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MORE

GROWTH.CO.ZA **REPORT 2018**

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INTRODUCTION



South Africa urgently needs change. As we head into the final quarter of 2018 it is clear that new political leadership, in the form of Cyril Ramaphosa, has far to go to restore much needed business and investor confidence in our economy. In both the first and second quarter of this year, economic activity declined precipitously and the economy has tracked into recession – an inevitable outcome of the period since our last recession in 2009. As things stand, the South African economy has been widely forecast by banks and international ratings agencies to grow by less than 1,0% during 2018. This at a time when global growth is expected to rise to 3,9% in 2018 from 3,7% in 2017.

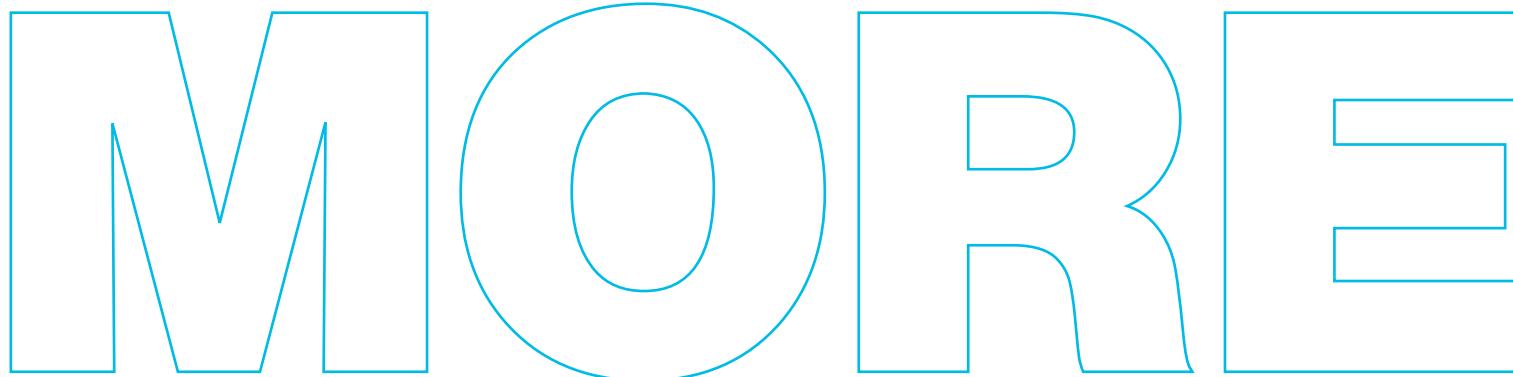
In his speech to members of the Government Employees Pension Fund (10 September 2018), Finance Minister Nhlanhla Nene was forced to admit that "South Africa's growth trajectory is too low to meet the needs of our people". These are sobering words from the man who has the best insight into the state of our economy.

Government alone is unable to provide the impetus to revive our ailing economy. Over the years, business throughout South Africa has been called on repeatedly by government and civil society to take action to assist in addressing broad social problems such as inequality, unemployment and the cycle of poverty, yet these problems remain persistent and pervasive. Now more than ever before, we as business need to embrace a radical approach to being part of the solution – not only because it is the right thing to do, but in the best interests of business.

Although many businesses are fully committed to Corporate Social Investment (CSI) initiatives and responsibilities, the scale of the challenges faced by South Africa means that these initiatives can only be part of the solution. To make a meaningful change to our social challenges, we need to start growing the South African economy from the inside out by creating daily opportunities within our businesses for growth and investment. Part of this requires us to realise that capitalism can do good *and* deliver value to shareholders.

To bring about the sort of profound social and economic change that is required to ensure that all South Africans can share in and benefit from our country's prosperity, we need to invest in social capital, because by doing so we are creating a sustainable business environment that will deliver growth now and in the future.

We know that higher rates of economic growth are required to reduce unemployment, poverty and inequality, but we need to ask how we are going to achieve this. The answer is through a new mindset that sees economic growth as the product of a society driven by the knowledge that investing in social capital will deliver growth and gains now and in the future.



At IQbusiness, we see our clients and ourselves as being central to this approach.

IQbusiness is committed to the responsibility and role of business to drive South Africa's economic growth, but we believe that this can only be done through a new chapter of collaboration between business and government. The challenges we face together are unique to our inherited state, but we believe these also present compelling opportunities.

This report is the culmination of our latest annual research, with our commitment to growing our country and our economy from the inside out. We believe that this can and will be achieved by making changes that create everyday opportunities for our clients and our business to generate more growth.

In our fourth year of growth initiatives, IQbusiness is committing to generating impact through:

1 EDUCATION AGILITY

We opened two free seats, per course, to our public training to members of government in 2018. IQbusiness will extend our progress in education by doubling the number of free places offered to public sector education staff on our Agile training programmes to four per course in 2019.

2 FINANCIAL INCLUSION

We are seeking to broaden the participation of women in our business and wider economy by more than doubling our Women's Chapter Network (WCN) programme from 20 to 50 women within IQbusiness in 2019. The WCN is a 12-month executive and leadership skills development programme for professional women. In addition, IQbusiness aims to offer this programme, free of charge, to 30 women in the broader community in 2020.

3 YOUTH EMPLOYMENT

We will double our intern intake to 80 interns by 2020 – and IQbusiness will continue to support three key initiatives: Harambee, the Youth Employment Service and the National Mentorship Movement.

STATE OF SA: WHERE WE STAND



In the time that President Ramaphosa has been in power, he has made some inroads into stemming corruption and improving efficiency in government, but it will take a concerted and coordinated effort from all arms of government to undo the damage caused by the Zuma administration. The Zondo Commission is only beginning to shed light on the extent of state capture under President Zuma, and the billions of Rand lost through corruption and mismanagement during his presidency have set the country back many years in terms of growth-boosting developmental infrastructure.

South Africa has also always been vulnerable to sudden shocks in the global economy and a combination of global factors, coupled with political uncertainty and poor economic performance at home, has created a challenging economic environment. These include a shift in global risk appetite, rising trade tensions, and the threat of contagion from emerging market peers such as Turkey and Argentina.

The recent depreciation of the rand and poor growth figures are a significant setback and sobering reality-check, but they also show how important it is for government and business to make clear choices that will determine the scale and pace of the economic recovery.

Finance Minister Nhlanhla Nene recently warned that one of the greatest risks to South Africa's long-term potential economic growth rate is the country's inability to implement critical growth-enhancing interventions such as productive infrastructure investment or improving the quality of education and skills training. We at IQbusiness agree that without significant investment in physical and human capital, there is little chance of escaping the low growth trap and it is here that business has the most important role to play.

The fourth industrial revolution is a significant threat to the South African economy. Overcoming this threat and realising its potential will require a fundamental shift in how we view investment. Over the past decade, a lack of policy certainty in mining, agriculture and industry has resulted in a lack of adequate investment and thus stagnation in these sectors. In the future these sectors will remain important, but the success of our economy lies in improving our productive capabilities across the whole economy and not just a handful of key sectors.

Government must make policy choices now that will target new investment for growth by addressing the challenges and opportunities associated with the fourth industrial revolution. With the right policy clarity and

interventions, along with a stable political environment, much-needed local and international investment can be unlocked.

Another key aspect of the recovery will be to amplify the dialogue between government and business. This will be crucial to rebuilding trust between corporate South Africa and the new Ramaphosa regime, but it is also necessary if the government is serious about achieving its goals around inclusiveness and transformation. Without the support of business, government alone will not be able to access the resources required to rebuild our economy.

Finally, government will also need to follow the Telkom example and draw private investment into State Owned Enterprises (SOEs). Public-private partnership will provide a much-needed capital injection, commercial focus, accountability and governance into these enterprises to ensure that they become commercially viable engines for the growth and development of our economy. This will need to be accompanied by a culture change within the SOEs to shift the behaviour of employees, and recognition of the pivotal role played by the organs of government. The rise and fall of SARS illustrates the positive and negative impact of employee and ministerial

engagement. With new leadership, employee commitment and political support, SARS must rise again and lead the way for other SOEs.

Macroeconomic Overview

The South African economy is at a crossroads. Recent economic indicators show that the South African economy is in recession, but we believe that with the right interventions and engagement from government and business, the South African economy could quickly return to a growth path.

As things stand, domestic demand conditions remain weak. Poor economic conditions, coupled with the increase in VAT and rising fuel prices have put a strain on household budgets, despite lower levels of consumer debt, and have continued to exert downward pressure on both consumer and business confidence.

Figures released by StatsSA on the 4th September 2018, showed that the South African economy had slipped into a technical recession. Economic activity declined by 0,7% in Q2:2018 q/q after a 2,6% decline in Q1:2018. The South African Reserve Bank (July 2018) predicted that growth for 2018 would be at 1,2% – a decrease

from the 1,3% growth experienced in 2017. After a decade of corruption and maladministration, it is unsurprising that we are still feeling the effects of disinvestment, debt, and slow growth, but there is still evidence of 'green shoots' in many areas. Although current forecasts limit medium-term growth to a ceiling of 2,0%, we believe business and government can achieve GDP growth in excess of 4,0%.

The Ramaphosa government first needs to address immediate fiscal risks. Debt consolidation should be a primary focus, as should policy certainty and good governance. Debt consolidation will require budget cuts and increased taxation, but it needs to be backed by growth-enhancing reforms. The political dynamic within the ANC in the run-up to the national elections will be a significant distraction from the needs of the South African economy. If government defers or fails to make adequate plans to consolidate debt, we run the risk of a sovereign downgrade.

In the short term, there are two debt-related issues that require urgent attention. The first is the reform of SOEs, most notably, Eskom. The appointment of a new board at Eskom and the search for a new CEO and CFO is encouraging but, like the rest of the country, solving Eskom's crisis

will require more than new leadership. For Eskom to escape its debt trap, the new board will need to set a strategy to radically reform its business model. In addition, a complete audit of all existing procurement practices and contracts is required, as well as an operational review to increase efficiency – with the likely outcome of a much-reduced headcount.

Unemployment and inequality remain the greatest restraining factors in terms of macroeconomic wellbeing. Longer term risks to growth include poverty and a low skills base. Stats SA's Poverty Trends report showed that more than half of South Africans – over 30.4 million people – were living in poverty in 2015. South Africa's high rates of poverty are the result of a combination of low economic growth, persistently high unemployment, and poor basic education for children from under-resourced households.

Stakeholders at every level agree that the achievable rate of economic growth is directly linked to the skills of the population, yet government has failed to make meaningful changes here. Although symbolic, free tertiary education cannot correct the failures in early childhood development and overall basic education, as evidenced by the appalling drop-out rate of our first-year university students.

Despite these challenges, there is hope – deriving from the improved sentiment between government and business and the prospect of better investor and consumer confidence. Encouragement for more favourable commodity prices and emerging market growth is welcome, although recent developments in Turkey show how fragile this can be.

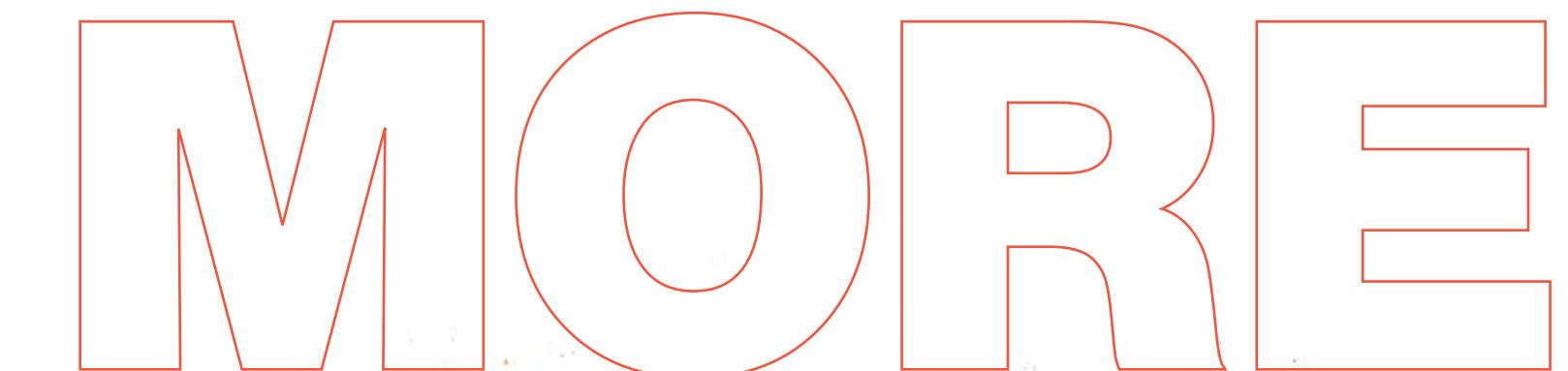
Political overview

After the removal of Jacob Zuma at the National Elective Conference at the end of last year, there was widespread public support for Cyril Ramaphosa. Since then, weakening economic conditions, and ongoing policy and political uncertainty have started to weigh on business, investor, and consumer confidence. Although the new president has made sweeping changes at SOEs by installing new management and rooting out corruption as well as paving the way for public-private partnerships in some SOEs, to date there is little concrete evidence of accountability or any consequences for those involved in graft.

It was expected that the new president would stabilise economic policy – which would in turn repair business confidence and stimulate both foreign direct investment and domestic fixed investment – but uncertainty about land reform and mining have undermined initial progress.

The country is also in the process of gearing up for the election, with opposition parties cleaning out their ranks and becoming ever more vocal and visible on national issues.

With the election in mind, the ANC is currently working to resolve disputes in several provinces around the country. If this is not achieved, the party may find itself at an impasse come December, and perhaps, in a state of uncertainty which will weaken its approach to the 2019 elections. The public's dissatisfaction with the ANC was apparent in the results of the 2016 local elections, after which the party's share of votes fell from 62,9% to 53,9%. More troubling for the ANC is that 40,0% of eligible voters withheld their vote. As Dr Frans Cronje of the Institute of Race Relations puts it, if those individuals had entered non-ANC votes, the party would have suffered a serious loss.



SOCIAL PROGRESS INDEX (SPI)



The Social Progress Index (SPI) was developed by the Social Progress Imperative, a non-profit organisation formed to help integrate the SPI into corporate and governmental thinking. The Social Progress Imperative describes the index as a means of "redefining how the world measures success and putting the things that matter to people's lives at the top of the agenda". Although economic growth is extremely important, and its indicators are widely used to measure a country's progress, the Social Progress Index observes a series of social and environmental indicators to capture advancement in terms of achieving overall wellbeing.

Economic development is a beneficial contributor to social progress, but not sufficient in and of itself. Economic

growth has also been known to occur at the expense of the environment and can often exacerbate inequality. Hence, an index was developed to focus on social and environmental indicators that correspond to many of the challenges facing a nation's progress.

The index measures a number of indicators – economic, social and environmental – and compares countries to their closest peers in terms of gross domestic product (GDP) per capita. More specifically, the SPI measures the wellbeing of a society by observing social and environmental outcomes directly, rather than the economic factors. The social and environmental factors include wellness (such as health, shelter and sanitation), equality, inclusion, sustainability and personal freedom and safety.

"Social progress depends on the policy choices, investments, and implementation capabilities of multiple stakeholders—government, civil society, and business." – Prof Michael Porter, Social Progress Imperative

Harvard professor Michael Porter is widely credited as having created the concept of shared value. In the pursuit of bringing social and environmental considerations to the fore in the creation of policy and corporate agendas, Porter developed what he termed the “rigorous” SPI. Porter asserts that government, business and civil society collaboration seeking to generate measures of assessment looking beyond GDP must be grounded in knowledge and thorough analysis.

His vision is that the SPI will become as prominent as the World Economic Forum’s Global Competitiveness Report in driving best practice and a race for the top.

Social progress has become an increasingly critical item on the agenda of leaders in government, business, and civil society. Citizens’ demands for better lives are evident in uprisings such as the Arab Spring and the emergence of new political movements in even the most prosperous countries, such as the United States and France. Since the financial crisis of 2008, citizens are increasingly expecting business to play its role in delivering improvements in the lives of customers and employees, and protecting the environment for us all. Advancing social progress requires a new model of development, because, as Porter found, economic development alone has been found wanting.

Economic growth has had an extraordinary impact on our world. Not only has global GDP per capita more than doubled since 1970 but, according to World Bank estimates, the percentage of the world’s population now living in extreme poverty has fallen from nearly 40,0% to less than 10,0%. However, the gains from this growth have been uneven. Most of the world’s extremely poor now live in countries considered “middle income” on the SPI.

Progress on social issues does not automatically accompany economic development. Rising income usually brings major improvements in access to clean water, sanitation, literacy, and basic education. Nevertheless, on average, personal security is no better in middle-income countries than low-income ones and is often worse. Too many people – regardless of income – live without full rights and experience discrimination or even violence based on gender, religion, ethnicity, or sexual orientation.

Traditional measures of national income, such as GDP per capita, fail to capture the overall progress of societies. The question of when and how economic development advances social progress (and when it does not) has become central, due to concerns about inequality and environmental limits to growth, but the answers have been absent.

The Social Progress Index is the first comprehensive framework for measuring social progress independently of GDP, and gives us the ability to understand the relationship between economic and social progress. The vision is for a world in which social progress sits alongside GDP as a core benchmark for national performance. The Social Progress Index provides a systematic, empirical foundation for this benchmark, and a guide for inclusive growth strategies and the advancement of social justice.

South Africa – included in the ranking – achieved a score of 67,25 (2017) – establishing it amongst the upper middle countries in terms of social progress. Three of the countries in this tier (Brazil, Russia, and South Africa) are

part of the BRICS group of emerging economies. This diverse group of countries achieves good performance overall, ranking in the top half of countries globally, but with more areas for improvement. Whereas higher tier countries have generally eliminated extreme hunger and have near universal access to water and basic education, the Index shows that many upper-middle social progress countries still face challenges in these areas.

Below is an outline of the SPI indicator-level Framework:

BASIC HUMAN NEEDS

Nutrition and Basical Medical Care

- Undernourishment
- Depth of food deficit
- Maternal mortality rate
- Child mortality rate
- Deaths from infectious diseases

Water and Sanitation

- Access to piped water
- Rural access to improved water source
- Access to improved sanitation facilities

Shelter

- Availability of affordable housing
- Access to electricity
- Quality of electricity supply
- Household air pollution attributable deaths

Personal Safety

- Homicide rate
- Level of violent crime
- Perceived criminality
- Political terror
- Traffic deaths

FOUNDATIONS OF WELLBEING

Access to Basic Knowledge

- Adult literacy rate
- Primary school enrolment
- Secondary school enrolment
- Gender parity in secondary enrolment

Access to information and Communications

- Mobile telephone subscriptions
- Internet users
- Press Freedom Index

Health and Wellness

- Life expectancy at 60
- Premature deaths from non-communicable diseases
- Suicide rate

Personal Safety

- Outdoor air pollution attributable deaths
- Wastewater treatment
- Biodiversity and habitat
- Greehouse gas emissions

OPPORTUNITY

Personal Rights

- Political rights
- Freedom of expression
- Freedom of assembly
- Private property rights

Personal Freedom and Choice

- Freedom over life choices
- Freedom of religion
- Early marriage
- Satisfied demand for contraception

Corruption

Tolerance and Inclusion

- Tolerance for immigrants
- Tolerance for homosexuals
- Discrimination and violence against minorities
- Religious tolerance
- Community safety net

Personal Safety

- Years of tertiary schooling
- Women's average years in school
- Inequality in the attainment of education
- Globally ranked universities
- Percentage of tertiary students enrolled in globally ranked universities

In summation, the SPI suggests that South Africa is a country of exceptional opportunity, but fails to accomplish enough with that potential.

The IQbusiness Partnership with the Social Progress Imperative

In 2019, IQbusiness will embark on the creation of a South African subnational Social Progress Index in partnership with the Social Progress Imperative. This study will look at indicators that measure social and environmental progress in the nine provinces of South Africa over a period of time.

The development of this subnational index has the potential to generate valuable insights about elements of South

Africa's growth that go beyond the economic to depict a holistic picture. These insights can be further expanded in subsequent iterations of research and programmes to encourage more growth. The insights will also have a special focus on how South Africa is doing in terms of Youth Empowerment in each of the provinces.

IQbusiness aims to partner with key industry stakeholders across business and government to ensure the first subnational South African Social Progress Index helps inform policy and business decisions for the betterment of South Africa.



REPORT BACK: OUR CONTRIBUTION TO

INCLUSIVE GROWTH 2017



Business, as a concept, does not solely refer to corporations. It includes ordinary people, and those at grassroots level, such as retailers, factory workers, entrepreneurs, miners, farm workers, technicians, cleaners, designers, engineers, managers and countless others, who go to work every day and strive to add value in everything that they do.

The impact of business on the economy and society at large is crucial and cannot be downplayed.

IQbusiness is a for-profit company that understands the need to balance our profit motive with our broader desire for social, environmental and economic impact. In the same way that non-inclusive growth is a poor long-term strategy for the country, a business that does not take time to invest in continuous improvement and sustainable impact will find any success short-lived. We strive to balance the dividend imperative with the need for social, environmental and economic impact and investment.

This MORE Growth.co.za Report is the fourth report in the IQbusiness annual Growth research series and highlights some of the contributions made by IQbusiness, our clients, and our partners. We have experienced

first-hand the challenges and joys along the journey to making a positive impact in South Africa. Though there remains a long road to walk, we are proud of the progress made so far, and continue to be committed to our MORE Growth.co.za goals.

Our commitments for the coming year will focus on challenging, meaningful and immediate changes that we as a business can make towards growing a sustainably inclusive economy. These commitments have been informed by our delivery on our promises to date.

Promise 1: Government Agility

IQbusiness committed to offering to train two Government officials involved in the implementation of the NDP – at no cost – on each of the public Agile training interventions we conducted. IQbusiness is the largest Agile consulting firm in Africa, with over 6,500 clients trained in the past 5 years in our various Agile programmes.

In December 2017, the first two Government officials attended our Agile training – they were the DDG for the Gauteng Department of Education and her Chief Executive.

IQbusiness was also appointed as Project Manager and partnership support for the Gauteng Department of Education's 'Schools of Specialisation' programme. This has enabled us to bring our abilities in structuring a project as well as our wealth of potential partnership contacts into play. This has already allowed us to bring Absa and the National Aerospace Centre (NAC) into operation at Wits University. Because of Absa's involvement, support is being given to a number of schools including the Magaliesburg School of Agriculture and the East Rand School of Arts.

Two project members from the National Education Collaboration Trust (NECT) have also attended Agile training. The relationship started with the involvement of IQbusiness in the NECT Innovation Hub. We have explored options with the NECT on an Agile Pilot in Education, as well as provided insights to innovative technologies like Virtual Reality and its application to Education. The NECT Innovation Hub is a facility that seeks to identify innovative approaches to education, and through our engagement, we have been able to explore the potential of several innovative mechanisms in education, including Agile in education and Virtual Reality.

Promise 2: Education Basics

IQbusiness promised to expand our support for Partners for Possibility (PfP), the co-action, co-learning partnership between school principals and business leaders.

Education is the single most important investment in social capital needed to lay the foundation for all South Africans to participate in the economy. It is for this reason that we are committed to working together with PfP to share our expertise with partner schools to develop leadership potential and find workable solutions to everyday educational challenges. Our view is that critical change in education can only be unlocked when education leaders are able to identify and implement strategic priorities and effectively manage budget and resource allocations. This is something that we at IQbusiness do in a myriad of environments every single day.

Over the past year we have continued to support PfP and have encouraged the development of relationships in client environments where we are involved.

In addition to providing office space and facilities for PfP's Gauteng-based operations, we have encouraged

our clients to adopt the model, and have been heartened to see the uptake that has taken place at a number of our clients.

We have built on the foundation of support in education through a significant number of education projects. These include collaborations with the following:

- **Fundi** – an organisation that provides financial support across the full education journey from childhood to adulthood.
- **Tomorrow Trust** – an organisation that provides integrated education and holistic support to orphaned and vulnerable children, throughout their education journey, to counteract the cycle of poverty and improve individuals' futures.
- **Gauteng Department of Education (GDE)** – support for the Schools of Specialisation programme.

Promise 3: Enterprise Exposure

IQbusiness committed to publishing full details of all our Enterprise and Supplier Development (ESD) partners and mentees on our website and challenged other corporates

to follow suit. In addition, as the year progressed, we realised that the potential impact of the supplier development work that we were doing could be so much greater than just publishing details. Significant progress has since been made on a number of fronts:

- **Woolworths** – IQbusiness partnered with Woolworths through their Supplier Development Programme. Two of Woolworths suppliers were identified and IQbusiness is providing business coaching and advisory services to these suppliers. We are working in conjunction with the Woolworths team, and we are striving towards seeing these suppliers grow to an annualised turnover of R 50 million within 3 years.
- **NPI Governance Consulting (NPI)** – NPI is a niche B-BBEE advisory and project management practice. It is also a trusted B-BBEE advisor to local and multinational companies. NPI, along with IQbusiness, agreed to embark on a Supplier Development initiative. With this, NPI joined up with IQbusiness in the IQbusiness Park in Rivonia. Our initial engagement was to provide NPI with the IQbusiness operating platforms as it related to Finance, Information Technology, Human Capital and Facilities. This freed the CEO and his team up to focus on NPI's

core business, allowing them to grow their footprint from R5 million to R10 million in the first 12 months.

The IQbusiness leadership further worked with NPI to constitute its business with the required governance structures. This started with its Board that included Cheryl Carolus and Happy Ntshingila, together with IQbusiness executives. Whilst NPI is reliant on IQbusiness for its back office operations, the business Finance, Payroll and Human Capital functions were successfully transferred back. The skills transfer was made possible through solid support structures, and reporting platforms and policies for the management team.

The growth in NPI has also resulted in its staff compliment increasing from five to 20 people over the past two years.

NPI Governance Consulting and IQbusiness have jointly engaged with clients in delivering projects, allowing both enterprises to grow and learn. We continue to expand our relationship in seeking joint opportunities for the benefit of growing people, growing business and growing Africa.

- **Carwash** – Abel Ratabane was a man with a dream: to start a carwash. He shared this dream with us,

and we supported him in the starting and profiling of his carwash business. With clients and IQers alike using our campus, Abel's pool of customers is never dry, and thus his business is flourishing. He has now had to employ support staff, leading to a more sustainable business.

- **Computer procurement** – Every one of our 700 IQers and contractors requires a laptop. Sage Computing is a female-owned, level 1 BEE supplier of computers. IQbusiness realised the opportunity presented by supporting the growth of this business, and over the years has transitioned 60% of the functions of computer procurement and support to Sage Computing, which currently employs 14 people.

Promise 4: State-Owned Support

In his maiden State of the Nation address, President Ramaphosa said that the severe financial, operational and governance issues being experienced in many of South Africa's SOEs had impacted on the performance of the economy and placed pressure on the fiscus.

In an environment of weak economic growth, falling government revenue, and rising public debt, it was simply infeasible to repeatedly bail out ailing SOEs

that contribute little or nothing to the economy. For this reason, IQbusiness promised to lead a campaign to compel SOEs to outsource their internal audits and improve both governance and accountability.

Over the past 12 months, the rot that many suspected had been allowed to set in at so many of our SOEs became clearer to see than ever before. IQbusiness identified the determined efforts made by the Auditor-General in Parliament to amend the Public Audit Act by driving tough changes in the public sector as a beacon of transparency and responsibility in the entire public audit function, not just internal audits.

For that reason, IQbusiness campaigned in the media and at public engagements with respected business, government and thought leaders for clean governance and liability for corruption, fraud and mismanagement of public funds, to kick our growth engine into gear.

The Public Audit Amendment Bill is currently with the President for signature. It holds changes that are expected to move us towards better governance, accountability – and consequences for culprits in the financial management of public funds.

Promise 5: Financial Inclusion

IQbusiness committed to seeking to responsibly procure relevant goods and services from the informal sector, and challenged other businesses to do the same.

We asked ourselves how we could leverage our organisation in this area and concluded that effective financial inclusion can be enhanced through a one-to-many relationship. In other words, by equipping key IQers as mentors to those who are less fortunate, we could make a real impact over and above our existing procurement actions. As such, we are actively involved in the National Mentorship Movement in terms of our support at a Board-level for this important initiative and as mentors in the front-line. We already have a number of IQers as mentors, and their results and impact will be tracked.



LOOKING FORWARD: OUR NEW COMMITMENTS 2018

IQbusiness is proud to be a Certified B-Corporation. The certification recognises businesses across industries and continents for their commitment to driving and inspiring more ethical business practices. It evaluates the extent to which a company operates holistically, and how it impacts all stakeholders.

IQbusiness met the criteria of having verified higher levels of social and environmental performance, transparency, and accountability. There are over 2,600 Certified B Corporations in over 60 countries across 150 industries. At present, there are 25 African B-Corporation companies. In South Africa, IQbusiness is the largest of the five companies that have been certified.

IQbusiness understands the vitally important role that it plays by being a business that is concerned with its overall impact – from engaging in good business practice, to effecting real change in the broader context. At its core, IQbusiness has the potential for far-reaching social, environmental and economic impact. “When IQbusiness had just turned 16 – much like an adolescent teenager – our focus began to shift from what we do, to why we do it,” explains CEO Adam Craker. “We wanted to determine the reason for our existence as a company – to define our purpose.”

As we mature into the next 20 years of our business, and with each of the Growth Reports that IQbusiness releases, we challenge ourselves to make and keep new promises.

Agile in Basic Education

IQbusiness will extend our progress in education by doubling the number of places offered to public sector education staff on our Agile training programmes to four per public course.

Agile in Education is a worldwide initiative founded by Willy Wijnands and Arno Delhij. The guidelines that the initiative encourages are informed by their compass. The Agile in Education Compass is inspired by the reality of a changing world in which we now live: a volatile, uncertain, complex and ambiguous world. Teaching and learning both have to be more accommodating, related and interdependent. Implementing Agile in the classroom could unveil hidden opportunities that, if explored, could result in teaching that is more effective, efficient, motivational and well-rounded.

The economy of the future is one of e-business, e-commerce, artificial intelligence, big data, and other technological innovations. Agile in Education found that Agile gained popularity because of its ability to complete projects in an environment constantly in flux. The World Economic Forum conducted a study in 2016 that predicts that 65,0% of today's pupils will ultimately be employed in jobs that currently do not exist. The study also noted that the highest number of job vacancies at present is in roles that didn't exist five years ago. Given this, it is very clear that the world will be forced to create an education system that will develop and cultivate skills that future generations can utilise to manage and direct the future.

Brand Zietsman, an IQer, is passionate about Agile in Education. He and Baden Dowie – an internationally experienced educator – have initiated an Agile in Education movement in South Africa, through their website EduAgile. They want to grow a community of people who are interested in learning and sharing knowledge and have a passion for Agile in Education.

Some of the positive changes brought about by using the Agile approach in learning, according to the Agile in Education Compass are:

- **Iterative learning not prescriptive learning** – Agile in education creates a 'visible cycle of learning', encouraging meaningful and relevant learning with clear intentions.

- **Culture embedded learning not content learning** – The Agile approach in education educates pupils through experiential learning, thus teaching learners real life lessons that equip them for experiences outside of the classroom environment.
- **Visible feedback and reflection not evaluation** – This method of assessment and learning is another lifelong lesson that encourages the appreciation of feedback, consistent monitoring of progress and embracing ownership.
- **Trust not control** – Agile methodologies embrace human diversity, hence increasing self-discipline and self-control, removing the need for constant monitoring and controlling. Emphasis is placed on the value of freedom in the process of discovery.
- **Collaboration not competition** – Agile in education emphasises the power of shared learning. It discourages competition and encourages collaboration, through sharing individual perspectives and developing social intelligence. Therefore, equipping learners with problem solving capabilities, including effective communication skills, which results in deeper understanding.

Financial Inclusion

IQbusiness will broaden the participation of women in our business and wider economy by more than doubling our Women's Chapter Network (WCN) programme from 20 to 50 women within IQbusiness in 2019. The WCN is a 12-month executive and leadership skills development programme for professional women. In addition, IQbusiness aims to offer this programme, free of charge, to 30 women outside of IQbusiness in 2020.

South Africa is recognised as having one of the world's most sophisticated financial regulatory systems. Yet despite comparatively high rates of participation in the financial services sector, our performance in terms of financial inclusion remains significantly below that of our emerging market peers.

A report released by global management consulting firm Boston Consulting Group (BCG) found that the South African economy is especially weak when it comes to converting wealth into wellbeing. They found that although more than 70,0% of South African adults have a transaction account – more than in Brazil, Chile, India, Mexico, and Russia – over a quarter of account holders withdraw their wages as soon as they are

deposited. Similarly, although South Africa has life insurance adoption rates higher than that of far wealthier countries such as Italy and Spain, this seldom extends beyond funeral policies in lower income groups. Of even more importance is that their report identified a clear and measurable association between financial inclusion and socioeconomic development.

These findings are important, because financial inclusion is a significant predictor of socioeconomic development, or as BCG describes it: "the ability to turn wealth into wellbeing." What these findings show is that millions of South Africans are missing out on one of the most powerful drivers of inclusive growth, namely financial inclusion.

On an individual level, financial inclusion helps to drive socioeconomic development because it makes it easier for people to save and preserve wealth, access credit, and insure themselves against financial shocks. The fact that South Africa has one of the lowest savings rates in the world is indicative of the low levels of financial inclusion in our economy.

South Africa sorely needs improved financial inclusion, but as the World Economic Forum has identified, we face some obstacles in achieving this goal, namely:

1. Banking services are associated with high fees, thus discouraging people from opening accounts and making use of the accompanying services. Cash remains the nation's most prominent form of payment, with people willing to take the associated risks in order to avoid fees.
2. South Africans seem to have a negative view of banks and an overall mistrust towards them. This is closely linked to the previous point; lower income individuals fear exploitation by these institutions (high levels of financial illiteracy).
3. People have a fear of fraud associated with cashless transactions – especially when it comes to banking via mobile or internet methods, and ATMs.
4. Banks require copious paperwork and their response time is slow, often discouraging users.
5. The large informal economy in South Africa operates outside of formal structures, meaning that their borrowing is primarily sourced from informal lenders.

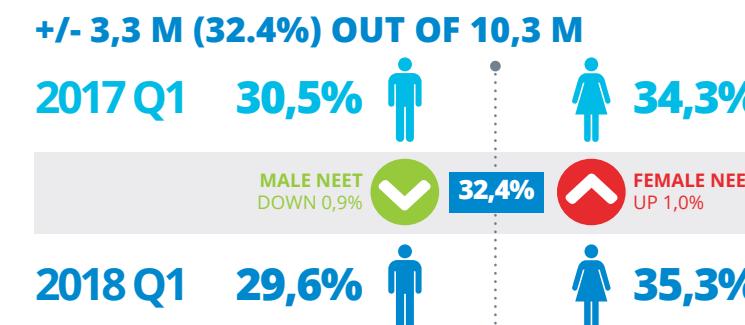
Our experience has reflected that women largely bear the brunt of financial exclusion and we have therefore tailored our MORE Growth.co.za goal to develop a pipeline of confident, skilled and catalytic growth enablers.

Youth Unemployment

IQbusiness will double our intern intake to 80 interns by 2020 – and continue to support three key initiatives: Harambee, the Youth Employment Service and the National Mentorship Movement.

South African youth are particularly vulnerable in the labour market, with more than half of young people aged 15–34 being unemployed (South Africa classifies young people in the age range 15-34 although the UN, for statistical consistency across regions, defines 'youth', as those persons between the ages of 15 and 24 years, without prejudice to other definitions by Member States).

Young people not in employment, education or training by gender (15-24)



Source: Stats SA, 2017

Some of these young people have become disillusioned with the labour market and fail to further develop their skillset through education and training. These individuals are considered 'not in employment, education or training' (NEET).

The NEET rate serves as an important additional labour market indicator for young people. Of the 10.3 million persons aged 15–24 years, 32,4% (approximately 3.3 million) were not in employment, education or training – implying that close to one in three young South Africans between the ages of 15 and 24 years were disengaged with the labour market in the first quarter of 2018. The NEET rate declined among the black African and coloured males, while the rate increased among Indian/Asian and white males. Among females, the NEET rate increased for all population groups, with the exception of coloured females.

The NEET rate, in conjunction with unemployment rates over 50%, suggests that South African youth face extreme difficulty engaging with the labour market. Certain factors such as lack of experience, and the period for which they have been unemployed, may exacerbate the vulnerability experienced by these young people in the labour market.

The burden of unemployment is also concentrated amongst the youth, as they account for 63,5% of the total number of unemployed persons. The unemployment rate among the youth is higher, irrespective of education level. The graduate unemployment rate was 33,5% for those aged 15–24 and 10,2% among those aged 25–34 years, while the rate among adults (aged 35–64 years) was 4,7%. Just over 30,0% of the youth have jobs and about half of them participate in the labour market. Within the youth, those aged 15–24 years are more vulnerable in the labour market with an unemployment rate of over 52,0%, an absorption rate of about 12,2% and a labour force participation rate of 25,6%.

There are, however, a number of initiatives and organisations in South Africa actively involved in providing opportunities to tackle the youth unemployment situation, including a few critical initiatives: The Youth Employment Service (YES), National Mentorship Movement, and the continued work by Harambee, the youth employment accelerator.

The Youth Employment Service (YES)

The Youth Employment Service (YES) aims to see more than one million young South Africans, between the

ages of 18 and 35, offered paid work experience over the next three years (2018 – 2020). Initially conceptualised close to 18 months ago as part of the CEO Initiative, the YES is a commitment on the part of the business sector to address youth unemployment. President Cyril Ramaphosa launched the initiative in March 2018, a partnership between government, business, labour and civil society.

The idea behind the programme is simple: provide incentives that encourage corporates and SMMEs to create one-year employment opportunities for unemployed black youth and then match willing, unemployed young people with those opportunities. It is well-known that the longer a person is unemployed, the less likely they are to be able to enter the workforce, so creating these opportunities with school-leavers is essential. For those who have never had a job at all and are not ‘plugged-in’ to the formal economy in anyway, the chances of breaking into the workforce are extremely small. This is where the YES programme steps in.

This can occur through corporate work experience, where businesses that participate in the programme create year-long paid positions for the youth or through small business development, where young people are

empowered through training and funding to work in or start and grow their own businesses. YES aims to empower South African youth and black-owned SMMEs by placing the former into the latter, through the assistance of a number of large South African businesses including Investec, Unilever, Absa and Sasol.

Government also introduced a new Youth Employment B-BBEE recognition, allowing businesses that meet YES targets and comply with the registration criteria to move up two levels on their current B-BBEE certification. In addition, to encourage demand-side job creation, companies employing black youth between 18 and 29 years old will qualify for the Employment Tax Incentive.

In a country where more than 6 million young people are unemployed, there is a desperate need for jobs, but when one considers that more than half of those trying to enter the workforce each year do not have a matric, there is also a desperate need for vocational training and skills development.

National Mentorship Movement (NMM)

The National Mentorship Movement (NMM) is an initiative born out of the successful collaboration between the Black Management Forum (BMF), the Jewish Business Support Organisation, Ortjet and corporate South Africa. Its public material also features the involvement of some of South Africa’s leading businesses, such as Deloitte, EOH, FCB and Primedia, the Awethu Project, Standard Bank, IQbusiness, the SA SME Fund and many of South Africa’s prominent business executives from across many industries.

By pairing the experience and knowledge of successful business people with a passion for South Africa’s thriving entrepreneurial talent, the NMM is transforming South Africa’s economy. Their goal is to pair 100 000 mentors with 1 million entrepreneurs by matching the right needs, skills and experience to support small business and improve the chances of success of South Africa’s small and medium enterprises. In so doing, they aim to create 2 million jobs and contribute towards a thriving economy.

Harambee

A not-for-profit social enterprise, Harambee has extensive experience in building solutions and innovations that can solve the global youth unemployment challenge. They collaborate with business, government, young people and many others who are committed to results that can work at scale.

Harambee recently partnered with government and other private sector providers on the YES (Youth Employment Service) initiative. Harambee's role in the YES is to provide their expertise in helping young people overcome obstacles and remain employed. They teach potential employees to manage their expectations of the reality of a job; offer work-readiness training; and ensure that candidates are well-matched to their positions, to avoid them dropping out of the labour market.

Harambee's recorded achievements to date include:

Partnered with

450

employers from large
corporates to SMEs

Helped over

50 000

young people find their first job

Created job matches with over

1.7M

assessments

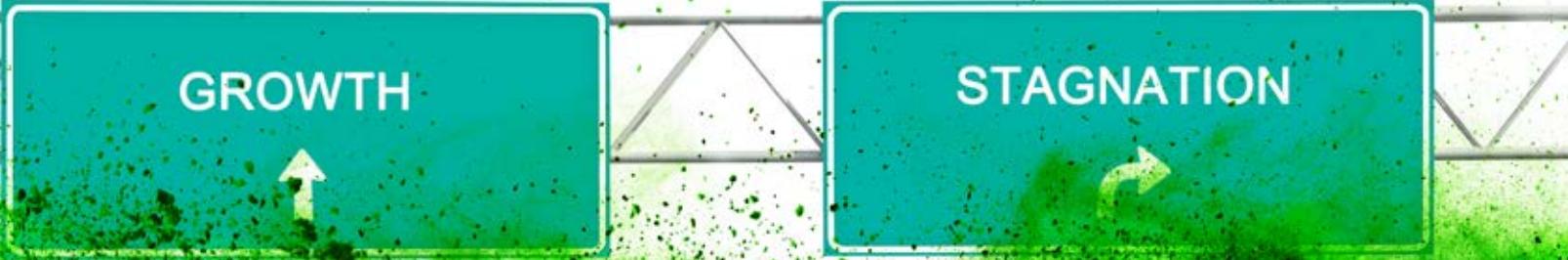
Source: Harambee.co.za - information correct as at 1 October 2018

Their success in improving youth employment prospects is also due to their encouragement of small behavioural tweaks, like ensuring that candidates are up early, dressed appropriately, and willing to clarify issues they don't understand by asking questions. They are also involved in organising transport for those without it, all of which is considered vital to the success of YES.

Harambee connects employers who are looking for entry-level talent to high-potential South African youth who are hungry for opportunity but lack the finances and networks needed to find jobs, usually because they come from vulnerable communities. They tackle the youth unemployment challenge using data, innovation, partnerships and on-the-ground experience to build pragmatic, implementable solutions that get results.



TOWARDS MORE GROWTH CO.ZA



A photograph of a road sign pointing upwards with the word "GROWTH" and an upward-pointing arrow. Next to it is another road sign pointing to the right with the word "STAGNATION" and a circular arrow.

What is Accountable, Inclusive Growth?

When the delegates of the Congress of the People adopted the Freedom Charter in Kliptown in 1955 they knew that inclusive growth was crucial to addressing the structural inequalities brought about by apartheid. Their demand that "The People Shall Share in the Country's Wealth" remains today the essence of inclusive growth.

Broadly, inclusive growth can be defined as economic growth that creates opportunity for all segments of the population and distributes the dividends of increased prosperity, but in the South African context inclusive growth means that:

- Inequality is reduced and that everyone in society benefits from economic gains.
- There is sustained job creation and skills transfer.
- The transfer of intergenerational wealth is not confined to the middle and upper-middle classes.

At IQbusiness we believe that inclusive growth is growth that benefits all in society and is done in a sustainable manner. This requires structural changes to the economy

that will make the racial and gender composition of the ownership, control and management of the economy more reflective of national demographics as well as dealing with historical economic inequalities and cleavages.

Is Inclusive Growth a Realistic Goal?

The business community has an enormous role to play in creating inclusive growth. Companies are the entities in society that are responsible for the largest proportion of wealth and jobs – not the state. A functional and accessible private sector is vital for economic performance, and the advantages of a mutually beneficial and considerate partnership between government and business cannot be underestimated.

Job creation is a hugely powerful lever of economic growth and one on which we, our partners and clients have a measurable impact. Job creation is also arguably the most effective driver of inclusive growth and social justice. In this context, we know that our primary focus needs to be employment and skills development. Skills development is crucial for the creation of sustainable businesses and is the foundation for future job creation.

The Organisation for Economic Co-operation and Development (OECD) uses inequality as a measure of a country's achievement of inclusive growth. However, we believe that this is too narrow a measure for genuine economic progress. The true measure of inclusive growth should be the living standards of South African citizens (access to electricity, water, sanitation, literacy rates housing, job opportunities, and so forth), along with inequality and poverty measures. CSI initiatives continue to be popular and encouraged because they have historically proven to be effective in reducing poverty and generating growth in developed nations, especially thanks to global corporations and market-driven capitalism. However, CSI programs are limited in scope and income, and can distract from the business central function without contributing to the company's financial wellbeing. Given the demand for companies to deliver economic and social value, and the vast pool of opportunity to improve the quality of life in South Africa, how can business implement scalable and profitable strategies for inclusive growth that effect change for the broader social stakeholders?

Research by Kaplan, Serafeim and Tugendhat, published in the Harvard Business Review, suggests that instead of trying to fix local problems, business needs to reimagine the regional ecosystems in which they participate and

grant better access to the mainstream economy. Their research revealed four principles for strategies capable of creating ecosystems that are inclusive, sustainable and profit-generating:

1. **Ecosystem reinvention:** companies should work on projects that generate economic gains for themselves, while creating socioeconomic gains for all other stakeholders in the ecosystem.
2. **Mobilising complementary partners:** business should join with organisations able to engage actors from multiple sectors in collaborative relationships and strategies for economic and social value creation.
3. **Obtain seed and scale-up financing:** look for capital from organisations that already aim to create inclusive growth and are under less pressure to generate short-term financial returns, including public enterprises.
4. **New measurement and governance:** Implement a new measurement and governance system to build commitment, monitor progress, and sustain alignment among the key players involved in creating the new ecosystem.

"CEO activism" is a driving force behind this change. After surveying CEOs in 85 countries internationally, the annual PricewaterhouseCoopers (PWC) CEO Survey found that as many as 93,0% of CEOs feel that things are likely to improve, or at worst stay the same, in 2018. This resoundingly optimistic global outlook is balanced by a more tempered view of their own organisation's performance. The things considered to be primary threats amongst African CEOs are social instability and an increasing tax burden.

Overall, we have detected an increase in local corporate activism by way of public statements and deliberate action to exert economic influence on contemporary matters, but in general the discourse and action is wanting. The fact remains that there is room for change in South Africa, and business can definitely drive this change.



CONCLUSION



The responsibility of uplifting our country cannot fall to government alone. Business is in the prime position, as the majority provider of wealth and jobs, to significantly affect the lived experiences of people in the country. This does not mean abandoning or stretching one's operational focus. Rather, it means weaving socially conscious and responsible practices into everyday business goings-on. To address the triple-headed monster of inequality, unemployment and the cycle of poverty, South Africans across the spectrum must be willing to take up the mantle and work together for the betterment of all.

As the aphorism preaches: A rising tide raises all ships. It is time for the tide to change.

IQbusiness does not make these proclamations lightly. Instead, we accept the charge to engage actively in our nation's improvement. As a recognised B-Corporation, and the winner of the 2018 Conscious Companies awards, we are committed to using our business as a force for good working to help address the economic, environmental, and social issues faced by not only our county, but Africa as a whole.

Though there is no panacea upon which we can rely to bring about the change that is needed, we will continue to work to do what we can in the areas identified and to be held accountable to our commitments.

Among these is the commitment by IQbusiness to double the spaces available for public sector education staff to undergo Agile training. Our objective is to improve education by instilling Agile mindsets and methodologies.

We have also committed to more than double our Women's Chapter Network (WCN) programme, from 20 to 50 participants. In 2020, we will also offer the 12-month executive and leadership programme for professional women free of charge to 30 women outside IQbusiness. This is to foster further participation of women, not only in our own business, but the broader economy.

We have also made commitments to uphold our responsibilities to young people – the future of our country. IQbusiness will double our intake to 80 interns by 2020 – and continue to support three key initiatives: Harambee, the Youth Employment Service and the National Mentorship Movement.

It is up to all of us to make sure that South Africa enjoys more inclusive growth and we realise the potential of our economy. Our 2018 MORE Growth.co.za conference will tackle this.

WHAT WILL YOUR CONTRIBUTION BE?

WINNER



Certified



About IQbusiness

IQbusiness is the leading independent management consulting firm in South Africa, helping clients overcome their business challenges and achieve better results. Since 1998, we have been enabling banks, insurance companies, retailers and others to take their products to market faster, improve customer satisfaction, upskill teams, eliminate waste and strengthen governance and compliance.

Drawing on our core strengths - consulting, research and contracting - we solve clients' problems by providing innovative, faster and more cost-effective services and solutions, backed by teams with real expertise and experience.

Although proudly South African, our perspective is international through the experience of our people, our clients and our business partners. IQbusiness is privately owned and fully empowered with a level 3 B-BBEE certification.

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