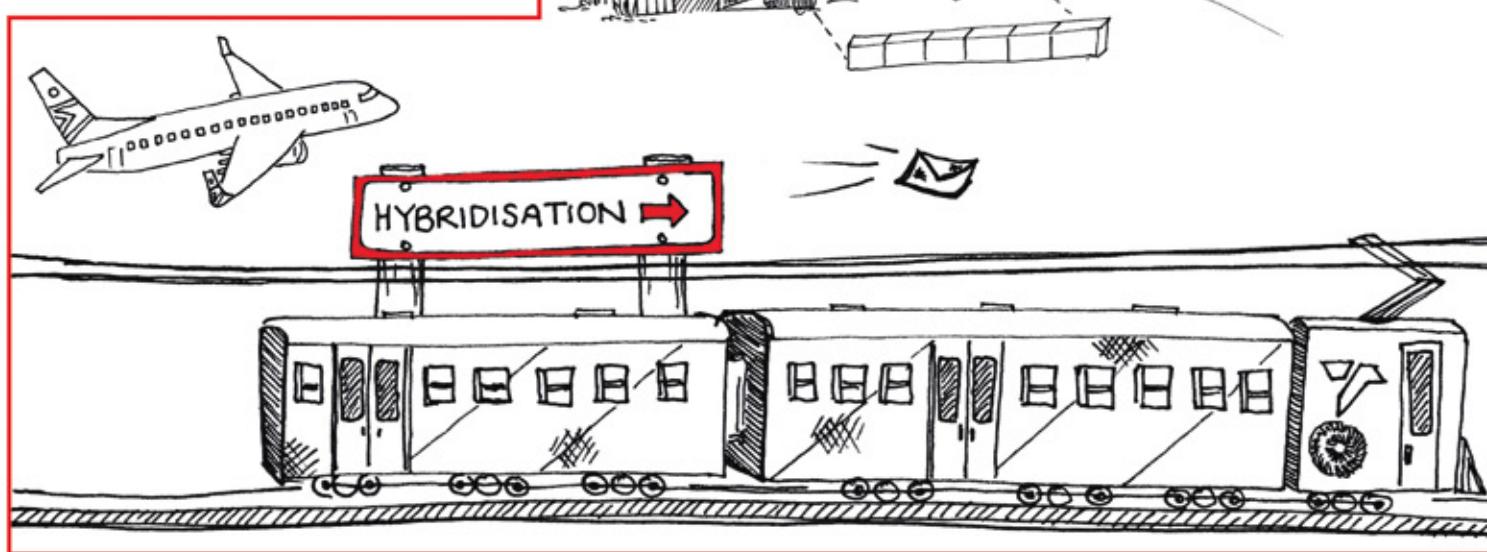
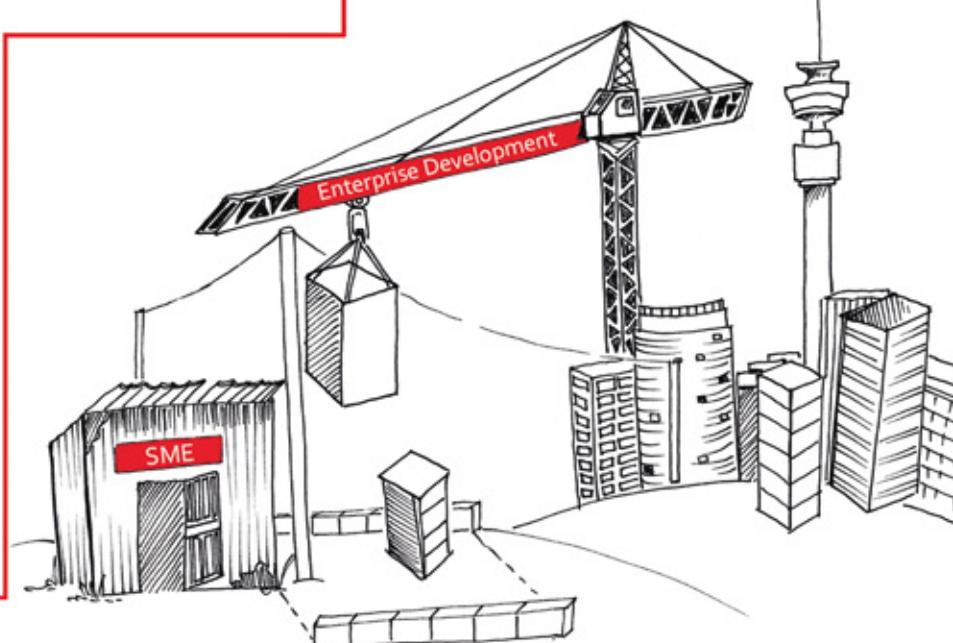
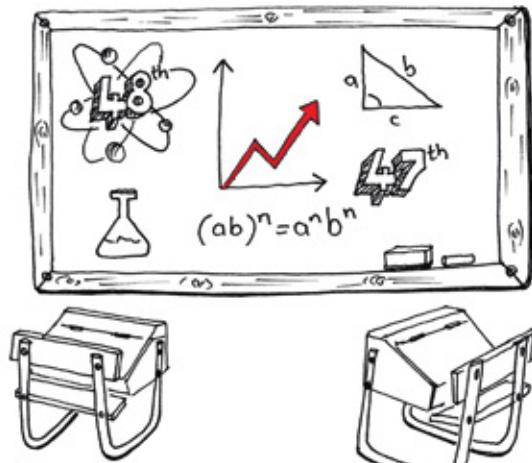


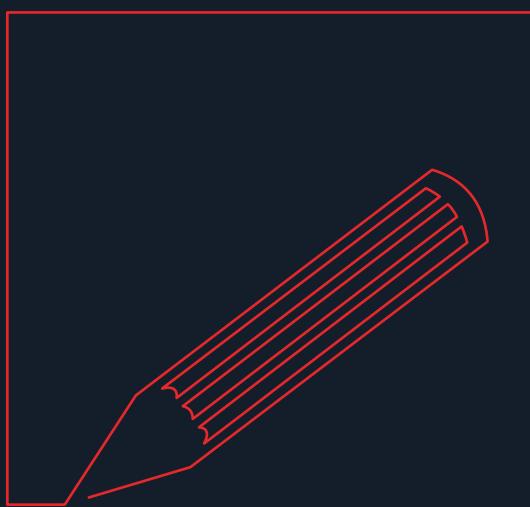
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WHAT WE NEED IN THE FACE OF 0% GDP.



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EXECUTIVE SUMMARY





EXECUTIVE SUMMARY

In 2015, IQ Business, through its survey of 137 SMMEs, found that despite prevailing negative economic and political conditions in South Africa, a large portion of businesses polled felt they could - and should - be growing the economy.

One year on and South Africa's economy is still a cause for concern with growth at 0%.

And the outlook does not look good – the spectre of a ratings downgrade is looming, with the impact of a recessionary cycle and contracted GDP, along with an increase in government debt and our fiscal deficit at an all-time high.

To intensify the campaign to kick-start growth and tackle unemployment, we propose the following five analyses, and more importantly, five specific sets of actions uncovered through our research, that can unlock Smart GROWTH.co.za.

THE ANALYSES:

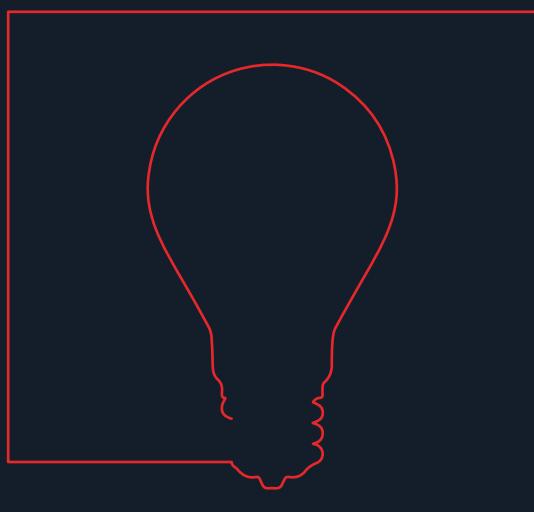
1. The National Development Plan needs a significant boost, and a business-like application before it can hope to have its intended impact. We examine how the NDP can be implemented more efficiently and effectively - in an agile way.
2. Empowering black individuals, most especially entrepreneurs and small to medium-sized enterprises through Enterprise Development (ED), not only contributes to BEE criteria but as we will discuss, actively grows the economy and society.
3. The global trend of digitisation poses a mass of possibilities and new realms of potential. We profile how digital transformation is necessary in South Africa to expand the economy, to meet the future as it rushes onwards, and to capture the benefits.
4. When embraced, commercialisation of State-Owned Enterprises, including partial privatisation, has been successful in South Africa. We investigate the middle ground of 'Hybrid SOEs' and how to capitalise on leading examples.
5. Though it is no panacea for the nation's ills, enhancing education outcomes is the most pertinent area in which reform and improvement can manifest rapidly. We explore positive trends and discuss how these can be amplified to address the crisis in education in South Africa.

THE ACTIONS REQUIRED:

IQ BUSINESS CALLS ON...

- Minister in the Presidency to announce to Parliament, three specific and measurable action steps - based on NDP objectives - that can still be achieved in this financial year.
- Listed SA companies to publish – with their integrated annual reports – specifically how their ED relationships are geared towards sustainable long-term partnerships.
- The Government and ICASA to reach a decisive policy agreement to start the process of spectrum auctions by 2017 to achieve digital transformation in South Africa.
- The Ministers of Public Enterprises and Finance to trigger the process for commercialisation of specific SOEs, namely: SAA, SA Post Office, PRASA and Transnet.
- We call on all Johannesburg Stock Exchange (JSE) listed companies to form active partnerships with primary and secondary public schools, to address the crisis in education.

THE AGILE NATIONAL DEVELOPMENT PLAN





THE AGILE NATIONAL DEVELOPMENT PLAN

The National Development Plan (NDP) needs a significant boost, and a business-like application before it can hope to have its intended impact. We examine how the NDP can be implemented more efficiently and effectively in an agile way.

CALL TO ACTION:

- Rigorous and ongoing measurement is a non-negotiable when it comes to monitoring the progress of a document of the magnitude of the NDP.
- A bona fide collaboration between government and business is critical to the implementation of the NDP – one where business is at liberty to speak out against any impediments to the plan.
- The Minister in the Presidency needs to announce to Parliament three specific and measurable action steps based on NDP objectives. These need to be attainable in this financial year, as was carried out in Malaysia.

1. INTRODUCTION

The National Development Plan (NDP) was launched in 2012 to eradicate poverty and reduce inequality by 2030. The plan aims to realise these goals through the collective input of the people, growing an all-inclusive economy, increasing various competences, improving the capability of the state, and promoting leadership and partnerships throughout society.

Like our Constitution, the NDP holds the solutions that can alleviate much of our economic, political and social challenges. But without the healthy balance of agility and maniacal focus required to run a successful business; as well as a robust implementation plan, it's impotent. Furthermore, bilateral input from both government and business are critical to realising the objectives of the plan.

South Africa is ranked as an upper middle-income country with a GDP of US\$ 12 700 per capita, adjusted for purchasing power parity. Yet, according to a 2016 World Bank report, in 2011 alone 16.6 percent of South Africans lived below the line of extreme poverty at US\$ 1.90 a day, while 34.7 percent of the population lived below the line of poverty at US\$ 3.10 a day. And in 2016 the economic growth forecast for South Africa has been reduced to 0.7 percent. These, and our growing Gini coefficient (currently around 0.65, according to the World Bank), are ample motivation to prioritise implementation of the NDP, with rigorous and ongoing measurement.

1.1. NATIONAL DEVELOPMENT PLAN

In 2011, the South African government investigated the challenges facing South Africa and produced the Diagnostic Report. The report evaluated South Africa since 1994 and identified nine concerns:

1. Too few people are employed
2. The quality of school education is poor, especially in black communities
3. Infrastructure is poorly located, inadequate and under-maintained
4. Geographical division hinders inclusive development
5. The economy is unsustainably resource-intensive
6. The public health system cannot meet demand or sustain quality
7. Public services are inconsistent and often of substandard quality
8. Corruption levels are high
9. South Africa remains a divided society

The report also found that each of these areas had contributed to the high levels of inequality and poverty in South Africa (National Planning Commission, 2011). Hence, in 2012, the National Planning Commission released the National Development Plan.

The NDP strategic plan focuses on four broad objectives:

1. Providing overarching goals for what needs to be achieved by 2030.
2. Attaining consensus regarding key obstacles to achieving these goals, and what needs to be done to overcome those obstacles.
3. Providing a shared long-term strategic framework within which more detailed planning can take place to advance the long-term goals set out in the NDP.
4. Creating a basis for making choices about how best to use limited resources.

Government cannot achieve all of this on its own. This is a national plan to improve the lives of all South Africans, and it requires action from all social actors and partners (National Planning Commission, 2016).



So, how can our business leaders step up to the plate here? For one, by constructively speaking out against ineffectual leadership and any other impediments initiated by government.

With Deputy President Cyril Ramaphosa having confirmed that the NDP is currently in the implementation phase (eNCA, 2015), National Treasury now faces the major task of aligning the budget process with the NDP goals (Barclays Africa, 2015). Encouragingly, this matter was to be discussed at the Cabinet Lekgotla scheduled for August 2016. We await the resultant actions.

While the fact that all stakeholders need to participate in the success of the NDP implies that both citizens and the private sector can hold the government accountable for its implementation, it still needs to be determined how government's accountability will be charted.

2. PROGRESS OF THE NDP

Since the NDP's launch in 2012, there has been little information about its progress towards achieving its goals over the past four years. As the NDP encompasses 13 areas of improvement, a few areas have been identified to indicate the progress to date.

The first area is concerned with the economy and employment. The NDP has a number of objectives which include: reducing unemployment to 6 percent in 2030 (from >25% in 2016); increasing the annual GDP growth rate to 5.4 percent between 2012 and 2030 (from <1% in 2016); increasing GDP per capita from R50 000 in 2010 to R110 000 in 2030; and broadening of the ownership of assets by historically disadvantaged groups (National Planning Commission, 2012). The progress in this sector has been slow despite the GDP per capita increasing (in 2014 GDP per capita was R70 350) and historically disadvantaged groups owning more assets – mostly due to BEE. Economically, South Africa is performing poorly. The GDP for the first quarter of 2016 was -1.2 percent and unemployment was 26.7 percent (Statistics South Africa, 2016; World Bank, 2016; Department of Women, 2015).

The next concerning sector is education. The education objectives in the NDP include: to prioritise early childhood development; to ensure that 90 percent of learners in Grade 3, 6 and 9 achieve a minimum of 50 percent in annual national assessments in literacy, mathematics, and science; to see that between 80 to 90 percent of learners complete 12 years of schooling with at least an 80 percent pass rate; to recommend a participation rate of 25 percent at higher education institutions, and that the number of students eligible to study mathematics and science-based degrees should total 450 000 by 2030; and to increase the number of doctoral graduates from 1 420 in 2010 to 5 000 in 2030 (National Planning Commission, 2012). Currently, such targets seem unreachable. In 2013, only 2.2 percent of 21 542 qualified Grade R practitioners were in ECD sites. According to TIMMS, 2011, South Africa ranked 47th for mathematics, and 48th for science out of 48 countries. The matric pass rate in 2013 was 78.2 percent. Enrolments in STEM have decreased from 224 942 in 2008 to 287 221 in 2014. The number of doctoral graduates in 2014 was 13 percent of total

higher education graduates (Department of Higher Education, 2015; Wilkinson, 2015; Department of Basic Education, 2014; Department of Higher Education, 2016; Council of Higher Education, 2015).

In terms of fighting corruption, South Africa ranked 61 out of 108 countries on the Corruption Perceptions Index in 2015. Furthermore, the country scored 44 out of 100, an improvement from 43 in 2012, as a score which falls closer to 0 indicates a serious level of public sector corruption (Transparency International, 2015).

Points of progress:

In the health sector, the mortality rate of children under the age of five years has decreased from 50 in 2011 to 41 in 2015. The life expectancy of South Africans has increased from 55 in 2011 to 57 in 2014. And although South Africa still has the third highest burden of TB in the world, TB prevalence decreased by a total of 40 418 cases between 2011 and 2012 (World Bank, 2016; Department of Health, 2015).

Trade in South Africa also improved. South African exports into the African continent increased by 11.7 percent between 1992 and 2015. In addition, trade with SADC countries increased by 13.7 percent between 1992 and 2015 (Department of Trade and Industry, 2016).

Better results were also seen in economic infrastructure. In 2012, 85.4 percent of the population had access to electricity, which is a positive step towards the 2030 target of 90 percent. Furthermore, in 2015, 93 percent of the population had access to a water source, implying that the target of universal access will be achieved before 2030 (World Bank, 2016).

Progress towards environmental targets has also been achieved. Targets for lands and oceans under protection have been set by the Department of Environmental Affairs. Agricultural research has also increased, allowing for the development of agricultural technologies, further protection of rural livelihoods, and the expansion of commercial agriculture (Department of Environmental Affairs, 2014; Department of Environmental Affairs, 2013; Department of Environmental Affairs, 2015).

But rather than rest on its laurels, government needs to forge ahead with the urgency that a plan of this magnitude demands. Millions of South Africans' livelihoods depend on the outcomes.



3. MALAYSIA VISION 2020

The lack of significant progress made by government in terms of the NDP in the past four years, has led to private sector and civil society organisations condemning the South African government for the lack of progress.

So, why not learn from best-in-class examples?

Malaysia also implemented a long-term plan called the Vision 2020, and has made significant strides since its implementation in 1991. The Vision has three priorities: to reach an economic growth rate of 7 percent per year until 2020, achieve a GNI per capita of US \$15 000 by 2020 and achieve a developed and high-income country status by 2020. These seem like ambitious targets, but Malaysia is well on its way to meeting these targets (Soltani, et al., 2014).

To achieve these ambitious goals, the Malaysian government implemented the Big Fast Results methodology.

3.1. BIG FAST RESULTS

The Big Fast Results methodology is the key behind Malaysia's success. Currently, the country is set to meet all its targets by 2020. The methodology is anchored in eight steps of transformation. As the figure below indicates, the eight steps of transformation involve a great deal of planning, many stakeholder engagements, information sharing, and accountability.

Malaysia implemented each of these eight steps. To ensure that the steps were adhered to, the Malaysian government implemented a specific division - the Performance Management and Delivery Unit (PEMANDU). PEMANDU was created to constantly monitor and revise the five-year targets to achieve the Vision 2020 targets. The unit also ensured that constant collaboration between the private and public sector occurred.

Figure 1: Eight Steps of Transformation



Source: Big Fast Results Institute (2016).



PEMANDU utilised a regime of procedures and tools:

- Initial goals were set and provisional, detailed action plans were established during the workshops (or labs). These labs were engagements between the public and private sector stakeholders that ran between six to nine weeks. The goals that were defined were translated into key performance indicators (KPIs).
- To measure the progress towards achieving these KPIs, a regular cycle of meetings and committees across all relevant government departments, agencies and entities occurred.
- If new information that could affect the achievement of a goal arose, a set of tools and governance processes allowed for an efficient but an accountable revision of projects, plans and targets.

The PEMANDU model represents a ‘problem driven, iterative adaptation’ approach. PEMANDU was driven by three ideals: a ‘delivery unit’ approach to improving the implementation; spreading ‘reform teams’ throughout large corporations; and the diffusion of corporate ‘project management units’ into the public sector to guide reorganisations. The idea behind PEMANDU is that a small, autonomous, and highly capable team is tasked with accelerating and improving the fidelity of the translation of a plan into reality across departments, by convening and connecting stakeholders and responding to conflict or inaction by credibly invoking the authority of the head of state.

PEMANDU uses certain cycles to monitor progress. A weekly report on the KPIs of each project is compiled. The PEMANDU team liaises with the owners of each target to request updates, especially about any change in the metrics being tracked, any significant events that have occurred, and for an explanation of why the metrics have or have not changed. The current state of each metric is then compared to the target for the period and colour coded as completed (green), on-track (orange) or falling behind (red). Next, bi-weekly meetings with technical working groups are held. Here, PEMANDU involvement is slight. A steering committee comprised of secretary-generals, CEOs from principal ministries or agencies, and their deputies and under-secretaries, then meets monthly or quarterly to discuss the progress made. Senior leaders from private sector organisations are co-opted into these meetings as required. Finally, an overall review of the national transformation programmes takes place twice a year. At the half-year mark, PEMANDU compiles and releases a public mid-term review. The review provides an update on all KPIs and all progress made to date. In addition, the Prime Minister conducts a performance review of each cabinet minister.

Malaysia’s use of the Big Fast Results methodology has proven to be beneficial to the country. In addition, PEMANDU used a 70/30 strategy, in which 30 percent of strategy was decided in the labs and the remaining 70 percent of targets were adapted to circumstances that occurred. This allowed the government to focus on achieving core targets, and remain flexible within certain targets (Sabel & Jordan, 2015).

Due to the success that Malaysia achieved, the Big Fast Results methodology was adopted by South Africa, India and Tanzania.

4. OPERATION PHAKISA

The South African government adopted the Big Fast Results methodology in 2013, in order to achieve the targets of the National Development Plan. The methodology was adapted for the South African environment and renamed ‘Operation Phakisa’. Phakisa means ‘hurry up’ in Sesotho. It is meant to re-ignite economic growth and boost job creation. Operation Phakisa is the South African government’s transformation programme focusing on the implementation of the NDP.

Operation Phakisa was implemented by the Presidency, and is operated by the Department of Planning, Monitoring and Evaluation. As the programme is based on the Big Fast Results Methodology, it is a results-driven approach that involves setting clear plans and targets, on-going monitoring of progress, and making the results of the programme available to the public.

Operation Phakisa also involves collaboration sessions – also known as laboratories or labs – between the public sector, private sector, academia and civil society organisations. The labs involve detailed problem analysis, setting priorities for the sector, intervention planning and delivery. The labs have been created so that departments can rid themselves of the silo mentality and work together towards a common goal (Department of Planning, Monitoring and Evaluation, 2016).

The figure below illustrates the governance structure of Operation Phakisa. Each programme in Operation Phakisa has a steering committee, consisting of public and private stakeholders that work with the Operation Phakisa Resolution Committee.

Figure 2: The Operation Phakisa Governance Structure



Source: www.operationphakisa.gov.za (October, 2015)



As the NDP is an enormous plan, four areas were identified as they would have the most impact on the country if successful. These areas are the mining sector, health care, education, and the ocean economy. Each area would be focused on according to phases. The first phase that was implemented is the Ocean Economy (or the blue economy).

The Ocean Economy allows for the development of an economy that is well-suited for South Africa, and allows South Africa to take advantage of the important shipping routes around the Southern Sea lanes and the country's diverse marine endowments. A lab was held with 180 delegates and the focus of the lab was to unlock the economic potential of South Africa's oceans. As of 2015, there have been some significant improvements (see Figure 3). However, some challenges remain such as growth and job creation roadblocks; in some cases engagement with stakeholders has lost momentum; outcomes are still far away from the 2023 targets; and the effectiveness of the institutional arrangement is not necessarily viable across all sectors (Ngcaba, 2015; Department of Planning, Monitoring and Evaluation, 2016).

Figure 3: Progress of the Ocean Economy

MARINE TRANSPORT & MANUFACTURING	<ul style="list-style-type: none">• 220 jobs created• A fast-tracking mechanism to approve investments
OFFSHORE OIL & GAS EXPLORATION	<ul style="list-style-type: none">• Phase gas pipeline under way• The International Oil Pollution Compensation Fund is almost 95% complete• Established the incident management organisation for oil spill emergency response• the Burgen Fuel Storage facility was approved
AQUACULTURE	<ul style="list-style-type: none">• 9 projects are supported and are on track• R410 additional investment has been committed by the private and public sector• 521 jobs created• The legislative and policy issues have been addressed
MARINE PROTECTION SERVICES & OCEAN'S GOVERNANCE	<ul style="list-style-type: none">• The Draft Marine Spatial Planning Bill has been drafted• Work on the National and Coastal Information System has commenced• Work has commenced on the Marine and Spatial Planning (MSP) Framework
COASTAL TOURISM	<ul style="list-style-type: none">• No progress to report

Source: Ngcaba (2015)

The second phase is the healthcare sector, with a focus on the Ideal Clinic Realisation and Maintenance (ICRM) initiative. A lab of 164 participants was held to create detailed and sustainable solutions for challenges facing South Africa's primary healthcare system. The ICRM initiative is aimed at addressing deficiencies in primary healthcare clinics. The progress to date is as follows (Department of Health, 2015; Health Systems Trust, 2015):

Figure 4: Progress of the Ideal Clinic Initiative

8 out of 9 provinces have implemented the Ideal Clinic programme. The Western Cape was the outstanding province.

85% of facilities captured their status deminimisations. Data submission rates were between 73% and 99%

The best performing province is the Eastern Cape.

A facility in the Eastern Cape achieved gold status; 3 facilities in KwaZulu-Natal, achieved silver status.

In 2015, the health sector created 280 Ideal Clinics.

Source: Health Systems Trust (2015)

Unfortunately Operation Phakisa only incorporates one aspect of the Malaysian Big Fast Results methodology: collaborative sessions.

A significant part of the Malaysians' success seems to lie in their holistic approach to implementation. Also, the Malaysian methodology is in many ways similar to a business solution, using radical management principles. This is largely what's missing from the NDP's implementation plan – viewing the country as a business (and treating the NDP as a plan critical to the success of such a business).



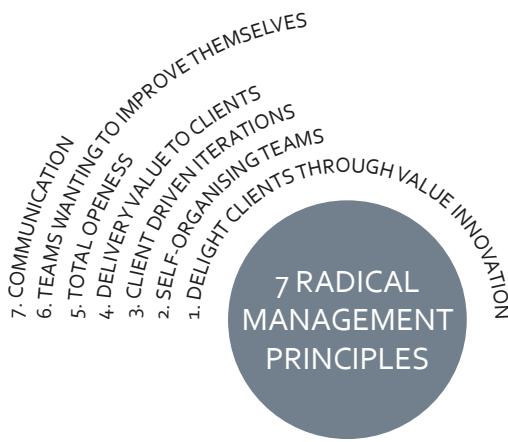
5. RADICAL MANAGEMENT PRINCIPLES

Radical management focuses the entire organisation on constantly increasing the value of what the organisation offers its clients. To ensure the high performance of self-organising teams, radical management organises work in client-driven work cycles. Value is then delivered to clients during each iteration, in an environment of radical transparency, with continuous self-improvement and interactive communications.

In companies where the principles and practices of radical management are effectively implemented, the results have included two- to four-fold gains in productivity, continuous innovation, deep job satisfaction and client delight. Such companies have found that their employees are likely to do best what they do for themselves in the service of delighting others. When they are in charge of their own behaviour they take responsibility for it. When they are able to work on something worthwhile with others who enjoy doing the same thing, the group tends to get better.

By working in short cycles, everyone can see the impact of what is being done. When people are upfront about what is going on, problems get solved and continuous innovation occurs. Clients are pleasantly surprised to find that even their unexpressed desires end up being met. This leads clients to becoming loyal to the firm and promoting the firm to friends and colleagues. In radical management, the goal of continuous value innovation implies a fundamentally different way of organising, thinking, speaking and acting in the workplace.

Figure 5: The seven principles of radical management



1. The purpose of work is to delight clients through providing superior value. If companies fail to do this, clients can easily find other service providers. Therefore, the goal of the work for the client needs to be clarified. The vision of the company needs to be a constant offering of value innovation, and nurturing enduring relationships with clients.

2. Work should be carried out in self-organising teams: once the goal of constant value innovation has been assumed by the company, organising a company in a bureaucratic manner falls away. For people to continuously give of their best, self-organising teams should be adopted. If a self-organising team is properly executed, it produces the full talent, energy, and passion of the workforce. Furthermore, when management supports these teams, the teams produce high performance.
3. Work should be done in client-driven iterations: to constantly deliver value to clients, work should be organised into slices. These short slices provide approximations of what might succeed or fail. Continuous feedback from the client also ensures that work adds value and will continue to add value.
4. Each iteration should deliver value to clients: each work cycle should focus on what client value has been added during the cycle.
5. Total openness: everyone levels with everyone. Without openness in a company there can be no continuous value innovation as communication will be limited. Radical transparency is essential so that the team continues to improve the product, service or delivery.
6. The workplace is a context in which teams themselves want to improve: once the above principles are in place, the team can accept the responsibility to get work done. In general, teams want to improve. Furthermore, radical management creates conditions where teams enjoy their work and are inspired to add client value.
7. Management communicates through interactive conversations: to implement all the other six principles well, enhanced communication capabilities must occur at every step (Denning, 2010).

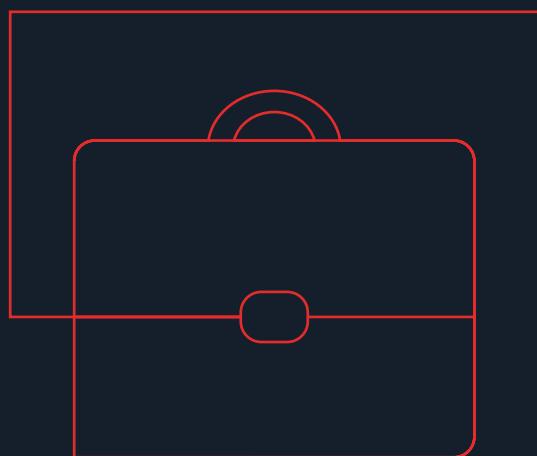
CONCLUSION

The radical management principles are similar to Malaysia's Big Fast Results methodology. Important concepts in both methodologies are having a clear goal, keeping the client in mind (in the case of a country, the client is the citizens), constant communication and transparency.

But these are sorely missing from government's modus operandi surrounding what would pass as attempts at implementing the objectives of the NDP.

The recent local government elections are a prime example of citizens speaking out against impotent leadership. And government's current failure to demonstrate focused implementation of the NDP is tantamount to grave mismanagement of a business. If someone were doing this to your business, would you remain reticent? Well, this is no different.

ENTERPRISE DEVELOPMENT





ENTERPRISE DEVELOPMENT

Enterprise Development offers a tangible solution to South Africa's economic woes, but we need to take a longer-term approach to our investments - offering a once-off donation at the end of a financial year to tick a box won't get us there.

CALL TO ACTION:

- Listed SA companies must publish – with their integrated annual reports – specifically how their ED relationships are geared towards sustainable long-term partnerships.
- All SA companies must adopt a function over form approach to the BEE scorecards – specifically in the creation of sustainable partnerships between business and beneficiary. This can primarily be achieved through empowered procurement.
- SA businesses that pride themselves on their innovative business solutions should invest in education that facilitates confident youth entrepreneurship.

1. INTRODUCTION

Generating jobs and combatting poverty are necessary empowerment strategies in South Africa. While this fact is widely acknowledged, the means of going about achieving these ends are sometimes difficult to quantify or identify. Luckily, solutions like Enterprise Development (ED) and the procurement-targeted approach of Enterprise and Supplier Development (ESD) have arisen and are ripe to be employed locally.

Enterprise Development can be defined as "an activity that assists or accelerates the development, sustainability and ultimately financial independence of [a beneficiary] and is evidenced in the form of an Enterprise Development Contribution [for the purposes of Broad-Based Black Economic Empowerment (B-BBEE)]."

ESD is a global movement that has proven its ability to stimulate economies, diversify supply chains and create jobs. In the South African context, Supplier Development is Enterprise Development that happens specifically in the supply chain of the entity. ESD has real potential to create economic growth and jobs, by promoting sustainable businesses and providing them with the means to create adaptive supply chains. Experts say that ESD can double the rate at which jobs are being created, and become the most powerful force against poverty in South Africa.

When a business practises ED correctly, it is the "sweet spot" of true enterprise development. The key is to balance the social aspect, being B-BBEE in South Africa's case, with shareholder interest (Edge Growth, 2016).

"The spirit of Enterprise Development is embodied in the growing of small and medium sized business through the provision of finance and support." ~ Edge Growth (2016)

The fundamental ED challenge is that many of the businesses potentially poised to provide much needed finance and support to small and medium-sized enterprises (SMEs) need more incentive than just the allure of possible profits.

In South Africa, B-BBEE is government's way of providing this incentive. B-BBEE and ESD are aligned in their objectives of growing SMEs through the provision of finance and support, but B-BBEE attempts to right past wrongs by focusing the support on black people in South Africa.

The discussion on ED that follows will briefly examine the development of our current ED environment, how business can meaningfully engage with ED through the prism of B-BBEE and opportunities to refine its implementation. Our recommendations on how to implement sustainable ED, and an examination of some case studies, are also presented below.

2. DEVELOPMENT OF B-BBEE AND ENTERPRISE DEVELOPMENT ENVIRONMENT

From our post-apartheid era founded upon the constitutional values of dignity and equality of all citizens, emerged government's objective of empowering previously disadvantaged South Africans (specifically, black South Africans) in all aspects of life. In the commercial sector, legislation has been enacted to further equitable access to economic benefits and promote ED. Such legislation includes the Employment Equity Act, Skills Development Act, Preferential Procurement Policy Framework Act, the Mining Charter and the B-BBEE Act and Codes.

The BEE Act was introduced in 2003 and purported to do two things: enable the Minister of Trade and Industry to create an environment where BEE would flourish, and define who a black person was. South Africa remains the only country in the world with a legal definition of who qualifies as a 'black person' and consequently for empowerment opportunities and protections depending upon the relevant legislation.

As a result of these legislative interventions, South Africa witnessed the birth of many empowerment companies, who have had mixed fortunes. Shanduka Black Umbrellas is one such non-profit company that has achieved success in its own right – and for the thousands of black entrepreneurs it has helped with its SME incubator programme. Excellent learnings can be gleaned from the Shanduka Black Umbrellas example. Their programme engages black entrepreneurs with multiple stakeholders, provides practical on-the-job training, administrative and office infrastructure, close mentorship links and networking opportunities.



However, not all black entrepreneurs have enjoyed the same support and sustainable prospects as beneficiaries of Shanduka.

The failure of small businesses to thrive, or even survive, can be attributed to a lack of true engagement with the empowerment and ED process. As mentioned previously, ED is one of the pillars of importance in the BEE scorecard. The financial and operational independence of the enterprise is relevant to the overall score, but this factor is rarely interrogated. This means that a business could classify, for example, a coffee shop/canteen at their offices as their ED project, but once that business moved and their own employees did not visit the coffee shop/canteen any longer, the coffee shop/canteen business would fail. This culture of dependency is not true ED.

3. MEANINGFUL ENGAGEMENT

Practically speaking, the South African government envisages the achievement of B-BBEE through the implementation of Codes that impose a scorecard on businesses. The scorecard allocates points for meeting criteria under various pillars. One of the many requirements is ED. These codes were recently amended and, in an attempt to create broader market access, the codes introduce the importance of supplier development, recognising that the survival of a small business is critically dependent on access to market(s).

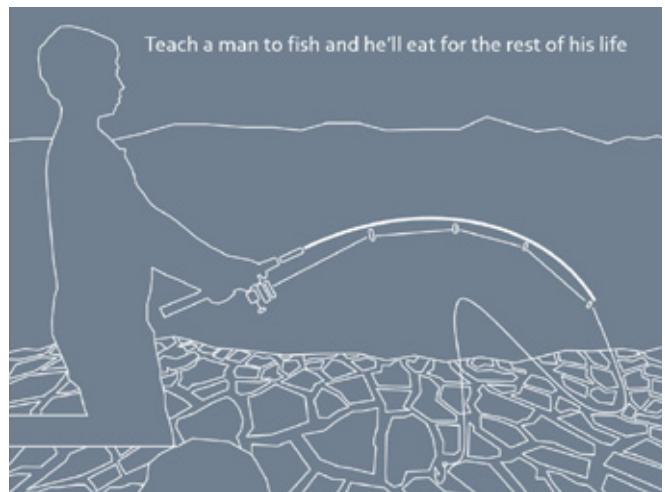
Rather than having a co-dependency, we need to create partnerships (Noko, 2016).

The revised codes also emphasise the creation of sustainable partnerships between (big) business and the beneficiary, rather than simply the entry of a perfunctory line item. When a big business buys from their SD beneficiary, it is meant to also reduce the cost of undergoing procurement, thus making it cheaper to gain BEE points. These aspects, and more, should form part of an overarching ED strategy for the long term.

Depending on the number of points accumulated, businesses are categorised into B-BBEE levels. The B-BBEE level achieved becomes important when businesses want to transact with government, state-owned companies and large corporates – in most cases, these potential partners premise their conclusion of contracts on high B-BBEE scores.

Despite its objective intentions, ED can easily be relegated to a box-ticking exercise for the purpose of boosting B-BBEE points rather than a sound strategy to achieve substantive, sustainable growth and economic upliftment.

This is tantamount to providing someone with a boat and a fishing rod, when he lives in the desert.



Big business does not appear to have comprehensively determined how ED might make sense in the long term. All too often, ED only becomes a priority towards the end of a financial year, when it's impossible to embark on a big programme, and companies resort to spending the allocated budget on a once-off project. This is not sustainable for the chosen project or business, and especially not for the South African economy.

4. OPPORTUNITIES FOR REFINEMENT

The amended B-BBEE codes still contain loopholes that businesses exploit to gain BEE points without making a real difference. It will be impossible to regulate every possible scenario, so until businesses undergo a mind-set change there will be cases of wasted efforts (Townshend, 2016).

Rather than seeing B-BBEE as a compliance box-tick, businesses should adopt it as part of its strategy and operations. If the business invests in setting up these strategies and operations properly, the compliance to B-BBEE will not be a burden, but rather add to business opportunities and economic growth – as it is intended to.

Restrictions within the codes do hinder the positive impact that could be achieved. Some experts feel that these restrictions should be lighter; to enable a more balanced approach to scoring, especially within the ESD pillar.

Preferential Procurement (PP) is an aspect of the codes that merits further discussion. 25 out of the 40 ESD points are allocated to PP, making it a significant consideration of the scorecard. PP measures the extent to which enterprises buy goods and services from suppliers with strong B-BBEE procurement recognition levels.



A regular complaint from businesses is that they've had to abandon ED and broader social development plans because PP is impractical to achieve. Indeed, many clients seeking to improve their BEE score halt the process and investment because of the difficulties involved in adopting PP, from cost concerns and additional administrative burdens to ostensibly unachievable standards. It can and does happen that the only suppliers of their required services are not black owned businesses (Townshend, 2016) and this reality is not recognised in the codes.

The codes cannot operate in a vacuum, and the PP criterion is only but one aspect of an evolving narrative on righting past wrongs.

5. SUSTAINABLE AND IMPACTFUL ED

The selection of the right ED beneficiary, and the method of support that can be provided according to need, must align for both the beneficiary and supporter. There are some pro-active strategies that can be adopted to inculcate a mutually beneficial story of growth.

5.1 FOCUS ON YOUTH ENTREPRENEURSHIP

As a group, South Africa's youth naturally have the most to learn as they have the least experience; and it follows that they may have the highest failure rate in starting a business. The percentage of persons running a non-VAT registered business, between the ages of 15 and 24 years, has declined substantially. Percentage-wise, the participation rate has declined from 9.4% in 2001 to 4.9% in 2013 in this age group (StatsSA, 2013). There is definitely no less support for youth today than in 2001, so the question remains why we don't see more success from the younger segment of our population.

When we consider the reasons given for business failure, we cannot expect our youth to succeed while a more experienced entrepreneur still faces the same challenges. These include a need for business acumen and knowledge around legal issues and regulation, raising finance, and establishing credibility in a new industry in which the entrepreneur or business may have no track record but does have a pioneering attitude and bold ideas. Youth in particular face the added difficulty of having to identify and understand the realities constraining (or enabling) business growth, such as taxes, health and safety regulations, and how financing (secured or unsecured) operates.

Overall knowledge capability and professional proficiency of Matriculants and graduates in South Africa has declined significantly, and the system continues to produce lacklustre and disparate results. As a result of a weak foundation in terms of Early Childhood Development, Primary and Secondary Education and Tertiary and Higher Learning, South African youth find themselves at a stark disadvantage. Simply absorbing these individuals into existing business, or offering them grants to embark upon entrepreneurial endeavours through ED, will no doubt frustrate not only the intention of the supporter, but also the esteem and prospects of the young entrepreneur.

The solution is to invest in education as early in the system as possible, to ensure that the candidates entering the market or the workforce are of a higher standard, and are better equipped to partake in the economy (see the later chapter in this report: Advance Education: Creating a future for our Youth).

Spending on education is already a part of developing the youth and this is on the rise each year, as it should be.

There are also many great programmes that focus on youth entrepreneurship, such as Beyond the Lemonade Stand. Beyond the Lemonade Stand provides business-minded teens with the equipment, support and connections to create a sustainable business. They do this by offering boot camps, linking teens with a network of established entrepreneurs and exposing them to interactions with peers, investors and thought leaders at a teenpreneur festival.

By investing time and financial support in developing educational offerings, assisting youth to understand markets and how they operate so that opportunities can be identified and maximised, but above all encouraging a spirit of confident entrepreneurship, South African businesses can partner with youth entrepreneurs and future business icons to grow our economy.

5.2 SELECTING AN ED BENEFICIARY FOR SUSTAINABLE GROWTH

Many small businesses fail within the first few years of operation. Although statistics vary substantially, the failure rate is high, and higher than it should be. Accelerator programmes have been criticised for positioning start-ups for failure, and mentorship and funding are often over-emphasised (CFO South Africa, 2015).

Experts have identified the following key areas of support that small businesses require:

- Training on how to run a business
- Business acumen including management skills
- Support with regard to legal issues and regulation
- Providing strategic partnerships, and
- Providing access to market and supportive infrastructure (Watson & Mbonyane, 2011).

Topics that often go without consideration when supporting a start-up include their willingness to receive constructive feedback, engagement or commitment to the partnership, the ability to make sacrifices to execute defined plans, and also the small business' competence to deliver on its objectives (CFO South Africa, 2015).

When practicing ED, a responsible approach would form the type of partnership that results in the supported business being able to function without the intervention of the larger business. This would entail support at the outset to assist an entrepreneur to identify and overcome any shortcomings and potential failures, and not merely offering a parachute at times of crisis.



Another consideration when providing support is the time that a business takes to find a solid footing. Most ED programmes run on a year-to-year basis and, in fairness, a year is not long enough to establish a business (Townshend, 2016).

Catalyst for Growth, a non-profit company conceptualised by JP Morgan Foundation and Dalberg Global Development Advisors, provided business development services to 20 South African enterprises over a two-year pilot programme. This programme, which is longer than average ones like it, showed the change in behaviour of entrepreneurs. Their experience revealed that long-term changes in the supported entrepreneur could only be realised in programmes extending beyond a typical year. **Such changes include:**

- A more structured approach to management and planning
 - An ability to prioritise and develop enhanced focus, and
 - A shift in mind-set from a survivalist approach, to a strategic enterprise poised for expansion
- (Catalyst for Growth, 2014).

The challenge in running a longer programme is that there is a community need for immediate support. However, any immediate support given may be ineffective if it is withdrawn prematurely – before the foundations have been properly established and the fruits of the business have been realised for the longer term (Townshend, 2016).

When considering all the ways in which businesses can practise ED, each method's limitations should be considered and mitigated. The support provided needs to be tailored to the individual business's particular needs – needs that are evaluated holistically to avoid a duplicity of efforts, contradictory advice from multiple sources, and the neglect of smaller, but important, issues.

Further pertinent considerations include:

5.2.1 Invest in the right beneficiary

Choosing a beneficiary should be no different than choosing an employee or supplier. Should the company invest in the first person they encounter who appears to be a sound partner, but may not be substantively dedicated and passionate about the business, the venture is starting at a disadvantage.

A company needs to evaluate the beneficiary and take time to understand the business and what they aim to achieve. Ideally, the beneficiary should have a track record or established relationship with the prospective supporting business. However, care should be taken to maintain a balanced and open approach that does not exclude new entrants.

The supporting business should have criteria in place to evaluate the beneficiary's business ability, general skillset, financial knowledge, success rate and failure rate.

The beneficiary's failure rate should not be considered a negative indicator, but rather an aspect where the supporter can add value, as it will indicate where the supporting business can provide the best and most effective support.

5.2.2 Make sure the business has a plan/target

The beneficiary should have a business plan and achievable goals. Should they not have these in place, the business should provide the support to develop them. Every person in the beneficiary's business should know their turnover target and the vision of the company. Effective communication of this plan is imperative.

5.2.3 Look beyond financial support

There should be a partner mentality present, instead of a beneficiary-sponsor relationship. The beneficiary should be able to call on the larger business' expertise or resources to ensure the best outcome for both parties (Noko, 2016).

5.2.4 Due Diligence

When choosing an Enterprise Development beneficiary, it is important to conduct a due diligence process – but also to do the right due diligence. Many consider the appropriate due diligence to be the presentation of a solid business case, but in the ED space, one needs to go further than this.

The pressing issue here is that ideally the investment focus should be on the individual(s) rather than their business plan. There are many successful entrepreneurs who have failed at their initial business ventures, but managed to learn from their mistakes and carry on. Due diligence therefore goes beyond a business plan. The individual's resilience, desire to succeed and determined attitude is the most important consideration.

5.2.5 Understand what the business needs and choose the most beneficial method of support

There is an abundance of possible methods of providing support to an enterprise. Financial support is the most obvious, but this is vulnerable to short-termism and the potential complications of obtaining security. Office infrastructural support and providing access to market are other means of support, as is the adoption of a partnership arrangement that benefits the bottom line of both the supporting and supported business.

• Financial support

Although financial support is useful, it can be a dangerous way to support a business, as it is not sustainable. Many studies have found that start-ups fail as a result of not being able to manage finances (Statistic Brain, 2016). This form of ED will have the greatest impact on a BEE scorecard, but the real economic impact can be questioned if the beneficiary cannot manage the contribution effectively.



Loans need to be repaid eventually and if the business is not able to gain meaningful activities to generate profits to service the loan, the beneficiary will default and be worse off than before the financial support. This relationship is not co-dependent and cannot be sustained.

- **Infrastructure**

Providing a start-up with infrastructure assistance can be very valuable. Not only can this save the start-up many costs, it provides the entrepreneur with the credibility and ability to do business from the outset. Infrastructure assistance could include advancing a business's access to market, one of the other ways to practise ED. If a business is provided with connectivity, such as in the case of Telkom's ED beneficiaries, their online presence and reachability for their current and prospective clients can be bolstered (Telkom Future Makers, 2016).

This is a valuable form of support, but can be seen as secondary, as other elements need to be in place for this to translate to an economic benefit. This relationship is very much a dependent one and can not be sustained for extended periods of time.

Participants in the Telkom FutureMakers programme are advantaged by holistic support. Beneficiaries receive training and encouragement to build strategic partnerships to "promote innovation, drive broadband uptake and improve technology usage in small businesses" through business diagnostics, virtual and physical business incubation hubs and the provision of risk capital – key foundations for sustainable growth.

- **Partnerships**

Partnerships can be a high impact form of support, especially for start-ups that have been operating for a period of time, but lack the capability to expand their operations. A partnership can provide an entrepreneur with the capacity to take on more business without necessarily incurring additional upfront costs. Partnerships can offer strategic value by providing advice and guidance at board, or equivalent, level, rather than only operational input.

This form of ED may have the lowest cost to the providing business, but could be a defining factor for a growing business. This is a healthy co-dependent relationship, and ensures sustainability for both businesses.

- **Access to market using preferential procurement**

Access to market is arguably the most important form of ED, and PP is a way in which access to markets can be facilitated by providing a ready market.

To directly support a beneficiary by purchasing their goods, providing a steady stream of income and credibility in the market could have the highest economic impact. The new BEE codes recognise this form of ED, and allocate up to 135% of actual spend for Preferential Procurement.

The sustainability of the Procurement Practices are crucial and if the supported business cannot reach operational independence without the supporting business, any successes would be short-lived.

Despite the plethora of ED possibilities, the only relevant question should be: "Can this business be an operationally and financially independent business?" An affirmative answer means that true empowerment can be achieved.

6. CASE STUDIES

It would be naïve to conclude that ED projects are either outright successes or complete failures; as with any business endeavour, the evolving constraints and enablers that operate in South African society can either enhance or inhibit growth - from the individual entrepreneur to our greater economy. Below, we consider some ED programmes in South Africa and offer our insights.

6.1 HOLISTIC SUPPORT

IQ Business and NPI Governance Consulting

IQ Business conducts its own ED endeavours, and has partnered with NPI (Noko Pioneer Investments) Governance Consulting, a niche 100% Black owned, and 50% Black woman owned, BEE Advisory and Project Management practice.

The partnership involves IQ Business supporting NPI by providing strategic guidance and support. This has entailed assistance in forming their Target Operating Model (TOM), providing them with qualified and skilled board members, and building their capacity by providing them with human resources when needed.

The business is more focused and is able to grow faster as a result of the partnership.

Although the partnership is still in its early days, NPI has been able to take on projects that they previously did not have the capacity for. The business is able to access IQ Business resources where necessary, which alleviates pressure to incur immediate staffing costs at the risk of sacrificing the entire business when a large project terminates.

NPI is financially and operationally independent from IQ Business, but both partners have benefitted from their business relationship, thus enhancing NPI's ability to grow and establish itself independently from IQ Business in a sustainable manner.



6.2 CREATING CO-DEPENDENCY

South African Brewery's Owner-Driver programme

In the 1980s SAB launched an owner-driver programme, which saw former employees of SAB form their own companies to distribute product brands across the country. Since inception, over 400 owner-driver businesses have been formed, resulting in the distribution of more than 70% of SAB's beer volumes (SAB Stories, 2016).

The programme has seen thousands of owner-drivers enjoy various successes. Ben Mvemve is a chauffeur turned truck driver contracted to SAB in Durban. His business operates three vehicles with a staff of 12 people, delivering to a variety of outlets within an 80km radius of the city (Biz Community, 2008). However, it's not without pitfalls.

The businesses created are not financially and operationally independent from the ED partner.

Programmes such as these can be criticised for burdening owner-drivers with the prohibitive tasks and costs of registering a company, obtaining finance to purchase a truck and insuring the truck – all before they have earned a cent. Moreover, the DTI no longer allocates BEE points due to the concern that the businesses they create are not independent or truly controlled by the owner-drivers (Rensburg D. V., 2015) to realise their own profits.

6.3 GETTING THE BALANCE RIGHT

Anglo American

Zimele, Anglo American's Enterprise Development Initiative, was established in 1989 to provide funding and support to previously disadvantaged South Africans, with the aim of creating and developing commercially viable and sustainable SMEs. Zimele means 'to stand on one's own feet' and the programme consists of six funds, each one providing funding and support to different types of businesses (Anglo American, 2016).

Zimele selects their candidates based on a business plan that goes through various checks and balances by committees and boards for approval. One would expect that such scrutiny would look beyond the business plan alone, and also scrutinise the attitude and capabilities of the people behind the plan to fully assess the business's prospects.

Zimele offers a range of support depending on the business requirements, namely:

- Finance of up to R30 million
- Business plan creation
- Training on management of successful business
- Technical support during high-risk exploration and pre-feasibility stages
- Business guidance and skills transfer
- Supply chain opportunities
- Mentorship
- Training (Anglo American, 2014)

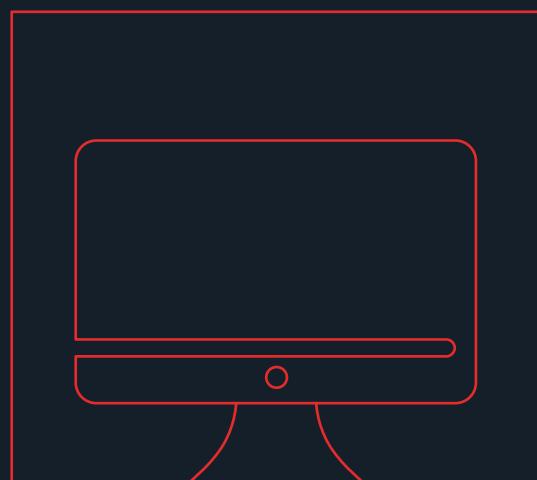
As a result of their mixed financial and mentorship approach, Zimele is recognised internationally as a best practice model in supporting SMEs as it enables them to operate within the economy. The initiative also won an inaugural Forging Enterprise Small Business Promotion Pioneer Award.

The programme also collaborates with government. Zimele has collaborated with the National Treasury's Jobs Fund to support the establishment of 490 agricultural entrepreneurs through projects such as the Lambasi agricultural initiative – a jointly owned farming operation trading as Fundirite, in the Eastern Cape (Engineering News, 2016).

CONCLUSION

Enterprise development stands as a solution to some of South Africa's most deep-seated and concerning socio-economic issues. Of course, this positive effect will only truly find traction if the concept is properly executed. Such execution requires true mutual understanding, and fostering a supported business's independence through the application of good business sense and a spirit of meaningful and sustainable empowerment.

DIGITAL TRANSFORMATION: WHY WE CAN LEAPFROG OTHER ECONOMIES





DIGITAL TRANSFORMATION: WHY WE CAN LEAPFROG OTHER ECONOMIES

The global trend of digitisation poses a mass of possibilities and new realms of potential. We profile how Digital Transformation is necessary in South Africa to expand the economy, to meet the future as it rushes onwards, and to capture the benefits.

CALL TO ACTION:

- Demand a decisive agreement by Government and ICASA on policy regarding spectrum, to in earnest start the process of spectrum auctions by 2017 to achieve digital transformation
- Every Metropolitan Council to offer uncapped free Wi-Fi to all citizens by 2018
- Address the employability of the youth through improving digital literacy and broadband penetration across South Africa, from 49% in 2015 to 79% in 2018

Figure 6: Conceptual framework for discussion



1. INTRODUCTION

South Africa could accelerate development with digital transformation by skipping inferior, less efficient, more expensive technologies and move directly to more advanced ones in the following contexts discussed in this section.

A shared understanding around the discussion of digital transformation is required. This is important to understand the underlying commonalities, and to identify the 'common denominator' driving digital transformation from an economic (macro-level) and business perspective (micro-level). To achieve this, we first present a conceptual framework as a backdrop to describe recommendations for businesses and the evidence base for the arguments made.

Digital transformation includes four interconnected building blocks, namely customers, products, organisation and skilled employees (Figure 6).

Generally, when an enterprise is considering entering a new market, investigations are conducted to determine the market attractiveness. At the macro-level, this typically includes an assessment of a country's political, economic, social, technological and legal environments, as well as the communication technologies (ICT) maturity of that country. Once all the necessary information has been assessed, the next logical step is to analyse the industry value chain, and existing products and services offered by competitors.

Within this context, it can be argued that how we view potential customers in the digital marketplace in relation to the economy and to business requires profoundly new ways of thinking, and the building of new capacities. These capacities are associated with the potential and actual use of ICT, often referred to as 'digital literacy'.

Government views the ICT sector as a game-changer for increasing the market attractiveness of South Africa's economy. The National Development Plan 2030 (NDP 2030) states that the "ecosystem of digital networks, services, applications, content and devices, firmly integrated in the economic and social fabric, will connect public administration and the active citizen; promote economic growth, business development and competitiveness; drive the creation of decent work; underpin nation building and strengthen social cohesion; and support local, national and regional integration. Public services and educational and information products will be accessible to all, and will build on the information, education and entertainment role envisaged for public broadcasting. The human development on which all this is premised will have created an e-literate (online) public able to take advantage of these technological advances and drive demand for services" (NDP, 2012).



2. DECISIVE RESOLUTION REQUIRED ON MAKING SPECTRUM AVAILABLE

After considerable time wasted, the Department of Telecommunications and Postal Services is still working to finalise policy on the allocation and sale of mobile spectrum, e.g. 700MHz, 800MHz and 2.6GHz spectrum licences, required to boost the rollout of faster LTE broadband.

South Africa's digital migration process is facing delays with government having only started distributing set-top boxes in late 2015, amongst yet more controversy regarding the tender processes followed. These boxes convert digital broadcast signals for analogue television sets.

The digital migration of the broadcasting services from the 700 MHz and 800 MHz frequency bands required for mobile broadband wireless services has not yet been authorised and determined by the Minister of Telecommunications and Postal Services, Siyabonga Cwele.

The policy process of how to allocate wireless broadband spectrum that is critical to the expansion of South Africa's digital transformation and economic growth, has been subjected to a decade of politically inspired delays within government, placing the country at risk of falling further behind in realising the benefits of digital technologies.

3. A CALL ON LOCAL GOVERNMENTS TO WORK TOWARDS PROVIDING FREE WI-FI TO ALL

As we are currently in the midst of a digital revolution, technology will indisputably be a catalyst for change for governments, businesses and customers in the 21st century. In South Africa, ready access to the Internet and Internet-enabled devices is not a reality for all. The discrepancy between the underprivileged members of South Africa who do not have access to technology or the Internet, and the wealthy, middle-class and young South Africans living in urban and suburban areas who have access, is ever widening. This growing gap is referred to as the 'digital divide'.

The most comprehensive description of the digital divide comes from the Organisation for Economic Co-operation and Development (OECD) which defines it as: "The gap between individuals, households, businesses and geographic areas at different socio-economic levels with regard both to their opportunities to access information and communication technologies (ICTs) and to their use of the Internet for a wide variety of activities" (2011).

Although the number of South Africans with access to technology and the Internet continues to climb on a yearly basis, the digital divide also continues to grow. On the one hand, higher income and educated households are adopting newer technologies faster and are digitally connecting even more. On the other hand, groups with traditionally lower rates of technology and Internet usage continue to lag behind. Reviewing policies, literature and research studies

reveal that governments and businesses recognise the power of new technologies to accelerate human progress, to bridge the digital divide and to develop knowledge societies.

In advanced economies, Internet access is almost omnipresent: Internet penetration, whether via a fixed or mobile connection, has reached over 80 percent in 2015. In contrast, South Africa's Internet penetration stood at under 50 percent in 2015. It is worthy to note that access to the Internet in South Africa occurs mainly through mobile technology - only three percent of the population has access to a fixed broadband Internet connection while the mobile broadband penetration rate stands at 59 percent (reference 2 – see last page). Mobile Internet, coupled with wider adoption of Internet-capable mobile phones contribute most to Internet adoption - seen as a sweet spot for businesses in terms of serving existing customers or reaching new customers. Due to lower income levels, poorer neighbourhoods lack the infrastructure available in affluent areas. Fixed telecommunication facilities are more readily available to wealthier communities, and are more attractive for developing companies to establish themselves in these communities. The divide is further aggravated by the lack of investment attractiveness in less fortunate neighbourhoods.

Productivity and Growth: A study by the World Economic Forum notes that effectively leveraging Information and Communications Technologies (ICTs) has been shown to contribute to a 50 percent increase in productivity due to time saved and increased mobility (WEF on Africa, 2012). Recent research has shown that over the landscape of the digital economy, a 25 percent increase in country-level ICT investment will result in around 1 percent growth in GDP (IT News Africa, 2016).

Access to the Internet has become an increasingly vital component of modern life. A recent study of 33 OECD countries concluded that the quadrupling of broadband speeds coupled with a 10% increase in penetration, will generate an additional 1.6% Gross Value Added (GVA) over a two year period (Little et al, 2011). The study also quantified the isolated impact of broadband speed, showing that doubling the broadband speed for an economy increases Gross Domestic Product (GDP) by 0.3 percent (Little, 2011).

South Africa has a set of ambitious targets laid out in its national broadband policy. Such ambitions are delineated in South Africa Connect, in which aims include achieving 50% Internet coverage with speeds of 5 Mbps by 2016; roughly 90% coverage at the same speeds by 2020; 50% coverage with speeds of 100 Mbps by 2020; and universal 100-Mbps coverage by 2030. The South Africa Connect policy also targets enhanced connectivity at schools, medical facilities and public institutions, emphasising public-private partnerships such as the Broadband for All initiative to achieve these targets

As a result, the country has emphasised improvements in both last-mile and backbone infrastructure. The country's average speed was 4.1 Mbps in the fourth quarter of 2015, according to a report issued by Akamai Technologies, a US content delivery network and cloud services provider. This fell short of the global average of 5.6 Mbps. Significantly however, the report noted that South Africa's average broadband speed increased by 26%



year-on-year in 2015 and was up 11% during the fourth quarter, surpassing the 4-Mbps mark for the first time (Oxford Business Group, 2016).

Several key drivers of affordability are also believed to be linked to Internet access speed:

- A faster broadband speed boosts personal productivity and allows for more flexible work arrangements.
- A higher speed also opens up possibilities for more advanced home-based businesses as a replacement, or complement to, an ordinary job.
- Broadband speed enables people to be more informed, better educated and socially and culturally enriched—ultimately leading to a faster career path.

We live in a time where we are increasingly defined by access to information, and what we earn is what we learn. It is not just the cost of Internet-enabled devices and services that results in the digital divide, but also primarily the presence of widespread illiteracy in South Africa.

The absence of necessary skills marginalises even those who can access and afford to use ICT services. When individuals go online they need affordable services, and diverse and relevant content that meets their needs and improves their skills.

Education / Literacy: Education levels and the use of the Internet are closely correlated. Based on the most recent survey data by Statistics South Africa, the figures show that considering any access site, from home, school, work and so forth, least usage occurs among those persons with an elementary school education or less (6.6 percent). Those with tertiary degrees have a usage rate more than nine times higher (61.6 percent) (StatsSA, 2014).

Of those who do not have Internet access at home, 38% stated that they don't have Internet access due to a lack of knowledge, skills or confidence, while only 21% felt that the cost of equipment is too high (StatsSA, 2014).

Research has found that aside from computer ownership and level of education, English language ability has a high impact on whether or not someone uses the Internet to engage with a product or service (Deen-Swarray, 2016).

Employability: The positive impact of increased Internet penetration on employment in developing countries has been analysed by the International Telecommunication Union (ITU). For example, in Brazil a change of ten percent in broadband penetration could reduce the unemployment rate by 0.06 percentage points. In India, an increase in one percentage point in broadband penetration growth results in 0.028 percentage points increase in the employment rate, while in Indonesia for each one percent increase in the penetration rate of the service among the Indonesian households, the unemployment growth would be reduced it by 8.61 percentage points (ITU, 2012). The ITU further noted that the entire effect of

broadband on unemployment is a combination of new jobs and existing jobs saved that otherwise would have contributed to the unemployment rate.

A report by The McKinsey Global Institute reinforces the role of the Internet as a catalyst for job creation (2011). According to data from the 4800 small and medium-size enterprises (SMEs) surveyed, the Internet had created 2.6 jobs for each one lost to technology-related efficiencies. The McKinsey Global Institute's findings on the obstacles regarding adopting and optimising modern advanced ICT, faced by firms and customers, suggest that future ICT policies need to reflect and address two main issues, which hold true for South Africa as well:

- Improved ICT skills – both professional and user skills, within the workforce and within communities; and
- Helping the digitally excluded to access the Internet.

According to the 2015 Global Connectivity Index, South Africa, China and Chile are the top three developing countries that have the most potential to use ICT to boost their economic growth. The Index measured potential using indicators such as ICT patents, IT workforce, research and development, software developers, and market projections for the Internet of Things (IOT), cloud, big data, broadband, and data centres. However, broadband costs are currently estimated at 15-20 percent of average monthly household income, which is prohibitively high for most South African households, and nowhere near the United Nations Broadband Commission's recommended five percent of average monthly income for entry-level broadband services (IT News Africa, 2016).

Globally, companies are aiming to address affordability and accessibility issues. A group of tech giants, including Google, Facebook, Intel, Microsoft and others, along with multi-national organisations, have formed a coalition, the Alliance for an Affordable Internet, to help spread Internet access around the world through technological solutions that will drive down costs (see sidebar: Standing on the shoulders of Internet and social giants) (A4AI, 2013).

Across most of the developed world, a fast, reliable Internet connection costs less than one percent of average monthly income. In the world's least developed countries, the cost of just 500MB of data each month hovers around 15 percent of average incomes—more than most people can spend on their children's education. Women, rural dwellers, and the poor are hardest hit by high prices.



STANDING ON THE SHOULDERS OF INTERNET AND SOCIAL GIANTS



Facebook seeks to bring the internet to remote areas of the world with its latest project involving a huge drone it has built. The unmanned aircraft it calls Aquila will have the ability to send internet signals from the sky to users below. The company hopes that the drone—the size of a Boeing 737 aircraft—will be able to fly above remote areas and serve millions of people worldwide that currently don't have access to the internet or Facebook.



With Google's Project Loon the company intends to use balloons that float in the stratosphere to form a communication network. These balloons intend to connect people to the internet through LTE-enable phones and other devices in remote areas. Google also expects cellular providers to rent access to the balloons to expand their networks.

According to the Johannesburg Centre for Software Engineering's (JCSE) latest skills survey report, businesses in South Africa face a lack of 'digital skills' in their workforce (JCSE, 2014). The skill in greatest demand is sales, which accounts for 37% of all the skills interventions over the next three years. Respondents indicated that the majority of need related to the development of sales techniques. Second to sales skills is the need for technical skills development, accounting for 34% of all skills interventions over the next three years.

The JCSE further comments that the top five information and communication technology (ICT) priority areas identified by business leaders include software as a service/cloud computing, network infrastructure, information security, application development and business intelligence/ knowledge management – which includes big data or analytics.

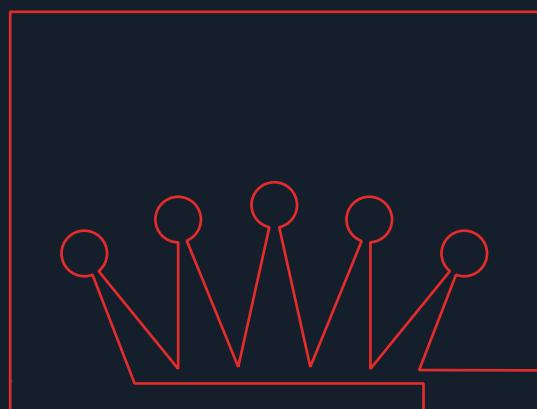
The lack of digital workforce skills however, goes beyond just technical, or 'sophisticated' skills. It also includes an understanding of the business applications of digital trends, a willingness to work collaboratively to build solutions and an ability to work iteratively. A shortage of 'digital skills' is clearly not only restricted to the 'offline' customer as discussed earlier, but remains a great challenge for businesses. So how can businesses prepare their workforce of tomorrow?

Building digital skills is only a part of the overall digital transformation agenda. Given the challenges in filling the skills gap quickly, businesses have to do more to prioritise attracting people to fill key gaps in digital skills to sustain their competitive position in the market. This will require sustained efforts towards training and re-skilling. Acquiring digital skills is the first, enormously significant, step of a long journey to a successful digital transformation.

CONCLUSION

Increasing accessibility and affordability of technology means that developing a workforce with ample digital skills, and improving digital literacy in the broader population, will be critical for the future growth South Africa. Indeed, both customer as well as employee skills stand as the common denominator contributing towards advancing South Africa's digital transformation journey. It is only a matter of time until the use of digitisation is so ubiquitous and pervasive, that we will no longer speak of 'digital transformation' – digital will become how we consistently achieve business transformation and Smart GROWTH.co.za.

COMMERCIALISE STATE OWNED ENTERPRISES (SOEs)





COMMERCIALISE STATE OWNED ENTERPRISES (SOEs)

State-Owned Enterprises (SOEs) were introduced in South Africa to enhance service delivery after the dawn of democracy in 1994. At best they have delayed service delivery and – at worst – retarded it immensely.

CALL TO ACTION:

- President Jacob Zuma uses his recent appointment as chair of a new presidential state-owned entities (SOE) co-ordinating committee to appoint an independent expert to drive the commercialisation of SOEs
- The Ministers of Public Enterprises and Finance must trigger the process for commercialisation of selected SOEs, specifically, SAA, SA Post Office, PRASA and Transnet.

1. INTRODUCTION

South African SOEs are clustered into the following categories: energy, ICT, transport, major landholders and providers of development support (Wendy Ovens and Associates, 2013). Between them, SOEs are intended to provide communication networks, bulk infrastructure, energy and ICT infrastructure. Given the extent of their influence, effective and efficient planning is essential for managing coherent urban growth and development (Wendy Ovens and Associates, 2013).

Unfortunately, for most South African SOEs, there has been a deficit of effective and efficient planning and management.

South African Airways (SAA) remains financially troubled amid ongoing leadership turbulence and will most likely post yet another loss in their 2015/16 financial year. SAA is technically insolvent, and should not be receiving repetitive grants, as they already received R14bn in guarantees from the Treasury over the past three years. The company has not submitted annual financial statements to Parliament since 15 September 2015.

Eskom provides about 90% of South Africa's electricity, and although it has stabilised its plants' performance and managed to halt regular power cuts, tariffs have more than quadrupled since 2007 to help keep the lights on. Eskom has, to date, received R15 billion of the R23 billion special appropriation Parliament approved in 2015.

While the **South African Post Office** (SAPO) received R650 million for recapitalisation in 2016, it remains in financial trouble with expected losses of R1.5 billion in the 2015/2016 financial year, and reported a loss of R1.5bn in the 2015 financial year. SAPO, suffering years of maladministration, appointed Mark Barnes - the former CEO of private equity firm Brait - as chief executive officer in a bid to help turnaround the struggling entity.

In 2012, Public Protector Thuli Madonsela, investigated 37 complaints against the **Passenger Rail Agency of South Africa** (PRASA) finding a culture of "systemic failure" to comply with its own supply-chain policy. Currently PRASA is embroiled in various legal battles to recoup irregular spending of public funds.

With SOEs further weakening an already-struggling economy, many South Africans have been calling for the privatisation of failing state enterprises, such as SAA and the SAPO. However, privatisation has its own disadvantages, especially if an organisation monopolises a sector. Thus, a middle ground needs to be forged to avoid a monopolistic effect on prices (Suang, 2012).

2. HYBRID SOEs

The South African Government commissioned a privatisation team to determine if the privatisation of SOEs is feasible. The team's finding was that government should sell selected SOEs to improve public finances (Reuters, 2016). Hence, the South African government has started identifying SOEs that could potentially be partially privatised (Paton, 2016), and will decide on which SOEs to privatise or close by the end of this year (Moneyweb, 2016).

A commercialised SOE can also be called a Hybrid SOE, as it combines the social logic of a state owned enterprise with the commercial logic of running a for-profit organisation. For the purposes of this report, we refer to hybrid SOEs.

Hybrid SOEs can be found in France, the US (Fannie Mae and Freddie Mac), Russia and China. China utilises hybrid SOEs as thousands of Chinese companies have convoluted ties to the central or local government. Russia makes use of the concept of 'state companies', which occurs when government acquires private assets at a discounted price. The government also has close ties with many of the country's most powerful companies.

Hybrid SOEs boast many benefits. They enjoy both the security of the public sector and the boldness of the private sector; they use their global reach to provide their home countries with the pick of the world's resources; they can borrow money at favourable rates due to 'implicit' government guarantees; they can use their political muscle to outperform their less well-connected rivals; and they are protected from asset strippers (The Economist, 2009). Hybrid SOEs assist from both sides, for profit and non-profit. Hybrids are orientated towards both market and mission. They not only strive for profitability but also strive to address humanity's most pressing issues (Haigh & Hoffman, 2012).

However, the level of ownership and control that a government has over a hybrid SOE weighs heavily on the success of that organisation. A higher degree of government ownership results in inferior firm performance, leading to a reduction in productivity and national income, and also allows for soft budget constraints. Furthermore, Bruton, et al. (2015) found that government control correlates negatively to overall institutional development, which supports private enterprises. This implies that more stringent government control is more likely to happen in environments



where there is limited business development support from institutions. Therefore, institutional development is more related to government control, rather than ownership.

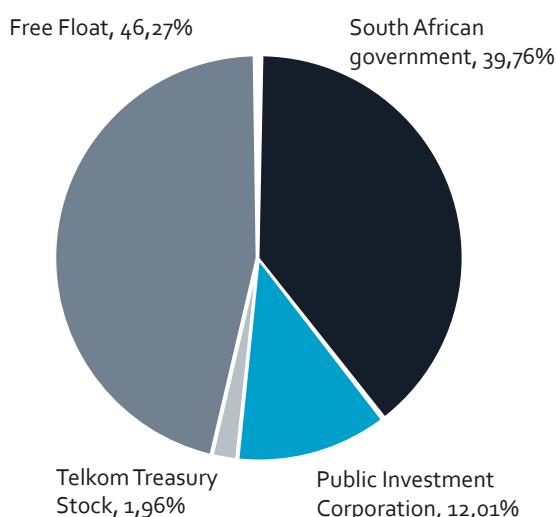
Internationally, hybrid SOEs have been emerging in the energy sector. The world's thirteen largest oil companies, as measured by oil reserves, are controlled by governments. These include: Petronas Malaysia, China National Petroleum Corporation and Brazil's Petrobras and Vale. The energy or natural resources sector is just one of four key areas that have been identified in relation to hybridisation. The other areas are transportation, manufacturing and finance. These areas were identified as they do not have a direct impact on national security, there is some form of market competition in these areas and the industry is not concentrated, so a monopoly is not a concern.

3. TELKOM

As mentioned, South African state enterprises have been performing poorly. However, Telkom South Africa (SA) has started performing well since it was partially privatised. It is important to investigate the turnaround demonstrated by Telkom SA since selling a portion, and the contributing success factors that make Telkom SA the most successful of South Africa's SOEs.

Telkom SA is the leading communications service provider in the country. The company provides fixed lines, mobile connections and ICT and data services. Telkom SA owns 80 percent of the terrestrial fibre across South Africa (Mybroadband, 2015). The company is South Africa's leading SOE, and has been partially privatised. As of 2015, the ownership structure was as indicated by figure 7 below:

Figure 7: Telkom SA Shareholder Ownership



Source: Telkom SA (2015)

In 1991, the South Africa Posts and Telecommunications was separated into three separate entities. Telkom SA was one of them. Telkom SA listed in 2004, with a share price of R26.60. Over the course of this period, Telkom was commercialised through a public offering, with the government as the sole shareholder. As a public company, Telkom SA was expected to produce dividends, cut costs, stimulate productivity, increase efficiency and operate under full public scrutiny (Barber, et al., 1999; Strydom, 2015).

However, the company did not perform as well as expected. Over the past ten years, Telkom SA has reduced its staff. Employee numbers dropped from 61 237 in 1999 to 13 895 in 2015 (Mybroadband, 2015; Moyo, 2016). Many retrenchments were implemented, through voluntary severance packages, voluntary early retirement packages, and transferring permanent and contract employees to other companies (BusinessTech, 2015).

However, the past few years have seen a turnaround in Telkom SA. In 2015 the company declared its first dividends since 2011. The company also doubled its executive directors' wage bill (Bonorchis, 2015). In addition, Telkom SA's annual report indicates that net revenue increased by 3.1 percent and profit after tax, of R2.9 billion, decreased by 19.5%. Net debt and operating expenses decreased by 92.8 percent and 5.2 percent respectively. Headline earnings per share increased by 60 percent (Telkom SA, 2015).

Telkom SA's example indicates that partial privatisation has been beneficial to the company. Although the company has faced many challenges and for some years underperformed, it is still the best performing SOE, thanks in no small part to its commercialisation. It demonstrates the potential inherent in privatisation that is available to other SOEs.

4. PARTIAL COMMERCIALISATION IN SOUTH AFRICA

Based on the Telkom case study and the willingness of the South African government to sell SOEs, the partial privatisation of some of South Africa's SOEs is a viable option. A key example of a state owned enterprise that could benefit enormously from partial privatisation, is the South African Post Office.

The Auditor General found irregular expenditures amassing to R576.8 million, and a loss of R95 million in wasteful expenditure. In 2015, SAPO ran at a loss of R1.5 billion (Alfreds, 2016). Although SAPO was performing poorly, they have requested additional funds of R650 million from the South African government (Prinsloo, 2016). This is concerning as simply providing funds to SAPO will not necessarily solve the problem of inefficient and wasteful spending.

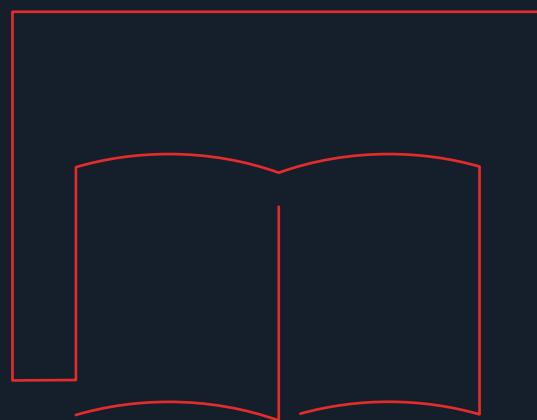


Recently, Mark Barnes, the CEO of SAPO mentioned that an equity injection is needed at some point. This is where partial privatisation could prove useful (Rensburg, 2016). A good example of post office privatisation is the British Royal Mail. Royal Mail was sold off in pieces with the last 14 percent sold in 2015. Due to privatisation, there has been reduced risk for taxpayers, as they no longer need to support the universal postal service. Royal Mail has also become a profitable business with an improved cash flow since 2012. All of this has been possible under the auspices of government management (United Kingdom National Audit Office, 2014).

CONCLUSION

Partial privatisation presents an opportunity for government to increase state revenue and provide efficient services to South Africans. The partial privatisation of Telkom has proven beneficial to both the public sector and to South African citizens at large; implying that partial privatisation of other existing SOEs will also be beneficial. As government is already considering this option, the South African Post Office and other profiled SOEs should be accelerated in a programme to commercialise these organisations to become hybrid SOEs.

ADVANCE EDUCATION: CREATING A FUTURE FOR OUR YOUTH





ADVANCE EDUCATION: CREATING A FUTURE FOR OUR YOUTH

Whilst many will argue that we cannot use education, training and innovation as a blanket-solution to society's evils, the fact remains that it is the most powerful weapon available to the cause. Education is the power that equips people to define themselves, to determine their future, to make provisions for their loved ones, and that informs their decisions. It creates the capacity for critical understanding and input thereby fostering meaningful community involvement, and this undeniably has the potential of generating recognisable social change.

CALL TO ACTION:

- We call on all Johannesburg Stock Exchange (JSE) listed companies to form active partnerships with primary and secondary public schools, to help strengthen management and leadership capacity in these schools to improve the current dire situation in education.
- The re-assignment of a bigger share of the education budget needs to be directed to early childhood development (ECD) – as the most important phase of learning takes place in the first 1000 days of a child's life, and if that opportunity is missed, the damage can never be undone. Yet in South Africa, the lion's share of our education budget is spent on tertiary education.
- A national plan to eradicate Grade three illiteracy, as many of the Mathematics and Science challenges experienced can be tracked back to literacy problems. South Africa needs a national commitment towards Grade 3 literacy and single language tuition, English.

1. INTRODUCTION

In 2015, it was 6 times more likely for a white child to gain a tertiary education than for a black child (Stats SA, 2016), and research in 2014 found that a black child was significantly less likely to have access to elementary needs such as water, sanitation, refuse removal, electricity and formal housing, never mind adequate education, than a white child (SA Human Rights Commission).

Furthermore, the number of black South Africans employed as professionals, managers or technical workers between the ages of 25 and 34 has in fact fallen since the dawn of democracy, demonstrating a regression in skills competency and educational effectiveness since then (Stats SA, 2016). This is especially startling as South Africa's annual GDP expenditure channelled towards education is as high as 6%, one of the higher proportions globally (OECD, 2015). In fact, it is 18 times more than is spent on children in Ghana, and the results that come out of the system are virtually the same, whilst Kenya's budget is significantly tighter, and their

results are actually much better than South Africa's (Kok, M&G, 2016). The problem is not with funding, but with the quality of the education provided. South Africa was ranked 138 out of 140 countries in terms of scholastic maths and science performance, which speaks volumes to the educational paucity (WEF, 2016). The rot is deeply embedded in the education system itself and the continuing overtures of apartheid. And South Africans are aware of it.

Addressing this malignancy is the best way to actually confront the wrongs in the economy, society, and in business itself. Producing better educated citizens leads to benefits that, at present, are innumerable. The focus needs to shift from pure arithmetic, to actual intervention. If we achieve this, through the state, through the private sector and through partnerships between the two, we can hope to bring about real change in our country.

New government commissioned reports show that about 60% of children in SA cannot read at even a basic level at the end of Grade 4. Two reports, published in May 2016, state that unless pupils have been given sufficient opportunity to learn to read, they cannot subsequently read to learn (Nanny, 2016).

The NDP has set targets to address these problems by 2030. The Medium Term Strategic Framework and the Accelerated School Infrastructure Delivery Initiative (funded by the Schools Infrastructure Backlog Grant) both fall under this programme, but clearly the goals are difficult for the state to attain, and further measures must be taken. This is where business has the power to intervene. Approaching the education conundrum from the business paradigm provides a springboard from whence real change can be achieved. Business can contribute to education in ways that are as yet unprecedented. Up until recently, businesses' social responsibility and investment were hollow, unctuous acts of tokenism to meet certain statutory criteria. But in the last while, there has been a shift from mere financial donation to actual overseeing of the implementation of more meaningful interventions (M&G, 2016). Businesses that actively and sustainably support worthy social causes are businesses that are rightfully cognisant of the fact that human capital and people's potential are key contributors to success. They are the businesses that conceive of their human resource as an asset, and not an expense. Certainly, they recognise that success in the future rests on a healthy society; one that not only provides hands to the workforce but that is capable of contributing to national growth that can contribute to the bottom line, and engage in business activities as suppliers, consumers and competitors.

To address these issues, some of these structures and initiatives were interrogated. Discussions were held with some of the groups attempting to truly tackle and change the state of education in South Africa, namely SmartStart, Partners for Possibility, the Tomorrow Trust, and Harambee. Their responses were used to provide some insight into where South Africa currently stands, and also offer possible solutions.

The South African schooling system currently faces trouble in each of its areas. During the phase of Early Childhood Development (ECD), South African children lack the cognitive and biological development required during the first few years of a child's life, to



establish the path for future learning and success. SmartStart focuses on this period in a child's life to provide a more stimulating environment, and hopefully structure the foundation for learning in later life.

The period in the system succeeding ECD is the period of schooling; beginning at Foundation Phase (Grade R-3), going to Intermediate Phase (Grade 4-6), Senior Phase (Grade 7-9) and ending at Further Education and Training Phase (Grade 10 -12). Partners for Possibility works in primary and secondary schools to empower their staff to better educate children of school-going age. The Tomorrow Trust focuses its efforts on pupils across the phases as well, and also those in their first year of studies after school. Tomorrow Trust achieves this through providing not only academic support, but also meals, stationery and transport for pupils that are maligned and vulnerable. Their post-secondary and alumni programs work to support young people in the process of going through the journey of their post-school studies and the job hunting process.

Harambee finally, works to connect employers looking for entry-level talent, to young, high-potential work-seekers to whom the formal economy remains inaccessible.

The good work done by these organisations brings into stark contrast the areas of need in the current system. The people at work within each of the offerings understand the position in which the country finds itself, and the opportunities and alternatives available, more incisively than perhaps anyone else.

For further reference, a short case study on each of the organisations: SmartStart, Tomorrow Trust, Partners for Possibility, and Harambee are included in the appendix of this report.

2. CURRENT STATE OF EDUCATION – HEADMASTER DEVELOPMENT

When it comes to education, business is in an especially strong position to contribute over the chronological span of education, beginning at Early Childhood Development, to schooling from Grade 1 to Grade 12, Further Education and Training, and Higher Learning. There are already structures and initiatives in place to scaffold the relationship between business and education institutions. Great strides have been made, and the potential mutual benefits are astounding.

Partners for Possibility pointed out that there are 25 000 schools in the country, of which a paltry 5000 are doing reasonably well, while 20 000 are really struggling. These 20 000 need to be the focus – these are the schools producing whole groups of Grade fours who cannot read, and will never be able to read well. A lack of reading ability implies that these children are not developing the soft and emotional intelligence skills necessary for them to be successful in the world. Sadly, children are being set up for failure every day, as many of the teachers don't have those skills either. Most teachers in South Africa are ill-prepared.

Think of a teacher who has all sorts of trauma and challenges, and has not been trained well, and now they have to sit with 70 children in a class, half of which are not ready for their grade – clearly those teachers cannot prepare the children for the fourth industrial revolution.

– Louise van Rhyn, Partners for Possibility

As an example of where successful partnerships between business and public schools are bearing results, Nedbank stands out – so far 24 Nedbank leaders have partnered with 24 school principals and the changes in these schools are truly transformational.

Stoneridge Primary School and Nedbank case study:

Located in Eden Park, Alberton, just south of Johannesburg, Stoneridge Primary School faces a great many challenges, ranging from language barriers, below average reading skills and high levels of illiteracy, to a lack of discipline among pupils and minimal parental or community involvement. A sustainability manager from Nedbank partnered with the principal, and over the year of partnership the principal has grown in leadership stature and influence. This continues to have a knock-on effect with both the school's teachers and its management team.

Some of the outcomes of the strategic thinking have been the successful application for state-run lottery funds to put towards new sporting facilities and equipment, the promotion of the school marimba band that competes successfully against other top school bands, the installation of a large covered carport on the premises, and various other maintenance and improvement initiatives.

In addressing the children's academic difficulties, the principal identified the urgent need for a sustainable reading programme, which he and Nedbank implemented by introducing the Stimulus Maxima Reading programme under the banner of 'Readers are leaders and leaders are readers'.

In the short time since its inception, the programme has improved reading speeds and comprehension, and because it involves extensive computer-based learning, the pupils have also benefited from vastly improved computer literacy.

The Tomorrow Trust said that there is a bigger focus on building infrastructure and school buildings, and not enough focus on providing effective education to all children – while the government is busy building infrastructure, there are children "falling between the cracks every year".

We need to make sure that every child counts, because with every child comes a family and a generation, and good education generationaly breaks the cycle of the effects of poor education.



Every year more and more lost kids are added to the system – and now everyone is suddenly concerned, but the ‘writing was on the wall’ more than 11 years ago, when educators knew that South Africa was heading for an education crisis!

...but Government was so busy number crunching that they dropped the pass rate to 30 percent. This is problematic, because achievement targets of 30 percent engender achievement rates of 30 percent. "If you tell kids that you're expected to get 30 percent, then they're going to aim for 30 percent. Counter-intuitively, the Trust feels that government has told South African children: "You're not good enough to get 50 percent", and thus there is no incentive or purpose behind working hard. The Tomorrow Trust insists on changing perceptions and equipping pupils, so that the imperative changes to: "We expect you to get distinctions, now how are you going to get that?

– Kim Feinberg, Tomorrow Trust.

The current school curriculum, CAPS, has everything that needs to be there. However, the system and the culture in South Africa has disintegrated, and currently there is no hunger for education, as in the early days of democracy under the leadership of Nelson Mandela.

There is now a need to teach consciousness, awareness, and self-development – and the way to do that is to partner with organisations that are already successful in teaching children to be successful in all respects – socially and academically. Instead, government and education institutions continue to analyse and plan without implementing actual change. The normal dropout rate at universities in South Africa is 50 percent, due to poor execution of foundation phase schooling.

3. EARLY CHILDHOOD DEVELOPMENT (ECD) SERVICES ARE NEEDED TO SUPPORT THE OVERALL DEVELOPMENT OF CHILDREN

The government is in the process of refocusing more attention to ECD. Since 2013, the South African government has led the development of the country’s first national policy aimed at providing a multi-sectorial enabling framework for ECD services. The new policy, called the National Integrated Early Childhood Development Policy, was approved by Cabinet in December 2015. The policy gives effect to the provision of a comprehensive package of ECD services for young children, and prioritises the delivery of essential components of the package of ECD services – a necessary pre-condition for the realisation of young children’s Constitutional rights, and which should be realised with immediate effect. These services should be provided within the context of a broader set of provisions, necessary to ensure an environment conducive to young children’s development. Such services are included in the comprehensive package. The policy covers the period from conception until the year before children commence with formal

education, or in the case of children with disabilities, until the year they turn 7. The policy calls for a co-ordinated approach and promotes the delivery of services across government departments, to ensure comprehensive, integrated ECD services (The South African Early Childhood Review 2016, Ilifa Labantwana, University of Cape Town (UCT) and the Department for Planning, Monitoring and Evaluation (DPME) in the Presidency).

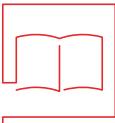
The South African government has an obligation to provide ECD services. And children’s rights to survival, health, protection and development are protected in the highest law of our land, the Constitution, and also in international law. Therefore, the Children’s Act 38 of 2015, as amended, says a comprehensive national strategy must be developed to enable a properly resourced, co-ordinated and managed ECD system. Provincial MECs for Social Development are tasked with developing a provincial strategy.

The need for ECD services is urgent – more than a million children are born every year. Early childhood, especially the first 1000 days from conception to two years, is a particularly sensitive and rapid period of development, laying the foundation for all future health, behaviour and learning. When children do not receive the necessary input and support to promote their development during this critical period, it is very difficult and costly to help them catch up later.

While a comprehensive package will be ideal in the long run, the immediate priority is to deliver a package of essential components of the ECD services for all young children. The new policy intends to make such a package universally available, thereby enabling the realisation of the most basic of children’s rights, and giving every generation of children a good start in life.

4. SOUTH AFRICA NEEDS A NATIONAL COMMITMENT TO GRADE 3 LITERACY AND SINGLE LANGUAGE TUITION, ENGLISH – CONTENTIOUS

Tomorrow Trust were of the opinion that Mathematics and Science are not the key problem, it’s English. And research has proven it – children don’t understand the questions. It is not their language. The children don’t start learning English the way they should in primary school, so they’re fine when you give them pure mathematical stuff. The minute you introduce an unfamiliar word, they’re lost. So if there is a process to improve children’s English reading ability and comprehension, the children have improved Mathematics and Science comprehension too.



Firstly is to mobilise our collective national resources on Grade 3 literacy and figure out what to do with this language, the switch from... because the language issue in my mind is the thing that is creating 90 percent of our failure rate or 80 percent of the failure rate but everybody has been saying it's in the too difficult box and therefore we're not going to go there because we can't, you know possibly open up this conversation about home language and we have to work with 11 languages. As a country we do not have the resources for 11 languages – and totally impractical in delivering an efficient education system to South Africa. You can invest in developing and keeping the language alive but we need to get these kids prepared for the fourth industrial revolution and I'm sorry but Venda isn't it, so English has to be the way.

– Louise van Rhyn, Partners for Possibility.

Parting thought: Summed up in one word: RESPECT. "We need in South Africa respect for education, respect for learning and its importance, respect from government towards education, and respect from citizens towards government, respect for teachers, respect for children, respect from children to teachers, respect from teachers towards children – if we have the respect in the right place, our education system will deliver better results!"

– Kim Feinberg, Tomorrow Trust

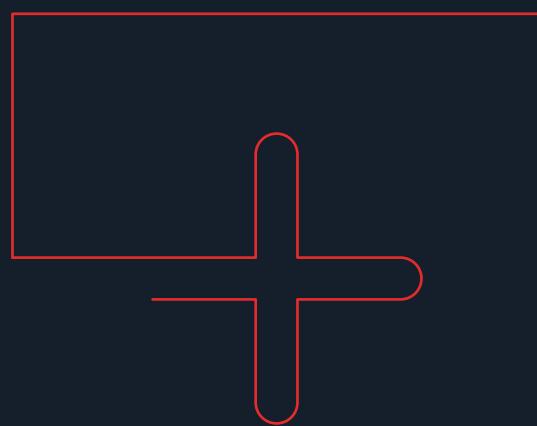
CONCLUSION

The NDP outlines certain ideals for an improved education system, and defines a vision for 2030 that South Africans should have access to training and education of the highest quality, characterised by significantly improved learning outcomes. Education then becomes an important instrument in equalising each individual's life chances, ensuring economic mobility and success. This will help advance South Africa's key goals of economic growth, employment creation, poverty eradication and the reduction of inequality.

But until such a time as all vested education role-players work together and put in action some radical changes – the education system in South Africa will stay broken. Business has a key role to play in this regard – by actioning the following three steps, to set South Africa on the road to better education:

1. Seek to support and partner with a successful education non-profit organisation to further their work in the field.
2. Provide more opportunities for learnerships and internships in every organisation, to provide valuable work experience to young people starting out their careers.
3. Support a national drive for improved literacy and reading abilities amongst children and adults.

APPENDIX: SUCCESSFUL NOT FOR PROFIT EDUCATION ORGANISATIONS





APPENDIX: Successful Not For Profit Education Organisations – Some Examples

Case Study: SmartStart

• Background: SmartStart's purpose and philosophy

SmartStart was founded in May 2015 and uses social franchising to deliver essential services across a range of sectors to communities. The company aims to foster countrywide, quality Early Childhood Development. As ECD is essential for future learning, SmartStart targets children between the ages of 3-4 years, from the poorest 40 percent of society.

The SmartStart model uses a 'learning through play' tool that is the heart of its programme. The company has identified playing as an important tool for healthy brain development, as playing reduces stress, improves the working memory and makes children more socially competent. Because the programme is also developed on a social-franchise structure, there will be significant peer support across the initiative.

SmartStart has both short- and long-term goals. The short-term goal is to provide quality education to 60 000 children by 2018. The long-term goal is to reach 1 million children annually.

• Success achieved

Since starting in 2015, SmartStart has provided quality Early Childhood Development to 3 600 children. They are currently operating and rolling out in four provinces, namely Gauteng, Northwest, Eastern Cape and Kwa-Zulu Natal.

• Future plans

SmartStart's ultimate goal is to be in all nine provinces of South Africa and impact as many people as possible. They have a three tiered operational and implementation structure (Hub, Regional Franchisor and Franchisee) that enables the programme to be delivered at scale.

The Club network, formed at a local level for franchisees within close geographic proximity of each other, ensures they are supported and empowered to work self-sufficiently, and that a broader movement in favour of early learning is mobilised.

SmartStart works with funders and partners who are passionate about ECD in South Africa. These include the DG Murray Trust, Yellowwoods/Hollard Trust, and the ELMA Foundation – but they would like to expand that.

• Key Message

"Recognising the importance of the first six years in a child's life and the huge gaps in provision, we provide a pragmatic, affordable solution to rapidly expand access to quality early learning. Our approach is to make sure that kids are stimulated at a younger age to help them prepare for school and also for later life success, because research has shown that by age five 90% of the brain has developed!"

Case Study: Tomorrow Trust

• Background: Tomorrow Trust's purpose and philosophy

The Tomorrow Trust provides integrated education and holistic support to orphaned and vulnerable children throughout their educational journey, with the aim of reducing the poverty cycle. Tomorrow Trust is dedicated to finding the most vulnerable students, as they have the greatest opportunity to improve their future.

The programme consists of the following: from Grade R to 7, a Junior Holiday School programme that focuses on numeracy, literacy, and English language is provided. From Grade 8-12, a Senior Saturday and Holiday School programme is held that focuses on science, technology, engineering and mathematics (STEM) subjects. In addition, there is a Post-Secondary programme that assists students who are completing a post-secondary qualification.

The vision of the Tomorrow Trust is to be the leading NGO, making a meaningful and sustainable impact on the lives of orphaned and vulnerable children or youth, through their educational journey. They further wish to empower children to reach their full potential while creating strong, thriving communities.

• Success achieved

The Tomorrow Trust is in its eleventh year and has had a significant impact on the children it supports. The Grade 12's of 2015 achieved a 100% National Senior Certificate pass. In addition, 91 percent of Tomorrow Trust students achieved a Bachelor university pass, compared to the national figure of 36.4 percent.

Tomorrow Trust has a team of 15 full time staff members and 85 committed teachers who drive the Tomorrow Trust model into South Africa ensuring that a long-lasting and sustainable academic, psycho-social and developmental impact is achieved.

• Future plans

The possible impact of this programme and the far-reaching effects are large – and the sky is the limit. The Tomorrow Trust has created a holistic programmatic structure that is unique. It aims to work on multiple levels, creating a sustainable exit strategy that enables orphans and vulnerable youth to uplift and empower themselves through education. The Tomorrow Trust offers a 'hand-up, not a hand-out' approach which has enabled the Tomorrow Trust to successfully assist over 191 youths obtain their degrees and to find employment in several major companies and corporations since 2005. Tomorrow Trust invests in education today so that they have a secure tomorrow.

• Key Message

Orphaned and vulnerable children are marginalised by the current enactment of the education system. The challenges faced by the children they serve include the lack of conducive learning environments, poor performing educators, un-inspiring schools, hunger and a lack of learning materials. These children are not supported or have guidance in their homes or at school level, leaving them in a vacuum as to where to go and how to actually live life in a practical manner.

There is little career guidance, nor an understanding of where an individual should be focused moving into post-secondary. At a tertiary level students are ill prepared for university, they lack funds and are faced with huge social ills such as drugs and peer pressure. If they do happen to get into an institution, then they do not have any practical support to teach them how to actually function outside the school environment.

By addressing these issues, Tomorrow Trust assists orphaned and vulnerable children to overcome the challenges they face in the education system and gives them tools to escape the poverty cycle.



Case Study: Partners for Possibility

• Background: Partners for Possibility's purpose and philosophy

Partners for Possibility (PfP) is a flagship programme for Symphonia for South Africa, which is a Non-Profit Organisation (NPO) and a Public Benefits Organisation (PBO). The PfP programme was founded in 2010 and is located in Cape Town.

Their vision is to provide quality education for all children in South Africa by 2025. PfP believes that enhancing the quality of education, improving the school environment, and encouraging engagement between parents and teachers will lead to an improvement in society. However, this can only be achieved by placing schools at the centre of the community.

Furthermore, the PfP programme works in the following way: a partnership between a business leader and school principal, from an under-resourced school, is established. They become Partners for Possibility for one year, and complete a tailored leadership development course.

• Success achieved

Partners for Possibility has had many successes to date. Currently, PfP is accredited as a NQF Level 6 Leadership Development process with the University of Western Cape. In addition, principals are awarded 40 CPD points through the programme's accreditation with the South African Council for Educators (SACE).

PfP has also been awarded numerous awards: Reconciliation Award by the Institute for Justice and Reconciliation; being a Standard Bank Top Women Awards Finalist in 2015; attaining a Leadership 500 Excellence Award; and the Global Best Award for the category 'Innovative and Creative Partnerships'.

Furthermore, PfP has been recognised internationally by Blue Dart, International Partnership Network; Ogunye; World Design Capital (Cape Town, 2014); Toastmasters International; Unashamedly Ethical; and the Gauteng Department of Education.

PfP was awarded a contract, in December 2014, to take PfP into 66 schools in Gauteng, in collaboration with the Gauteng Department of Education and the Matthew Goniwe School of Leadership and Governance. They also launched 112 new partnerships in the 2015 financial year.

• Future plans

PfP would like to grow their reach to potentially be able to assist all 20 000 schools in need – they would like to support many more principals across South Africa to expand the impact of their programme.

The experience for business leaders who have been part of the Partners for Possibility process is proven and endorsed by past participants as a 'smart' investment into the South African education system.

PfP's main challenge is to source funding that will allow more principals to participate in the programme. The cost of participation is R40 000 per principal ($\pm \$2\,570$ or $\pm \text{£}1\,814$) or R78 000 ($\pm \$5\,028$ or $\pm \text{£}3\,538$) for a partnership. This covers all costs for the participation of the principal or partnership in the programme.

• Key Message

Business has more to give than money... A growing body of literature recognises school leadership as the critical factor in turning around an education system in crisis. International research shows that the key differences between schools that succeed and schools that fail are the vision, commitment, and leadership skills of the principal and the extent to which parents and other community members are involved in the school.

Case Study: Harambee

• Background: Harambee's purpose and philosophy

Harambee was founded by Yellowwoods Investment in 2011, as a not-for-profit company. The company is an employer initiative that provides a way to successfully employ and retain first time workers. Harambee identifies and partners with employers who require entry level employees and have a drive to tackle youth unemployment. Furthermore, Harambee uses a model to scale, source, train and place unemployed youth. Over the years, the company has built a network with 250 corporate employers in the retail, hospitality, financial services, insurance, business process outsourcing, logistics, business consulting, manufacturing and technical sectors.

• Success achieved

Harambee Youth Employment Accelerator has placed 25 000 youth into sustained employment since 2011. Furthermore, the not-for-profit company has achieved the following: beat industry retention benchmarks at the 1-year mark; partnered with nearly 250 employers across 10 sectors; established provincial offices in Gauteng, Western Cape, KwaZulu-Natal, Eastern Cape, and has a large mobile capacity to reach all provinces, metros and towns in South Africa.

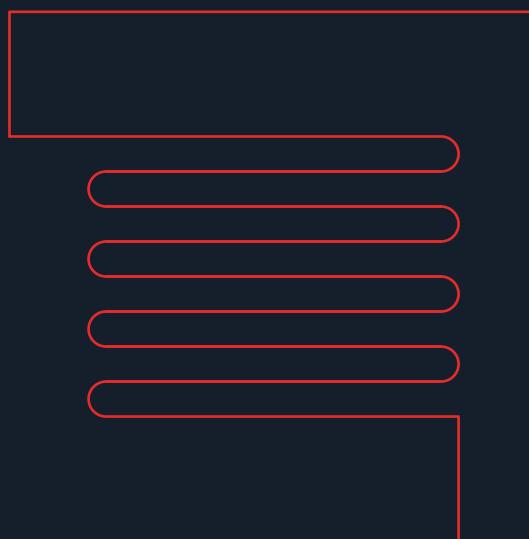
• Future plans

Harambee's short-term vision is to provide employment opportunities for 500 000 young people over the next 5 years. Their current annual target is to support 10 000 young people into employment each year. Driven primarily by rapid innovation and systems development – Harambee has built platforms that will support further growth going forward.

• Key Message

A mismatch between labour supply and demand in South Africa – South Africa has one of the highest rates of unemployment in the world. Half the adult population is unemployed or underemployed. Yet every year, thousands of jobs go unfilled – employers say they cannot find enough candidates who are 'ready to work'. Candidates may not be 'ready to work' because they score poorly on standard numeracy and English tests, because they lack specific technical skills, or because they have never had an opportunity to hone the 'soft skills' of professional success. Yet, evidence indicates that if a young work seeker in South Africa gets and keeps a job for more than one year, they are highly likely to remain in sustained employment.

APPENDIX: REFERENCE LIST



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