



ELECTION WATERSHED

Business must unite to develop an action agenda after the election

Private sector has opportunity to forge a stronger growth coalition with government and offer creative solutions

Raymond Parsons

With watershed elections in SA in a few weeks, it is not surprising the economy in general and business in particular feature prominently in the political campaign. It's the economy, stupid, as former US president Bill Clinton would say.

Yet there are wider issues at stake. "Capitalism" is on the back foot, domestically and globally, with strong antibusiness sentiment apparent in several countries. Economic history tells us this is not the first time market-orientated economies have gone on the defensive, nor will it be the last.

Economist Joseph Schumpeter once said capitalism and democracy were an unstable mixture. Many other analysts have subsequently regarded capitalism's inherent ability to adapt to changing circumstances as the key to its long-term survival.

The latest sources of alienation include a belated recognition that globalisation creates both winners and losers, evidenced in rising inequality in several countries, growing perceptions of exclusion and a loss of confidence in "the system" and its leadership.

We nonetheless need to understand that most economies are "mixed", with multiple blends of private and public sector participation, making it difficult to always know where the blame lies for what has gone wrong. In reality, there is a wide spectrum of capitalist arrangements in the world, despite the homogenisation of the debate into various "isms". How does this resonate with SA?

In SA we have also seen the reality of growing discontent among those citizens who are excluded from the economic process. Whether the bulk of the blame is attributed to SA's apartheid history, widespread corruption, poor delivery, wrong policies or business malpractice, the overall situation nonetheless poses a serious threat to social stability. Where institutional failure is the culprit in SA, it remains in the interest of business in the long run to help identify remedies that will promote consensual stability.

There is overwhelming evidence of the highly destructive consequences, both in the public and private sectors, of rules of good governance not



Graphic: DOROTHY KGOSI Pictures: 123RF/ALPHASPIRIT and RUNGAROON TAWEEAPIRADEEMUNKHOG

being followed, of a lack of accountability or of implementation failing to deliver positive outcomes. In recent years many good institutions in SA have sagged and sometimes collapsed under the weight of corruption, racism, careerism and patronage. A favourable climate for corruption is also created through excessive government intervention, where huge discretionary powers are given to bureaucrats and politicians to decide policy without effective checks and balances. We have seen what temptations abound. And as experience with state-owned enterprises such as Eskom has demonstrated, development without efficiency tests ultimately leads to collapse since such structures are intrinsically brittle.

No responsible business person or commentator would see the phenomena of state capture, corruption or corporate scandals like the Steinhoff debacle as consistent with any legitimate model of private enterprise, or compatible with a system that must hold accountable the state and other stakeholders, including business. Crony capitalism favours the few, not the many, and inevitably becomes a source of alienation, discontent and even anger. Unless there is deeper corporate soul-searching on these matters in SA, public confidence in "capitalism" will suffer another setback.

There are many reasons why legitimate business should seriously ponder how it can best influence the post-election national agenda by

extending the boundaries of its collective thinking. This means widening and deepening its existing laudable initiatives on, for example, small business, youth unemployment and skills development to also tackle other key elements of future renewal and inclusive growth. If business is to seize this strategic moment and develop a priority-led action agenda, there are at least five broad areas that could help to drive a consolidated and upgraded post-elections agenda.

First, there should be less duplication in organised business. Business should speak with a more unified voice if it wants to enlarge its sphere of influence and have a greater impact on the course of events. Currently there is a cacophony of acronyms representing business. President Cyril Ramaphosa recently told the Black Business Council that "we need to prioritise unity within organised business. Fragmentation within the business community does not serve the interests of business, nor does it serve the interests of broader society." Collaborating in crafting a more substantial post-election business agenda may well help to facilitate this process.

Business should also be willing to make urgent inputs on how it sees the proposed streamlining and restructuring of the cabinet. The institutional design of the cabinet affects business as well. After all, the private sector is not only a huge client of the state, it also wants co-ordination of policy at the highest level. And while it remains the

prerogative of the president to choose his cabinet, business is also entitled to expect that ministers in key portfolios will have a business-friendly attitude to help repair the trust deficit.

Another high priority is strengthening private sector participation through existing or new mechanisms to expedite and implement delayed infrastructural projects. More solutions need to be private sector-driven and pragmatism is required to accommodate new options. It is also essential for business to push harder for sensible remedies that will stabilise Eskom in the longer run and generally provide greater security of energy supply to boost investor confidence.

Corporate governance and executive remuneration need to feature high on the agenda. More checks and balances are needed and the moral compass needs to be restored. Bad business behaviour must have real consequences, whether through regulation, litigation or competition. Business needs to provide more tangible evidence that an increasing number of companies are abiding by, and implementing, King IV principles.

Regarding BEE, it is necessary to ensure that business is ready to push constructive alternatives to drive real transformation, rather than be directed by the state in ways that favour only a minority of beneficiaries.

Finally, business needs to generally help safeguard the institutions in SA which, whether in the private or public sectors, tackle the flow of challenges that like waves on a beach will continue to come. These institutions should ideally be the framework of the SA economy, its formal rules and informal constraints, which together must enhance the predictability and certainty the business sector so frequently craves but has been lacking in recent years.

In the aftermath of the May elections, business has a historic opportunity to offer creative solutions, forge a stronger business-government growth coalition and influence the national agenda. Business must be both an active consumer and a supplier of ideas on policy. The secret will lie in grasping the forces and pressures still to come in order to change the policy direction, while sensing in what ways the new structures may become more plastic and more amenable to change and then channelling the pressures in ways that make a real difference.

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