

## **ID SPEECH**

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### **LEADERSHIP CHALLENGES OF SOUTH AFRICAN BUSINESS LEADERS**

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I would like to thank the MBA Programme at the School of Management for inviting me to speak to you today on the leadership challenges of South African business leaders.

This is a topic that is very close to my heart and those of you that have followed my work over the past 30 years will know that I have put every effort into educating the business world about their wider responsibilities to our society.

This started during my time in the unions, although I don't know if you could say I was 'educating' the bosses at the factory where I worked.

Perhaps 'forced' is a better word!

More recently I have continued to take business on, especially in instances where it has been guilty of anti-competitive behaviour, or has tried to get away with ripping ordinary South Africans off.

There are also many more campaigns that are in the pipeline so watch this space.

As some of you will know, the TRC has often been put up against the Nuremberg Trials as a method of dealing with justice in a post conflict period.

While that is not the topic for my speech today I would like to compare another aspect of the post- 2nd World War period in Europe to the post-Apartheid period in South Africa.

In Europe after the 2<sup>nd</sup> World War Governments and business got together with the help of outside powers like the USA to come up with a huge reconstruction and development project called the Marshal Plan.

This Plan worked precisely because of the tremendous commitment from all quarters, including business.

Now, after Apartheid a very different thing has happened.

When it comes to reconstruction business is standing back with its arms folded and leaving everything to Government.

In fact, business is doing something very similar to what it was doing during Apartheid.

The only difference in 1994 was that photographs of FW de Klerk hanging on the walls of business board rooms were taken down and replaced with photos of Nelson Mandela.

When asked by the Truth and Reconciliation Commission in November 1997 why Sanlam had not criticised the Apartheid regime, its Managing Director, Desmond Smith said that like many other companies during Apartheid, Sanlam was forced to moderate its criticism of the government because the government was its biggest customer.

Business today, by standing back and refusing to make a Marshal Plan –type commitment to reconstruction and development, is behaving no differently.

Reconstruction is about building a whole new economy – one that works for all South Africans and not just a privileged few.

We need young entrepreneurs that are patriotic and think out of the box.

For instance, they need to think of ways in which business can become more labour intensive and less energy intensive.

The real challenge for business and business leaders can be summed up in the words of the King Report for Governance for South Africa 2009, and I quote –

“Good governance is essentially about effective leadership.

“Leaders should rise to the challenges of modern governance.

“Such leadership is characterised by the ethical values of responsibility, accountability, fairness and transparency and based on moral duties that find expression in the concept of Ubuntu.

“Responsible leaders direct company strategies and operations with a view to achieving sustainable economic, social and environmental performance.” End quote...

Of course, these business goal posts mean that business leaders should not become embroiled in corrupt activities.

Sadly, this is not very often the case.

Indeed, I have always believed that this perception that exists that businesses are governed by their own rules and are not answerable to the same set of ethics as everybody else, is completely misguided and dangerous.

When you take up leadership positions in the business world we will expect the same ethical behaviour from you as we do from leaders in other sectors of our society.

We must also deal with this misperception that corruption is the crime only of Government.

Behind every shady deal there is a business leader and his or her business.

What I have been trying to get across here is that there is one major point that cannot be stressed enough and that is that corruption does not exist in the singular.

It is a relationship involving more than one party.

If someone accepts a bribe, someone else is paying a bribe.

And it does not just exist only in South Africa, it exists across the world.

Of course, it is precisely because of the prominent position of the international business community in the powerful process of globalisation that we cannot always confine this discussion to our country alone.

So let me speak briefly about the global situation.

A few years ago a leading watchdog on corruption, Transparency International said, and I quote,

“Multinational companies are fuelling corruption in the world's poorest countries by routinely issuing bribes and accepting illicitly-gained cash as payment.

“Bribe money often stems from multinationals based in the world's richest countries.

“It can no longer be acceptable for these companies to regard bribery in export markets as a legitimate business strategy,” said the Report.

I would also have to agree with Transparency International when they say that,

“Criticism by rich countries of corruption in poor ones has little credibility, while their financial institutions sit on wealth stolen from the world’s poorest people.”

I think we all know what damage corruption does.

It is estimated that corruption costs Africa around \$150 billion a year.

A former Ghanaian President captured the stark reality of corruption in Africa very well a few years ago, when he said, and I quote –

“Let us ask ourselves: where do the proceeds of this corruption end up?

“In the vaults of the financial and banking institutions of the Western World.

“For every dollar of corrupt money that is kept in Western banks, one African child dies, two African children starve and three African children suffer from disease and ignorance resulting from lack of healthcare and education.

“There will be less corruption in Africa if there is no place to hide the proceeds of corruption,” he said.

What is needed on an international and local level therefore is a strongly enforced and monitored regulatory approach towards corporate accountability that takes into account the issues of bribery and corruption and the environmental, social and human-rights costs and implications of EU-based companies doing business in other parts of the world.

For corruption to end, overseas bribery needs to be criminalised and those guilty need to be charged and prosecuted.

The European Companies involved in the Arms Deal should never receive tenders from South Africa again.

The OECD Convention on Combating Bribery was ratified by many European Countries, but monitoring of and compliance with the Convention is seriously lacking.

Mechanisms must be put in place to ensure that International Business Transactions comply with the Convention before they are signed.

Thereafter monitoring and reporting must be carried out regularly by an independent authority.

Africa does have leaders that are committed to fighting corruption and taking seriously the issues of governance and accountability.

And we must do our bit in our own country to stop corruption instigated by foreign and local companies, as well as local politicians.

Business leaders can also fulfil their obligations to our society by standing against **anti-competitive behaviour** like price fixing.

Just last year I fought tooth and nail for directors of companies found guilty of price fixing to be held criminally liable for their actions.

This campaign, which the ID embarked on after the first news came out of massive bread producers fixing prices to increase their profit margins, culminated in the signing of the Competition Amendment Bill.

There is no reason why businesses and their directors should be left out of our national project to create a law-abiding society and why, if they commit economic crimes against the poor, they should not go to jail.

My campaign to bring down the exorbitant costs of telecommunications was part of the same drive to make business accountable to the public.

In July last year I informed the public that had lodged a complaint with The Competition Commission over the high costs of mobile phone calls in South Africa, calling on it to investigate, in terms of the Act, ...whether the operators, particularly the dominant players, were acting anti-competitively or were guilty of any prohibited practices.

In my letter I explained to the Commission why we as South Africans should be suspicious of the exorbitant costs of the cell phone calls we make.

Most worrying for us is the effect these exorbitant costs are having on the poor and on the costs of doing business in our country.

I eventually managed to get the support of all parties in

Parliament and we called the CEOs of the cell phone companies to account.

They were extremely reasonable when they appeared before the Parliamentary Portfolio Committee for Communications, although they very soon went back to dragging their heels over a reduction in a price that is a ridiculous level above cost price.

The ID will continue until this campaign is successful.

The other way in which business must be held to account is in terms of the transformation of our economy.

We must recognize that Apartheid divided our nation and institutionalised the economic exclusion of the majority of our people.

This legacy did not magically disappear in 1994, nor will it fade away under normal market forces.

Instead, government must actively implement interventions.

The Employment Equity Commission's Report of September 2007 showed that among top management in the private sector, whites constituted 68% and Africans only 18%.

In senior management, African women reached just 5.5%.

Around 55% of new appointments were white and only 40% black, with Africans at 28%.

Just 37% of promotions were black and 61.4% white.

When we are faced with figures like this more than 16 years after the end of Apartheid, we simply cannot entertain ideas that transformation is not necessary to correct past wrongs.

Business must engage with Government to identify problems and find solutions to speed up transformation.

In addition, we believe that more emphasis must be placed on broad based BEE, focusing on interventions like worker-ownership schemes, rather than a continuation of making a few rich black individuals even richer.

When an individual's wealth exceeds a certain amount, say R10 million, he/she should no longer qualify for BEE.

Finally I would like to come out in support of comments today in the Business Report by the chairman of Business Leadership South Africa, Bobby Godsell, who reportedly climbed into his

business counterparts for awarding themselves what he termed “obscene” pay packages that were not related to value creation.

I also agree with his comments that it is wrong that executives that are shown the door before their contracts are up are paid out for their full contracts.

I would like to conclude with a quote from Mr Godsell with which I agree, and I quote –

“The tender entrepreneurs are a form of economic terrorism... It is a form of fraud. It is a form of theft actually.”

South Africa needs a new generation of business leaders that truly know the difference between right and wrong.

I thank you.

***For media enquiries, please call Steven Otter,  
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