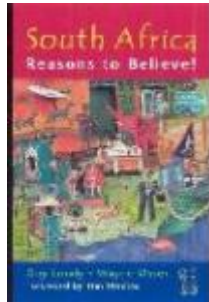


## South Africa:

### Reasons to Believe!

*By Guy Lundy and Wayne Visser (Aardvark Press, 2003)*



### ~ 5 HOMEGROWN, WORLD CLASS ~

Not too many people would argue that South Africa's natural beauty rivals some of the best in the world. But how many believe that we can compete (and win) internationally on the business front? Far too often we hear people droning on about our unproductive workforce (despite the fact that South Africans get snapped up overseas because of their work ethic), the inefficiencies of our service industry (despite the fact that South Africa's financial and hospitality industries receive some of the best service ratings in the world) and the negative impacts of our affirmative action policies (despite the fact these are essential for our long-term success).

This chapter rejects our pervasive national inferiority complex and shows how South Africa is already on the map with companies and individuals that are world class. The new open era of the late 1990s sparked a trend of South African companies going global, outgrowing their parochial origins and starting to compete with the biggest and best anywhere. Companies like Anglo American, BHP-Billiton, De Beers, Dimension Data, Investec, Lonmin, Old Mutual, Sasol and South African Breweries. Our country has also produced its fair share of rags to riches stories, our own African version of the American Dream. These are remarkable individuals who continually beat the odds of their humble beginnings and overcome prejudice to become role model entrepreneurs. They are proof that the African Renaissance is not just a dream, but a reality in the making. They remind us that individuals can and do make a difference.

#### **Awakening the Giants Within**

South Africa is a small fish in a big pond as far as the world is concerned. We make up less than 1% of global population and a similar proportion of the world economy. And yet, in the past five years, some of our homegrown organizations have grown into giants in global terms. Today, some are even Fortune 500 global companies, like BHP Billiton (ranked 281 in revenue terms), Anglo American (341) and Old Mutual (453). These companies, along with SABMiller (formerly South African Breweries), are also FTSE 100 companies. In other words they are amongst the 100 biggest stocks on the London Stock Exchange. Several others are not far behind, being ranked as FTSE top 250 companies, including Lonmin and Dimension Data.

Clearly, we are learning to box above our weight. The scale of some of these companies' operations bears this out. For example, BHP Billiton, now with operations in Africa, Asia,

North America, South America and Australia, is the world's largest exporter of energy (thermal) coal, the world's largest exporter of hard coking coal for the steel industry and the world's third largest producer of iron ore. They are also major players in oil, gas, liquefied natural gas, nickel, diamonds and silver. Old Mutual, with £143 billion of funds under management around the Group at the end of 2001, is now one of the top forty asset managers in the world. In the USA, they are one of the top ten fixed annuity businesses.

In November 2001, South African Breweries became the first international brewer to enter Central America, to become the largest brewer and soft drinks bottler there. In 2002 South African Breweries bought Miller Brewing from Phillip Morris, the makers of Marlboro cigarettes, to become SABMiller, the world's second largest brewer, just behind Anheuser Busch, the makers of Budweiser. SABMiller operates 111 breweries in 24 countries, employing over 38 000 people around the world, with 2001 production volumes in excess of 120 million hectoliters. SABMiller is the second largest and most profitable brewer in China with 27 breweries and a combined capacity of more than 31 million hectoliters. Their Ibhayi brewery in South Africa can produce 2.3 million hectolitres per year, run by a shift of just 13 people, at a capital cost of just US\$47 per hectoliter. They also have extensive interests in non-alcoholic drinks businesses and casinos around the world. They are the world's largest bottler and distributor of Coca-Cola products outside the US. This is an extremely powerful global company, one that has built itself up over a hundred years of operations in South Africa and is now expanding into virtually every area of the world.

Investec, which is another rapidly expanding South African company, started from humble beginnings in 1974 as a small finance company in Johannesburg. In 2001 it was voted as the 4th most global company in the world for the second year running by The Banker. Over the past 10 years, it has registered compound annual growth in headline earnings per share in excess of 28%. Similarly, Dimension Data was started as a little networking company in the 1980s by a group of school friends, and it has since spread its wings to establish operations in over 30 countries on six continents. These are just some of the examples of companies that are led by incredibly driven South Africans who have big dreams of taking African excellence to the world, and they are succeeding in doing so.

### **Living the African Dream**

We have any number of incredible entrepreneurs in the country. In fact, we seem to be a breeding ground for the spirit of innovation. Take Jabulane Mabuza, for instance, who went from university dropout to taxi driver to businessman to Chairman of African Renaissance Holdings, CEO of Tsogo Sun Holdings and MD of Southern Sun Gaming Investments. Or our retail granddaddy, Raymond Ackerman, who bought four very small supermarkets in 1967 and turned them into the multi-billion Rand family supermarket chain, Pick 'n Pay, which now also operates 70 stores in Australia.

But how many people know the name, Zutulele KK Combi? He started out owning a spaza shop in Cape Town's Gugulethu and used his earnings to build the township's first petrol station. His success allowed him to build the Nyanga Junction shopping development, which he later sold to Southern Life for R45 million. Then he created Master Currency and, through this, now controls 10 percent of the South African foreign exchange market. In 2000, he was named South Africa's Best Entrepreneur and in 2001 he won the Ernst and Young World Entrepreneur of the Year Award for Managing Change. His advice to other budding entrepreneurs is to "be tenacious, stay focused, be passionate and be prepared for hard work." Clearly, his formula pays off!

Liz McGrath is another of our world-class business people. She began by developing a "run-down sleepy hollow" into the Look-Out Hotel in South Africa's paradisiacal Plettenberg Bay, and today, her portfolio of luxury hotels includes, among others, The Cellars-

Hohenhort on the slopes of Table Mountain and The Marine in the whale-watching coastal town of Hermanus. She has been lauded as one of the top businesswomen in the world by a host of organisations, including Fortune magazine. Her philosophy on life is to “be perpetually optimistic and always bear in mind that you are only as good as your team.”

A great source of South African entrepreneurial biographies is Mike Lipkin and Reg Lascaris’ book, *Fire and Water*, which profiles people like Khethla Mthembu, Herman Mashaba, Anant Singh, Don Ncube and Hylton Appelbaum. They are all inspiring tales of self-belief and faith in South Africa and its people. Not surprisingly, each is highly motivated in their quest, not only to grow successful businesses, but to empower a nation. For some, like Mthembu, founder of AFGEN and head of New Age Beverages, and Ncube, chairman of New Africa Investment Holdings, the drive is economic empowerment and eliminating black people’s historically entrenched inferiority complex in the business world. For others, like Mashaba, originator of the Black Like Me haircare products, or internationally acclaimed film producer, Anant Singh, the empowerment is around embracing and celebrating our unique African-ness. Still others have focused their creativity on tackling the specific challenges of Africa, like Appelbaum’s ingenious creation, the batteryless wind-up radio and wind-up torch.

### **Crafting success**

It’s not just mega-companies that we have to be proud of. South Africa has a growing number of individuals and small businesses making a success out of their own creativity in the “functional art”. This term can be credited to one of the most successful and well-known of these functional artists, Carol Boyes, who is famous for her extraordinary, quirky creations in pewter. Her kitchen utensils, cutlery, office items and ornaments can be found in homes and offices across North America, Europe, Asia and Australia. She realised that if she was going to survive as an artist she could not do so as a purely fine artist and decided to fuse her art with something that people would find useful. Today she has more than a thousand pieces in her very distinctive range, production has increased from an initial 400 pieces per month to around 40,000 pieces, and she employs over 450 people.

Many of our most amazing entrepreneurs can also be found plying their trade on the bustling pavements of our cities or in the burgeoning craft markets that are mushrooming all over the country. Streetwires is one such business. Street wire art is unique to South Africa and largely unavailable beyond our borders. Born in the shanty towns and dusty backroads and baptised on the street, today this genre is a thriving and legitimate art form in its own right. Their motto is “Anything you can dream up in wire, we can build”. And you’d better believe it – they make the full spectrum of creatures great and small, Christmas trees and Baobab trees, cars and motor bikes (even down to specific models), radios and light shades, you name it!

Another craft-oriented success story is the Monkey Business Bead Project, which markets beaded dolls made by township artisans. They have gone from an idea inspired by the Grahamstown Arts Festival in 1994, to a trio of pioneering beadworkers in 2000, to 140 artists in 2002 supplying 25 retail outlets in South Africa and 5 international agents placing dolls with dealers in New York and London. And there is the T-Bag design project, which has allowed a group of formally unemployed women in Hout Bay’s Imizamo Yethu informal settlement break into the international scene by creating greeting cards with African designs painted onto discarded tea bags. They have had orders from Liberty of London and the South African embassy in France, and they have made menus for functions held at the SA Reserve Bank. Currently they throw the tea leaves away and use only the bags, but they are also considering making designer paper with the leaves. By showing such amazing initiative, our masters of wire, beads and greeting cards are not only creating

much needed employment, they are playing their part in creating a distinctive brand for South Africa among tourists and overseas buyers.

Talking about overseas buyers, how do you suppose many of our up and coming entrepreneurs get their products to these foreign markets? Look no further than [www.buysouthafricaonline.com](http://www.buysouthafricaonline.com). A recent winner of the 2002 Development Marketplace Innovation Competition of the World Bank, the company has developed a web-based system for small manufacturers to deal directly with the end-consumers of their products. By streamlining the supply chain, small traders in South Africa obtain a fairer share of the final sale price. But many of these people often do not even have access to electricity, let alone the internet. No problem. BuySouthAfricaOnline has even addressed the digital divide by enabling remote entrepreneurs to receive their orders automatically by 'sms' on a cell phone, thereby bypassing the need for expensive computer equipment and training.

### **Lessons in Radical Innovation**

Lessons in Radical Innovation is the title of a book by Wolfgang Grulke, the subtitle of which is 'South Africans leading the world.' It is about real people who took risks, who set themselves extraordinary goals at almost impossible odds, and succeeded. It contains stories about out-of-the-box thinking, passionate individuals and the different kinds of companies they created. Innovation plus technology plus an entrepreneur equals a massively disruptive cocktail, which is Grulke's formula for radical innovation. In this section, we highlight just a few of the cases from the book. Starting with the black economic empowerment media giant, Johnnic.

In the space of a few short years in the 1990s, Johnnic was transformed from a lumbering, monolithic company mining minerals and manufacturing goods into a focused, dynamic company mining information and manufacturing news. This metamorphosis rivals Nokia's change from a pulp and paper manufacturer into a world leader in cellular technology and Vivendi's creation of a global media company from the ashes of a waste and water company. Perhaps we should not be surprised considering the task fell to the man who was one of the alchemists behind South Africa's miraculous political transformation, Cyril Ramaphosa. Today, Johnnic houses a family of media, communication and entertainment assets, from newspapers (Sunday Times, Sowetan Sunday World and I-Net Bridge) and television/film (M-Net, Cartoon Network and Nu Metro), to mobile phone networks (MTN) and books (Exclusive Books, Random House).

But that's only half the story. The other half is the way in which Johnnic is creating world-beating technologies, like Remote Interactive Voice Response, which is being marketed around the world as the 'New, Better Thing' by Unisys, the American IT giant. "When we showed it to Unisys," says M-Cell CEO Paul Edwards, "all they could do was slap their foreheads. 'Why didn't we think of this?' It's such a simple, easy alternative to WAP (Wireless Application Protocol). And it works. But everyone out there was thinking so far forward, that they missed a solution that was staring them in the face." MTN also serves as the SMS (Short Message Service) gateway for PC-to-mobile messaging for AOL (America Online), the world's biggest Internet Service Provider. The data comes down the network from Chicago to Johannesburg, is reformatted into SMS and then sent out to about 120 countries. "What excites me the most," reflects Edwards, "is the fact that what we're doing down here is what guys are still trying to do in Europe and America. There's none of the 10-year-lag anymore. The stuff we're doing, the technology we're producing, is leading-edge. We're at the forefront. We're connected."

Thinking outside the box has become a way of life in South Africa, and it is what turned South African family company Chef Works from a mature, declining manufacturer of traditional, white clothing for restaurants and hotels, into a global company that is now the

hottest, hippest supplier in the hospitality clothing game. Deciding that their only chance of survival was to break into the American market, they realized they would have to get 'funky and outrageous', which is exactly what defines their in-demand brand today – brightly coloured designs swirling with red-hot chilli peppers, jungle-green jalapenos, twirling spaghetti, French mushrooms and chopping utensils. By 2001, they had more than 30 000 customers in America alone, supplying major hotel groups, casinos, cruise lines and restaurants. Other orders are pouring in from Canada, England, Europe, Australia, New Zealand, Singapore, Japan, the Middle East and Africa. "It's been amazing to me," says co-owner Alan Gross, "that we as a South African company could even think of selling our goods overseas. I mean, we're a mature South African business. We always thought we'd be able to make a living and educate our children. We always thought we understood the boundaries. Suddenly, the whole picture changes radically. Suddenly, we're global. Suddenly, everything is different."

The great advantage of coming from South Africa is that our recent history has shaken us up. Everything is in flux. We expect constant change. And that is good for innovation, because as the old saying goes, "Creativity emerges from chaos". New York at the end of the 1800s was filled with newly-arrived immigrants with nothing stable about their lives and radical new ideas. For the next four decades it was the energetic centre of the world's creative thinkers and innovators. South Africa is the new "Wild West", and the radical ideas are coming from right here because people are willing to take risks and see things in new ways in such an unsettled environment with so much opportunity. This fact was recognised by Newsweek magazine in September 2002 when they voted Cape Town to be one of the world's eight most creative cities, along with others like Austin (USA), Tijuana (Mexico), Zhongguancun (China) and Kabul (Afghanistan).

### **Closing the Digital Divide**

Someone who seems to have never understood boundaries is Mark Shuttleworth, whose meteoric rise to fame and fortune is the stuff of legends in South Africa. A straight-A graduate from the University of Cape Town, Mark followed his passion in 1996 by setting up a small Internet consulting company called Thawte. They rapidly found their niche by taking an innovative approach to digital certification, earning them 40% of the market and US\$90 000 a month by 2000, at prices that were two thirds lower than their biggest competitor, VeriSign. The following year, he sold the business to VeriSign for US\$575 million, making him a 26 year old billionaire in his home country. Famously, he gave R1 million to each of his 60 employees (including two cleaners and a gardener) and set up a venture capital company for South African entrepreneurs called Here be Dragons, before paying US\$20 million to become the world's second civilian astronaut (and first Afro-naut). He dismisses his secret of success as "the usual suspects: luck, timing, foolhardy bravery in the face of insurmountable odds, inspiration, perspiration, blood, sweat and tears." But he admits to being driven by a core philosophy, which is to put passion ahead of practicality - "if you do what you love, you will love what you do. Then you'll do it better than anybody who's just doing it as a job. And as long as you have the wisdom to keep doing it for love rather than for money, it will never be spoiled for you."

The Shuttleworth-style technological leadership should not be regarded as the exception in South Africa. There are many others who are closing the digital divide. Consider this list of world firsts, with a South African twist, compiled by Ken Jarvis, CEO of Idion Solutions. Saswitech was the world leader in allowing remote ATM access by any institution with any institution, regardless of network protocol. The next country anywhere in the world took over 5 years to launch a similar service. Nedcor was the first bank anywhere in the world to strategise and implement Microsoft technology on teller platforms. Standard Bank was a pioneer in the world of banking by allowing 'securitization' of an asset online to gain access

to funds in other environments by using Access Bond. UBS was the first bank in the world to use IMS Fastpath for simplified banking transactions, allowing it at that stage to process more transactions per second than any other bank coping with similar volumes.

Outside the financial services industry, Computicket's technology for providing online ticketing across multiple geographic locations and for multiple venues / categories was a world first. Multichoice was the second company in the world to launch satellite TV. And Paul Maritz, the man behind the global NT software, is a graduate of the University of Cape Town and the University of Natal, where he studied computer science and mathematics. Ivan Epstein, CEO of Softline, started with R5 000; today they provide accounting software available in 8 languages and sold in over 38 countries. IT supplier, Incredible Connection, developed into the largest retailer to the public in South Africa and achieved this only 6 years after being founded. Omnipless, launched in 1994, manufacture world-class antennas in a niche market for satellite communication and nearly 100% of its product is exported.

More recently, a small Stellenbosch-based company called Electronic Development House (EDH) Marketing secured a three-year rolling contract with the Association of Tennis Professionals, which runs 67 tournaments in more than 30 countries, to supply its innovative electronic scoring system. In 2002 the system was used to score games at Wimbledon. Soon, they will integrate the 'Rocket Radar' into the system, which accurately measures the ball's trajectory, racquet head speeds and the speed of the ball off the racquet. Other products developed by EDH include the 'Speedball' cricket-bowling speed-measurement device that is used in South Africa and around the world and a golf radar system that records the trajectory and carry of the ball immediately after it has been struck.

### **Incubator for Entrepreneurs**

There are countless more companies that have found global niches and are growing from small roots to become world leaders in their field. We cite just a few more of these to drive the point home. The Steinhoff Group has 53 factories within South Africa and is the largest furniture producer in the southern hemisphere. In a recent project, Sapekoe began the development of one of the world's first organic tea farms. Afrikelp produces environmentally friendly organic fertiliser produced from kelp (seaweed). The Mercedes Benz C Class, BMW 3 Series and VW Golf/Jetta vehicles for all right hand drive markets throughout the world are produced in South Africa.

Gelvenor Textiles is the leading global producer of hi-tech, specialist fabrics for niche markets. It was the world's first company to produce products for people suffering from incontinence. SAPY produced the world's first 'soft-feel' polypropylene yarn. SANS developed a unique, revolutionary new product to add colour to polyester called Colorcord, which is also environmentally friendly. The Pratley Group, best known for their Pratley's Putty, have 300 patents worldwide. RGR Technologies has designed and produced a valve used in the mining industry to pump water from depths of 4-5 kilometres below surface, making it the only company producing this product in the world and exporting it globally.

South Africa is an incubator for entrepreneurs, like those that we have mentioned above. Growing numbers of companies around the world are starting to recognize this unique strength in South Africa, as did global accounting firm Deloitte & Touche Tohmatsu when they headquartered their Innovation Zone here, under the executive leadership of Louis Geeringh. Explaining their rationale, Geeringh says that "most innovation seems to occur at the edge of the empire – away from the controls, the corporate governance and the emperor. When all the odds are against you and you have to do things out of necessity to

stay in business, as is the case with South Africa, it breeds a certain type of hunger in people – an essential nutrient to make innovation flourish.”

### **Pioneers of the Triple Bottom Line**

Much of this chapter has been about being ‘bigger than’ or ‘best at’ in terms of products and profits. But in keeping with its hosting of the World Summit on Sustainable Development, South Africa is also beginning to show its leadership in balancing the needs of prosperity (economy) with people (society) and the planet (environment).

Spier Wine Estate is one of many role models in this respect. Set in the idyllic landscape of Stellenbosch in the Cape, Spier had operated as a wine farm for three centuries before the (then) 90 hectare estate was bought by businessman, Dick Enthoven. Having led an extremely successful career in South Africa’s mainstream business sector, Enthoven wanted to leave a legacy, to give something back. Transforming Spier became the centre-point of his visionary quest. “In 150 years from now,” says Enthoven, “I want people to look back and say that they did a good job”.

The way this vision has unfolded in practice is a colourful story full of inspiration. It started with Enthoven embracing the cultural heritage of the area. Spier set about restoring the old Cape-Dutch historical buildings on the estate that date back to 1680, and turning these into conference and restaurant facilities. Next, a hotel complex named The Village was constructed, drawing on the Cape’s Malay influences for its architectural style and on ecological principles for its design. An open-air amphitheatre was also built and an Arts Trust started to develop and showcase local talent. The last initiative led to the recent performance of Carmen in the West End of London by a South African cast of newcomers, which drew rave reviews from music critics of leading English newspapers.

One of Enthoven’s key concerns in the Spier project was “the restoration of equity in a society that has been distorted by social engineering.” For this reason, former farm labourers have been given an ownership and management stake in the vineyards and vegetable farming enterprises. In addition, Spier has embarked on establishing an off-site eco-village, which will eventually incorporate schools, offices, craft workshops, an arts venue, a community centre and homes for almost 150 local families.

There have been various ecological reforms at Spier as well. With 140 hectares of land set aside for organic farming, it is now one of the largest commercial organic farms in South Africa, cultivating both vegetables and vines. Spier has also formed a subsidiary called Green Technologies which acquired the South African licence for an environmentally-friendly waste treatment system called the Biolytix Filter. The installation of this Biolytix Filtration system at The Village at Spier is the first of its kind on this scale in the world.

The vision around which Enthoven has been building Spier’s renaissance is now classic triple bottom line thinking, underpinned by a set of inspiring values. The latter include the following: custodians of culture; financial viability and economic sustainability; unexpected pleasures; places of the soul; sustainable resource use; community building; and learning for development. As ‘airy fairy’ as these values may sound, Eve Annecke, who is the Spier executive responsible for implementing them in all operations, can certainly not be accused of living with her head in the clouds. “We are not on some sort of moral trip here,” she says. “We’re dealing with practical technologies and looking for better ways of doing things. We learn as we go and we face contradictions all the time: what good is organic farming when women are subject to regular abuse at home, or when babies are born with foetal alcohol syndrome? We live in a violent society. We are not pretending to solve all the problems but we are acknowledging that the problems exist and we work at resolving them where we can.”

Adrian Enthoven, chairman of Spier Holdings and a director of Biolytix, sums up their philosophy as follows: "Our view is not purely altruistic. The whole world is moving in this direction – towards ecological sustainability. Economic imperatives are driving it, and economics relies on social sustainability. These three issues are inextricably linked and this is why, at Spier, we call for accountability in terms of the triple bottom line: financial viability, social equity and ecological sustainability."