

**A BUSINESS MODEL
FOR
AFRICA'S PROSPERITY**

By: Dr Iqbal Survé, Executive Chairman Sekunjalo Investment Group

At Sekunjalo, we have always tried to lead the African business community with a business model which recognises the context of the continent and understands the hope of the continent's people for a future full of possibilities. Through business, it is possible to achieve growth, job creation and to create an enabling environment. Sekunjalo's philosophy is "to do good and well at the same time" and our model, which we've called the 5P's for Africa's Prosperity, captures the essence of this approach.

Africa is a continent with tremendous opportunities and represents a new frontier for the global investment community. As a frontier for investment, recognition needs to be made of the uneven terrain in wealth, access to capital and resources in Africa. The 5P's recognise these imbalances, but has successfully been able to negotiate this terrain whether for large corporates such as Sekunjalo, or smaller enterprises which operate successfully on this continent.

The 5P's recognise that it is the entrepreneurial spirit in Africans along with a deep desire to be successful and to do all of this with the dignity afforded to many other entrepreneurs on other continents. Africans don't want handouts but rather want to participate in opportunities to become prosperous and overcome the consequences of poverty and other challenges on the continent. The 5 P's to overcome poverty and fast-track the development of our continent and lead to African Prosperity are as follows: Purposeful, Partnerships, Profitability, Pro-Poor, Pro-Consumer, and Pro-Skills development.

1 Purposeful

Against the above background, the Sekunjalo Investments Group was established in 1997 as a company which would empower those who had been marginalised previously on the African continent. Begun by former social activists with \$30 000 collected from community shareholders, we were quite explicit from the outset that our PURPOSE would be that of a value-driven company, which would “Empower people through Profits”.

We aimed to be a company that would be as recognised for adhering to sound business fundamentals as we would be for our commitment to the social developmental requirements of our continent.

When constructing the Sekunjalo business model, we were mindful of the fact that we were starting a business amidst a sea of unemployment, poverty and a myriad of social ills.

We consciously projected that our business model should promote transformation, not only within the Group, but in terms of its contribution to the development requirements of our continent. From the outset we purposefully chose through our company to be socially responsive.

How then did we as a business ensure that we were an enabler and facilitator of positive change, which is in essence socially responsive to build a prosperous society, one in which the majority participate and benefit?

The very first step we took is to accept that the challenges of Africa are our challenges and to assimilate it into our business consciousness.

For our company the purpose of “doing good and well at the same time” became an integral part of our vision and mission as much as being profitable and successful.

We soon recognised that to achieve this noble purpose we would have to find colleagues and friends and entrepreneurs that shared this Purpose.

Such partners would not only want to be in business for profit but would want to overcome poverty and be able to visualise a world without poverty, to be able to imagine our continent without poverty. For such partners and ourselves using business and the market economy to achieve poverty reduction must be a positive effort . Far too many people, especially in civil society see poverty reduction as too challenging and difficult. For our Group and our partners using the business domain to reduce poverty

was as attractive as being commercially successful. For us this approach was part of a process that leads to happiness for both the individual working for our Group and the society since the overall prosperity of the continent increases.

2 Partnerships

The success of our continent depends on good leadership in the Political, Religious, Civil and Commercial domains. There is no doubt that business and entrepreneurs are well placed to cross each of these areas in their quest to successful. A partnership or social contract between business, government and civil society, is required to deal with the development needs of our Continent.

Referring to this notion of interdependence on the continent and at a universal level, Kofi Annan, former Secretary General of the United Nations, giving the 5th Nelson Mandela Annual Lecture recently said:

“We live in an era of interdependence. That is true everywhere in the world; but in some ways it is more obvious in Africa than anywhere else. We Africans know perhaps more than most that problems like water shortages and disease, like environmental degradation and political unrest, cannot be neatly contained within national borders. If some of us are poor, we are all the poorer; if some countries are unstable, we are all less secure. Similarly, we know that solutions to these problems will only come if we work together- across borders, across boundaries of race, religion, language and culture. To accelerate our progress, to extend its reach into every corner of this continent, we must work together toward a comprehensive strategy...”

If we accept this opinion, then we have to consider a business strategy to achieve the progress required. In the African context, Partnerships are essential elements of a “comprehensive strategy” of the 5 P's, the foundation of a business model to assist Africa to emerge from poverty to prosperity. In our experience such partnerships work if the following elements are clear: define the Expectation of all parties upfront; have a Code of conduct governing the relationship; define the Language of such a partnership; clarity about levels of profitability and have policies/frameworks giving construction to the partnership.

Such partnerships work if they focus on diversity of partnerships and draw on these skills, make provision for Skills transfer and have Trust implicitly and explicitly.

3 Profitability

In our Group's Annual Reports in the last few years we have often chosen a theme and a sentence to capture our approach for that year. Such themes include "we empower people through profits" and even "People before Profits". This has stimulated debate within our Group of how to achieve this i.e. putting people before profits and still be profitable and successful as measured by our peers in the market economy.

We are sure that if we are to create a long term and successful company, profitability must be the firm foundation. However, profits would be short term and not sustainable, if we were not to investment in human capacity and create the freedom and innovation for people to develop and flourish. For us being profitable and successful is a prerequisite since it allows us to invest surplus capital (profit) in further business opportunities which helps to create jobs and overcome poverty.

To quote from one our annual report;

"We recognise that in the market economy profits are a means to an end and not the end itself. Successful business enterprises allow for investment, job creation, skills development and the overall enhancement of a society's prosperity. This is only possible and sustainable if business practices protect the poor and marginalised from exploitation and greed."

Our belief is that on the African continent, levels of profit must be context driven. This is very similar to the very beginning of the Market Economy and closer to the ideals of someone like Adam Smith who saw a community approach to profitability (the butcher, baker and the candle stick maker)

We should create business models amongst the very poor which are Social Business Enterprises i.e. Non Dividend paying enterprises, where surplus capital is retained in the community pool.

Amongst the Poor; we should use the now famous Bottom of the pyramid (BOP) business models which create a greater consumer market but provide a valuable need and services amongst the working poor especially the rural communities.

With the working / middle Class the business approach should be Profit driven but with the aim of overall societal enhancement and not depravation. In too many instances ordinary working people and communities are exploited due to unequal access to information, skills and resources. In essence business models must be poor- friendly and consumer centric if they are to reduce poverty and create African prosperity.

4 Pro- Poor and Pro- Consumer

The most sustainable models are those that are consumer centric and poor friendly and are able to offer affordable products and services to the poor in the urban and rural areas.

The very notion that the poor (who in most instances have less access to information, resources and capital) should pay more for services and products than the rich is both illogical and immoral as well as being unsustainable in the long term.

Good business recognises that by avoiding the “poverty penalty trap” (whereby the poor pay more for services and goods and thereby perpetuating poverty), you create the conditions for greater credibility and sustainability of business.

If Business provides valuable services and products which are needed by the poor and ordinary working people in an affordable and consumer friendly environment we create the conditions for freeing more capital to sustain local economies and entrepreneurship.

Our Group has successfully pioneered and developed low cost services and products for the poor, which enables people on the African continent to have greater financial security.

Joseph Stiglitz, Nobel Economics Laureate, and former Executive of the World Bank makes an important point when he says that “Economic liberalisation and free markets have to be more than economically efficient; their consequences have to be socially acceptable if they are to endure. Sustainable development thus requires just not liberalisation and privatisation but also indicatives to ensure that all society shares in the benefits”.

Whilst the 4th “P”, Profit, is most emphasised by most business, it should not be responsible for the double “P” of the “Poverty Penalty trap” and should at all times be Sustainable, Uplifting, and Satisfy needs, be Pro-consumer and also anti-monopoly.

5 Pro-skills development

Business is about people and without investing in people the innovation, creativity and vitality of business is not possible. Our approach is to invest in skills development to create the skills base necessary for the sustainable and profitable future. Investing in people creates a virtuous cycle of skills development with a consequential impact directly on the communities involved as much as on the business process and profitability.

Skills development, formal and informal, must be as much part of the business process as marketing, sales and production.

6 Conclusion

In many ways the 5P's all lead to the "P" that matters most, that of human prosperity.

Business is as much about earning a living as it is about creating a prosperous and pleasant life for the individual and society. Our experience is that where we have observed the 5P's as a collection of circles (much like the Olympic circles), as interconnected drivers to meaningful business change, then we have achieved seen success in parameters that really matter, leading to human prosperity. Perhaps Africa can through its desire for change present examples of Business models that become applicable to other continents as well. Business in Africa can be, as we have discovered the secret driver to sustained profitability and prosperity.

The Outcome of the 5P's would lead to the Good society where Africans have a good Quality of life , a strong sense of Individual & community, have greater Productivity all leading to the capacity for retaining wealth on the African continent.

Africa's future is positive and the journey from Poverty to Prosperity has started in many villages, cities and countries on the continent.

African business is increasingly adding to its body politic areas of corporate and individual Philanthropy, corporate social responsibility, good governance, and social entrepreneurship, all resulting in the emergence of good corporate citizenship.

Perhaps it is fitting to conclude with a quotation by Muhammed Yunus who on acceptance of The Nobel Peace Prize said

"In the future, poverty should only be seen by our children in museums".

The 5P's model will ensure that Poverty will only be found in museums and most of Africa's children can celebrate and start their young lives with a proud celebration of their humanity. After all it is in Africa that the first sprit of Humanity emerged and it is in Africa where it should be most celebrated.

The 5P's Business Model...leading to Africa's Prosperity

Purposeful - To do good and well at the same time

Partnership - The development of our human capacity can best be advanced through partnerships between businesses, governments and communities

Profitability - this is a given, a business has to be profitable as it is not a charitable enterprise. To be sustainable and make the necessary financial interventions, it has to be profitable

Pro-poor and Pro-consumer - Business has to commit itself to the task of helping to bring the poor out of poverty.

Business needs to manufacture and create amongst our business offerings, specific products and services which the majority of consumers can afford, harnessing technology to meet this need
Pro-skills development- this a fundamental element and has borne fruit in any country which has committed itself to the skills development of its people