

# INCLUSIVE CAPITALISM

Triologue 2016

## The case against capitalism

- Impact on the environment
- Rising (unsustainable) inequality
- Consumerism
- Financialisation
- Focus on short-term profits
- Shareholder value at the expense of other stakeholders



## CRITICAL VIEW OF CAPITALISM IN SA



- Colonial and apartheid capitalism
- 'Jobless growth' – or more accurately employment growth slower than labour force growth
- Exclusion and high barriers to entry
- Corruption and crony capitalism (cartels, poor governance etc.)
- Weak entrepreneurial ecosystem
- Small is not beautiful

## EXCLUSION FROM THE LABOUR MARKET

	South Africa	Developing countries	Sub-Saharan African
Labour force participation rate (% ages 15 and older)	52.1	64.3	70.9
Youth unemployment (% of youth labour force)	35.9	14.6	13.5
GDP growth (% year-on-year, 2015 estimate)	1.3	4	3.5

- On the UN's Human Development Index, South Africa is positioned in the medium human development category, ranking 116 out of 188 countries
- This rank is shared with Vietnam and El Salvador
- SA's HDI value increased by 7.2% between 1990 and 2014

SOURCE: UNDP HUMAN DEVELOPMENT REPORT 2015,  
INTERNATIONAL MONETARY FUND, WORLD BANK

## EXCLUSION FROM ENTREPRENEURSHIP

		<b>New business density</b>	Number of new limited liability companies
Brazil	2014	2.88	73,614
Hong Kong SAR, China	2014	31.3	167,28
India	2014	0.12	98,029
Isle of Man [lol]	2012	45.27	2,287
Kenya	2014	1.8	45,366
Malaysia	2014	2.37	49,203
Mauritius	2014	5.14	4,633
Nigeria	2014	0.76	71,941
Russian Federation	2014	4.2	427,39
Rwanda	2014	1.49	9,991
Singapore	2014	9.51	38,306
<b>South Africa</b>	<b>2011</b>	<b>1.82</b>	<b>59,731</b>
United Kingdom	2012	12.9	537,66

- New business density defined as the number of newly registered corporations per 1,000 working-age people (ages 15–64)
- Ease of doing business rank 73/189

## THE CASE FOR INCLUSIVE CAPITALISM

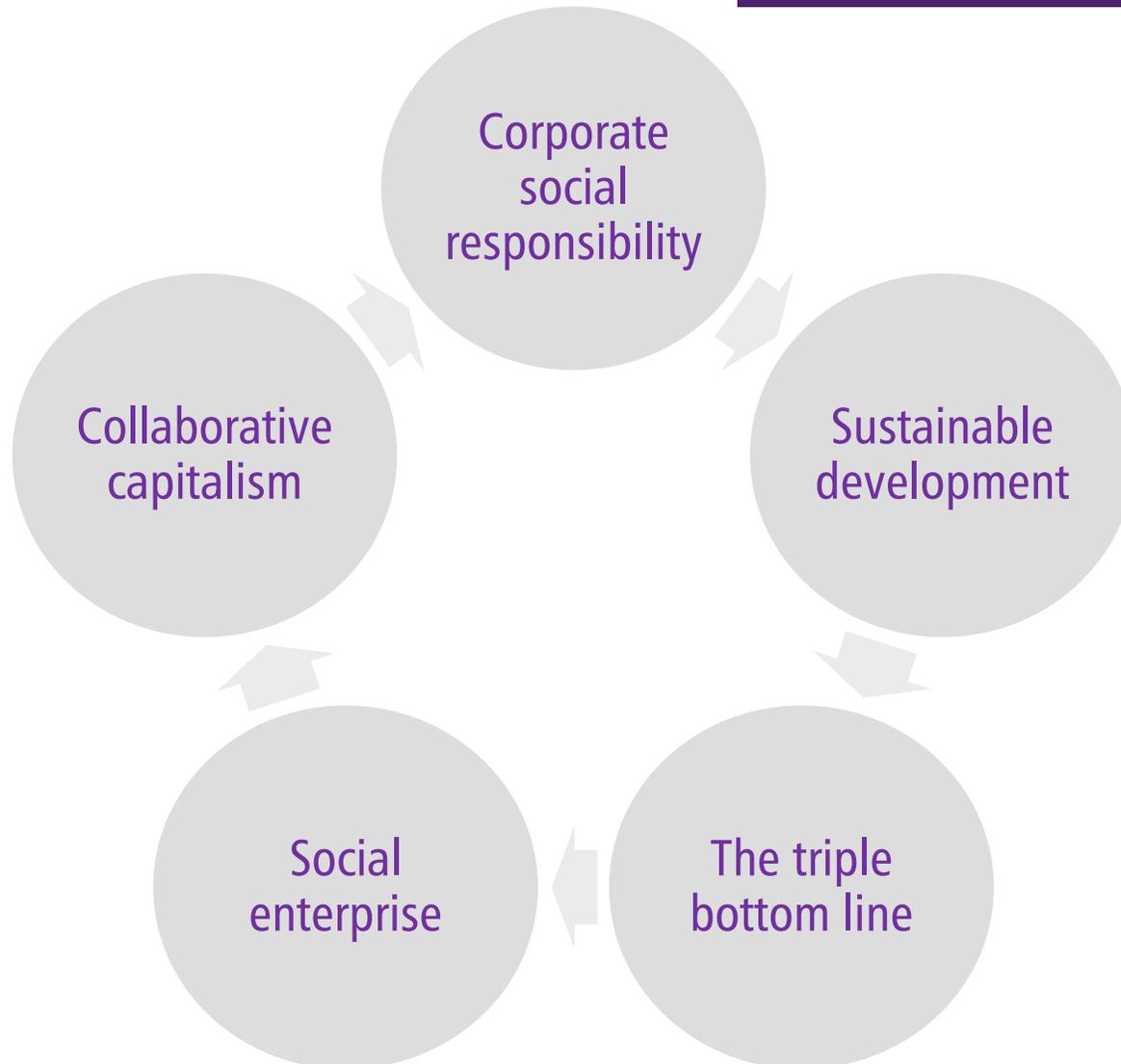
Different frames to think about the goals of inclusive capitalism

- IMF: as a means towards poverty eradication
- Pope Francis: as a means towards equality, justice and dignity
- World Economic Forum: as a means towards future economic growth and social stability

Pro-poor growth: growth that reduces poverty

Inclusive growth: growth that is not associated with an increase in inequality

# EVOLUTION TOWARDS INCLUSIVE CAPITALISM



- Attempts to reimagine how society creates and distributes value
- Some might say that social progress is the inevitable fruit of capitalism. But history teaches us otherwise
- Nigerian business leader Tony Elumelu has contributed the term Africapitalism to this growing lexicon, describing it as 'the process of transforming private investment into social wealth'
- All at the risk of becoming buzzwords/fads/trends that do not yield transformative outcomes



# CORPORATE GOVERNANCE & INCLUSION

## Meaningful stakeholder capitalism

Global survey of sustainability practices of 3 800 senior managers and executives conducted by the UN Global Compact in 2014 found:

- 65 per cent of companies had corporate sustainability as a top management agenda item
- 22 per cent of managers believed that their boards provide substantial oversight on corporate sustainability issues
- Barriers to engagement were thought to be caused by:
  - unclear financial impact
  - lack of sustainability expertise on the board
  - not seen as a priority for stakeholders
  - short-termism,
  - misunderstanding about the fiduciary duty of the board (primacy of shareholder value)

*Solutions include:*

- *Including sustainability metrics in executive compensation*
- *Seeking board members with sustainability expertise*
- *Employees as owners **AND** active participants in governance*
- *Meaningful stakeholder engagement*

## BUSINESS STRATEGY & INCLUSION

Beyond 'isolated isolated corporate social responsibility activities'



“They’re not necessarily calling it financial inclusion. They’re calling it customer acquisition”

Sonja Kelly, Fellow at the Center for Financial Inclusion at Accion

- Company responsibility extends beyond its financial performance **or isolated corporate social responsibility activities** – it is responsible for its context (King 4 Draft)
- Collaboration with government, civil society and other businesses
- Innovation for under-served or badly served markets
- An integrated approach to inclusion and sustainability rather than any particular strategy

# THE PROMISE OF THE SHARING ECONOMY & SOCIAL ENTREPRENEURSHIP

## Recent entrants

- SweepSouth/Domestly – on-demand cleaning services
- Locomute – car-sharing
- Obami – social learning platform
- City Soiree – funding creative events
- Thundafund – crowd-funding

## Implications for growth and development

- Shared knowledge
- Enhanced earnings [ideally]
- Facilitate participation – bridge formal and informal, skilled and unskilled
- Sustainable consumption – limit environmental footprint
- Efficient production - eliminate ‘excess capacity’

## PUBLIC POLICY



- Human capital development: antenatal care, early childhood development, quality basic education
- Competition policy: Levelling the playing field for new entrants, eradicating abuse of dominance, regulating concentration
- Building the entrepreneurial ecosystem
- Progressive taxation & redistributive fiscal policy
- Incentives for long term investment (disincentives for hot money)
- Prioritisation of broad-based development over advancing vested interests

## CONCLUDING THOUGHTS



**Our system of market capitalism wasn't handed down, in perfect form, on stone tablets. We wrote the rules. We broke them. And we can fix them."**

Rana Foroohar (Makers and Takers) on American capitalism

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