the ANC just did not vote; it's not that they voted for any other party. And so, it was a vote of no confidence in our party-political system and the architecture of our electoral system, which has got to be a threat to our democracy – a democracy that already is threatened because for various reasons it just has not worked for most of the people in this country.

We also have a situation where the majority party in government, the ANC, is a significant part of the problem in the country. Let me say up front that these are difficult discussions for some of us to have. I grew up in the ANC. My anti-apartheid political activity was in the ANC.

The inability of the president to show decisive leadership, put a vision for the country on the table, and drive that vision is significantly informed by the fact that he is trying to deal with problems in his own party. All indications are that in the next national election the ANC will not get a majority.

In what sort of situation does that place business if in just more than two years' time we might be facing coalitions at the national level? We already see, for example, what the impact of coalition politics is in Johannesburg. The council cannot even conduct a meeting, let alone manage the city. And so, we might face the same nationally in two years' time.

We also have a relationship between the business community, which quite honestly is the most resourced and capacitated sector in society now, and the government that lacks trust and is not as

functional as it should be. That is the context in which we find ourselves in South Africa and I think we need to look at leadership reimagined within that context.

Business as provider of people's needs

Whenever I speak in Sandton, I usually tell people that Sandton prides itself on being the richest square mile in Africa, which is pretty good. But I also remind people that just a mile from Sandton is one of the poorest townships in South Africa and that it does not take too much for the sparks in Alexandra to create fires in Sandton. It is not because people want to be violent, but how can I judge a person who does not know how he is going to put food on the table for his children tomorrow? How can I judge how that person reacts?

Given the situation in which we find ourselves as businesspeople and as people doing the sort of work that you are doing, we need to think about this. I am currently reading a book by Rebecca Henderson called *Reimagining Capitalism*. She is the John and Natty McArthur University Professor at Harvard University where she teaches reimagining capitalism. She is also a research fellow at the National Bureau of Economic Research and an advisor to some of the world's leading companies and a board member of Amgen and IDEXX Laboratories. The *Financial Times* recently named her as Director of the Year. So, this is not some lefty. This is a businesswoman.

Amongst other things, she says that free-market capitalism is one of humanity's greatest inventions, and the greatest source of prosperity the world has ever seen. At the same time, its single-minded pursuit of profit has led to rampant inequality and the looming threat of climate catastrophe that now threatens to destroy the society on which it depends. I think those last few words are critical: the society on which it depends.

Coincidentally, two nights ago, I had dinner with Ricardo Hausmann, a critical economist at Harvard Business School. Together with a team, he is working with National Treasury in our country at present. He made some interesting points as we talked about the role of business in this context. He took the view that business, as both labour and capital, should provide for people's needs. He also noted that we need more business to meet increasing needs and that investment is a cost to meet people's needs. The objective is not an optimal investment but meeting those needs, because that is what ultimately grows the business. That puts you into a situation where you must ask yourself: How do you do your business if the growth and development of your business is dependent on increasing needs from society and from people, and your ability to meet those needs?

That paints a very different picture of what the view of business should be and how business and leaders should respond to what is happening in society because, otherwise, what is happening currently in South Africa is that your future market is being significantly destroyed.

In my view, I think these are interesting contextual issues for us to discuss. One could say that if things do not work in South Africa, as good capitalists we just disinvest here and go somewhere else. However, the world is a dangerous place at the moment and there are significant pockets of the world where populism, both left-wing and right-wing, is rearing its head.

Significant parts of the world are unstable. Look at Ukraine at the moment. In the initial stages of the war, some media commentators wondered how this can be happening in Europe and not rather in Africa. It happens in Europe as well. So, the world is not in a stable environment at present. My view is that I am not going anywhere, and we need to make things work in this country, but then that calls for a different type of leadership.

Let me go into some of the issues that were raised in my briefing from the organisers here. While I was told that those are just guidelines and that I do not need to stick to them, I think that they are very relevant issues. What do I understand by responsible leadership and leaders? I think that the line between business and society is no longer there.

In Business Unity South Africa, and the discussions we are having, we also talk about the line between business and politics. Business always takes the view that we do not get involved in politics; we have got business. Now, what do you do and what sort of leadership do you need when patently politics is getting involved in you? What is happening in the ANC is having a significant impact on government and what is happened in government is having a significant impact on your ability to do business.

What sort of leadership do you need? Do you say, 'Well, we do not get involved in politics'? Or do you actually say, 'We need to begin to learn how to influence politics'? And if you want to influence politics, to what end? Do we influence politics to some sort of rent-seeking capitalism, or do we influence it towards capitalism of a special kind, if you like?

During the anti-apartheid days, we used to say that South Africa's situation then was colonialism of a special type because most of the population was essentially colonised by a minority of the population – not colonisers from the outside, but from the inside. Jabu Moleketi referred to this as 'capitalism of a special type'.

Let us agree that capitalism is the dominant system. Let us agree that it has been successful. But let us also agree that capitalism is under attack now, in many instances for good reasons. What sort of leaders do we need to maintain capital and to build the capital of a special type that gives business that license to operate in society and gives business the credibility that it actually deserves because business does a hell of a lot in society?

The problem is we still see this as a side line or CSI (corporate social investment) activity, not that there is anything wrong with CSI. But what sort of leadership do we need to ensure that the way business conducts itself, and its impact on society, is to a certain extent institutionalised in businesses? I think that line is no longer there, and we need to start thinking about that.

I also think it is in the interest of business to play a role in addressing societal issues. We need to do business and structure business in a way that also has a net positive impact on society – not only on the environment, not only related to climate change but also related to the way in which we conduct ourselves in the communities we work and the role we play in building those communities.

Again, to me, it is not social responsibility or the CSI thing. To me, it is an investment in building your future markets. It is an investment in ensuring that you continue doing sustainable and profitable business in the long term. I think we need to develop a long-term mindset towards this, not just focus on the short-term gains. There could be short-term pains and investment into longer-term profitability and sustainability.

I think we need to have a longer-term mindset. We need to institutionalise a different way of doing business. We need to take a serious look at how we incentivise people. Are we incentivising them for short-term gain? Are we incentivising them for long-term sustainability? Are we incentivising them just to look at shareholders instead of stakeholders too? Are we incentivising them to look at a broader group of stakeholders that business needs to address and work with?

I think those are questions that need to be asked and I think responsible leadership and responsible leaders need to appreciate that the line between business and society is no longer there. Also, appreciate that it is in business' long-term interest to conduct business in a way that protects the

environment, considers climate change, reduces carbon, and develops the societies in which they work. I think that business leaders today need to see how we institutionalise this in the way we operate and how we incentivise our people for the appropriate outcomes.

From collaboration to more decisive leadership

Then there is the issue of collaboration between business, government, and civil society, and the view that responsible leadership demands collaboration, and that collaboration needs to be done correctly to succeed. Now, absolutely, responsible leadership demands collaboration. But I think in South Africa we need to balance collaboration and consultation and working together with the need and the ability to take decisions.

In government, we are in consultation paralysis and collaboration paralysis. Let me give you an example. We met the president and his team on 28 January 2022, just before the State of the Nation Address (SONA), and we put the 100-day issue on the table that he announced at his first SONA. We did that within the context of a series of bilaterals between business and government on four or five critical issues.

We suggested to the president that business and government should work bilaterally on those issues and that we come back to him in 100 days with implementable plans on each of those issues. He agreed and he identified four ministers whom we should start working with. Then, in the SONA, he throws this open into a multilateral engagement. That is his comfort zone.

We wasted three years in multilateral engagements at the National Economic Development and Labour Council (NEDLAC) on the economic recovery stuff and we have been spinning wheels. I am quite clear that we are not going to waste another three years at NEDLAC in a multilateral process to try and get things going between business and government on some critical issues.

Collaboration needs to be within the context of saying business needs to take decisions, and the government needs to take decisions. We cannot shy away from those decisions. But then, let us find the necessary compromises and trade-offs where we can work together and collaborate between business, government, and society.

I think that in building those collaborative arrangements, business also needs to be far more proactive and far more robust in putting its issues on the table. We should not be consistently responding to what government puts on the table because then we are not showing any leadership.

We should be saying, as responsible and sustainable business in critical areas of the economy and with impact on society, this is how we believe we should be conducting ourselves. This is the environment we need to enable us to do that, and that is what we want to collaborate on. We need to look at the role of business as a positive element in the development of society.

I think that collaboration is critical, but we need to take the lead in many instances. We need to do the necessary work to put on the table the vision of business for this country and the role of business in that, and then develop clear roles, objectives, and responsibilities in that collaboration. Otherwise, you just spin wheels.

Again, I think it is a leadership role because business has the resources and capacity to think about these things. I think it is a leadership role we need to take, but again within the context of a reimagined leadership and not just the way we have been trying to do business for decades.

Large-scale corruption amidst the pandemic

The next issue is grand-scale corruption amidst the pandemic. Why is that happening? How do we restore trust in leadership?

The first issue there is the Zondo Commission and how we respond to that. When the first part of the report was published and Judge Zondo handed it over to the president, I arranged a special BUSA board meeting to discuss our response. Several things came out. One is a bit of a *mea culpa*. We also need to have business recognise that some businesses have been complicit.

One of the things that BUSA said is that we accept all the recommendations in the first part of the Zondo report, which included the names of businesses that need to be investigated. We support that, saying that the National Prosecuting Authority must investigate all those names, be they business or government. If there is a *prima facie* case against any business, then the business or the directors must be prosecuted. We have got to support that sort of process.

I think we also need to discuss with our members what are the lessons in all of this. For example, a bank told me about business they did with a state-owned enterprise. They looked at a firm the SOE insisted they do business with and were happy that there was no indication that it was crooked at that time. Subsequently, it was found that the firm was indeed corrupt.

Now, what are the lessons we have learned? It means that we as responsible businesses need to be more diligent. We need to go more than the extra mile and put some guardrails in place and have the hard discussions to say that if all our members agree to those guardrails and a member goes outside of those guardrails, then we have got to take the hard decisions and not to wait for prosecution and so on. And if a member has gone outside of the guardrails they themselves agreed to, we should say, 'Sorry, we do not do business like that'. As organised business we should be able to say that.

I think there are some hard issues for us to look at if we want to deal with corruption. We need to be clear about how we are conducting our business and we need to understand that corrupt practices in business can get you short-term gains but destroy your credibility. It can destroy your ability to show responsible leadership, and destroy your ability to work with society to, in the long term, ensure that your business is sustainable.

I think that we need to push government to implement the recommendations of Zondo. But then we need some introspection and some *mea culpa* in this and sort ourselves out.

Transformation and sustainable development

With post-apartheid transformation on the one hand and global commitments to sustainable development on the other, how can responsible leadership layer over and accelerate any progress with these national challenges?

First, I do not think transformation and sustainable development should be opposing each other. They should be complementary. Post-apartheid transformation has been successful to a great extent, but we still have a lot of work to do. I think it has been successful because there have been interventions by government to promote previously disadvantaged businesses through things like the Broad-Based Black Economic Act. There has been a lot of debate about this.

My view is quite clear: I think there was a need for government to make some sort of legislative intervention to promote transformation simply because the apartheid government had a slew of legislation to distort the market, if you like, in favour of a minority of people in this country. At that time, I could not open a business where I wanted to, or where the markets were. For a long time, I could only open a business in an area reserved for Indians.

Now, that is market distortion. That is legislation that distorted markets. So, there needed to be some sort of legislation to try and correct it before we can say we are free; we have democracy. So, we can compete, and we all have opportunities. However, the way the legislation has been applied caused some serious problems.

There has been some degree of transformation. I think that we need to look at transformation beyond the various codes and how we tick the boxes, and be clear that transformation is critical to business sustainability in this country.

If we do not build an economy in which most people in this country have some sort of stake – and I am not talking about ownership deals and so on, I am talking about opportunities to work, earn an income, grow assets and so on – then in 20 years' time you will not be doing business. It is not rocket science. You do not need a whole lot of analysis and Boston Consulting and others doing a whole lot of work for you. You are just not doing business.

We need the sort of leadership that says it is in our interest to protect the environment and pursue sustainable development because sustainable societies are part of sustainable development. If we do not have sustainable societies around us, in 20 years' time we will not be doing business.

The two must be seen in complementarity with each other. I think that responsible leaders can play a role in accelerating progress with these issues if they have that sort of mindset. It should not be the one or the other. Transformation and inclusion are critical to sustained growth. Sustainable development is an essential element of that growth.

Again, if you destroy the environment and if you do not reduce your carbon footprint, you are ultimately destroying the environment in which you need to grow and be profitable. We need to contextualise transformation within that context. It is not just inclusion and so on, but it is inclusion within a particular context. Transformation must be seen positively by business, not only within the context of legislation.

What kind of leaders do we need for this?

Then there are the management education community's most important duties toward society. What kind of graduates do we need to deliver? To what extent are we succeeding in doing that? I think everything I have said up to now should inform the sort of leadership we need to come out of institutions like Stellenbosch Business School.

I served on the Wits Council for nine years. Now am on the board of Wits Business School and these are discussions we are having there as well. What sort of leaders do we need to churn out? In my view, what I have talked about in the last while informs the sort of leader we should be developing. We need leaders who understand the complementarity between sustainable business and societal development.

That does not mean taking over the job of government. Part of our responsibility as leaders today is indeed to talk truth to power, and to insist on government doing what it has been elected to do. We also need to realise that in the way we do our business it is not just our responsibility to ensure that society is developed, but it is totally in our long-term business interest to do so.

We do not do that sort of business for political or moral reasons, although those reasons are important. We recognise that there is a serious business motivation to do so. Recognising that you have the business motivation to do so should release positive juices within the sort of leadership you want to build.

I think the leaders we want must understand the multi-stakeholder approach to business. At the moment, we are having a big debate with the Department of Trade, Industry, and Competition on the structure and nature of company boards. Labour wants labour representation on boards.

Now, we have not kicked that out totally. We have said that there are issues here. If I am sitting on a board, I am not representing somebody. My responsibility is to the company. If there is a labour representative, who is that person responsible to? We are having those discussions, but those are also the sorts of discussions today's leaders need to have.

If we go back to what Ricardo Hausmann said, namely that labour is an essential element of business' ability to deliver society's needs, then we need to talk about the relationship between labour and capitalism. Again, are those lines as solid as they were? What do we do in a multi-stakeholder approach to business and governance? Today's leaders need to think about that and find solutions to that.

Have we been successful in developing those sorts of leaders? I think to a certain extent, yes. But I think it has been patchy because in many ways it is evolving, and it is new. But it is not just a South African thing. Globally, if you look at *Reimagining Capitalism*, Rebecca Henderson quoted examples from some of the Scandinavian countries and elsewhere where CEOs of corporates have taken the mantle and have led in this way. There is some short-term pain. However, there is undoubtedly long-term gain on the bottom line and for shareholders as well as developing societies.

I think business schools need to internalise the evolving role and structure of business and instil a long-term approach towards business. I think it is evolving, and I think we are getting there.

Q&A

Question: I was intrigued when you frequently emphasised multi-stakeholder involvement. Yesterday we heard about positive tipping points to bring about change. What has been a blessing in South Africa is that we often managed to pull back from disaster, made corrections, and somehow kept the proverbial ship on the sea. In the process, we saw our mass media, civil organisations and grassroots movements acting. In your capacity, from a macro perspective, what can we do to create a larger network of positive tipping points?

Mr Coovadia: My appeal to you is to look at where you can create other leverage points to bring about the vision that you have for South Africa despite government. We, for example, formed TAMDEV (Technical Assistance, Mentorship and Development) to strengthen the capacity of the state, with the aim of improving service delivery and creating jobs. We positioned it in the National Business Initiative through which we pull together quite a few retired experts in various areas. We are making those available, particularly at the local government level, to help municipalities sort themselves out and do what they need to do. We put capacity into Operation Vulindlela, which is a government initiative that is doing quite well. But surely, there is stuff that we can do as business that we do not really need government for to a great extent. Just two weeks ago, at a BUSA board meeting, we mandated a stream for this. These are the sorts of things we are going to look at: Can we, for instance, work with the City of Cape Town and the Western Cape government to establish a Silicon Valley in Cape Town? We do not need government for that. Stellenbosch would be critical to that. Can we identify three or four critical metros? If the mayors of the metros are keen on doing that, can we sit down with them and say where are your critical difficulties? How can we help? Can we get service going to people?

Can we identify five universities and work with them so that they are among the top 20 in the world within the next five years? We want to make those sorts of efforts where, as business, we put

resources and capacity behind these things, develop parts of the country, and in the process raise confidence and so on. This is what we want to do.

Question: You spoke about collaboration quite extensively and you have a lot of experience in that. Can you perhaps share with us your thoughts on leadership within these complex collaborations? What in your mind is the key enabler, leadership enabler, that we need to understand in these complex collaborations?

Mr Coovadia: I think we have had a good example of that in the last few years. We saw business collaborating with government to manage the pandemic and roll out vaccines. Now, have they been perfect? Absolutely not. But if business did not collaborate with government on this, we would have been sitting with a disaster. What did we do? When the pandemic hit, lots of businesses and associations started calling BUSA – even people, businesses, and associations that were not even members of BUSA. It became quite clear that there was a lot of confusion, and that government did not have the capacity to manage this. It is not just BUSA members that are talking to us. So, we said we need to put together a broader platform. We approached relevant expertise in business to work with us. We did the work and every now and then I reported to the BUSA board on what was happening. At the height of Covid in 2020, we probably had about 450 professionals in housing, communications, project management, transport, and legal working *pro bono* on this. Why were we successful? Because government accepted that they needed help and there were leaders in business who said they would put aside their day job for a while in the national interest. We also approached NEDLAC and talked to our social partners in business and community groups to say this is a national crisis, and we need your networks and your expertise to also join. And so, one of the positives of the pandemic was that it significantly increased trust between business, labour, and society.

Why were we able to do all of this? Because the leaders in all those sectors said, ‘Let’s put aside all our broader discussions and debates and ideologies. If we don’t get this right, people are going to die. It’s a crisis; let’s focus on the crisis.’ We did not let politics and ideologies interfere in this. I think what we need to do in these collaborative efforts is separate some of the critical issue-based stuff so that ideology and politics do not need to creep in. We can implement together, and you can see between government and business and others an immediate positive impact on society. That builds trust. That enables us to understand each other.

Question: I want to come back to the idea of ‘capitalism of a special kind’ that you raised. I think there is wide acceptance that capitalism in its traditional form is not working globally. But we cannot wait for global to set the pace for us. We as South Africans need to find our own way. Are there any current or planned initiatives, at least from a business perspective, to put a position on the table? And is there any collaboration with the National Development and Planning Committee in this regard?

Mr Coovadia: One of the things I am trying to push at BUSA is that our mandate is a broad macroeconomic policy influence and advocacy mandate. I am encouraging my board to say that we need to talk about, first, our understanding of the role of business in society: How should we be doing our business? What would the impact of that be? What sort of environment do we need for that? We need to ask these questions whether it is legislation, policy, interaction between business and government, or interaction between business and labour. Once we have done that work, we can talk about how legislation, regulation, and policy can enable this. Once we have agreed with government and others that this is the way business should be conducting itself, and that labour should be conducting itself, given the conditions in which we find ourselves, then it enables a far more intelligent and forward-thinking engagement and has a greater potential of finding synergies between us. It also,

in my view, forces business to say, 'Hold on, we need to do things differently. It's not business as usual.' But for business to take the lead in that, we are very often too reticent in this.

We talk to the National Development Plan people, and I think there is a window of opportunity. We are also seeking leverage on several other fronts. We find an openness to engage with us from the newly appointed Minister of Finance as well as the Minister in the Presidency. The most recent SONA was undoubtedly the most business-friendly one in many years. I have met with the small business development people during the week, and they are starting to realise that they are not going to create the jobs. We will therefore have to work together with business to make progress on this front.

Question: The National Prosecuting Authority (NPA) is a critical institution for the execution of the findings of the Zondo Commission. I have read something about business supporting capacity creation in the NPA, but it is not widely talked about. Is there movement in that area? Are legal firms, consulting firms, and universities with skills coming to the fore too, for a period of two or three years, creating that capacity so that we get to the results that we all so direly want?

Mr Coovadia: We have made an offer to the National Prosecuting Authority to provide resources and capacity, but we do not want to capture the state in trying to address that gap. We need to do this in a way that we have an arm's length approach to whatever structure is put into place. We must not impinge in any way on the independence of the National Prosecuting Authority. We have had a meeting with the Minister of Justice, and we have had a meeting with the NPA. In principle, they need the assistance. They need the capacity. We are looking at how best to structure this right now.

Question: It seems convenient for business to blame government for the world champion status we have in terms of inequality within our system. The post-apartheid economic system, to my mind, might be not so different from the colonialist and apartheid foundations that preceded it. What we sought to do was to change the racial composition of the ownership structures of what was a very hierarchical pyramid system. Have we done enough to change a system that was built on exclusion and exploitation?

Mr Coovadia: The questions you raised are critical. Do we blame government for the crap we have? No. But given the situation in which we find ourselves, certain levers do lie with government. Let me give you an example. An international bank wanted to expend about R430 million on the development of SMEs in a couple of provinces. They have been talking to the Department of Trade, Industry and Competition (DTIC) for three years about this and they need the department to just enable them under the financial sector code to do it. They could not do this without DTIC coming to the party; legally, they just could not do it. They called me and said their head office will put the money somewhere else. Only after I have spoken to the responsible minister, it could be realised. There are, therefore, certain instances where government has the levers, and we need to hold them to account. However, that does not mean we say it is all government's fault. I think where we can work on our own, we have got to do that. We need to show the commitment to believing in this country and increasing confidence in this country through those sorts of actions on our own.