

Wrong approach to BEE hampers growth

Author: Business Day

Excess capital on companies balance sheet should be employed to grow existing businesses and to start new ones, not to fuel private equity activity, says Raymond Ndlovu, CEO of stock broking company Noah.

He says that BEE has been wrongly interpreted as the transfer of ownership in existing businesses, without creating new ones.

"The lack of capital available to small and medium enterprises is a huge hinderance. "Yet substantial capital exists on companies balance sheets to develop new businesses. Boards of directors need to invest in the long term economic health of the country, not just the short-term gains to be made from a private-equity transaction," Ndlovu says.

"BEE is integral to the future success of this country, but not in the way its been implemented to date.

"BEE is largely glorified mergers and acquisitions and is being implemented in isolation to how SA can become competitive."

Ndlovu says that instead of standing for black economic empowerment, BEE should denote black entrepreneurial enablement.

"Entrepreneurial development is the only route to sustainable growth in the prosperity levels of blacks."

He says that instead of focusing on who has done a deal, SA needs to look ahead and to assess to how it is going to compete in 2020.

The gaping skills shortage is another hindrance to SA's competitiveness, says Ndlovu.

"We need to structure an education system that delivers skills the economy needs. Entrepreneurship should be taught at schools and the mentality of looking for a job should shift to a focus on self-employment and employment creation."

He says SA has become a favoured hunting ground for skills by global conglomerates.

"in the financial sector, for example, a marked scarcity of skills exists in areas such as equity, fixed income trading and financial credit analyses, to name a few.

"Very little training and mentorship of new talent occurs because poaching is the order of the day. Added to that, the buoyant financial markets of the past few years have encouraged job-hopping.

"We cant expect to be a leading nation without a long term strategy that addresses fundamental issues, such as developing the right human capital for a globalised, technically advanced world. While there are some initiatives in place to address the lack of maths and science skills, it's not nearly enough."

BEE was supposed to assist with skills development but the focus on transactions has derailed this, Ndlovu says. "We've developed a short term mindset that looks for quick gains at the expense of long-term sustainability."

Bryan Hattingh, CEO of Cycon, says that entrepreneurs must be prepared to embrace risk to reap the rewards available to them.

"Ironically, without risk there would be no success in business, for risk is at the heart of entrepreneurship. Without the ability and licence to take risks there would be no subsequent reward. The size of the reward is often proportionate to the level of risk. It is hardly surprising that having being conditioned to be risk averse, most people will never realise their full potential."

"In industry and commerce it is essential that a certain level of prudence and diligence prevails when making significant business decisions. In many instances the ideal route for a business to follow in protecting the interests of its shareholders and stake holders is one that leans toward conservatism rather than liberalism.

"This, however, should never negate the need for a balanced and reciprocal amount if sensible risk-taking to ensure the ongoing competitive positioning and agility of a business," Hattingh says.