

# The Role of the Business Elite in South Africa's Democratic Transition:

Supporting an Inclusive Political and Economic Transformation

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## Abstract

This paper provides insight into the role played by a part of the private sector which came to constitute a fairly unique elite in supporting the negotiation of a new political settlement in post-apartheid South Africa. To support this process, and to help engineer a political settlement that supported state-building in the interests of a peaceful political and smooth economic transformation, business steadily became both a conduit and part of negotiations, the political settlement that ensued, and the state-building efforts that followed the first democratic elections in 1994 and continue to this day. In the process, its role and position has evolved and a myriad of positive contributions have been made *en route*, however, but persistent socio-economic deficits belie the full-bodied success of the transformation that both enabled the inclusivity of the process itself and promised prosperity and development as tangible outputs.

## About the Publication

This paper is one of four case study reports on South Africa produced in the course of the collaborative research project 'Avoiding Conflict Relapse through Inclusive Political Settlements and State-building after Intra-State War', running from February 2013 to February 2015. This project aims to examine the conditions for inclusive political settlements following protracted armed conflicts, with a specific focus on former armed power contenders turned state actors. It also aims to inform national and international practitioners and policy-makers on effective practices for enhancing participation, representation, and responsiveness in post-war state-building and governance. It is carried out in cooperation with the partner institutions CINEP/PPP (Colombia, Project Coordinators), Berghof Foundation (Germany, Project Research Coordinators), FLACSO (El Salvador), In Transformation Initiative (South Africa), Sudd Institute (South Sudan), Aceh Policy Institute (Aceh/Indonesia), and Friends for Peace (Nepal). The views expressed in this paper are those of the authors and do not necessarily reflect the views and opinions of the Berghof Foundation, CINEP/PPP, or their project partners. To find more publications for this project please visit [www.berghof-foundation.com](http://www.berghof-foundation.com). For further information, please contact the project research coordinator, Dr. Véronique Dudouet, at [v.dudouet@berghof-foundation.org](mailto:v.dudouet@berghof-foundation.org).

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## List of Acronyms

<b>AHI</b>	<i>Afrikaanse Handelsinstituut – Afrikaans Chamber of Commerce</i>
<b>ANC</b>	African National Congress
<b>BAC</b>	Business against Crime
<b>CBM</b>	Consultative Business Movement
<b>CODESA</b>	Convention for a Democratic South Africa
<b>COSATU</b>	Congress of South African Trade Unions
<b>GEAR</b>	Growth, Employment and Redistribution
<b>GNU</b>	Government of National Unity
<b>IEC</b>	Independent Electoral Commission
<b>IFP</b>	Inkatha Freedom Party
<b>MDM</b>	Mass Democratic Movement
<b>NAFCOC</b>	National African Federation of Commerce and Industry
<b>NBI</b>	National Business Initiative
<b>NDP</b>	National Development Plan
<b>NEDLAC</b>	National Education, Development and Labour Council
<b>NEF</b>	National Economic Forum
<b>NP</b>	National Party
<b>NPC</b>	National Planning Commission
<b>NUM</b>	National Unions of Mineworkers
<b>RDP</b>	Reconstruction and Development Programme
<b>SACC</b>	South African Council of Churches
<b>SACOB</b>	South African Chamber of Business
<b>UDF</b>	United Democratic Front

# 1 Introduction

*People will try to tell you that all the great opportunities have been snapped up. In reality, the world changes every second, blowing new opportunities in all directions, including yours. (Ken Hakuta)*

From the late 1980s to 1994 South Africa underwent a far-reaching transformation that affected every aspect of its social, economic and political life. Key economic imperatives were both a motivator and driver of change and the business community was, besides the primary political stakeholders,<sup>1</sup> a core elite with a crucial stake and interest in negotiating a new political settlement that would facilitate the building of an effective, inclusive and responsible state. To support these processes, business steadily became both a conduit and a part of negotiations, the political settlement that ensued, and the state-building efforts that followed and continue to this day. In the process the business community's role and position has evolved and a myriad of positive contributions have been made *en route*, however, persistent and massive socio-economic deficits belie the relative capacity of all power contenders and business itself in realising the promise of prosperity that was the clarion call of the new South Africa post-1994.

Twenty years on, the very notion of 'transformation' has evolved from implying a transition to democratic norms and, for a group of business people in South Africa circa 2014, the chances are that 'transformation' is largely associated with various forms of Black Economic Empowerment (BEE), corporate social responsibility programmes, labour issues, and training and skills development. However, the role of business in South Africa's transformation has itself altered repeatedly over the last 20 years or more, and, while it has and always will be driven primarily by its own profit motives, the South African business community has made valuable contributions to the entrenchment of democracy and socio-economic reforms. It remains a steadfast ally in the pursuit of the national agenda of growth and development. That there is more that it could have done, and can still do, is similarly unassailable, but an overview of its role in South Africa's transformation to a democratic state reveals more positives than negatives.

This paper evaluates the role of the South African business community throughout the various phases of South Africa's transformation which took place before and after 1994. It assesses the situational and systemic contexts that facilitated positive contributions, while inevitably delimiting the role and input of the business sector within the shifting political paradigms of the various phases of transition and transformation; a role and input that continues to evolve in tandem with these paradigms today. It will deconstruct published accounts and analyse information gleaned from the authors' own interactions and observations.

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<sup>1</sup> For details on the political actors who led the South African transition, see the other case studies published in this series (Graham 2014a and Graham 2014b).

## 2 The Role of the Business Community in South Africa's Transformation

### 2.1 The Pre-1994 Period: Discretion and Diplomacy – Business Elite Support for Peace Negotiations

In the late 1980s, South Africa was in the full throes of apartheid and the business sector was frequently criticised for benefiting from the system. Indeed, broad-based advantages certainly accrued to the largely white, male business community, as well as the broader white population whose interests it served (Fourie and Eloff 2006). The white population had a legislated monopoly on most aspects of the economic sector and the majority of national profit (and an attendant myriad of social advantages and basic services and privileges) accrued to its business and political purse. There were, of course, many overlapping political and economic interests and, while theoretically distinct, a plethora of political figures had extensive relations with business leaders and vice versa. This subsisted to varying extents, reflecting other group constricts such as language, culture and religion across all so-called race barriers, but the protective patronage of race was implicit in all spheres.

In the lead-up to the apex of transformation embodied by the 1994 election, however, key business leaders emerged to play pivotal roles in pursuing and engendering peace and democracy, *de facto* defining themselves as a new business elite in the process. Business has occupied a particular space in the transformation arena in South Africa ever since. The businesses' power to influence the conflict parties on both sides of the political spectrum lay critically in the need to ensure as seamless an economic transition as possible in order to support the viability of a peaceful political transition. This meant keeping the machinery of the economy intact so that the spoils of the state could (from the ruling National Party (NP)'s perspective) be protected and personal and group benefits retained. On the other side the African National Congress (ANC) recognised its economic management deficits and the need for consistency to support economic stability and international re-investment.

Both sides, therefore, had much to gain from bringing business on board in the peace negotiations. It started in the mid-1980s when a "small group of business leaders initiated a series of meetings with the apartheid government and a wide range of formal and informal political groupings, including black political leaders who enjoyed popular support" (Fourie and Eloff 2006, 508). This included both exiled leaders of the ANC, and within South Africa's borders, leaders of the United Democratic Front (UDF – widely accepted as the ANC's internal front). Their primary purpose was to encourage a debate on South Africa's political and economic future and the role of the emergent stakeholders in that future – namely the majority of South Africans as represented at the time by the ANC and its allies.

These business leaders' impetus was not of course entirely altruistic. Many of them, even among the highly conservative and exclusive *Afrikaner Broederbond*<sup>2</sup> (Afrikaner Brotherhood), gradually came to accept that political change and some form of negotiated settlement were essential for longer-term stability and prosperity. At the time, the South African government was also under significant and increasing economic pressure as economic sanctions, especially those imposed by the European Economic Community (EEC) in 1985 and the US Comprehensive Anti-Apartheid Act of 1986, had begun to take their toll by the late 1980s. In addition, regional

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<sup>2</sup> Definitions of the nature of this group vary and for obvious reasons various parties remain deeply suspicious of an entity that was for many decades an all-white all-male organisation, but the following broad description of its historic position and objectives as provided by O'Malley is explanatory: "The Afrikaner-Broederbond is an extremely exclusive, secret Afrikaner nationalist organisation which, in a symbiotic relationship with the National Party, has played a determining role in the political development of South Africa. Its aim is the promotion of the Afrikaner's political, cultural and economic interests". Available at [www.nelsonmandela.org/omalley/index.php/site/q/03lv02424/04lv02730/05lv03188/06lv03190.htm](http://www.nelsonmandela.org/omalley/index.php/site/q/03lv02424/04lv02730/05lv03188/06lv03190.htm) [accessed 10 June 2014]

military involvement, especially in Namibia (at that time called South West Africa) and Angola, maintaining the excessive internal security apparatus, and large-scale civil unrest including strikes and boycotts, were putting huge strains on the shrinking domestic economy. Both big business and the government were starting to realise that, provided that the rights and economic interests of the white minority remained secured, they had more to gain from being part of the international economy than being outside it. This realisation was at the core of the motivation that drove more enlightened sectors of the business community to open discussions with the ANC from the mid-1980s onward. It drove the NP government's realisation that a negotiated settlement might be the lesser looming evil.

This does not mean that there were no moral imperatives guiding their efforts and, while on one level, the business community's drive to engage was pragmatic and almost necessarily inevitable, it was also marked by a commitment and dedication without which it, and the coherence of transformation, may have floundered. Similarly, while the initiative was to some extent motivated by fear and a desire to mitigate risks associated with an imminent transformation that included fears of instability and insecurity, there was also significant optimism and opportunity attendant on re-opening the country to international investment and trade, as well as the anticipated renewal of economic growth that business hoped to be able to exploit. So, the hearts and minds that steered the business community's transformation agenda were among the more imaginative and proactive representatives of the South African corporate sector.

The South African environment was repressive. Officially no one in government was saying anything about fundamental and permanent change. So it had to be done quietly and discreetly. The interests of the greater good (and longer-term profit) had to prevail for a time. Many opposition leaders were in jail, or in exile or hiding and innovation (and money) was required to reach them. Talks between members of the *Afrikaner Broederbond* (who to an extent also acted as interlocutors for the state's intelligence services) and the exiled ANC<sup>3</sup> led to their first ever face-to-face meeting in New York on 12 August 1986. Further talks included those between senior officials from the mining company Anglo American Corporation and the ANC in Zambia, followed by August 1987 talks between an even larger group of so-called Afrikaner dissidents in Dakar, Senegal. There were multiple and testing trials owing largely to prevailing political constraints that were heavily legislated under the apartheid regime. Simple things like attending meetings were complex and logistically overwhelming with many political leaders forced out of the country, locked up, or avoiding both by staying in hiding.

Incredibly, the initiative forged ahead and in late 1988, after lengthy talks between about 40 business leaders, academics, professionals, and an equal number of representatives from the Mass Democratic Movement (MDM)<sup>4</sup> in Broederstroom, the Consultative Business Movement (CBM) was formed. Underlining its emphasis on transformation which would dictate fundamental changes in both business and the political landscape at large, it punted itself as a major agent for change that would mobilise business. The Broederstroom meeting was a 'deal breaker', and most participants (business representatives as well as former leaders of the resistance movements) have continued to play a role, or retain interests in both the private and political sector. These included the

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<sup>3</sup> Various sections of the ANC in exile were determined to pursue a negotiated settlement. The exiled leadership in Zambia, for example, believed strongly in the long-term objective of a negotiated settlement (Callinicos 1996). The exiled leadership would have also recognised the need to ensure a smooth transition on an economic front in order to preserve as many of the spoils of the state as possible and that it would be in its favour to begin to work with those sections of the private sector that had the foresight to be able to see the inevitability of this cooperation. However, communist elements in the ANC's decision-making structures were more skeptical, as they viewed business as a core part of the enemy forces that had to be defeated and replaced by at least a socialist economic system.

<sup>4</sup> This was a loose alliance of anti-apartheid groups that formed in 1988 when the apartheid government placed restrictions on the United Democratic Front (UDF) and other groups. The MDM, made up of UDF and ANC supporters, then emerged as an even wider, more amorphous front to resist apartheid. It also had strong links with the Congress of South African Trade Unions (COSATU). The fact that the MDM had no permanent structure made it difficult for the government to place a ban on its activities. In July 1989 COSATU took the lead and called for support from the MDM for a nation-wide defiance campaign of protests against segregation in hospitals, beaches, and on public transport. The result was six weeks of defiant activity, with volunteers deliberately breaking offensive laws and filling prisons. It was also decided to organize a massive worker stay away to show contempt for the tri-cameral elections due to take place on 6 September 1989; more than three million workers heeded the call. The campaign was halted in mid-September when the government, with President FW de Klerk taking the lead, agreed to enter into a new era of constitutional negotiations with the ANC. Available at [www.nelsonmandela.org/omalley/index.php/site/q/03lv03445/04lv03446/05lv03480.htm](http://www.nelsonmandela.org/omalley/index.php/site/q/03lv03445/04lv03446/05lv03480.htm) [accessed 29 August 2014].

primary stakeholder in organised labour, namely the Congress of South African Trade Unions (COSATU) and its affiliate, the National Unions of Mineworkers (NUM), alongside the UDF. Speaking for capital were executives from a core group of South African companies such as AECl, First National Bank, Southern Life, Tradegro and Trust Bank, as well as individuals. Others who joined in included Engen, Eskom, Gencor, Nampak, Shell, PG Bison, and Protea Assurance. One of CBM's co-founders, Christo Nel, became its executive director and is still regarded globally as a visionary management consultant.

The Broederstroom meeting was, therefore, fundamental in starting a dialogue between the various stakeholders in the private sector and the political realm that continues to this day. It created what was at the time much-needed space for open and remarkably free conversation in which white business could express its fears about perceived threats such as 'socialism policies and communist take-overs', while black political leaders could verbalise their suspicions that business was conspiring with the apartheid state. There was considerable resentment – after all, it had taken business a very long time to consider coming to the table, claiming an apolitical defence to explain their passivity (and even political and social ignorance) to that point. The precedent setting engagement, therefore, required both sides to face up to grievances and negotiating vulnerabilities. This played a key role in enabling sincere parameters within which business could play a meaningful role in South Africa's transformation.

Incredibly, the CBM proved sustainable and continued to play a role in supporting the process of non-violent transition, advocating for broadening the ownership and management base and collective participation in the corporate sector. This has endured in current management practice that seeks to empower workers via co-responsibility in decision-making and strategic realignment. Trust was key, and the beginnings of a transformed corporate paradigm were initiated that included a shared value system, equal employment opportunities, and the devolution of hierarchies to more legitimate business practices. Fears and aspirations were conjoined on all sides in a reflection of the broader transformation in political and business mood. The need for a national peace process, including a national conference, was undeniable, however, legitimacy issues impeded its convention as the NP government's efforts to call an official conference were opposed by the liberation movements on the grounds that government was the primary instigator of violence.

The first formal peace process meeting in 1991 was set up by the CBM and South African Council of Churches (SACC) at the offices of Barlow Rand Ltd. (a leading industrial company). Its high profile leadership – Chamber of Commerce Chair Barlow's John Hall and the venerable Archbishop Desmond Tutu – embodied the church/business synergy that validated the process and lent it an integrity that superseded many suspicions. This enabled stakeholders to engage in the necessary and hard work of negotiations.<sup>5</sup> This period saw the consolidation of the CBM's credibility and was definitive in subsequent requests that provided secretariat and administrative support (which entailed practical and advisory conference support type services) for the Convention for a Democratic South Africa (CODESA) process during rounds I and II and the Multi-Party Negotiating Forum (MPNF)<sup>6</sup> of 1993 which most immediately preceded the 1994 elections, while it reportedly played the role of shuttle diplomat for the duration (Fourie and Eloff 2006, 509).

The ability of business to act in a non-partisan manner was a critical factor in its acquisition of this role. In the process business continued to build relationships with political stakeholders on all sides and remained highly

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<sup>5</sup> These were discreet confidential meetings emphasising both the discretion and diplomacy of the business led thrust. The details are not a matter of public record and it is this very discretion that facilitated trust and relationship building. The legitimacy of the undertaking derived very much from the growing trust in the CBM and the status of the Chair of the Chamber of Commerce – a highly respected business position, and from the person of Tutu himself. The SACC was similarly a respected religious collective that played a vital role as a social activist entity during the apartheid era.

<sup>6</sup> CODESA I began on 20 December 1991 at the World Trade Centre in Kempton Park. Nineteen groups were represented at CODESA, including the: South African government; National Party; African National Congress; Inkatha Freedom Party (IFP leader Mangosuthu Buthelezi did not personally participate, as his demands for additional delegations of the KwaZulu Bantustan and the Zulu king Goodwill Zwelithini were declined. The IFP was, therefore, represented by Frank Mdlalose); Democratic Party; South African Communist Party; South African Indian Congress; Coloured Labour Party; Indian National People's Party; Solidarity Party; Leaders of the 'independent' Bantustans of Transkei, Ciskei, Bophuthatswana and Venda. The right-wing white Conservative Party and the left-wing Pan Africanist Congress boycotted Codesa. Available at [www.docstoc.com/docs/27928284/Convention-for-a-Democratic-South-Africa](http://www.docstoc.com/docs/27928284/Convention-for-a-Democratic-South-Africa) [accessed 12 June 2014]

informed of developments – this would have inevitably strengthened its hand and while it may not have directly enabled it to influence negotiations outcomes, it certainly made it an integral part of the process, and hence, the result. As seen in the 1992 stalemate that emerged around disagreement over the variable powers of regions and the central government, the CBM was crucial in moving things forward behind the scenes.<sup>7</sup> It resolved this particular standoff by convening academics and experts, both local and international, who wrote a report on the dilemma behind contentious discourses, helping to direct actors towards a final constitutional agreement dealing with the issues at hand (Fourie and Eloff 2006, 209). Again, less than a month before the first democratic elections, the Inkatha Freedom Party (IFP) refused to participate and the CBM was asked to help arrange international mediation. Dr Henry Kissinger and Lord Carrington were among the delegation<sup>8</sup> that sought and failed to secure an agreement on the terms of reference and the most prominent of the group left the country. One of the “lower profile mediators” launched some informal shuttle diplomacy with the CBM’s support that precipitated an agreement (Fourie and Eloff 2006, 209). The CBM also buttressed election processes via the Business Election Fund, which sought to mobilise business to this end via an intentionally non-partisan marketing campaign projecting business as pivotal in “building a great nation”. It also extended help to the Independent Electoral Commission (IEC) in other ways such as voter education campaigns.

During the same period economics were, of course, on the CBM’s agenda and in 1990 it launched The Economic Project with a series of workshops geared towards examining an effective political economy for South Africa. While real differences remained – and such differences persisted among private sector interests and various political and civil society groups – these workshops expedited increasingly mature debate. The debate was formalised when the CBM was asked in June 1992 to convene a meeting of stakeholders across the economic landscape from government to organised labour and capital, and the National Economic Forum (NEF).<sup>9</sup> This meeting was initiated in October 1992.

## **2.2 After 1994: Out of the Shadows – Private Sector Collectivism in the Pursuit of Broader Social Goals and Prosperity**

Having established both its bona fides and pragmatic value in the lead-up to the 1994 elections, business continued to build on the positive relations established and expanded its contribution to transformation via a range of collective business actions to pursue goals that served the interests of broader society. Shortly after the 1994 elections the CBM met with various political leaders to find out what role it could play in supporting the new Government of National Unity (GNU) at national and provincial level. It was clear that support to the GNU’s Reconstruction and Development Programme (RDP) was vital and, although business had some reservations and urged for greater recognition of the links between economic growth and socio-economic development, it acknowledged the RDP’s vision and integrated approach.<sup>10</sup> To this end it undertook to involve companies in the

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<sup>7</sup> The Inkhata Freedom Party (IFP) was exercising a de facto ‘veto’ at the time, via variable refusals to participate in negotiations due to a persistent deadlock over the power of regions versus central government. The IFP, in particular, was highly concerned that with no protection of regional powers, it would lose most of its regionally based influence in the Province of now KwaZulu-Natal. From the April 1994 elections to the required approval of a permanent constitution by 9 May 1996, South Africa was governed by an interim constitution designed to ease fears and insecurities on all sides, to the fullest extent possible. The Government of National Unity (GNU) included all major parties in a national and regional proportional representation system that greatly enhanced the legitimacy of the elections and, therefore, of their outcome. This simple proportional representation system incentivised potential spoilers such as the IFP to jump onto the ballot at the last moment and ensure some form of representation. The quelling of anxieties about majority rule, property rights, provincial constitutions, civil service jobs, pensions and so on, were strong factors in inducing participation.

<sup>8</sup> An international mediation team, including Dr. Paul Kevenhorster of Germany, former US Secretary of State Dr. Henry Kissinger and former British Foreign Secretary Lord Carrington, arrived in South Africa on 5 April, 1994 to attempt to settle the KwaZulu-Natal constitutional dispute.

<sup>9</sup> NEF was later absorbed into the National Education, Development and Labour Council (Nedlac) launched in 1995.

<sup>10</sup> Many within the ANC, COSATU and the SACP were less enthusiastic about the RDP and saw this as a sign that Thabo Mbeki and others were simply too willing to accept IMF demands and conditions for structural change required for giving the post-1994 government access to international finance. The fact that local business leaders ‘endorsed’ the RDP added to suspicion in more radical circles that ‘big business and

RDP via a series of summits in 1994 with inputs from government, labour and business. This led to valuable discussions that enabled both consensus positions on policy going forward and concrete initiatives that had the support of all three elements of this economic trinity. In this context it undertook a series of initiatives.

The first such initiative saw the CBM merge with the Urban Foundation<sup>11</sup> in 1995 to form the **National Business Initiative (NBI)**. The NBI's express purpose was to bolster private sector commitment to the new South Africa. It was a not-for-profit, public interest, and business-based organisation intended to focus on reconstruction and development by, with joint government support, addressing systemic problems. This entailed mobilising business skills and managing the business community's collective contribution while consistently building constructive, trusting relationships with the government. At times, its help took on highly pragmatic forms in specialist areas such as Information Technology (IT), management and administration, strategic, financial, audit and accounting support, etc., manifesting across government sectors from justice to housing.

Then, in 1996, about 500 business leaders met in Johannesburg at the World Trade Centre to discuss how the private sector could get involved in fighting crime. They, in turn, launched **Business against Crime (BAC)**. The NBI both steered the process and managed the BAC until it became a separate entity. BAC supported industry-specific responses to crime and provided skills and planning support to help integrate the criminal justice system. This extended to areas such as IT and identification (Fourie and Eloff 2006). The partnership grew and in 1996 the NBI formed the **Housing Development Support Team** to help the Department of Housing improve delivery – capital subsidies to first-time homeowners rose from 220,000 in 1996 to over one million in August 1999. The NBI also galvanised the South African private sector around **Further Education and Training (FET)** colleges to address the national skills and employment deficit. In the process, over US\$12.5 million was invested, FET policy was defined, and the **Colleges Collaboration Fund** was formed to partner with the government in transforming South Africa's education system (Fourie and Eloff 2006, 511).

Another area of cooperation was realised in 1998 with the formation of the US\$156.7 million **Business Trust**. This five-year job creation and capacity building project focused on tourism, and, in 2002, South Africa was the world's fastest-growing tourist destination (Fourie and Eloff 2006, 511).

A sub-phase in the transformation paradigm emerged in 1997 when the socio-economic drive of the RDP made way for a new Growth, Employment and Redistribution policy (GEAR). Business generally welcomed the move as necessary to build the economy, create jobs and fund socio-economic development initiatives. Some separation lines among businesses emerged more clearly with the voices of the mandated business organisations, such as the South African Chamber of Business (SACOB), the *Afrikaanse Handelsinstituut* (Afrikaans Chamber of Commerce – AHI), and the National African Federation of Commerce and Industry (NAFCOC) gaining volume with predictable calls for either privatisation (SACOB and AHI) or black economic empowerment (NAFCOC).

The call for transformation and black empowerment gained traction and business was increasingly required to reconcile its core business (including global competitiveness) with the country's equity needs and consolidated mainly in the Black Economic Empowerment Act of 2003.<sup>12</sup> Over the same period business started uniting the mandate organisations into one larger umbrella group Business Unity South Africa (BUSA), with constituents retaining a large degree of independence. The Business Trust continued for a second term and other groups such as the Presidential Big Business Working Group (BBWG) were anointed to explore how to accelerate growth and development. This led in turn to the Accelerated and Shared Growth Initiative for South Africa (Asgisa). From

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international interests' had managed to compromise parts of the ANC's leadership. In the end the RDP failed and was replaced by the Growth, Employment and Redistribution (GEAR) policy programme in 1996/1997.

<sup>11</sup> An organisation that focused on African urbanisation within the system of apartheid influx control that regulated the movement of black people into urban areas.

<sup>12</sup> In 2003, the Broad-Based Black Economic Empowerment (B-BBEE) Strategy was published as a precursor to the B-BBEE Act, No. 53 of 2003. The fundamental objective of the Act is to advance economic transformation and enhance the economic participation of black people in the South African economy. The Act provides a legislative framework for the promotion of BEE, empowering the Minister of Trade and Industry to issue Codes of Good Practice and publish Transformation Charters, and paving the way for the establishment of the B-BBEE Advisory Council. Available at [www.thedti.gov.za/economic\\_empowerment/bee.jsp](http://www.thedti.gov.za/economic_empowerment/bee.jsp) [accessed 15 September 2014].

2006 it pushed for a sustainable 6% economic growth rate, while from 2010 onwards government and business have been exchanging views via the National Planning Commission (NPC) and other ongoing mechanisms.

In this way, business has gradually become an entrenched role-player in South Africa's transformation and ongoing socio-political and economic dialogue. It has, in essence, become an intrinsic part of the political economy it helped to define on multiple levels while undergoing various transformations itself. By positioning itself in an almost mediatory manner among a range of divergent interests, it was able to support the inclusivity required to ensure that the negotiated outcomes were as all-encompassing as possible across the economic trinity of politics, private sector and labour; simultaneously shoring up output inclusivity for the broader population in terms of policy and service delivery.

## 3 The Critical Success Factors that Enabled Business to Participate in Transformation<sup>13</sup>

### 3.1 Situational Transformation

There is no doubt that business played an outstanding role in South Africa's transformation in both identified phases of the transition, and enduring relationships still permeate the private and public sector. However, this was no accidental contribution and would not have been possible, or as effective, without a series of critical elements.

**Business leadership** was at the core of transformation because the nature of the political engagement required a gutsy capacity for risk. This innovative leadership proved similarly vital post-1994 in forming the unusual anti-crime lobby (the BAC) and the Business Trust. It was distinctive in two respects: it was extraordinarily consistent throughout, with many of the same individuals playing a role in each case; and, it was often a small group taking both the initial lead and early risk. They may have persuaded a broader group of the merits in order to present initiatives as collectively driven by the entire business community, but the roots were frequently nurtured by a few brave individuals.

At the same time, **reciprocal political leadership** was a constant counterpoint without which business could never have implemented its interventions. Alone, it was simply not positioned to overhaul the justice system or negotiate a political settlement. Subsuming the business sector in these endeavours took substantial political courage. The political centre had to be willing to let relative strangers into its inner workings to partner on politically sensitive aspects of its mandate. The NBI said that without government commitment its interventions would simply not have been possible.

**Collectivism** is another non-negotiable given its advantages over individual company efforts and the efficiency benefits of pooling resources towards a common end to reach critical mass. A collective approach also helps counter suspicions that single entities are looking for individual advantage; while demonstrating common commitment and spreading the risks of criticism on sensitive issues.

Another driver of success in engineering a conducive and inclusive situational outcome was the formation of **specific entities** to address specific issues which were repeatedly proven to be effective, such as the Urban Foundation, Business against Crime, the Business Election Fund, the Business Trust, and the NBI. While these were singular initiatives and often terminated on completion of their mandate, there was still continuity in terms of methodologies and leadership.

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<sup>13</sup> These success factors draw on the key lessons outlined by Fourie and Eloff (2006).

## 3.2 Systemic Transformation

Naturally, the purvey of business is necessarily limited to a set of approaches that, in the South African case, included process facilitation, policy impact, programme management and institutional strengthening. While responsibility for public policy rests with the public sector, it is the key transformational domain and the most high-impact way to redefine the system.

However, while democratic norms encourage public engagement in shaping policy, the role of business here is less tested and often poorly understood, especially in cases where it does not impact on immediate business imperatives such as tax policy, industry regulation and competition policy. The relational foundation enabled Business South Africa to straddle the economic and political transformations and access the privileges of an inclusive role in negotiations that further consolidated this duality. Its established reputation of neutrality was an effective guarantor of the political approval that propped up its position.

This does not mean that business was or is some all-powerful transformational actor, and it is vital to recognise the limitations of the private sector in shaping its broader operational environment and to retain perspective on how much impact it can have. One of the primary limitations that is unlikely to recede from negotiating scenarios anywhere is the inherent **competitive** nature of corporations that is a potential inhibitor to more inclusive agendas and benefits. However, as the South African scenario shows, sometimes circumstances can provide additional incentives and opportunities for synergy.

Similarly, perceptions of undue influence and **trust concerns** inhibit private sector initiatives from permeating systemic transformations; government is held back by concerns about engaging with business on public policy; and NGOs presume that the private sector holds a rigid bias towards profit. Amid these inevitable impediments, the fact that the NP and ANC (and the private sector and its representatives) were able to pursue a common destiny (deriving largely from their collective realisation that consensus-based rule was needed to vanquish volatility and uncertainty) was a critical success factor in transcending ubiquitous distrust and bias concerns. Once again, this was an exceptional symbiosis.

Similar suspicions and constraints around **accountability** issues within business coalitions have not really been tested, and the highly unique circumstances of pre-1994 transformation that saw a common destiny take precedence over typical trust based impediments will not readily recur (Fourie and Eloff 2006, 514). Bona fides and corporate responsibility for collective action mean that government and the broader public may remain suspicious about business collectives that are ultimately acting under little risk.

At the time, however, via a combination of leadership, reciprocity, and collectivism in perfect symmetry with political and social realities, the private sector was able to facilitate its own legitimation as a direct result of its willingness to leverage its own interests in the pursuit of the national interest. This may largely have been possible only because of the massive democratic deficit at the time that, in no small part, obscured the need for a democratic mandate to represent large sectors of the populace. It is unlikely that similar private sector initiatives would be accepted in the same spirit by any section of South African society today.

## 4 Beyond Political Transformation: Reflections on the Challenges Ahead

Many of these systemic limitations mentioned above, namely those relating to accountability, trust and competition issues, have persisted in South Africa. Moving beyond them is essential if business is to deepen and expand its role in the transformation and must still occur if South Africa is to fulfil its development and prosperity destiny.

Superficially, South Africa's economic transformation presented fewer challenges than its political transformation because of its traditional market economy orientation. Nonetheless, reforms were still needed in a range of areas: a high concentration of large companies dominated the market; international competitiveness had weakened under sanctions; the workforce was unskilled; savings and investment rates were low; and vast disparities in income and standards of living meant that socio-political issues were pressing. Critics, noticeably also within the ANC and its Tripartite Alliance partners – Cosatu and the SACP, claim that by the time the political transformation was complete South African society had been transformed so that those with political power had little economic influence constraining the ruling party's ability to transform South Africa into a more dynamic and equitable society.

In essence, the post-conflict political elite did not automatically become the post-conflict business elite – this took some time. However, over the intervening decades many prominent political leaders who were part of the pre-conflict political elite and excluded from the business elite of the time, by virtue of the South African reality, have moved to the very epicentre of the post-conflict business elite. A striking example is primary negotiator at the CODESA talks, Cyril Ramaphosa (then Secretary-General of the NUM), who went on to become first a leading businessman with vast interests in the mining sector and then reclaimed his place in the political elite by ascending to the country's Deputy Presidency. He is by no means singular in his ascension.

Similarly, the pre-1994 economic elite had lost and continued to gradually lose, significant political power and much of this is exercised via the proxy power of relationships with the new black business elite and the incumbent political elite. There is an element of truth in this claim that was necessarily born of the fundamental compromise attendant on the political transformation. John Pilger describes:

*The most important 'historic compromise' was made not with the apartheid regime, but with the forces of Western and white South African capital, which changed their allegiance from [South African President] PW Botha to Nelson Mandela on condition that their multinational corporations would not be obstructed as they 'opened up' the South African economy, and the ANC would drop the foolish promises in its Freedom Charter about equity and the country's natural resources, such as minerals, 'belonging to the people'. This meant the ANC agreeing to investment conditions that favoured big business. (cited in Hamber 1998)*

Hence, the positive legacy of the business contribution to transformation remained limited by the very suspicions noted above and some believe that the transformation honeymoon is over. While it may have exited its romantic period, transformation is never done, and it is clear that a new phase of transformation is beginning, one that will require renewed vigour from the private and public sector alike. As Benjamin Franklin noted, "When you're finished changing, you're finished", and it is a progressive and bold business community that recognises the parallel application of this to both itself and broader society.

Many of the new laws and development strategies attendant on transformation have effected immense and positive change in the lives of South Africans. For example, labour law (which can be traced back to the "Laboria Minute" of 1990<sup>14</sup> that defined a framework for the reform of trade union laws) now covers all workers and has a

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<sup>14</sup> "Faced by growing disorder on the shop-floor many companies began searching for common interests with organised labour, yielding a series of bilateral negotiations between labour and business that culminated in a tripartite agreement – the Laboria Minute – on the basic

powerful emphasis on collective bargaining. Basic constitutional rights have been guaranteed for all citizens; school nutrition programmes have been introduced; there is free health care for children; millions more have access to water and electricity, etc. Nevertheless, transformational challenges remain. The housing deficit, for example, is still stark and South Africa in 2013 needed at least US\$80 billion to clear its housing backlog of 2.1 million houses by 2020. Economic disparities remain vast and labour militancy has been compounding a range of economic pressures. Nonetheless, government is mostly on track to move forward with a new wave of transformation – again in tandem with the private sector – as articulated by the National Planning Commission (NPC) established in 2010. The NPC is an advisory body of people drawn mainly from outside government and has extensively consulted with leaders such as government, academics, industry bodies, unions, non-profit organisations, religious associations and the general public.

Businesses have been specifically asked to be part of the new transformation phase and to be included in government's policy making to this end. Importantly, government and businesses have agreed that if the National Development Plan (NDP) is to effectively buttress continued transformation by 2030, the economy will have to grow substantially. The success of the NDP, deemed one of the country's most strategic initiatives, will ultimately depend on all the stakeholders involved and their willingness to make the compromises required to make it work. This may be South Africa's, and the business community's, true historic compromise – one that demonstrates the capacity of the private sector to contribute to a holistic socio-economic transformation that will build on the bona fides of the historic role of business in transformation to date. It will again require courage and leadership and the stakes are just as high as ever with the target of eliminating poverty and reducing inequality by 2030 a non-negotiable socio-political and moral imperative that is now comparable to that which drove the collective effort to dismantle apartheid.

This target must be achieved if transformation is to evolve to its next level as, notwithstanding significant macroeconomic gains, South Africa remains a highly unequal society, with poverty, inequality and unemployment constituting its three main challenges. To surmount these challenges, the country's economic growth must be expedited in an even more inclusive manner to broaden the benefits of transformation to the entire population. There is, thus, again an opportunity for the private sector to impact on public policy, and to achieve systemic change in a way that benefits broader society and simultaneously improves the business environment. A better business environment, manifest in improved social, economic and physical infrastructure, will be the central win attendant on a concerted collective corporatism driven by a strong consideration of the responsibility pinned to its own citizenship. These improvements and social developments via the enhancement of living and working conditions will yield a more productive and stable workforce and society that will foster economic growth, while easing business constraints and improving competitiveness.

The private sector has a vital role to play in any transformation of the social and economic fabric on which its designs rely, and that this may extend beyond a traditional corporate view to broader social impacts, has been and remains clear in the South African case. That benefits have accrued to both the private sector and the national endeavour is indisputable. Maximising this accrual requires an ongoing evaluation and deepening of transformation initiatives in private-public sector partnerships. This will necessarily dictate extending the bounds of inclusivity from an almost altruistic perspective – which, in itself, may require yet another transformation on the part of the private sector.

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contours of a new labour relations system. The three parties agreed that: all labour laws would in future be considered by employers' bodies and the trade union movement prior to being put before parliament; that the unions would participate in a reconstructed National Manpower Commission (a statutory consultative body on labour relations and labour market issues set up by the Wiehahn Commission and boycotted by the new labour movement); and that labour rights would be extended to those previously excluded from the industrial relations system, including farm workers, domestic workers and public servants. More importantly, in terms of the transition as a whole, the Laboria Minute was the first example of a major policy issue being addressed through a negotiated compromise, where a societal stalemate was processed through institutions. Furthermore, the Laboria Minute was struck prior to the pacting between the political actors on the political, military and constitutional aspects of the transition. It set up a practice of tripartism giving labour an institutionalised voice enabling it to shape the broader transition agenda. As important, it prevented labour's fate from being solely determined in a constitution-making process between political parties". Available at [www.columbia.edu/itc/seminars/671/adler/part2.html](http://www.columbia.edu/itc/seminars/671/adler/part2.html) [accessed 15 September 2014].

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