

## NEVA MAKGETLA: Steinhoff 'tribalism' provided fertile ground for mismanagement

Lack of diversity in the company reflects some core challenges for SA business

🔒 BL PREMIUM

14 MAY 2019 - 05:07 by NEVA MAKGETLA



Steinhoff. Picture: SUPPLIED

Tribalism is notoriously the bane of Africa, as narrow ethnic networks keep out others so as to grab the riches of national economies for themselves through corruption and patronage.

In SA, Steinhoff provides a prime example. Historically, it was far less diverse than the government, the ANC or even many other big businesses – and that provided fertile ground for mismanagement and fraud.

While Steinhoff was an extreme example, the broadly uncritical support it enjoyed

before the fall illustrates how tribalism still shapes much of SA's economic discourse. When a closed group has power, it often sees diversity as lowering standards rather than bringing in new ideas, traditions and standpoints. Yet a host of studies show that, from academia to the boardroom, diversity ensures better results because it makes people think outside the box, see more opportunities and manage risks better.

Steinhoff's closed management reflects some core challenges for SA business, ranging from market concentration to the assumption that people who played rugby for a posh university can do no wrong, which all too often goes hand in hand with the effective denial of opportunities for people with different backgrounds. It exemplifies how a lack of diversity breeds complacency, arrogance and ultimately billions in losses.

Before 2017 Steinhoff had just one black board member, with none on its executive committee. Today, its board has 14 SA members, of whom two are black, including the nonexecutive chair.

Steinhoff's uniformity is not far off the norm. In 2017 a sample of 306 listed companies domiciled in SA (out of a total of 375 on the JSE) had almost 4,000 directors. A fifth of CEOs, a quarter of executive directors and just under half of the executive directors were black, although under a 10th of the population is white. Almost four out of five listed CEOs were white men, while just 2% were black women.

Small business is more representative. In mid-2018 just under half of the formal employers and self-employed people were white men, down from two-thirds in 2002. Of the 1.5-million mostly very small informal businesses, 95% were black-owned.

The tendency of big business to draw on a narrow pool for expertise means that all too often new groups or individuals can only break in with state support. Undoubtedly, whenever the state has to choose some individuals or businesses over others, there is space for corruption. But letting existing companies effectively shut out new entrants is even more corrupting. And in a highly diverse democracy, it is simply not politically sustainable.

In practice, like many big companies, Steinhoff didn't have to worry much about legislation on empowerment. It doesn't supply the state, and outside of mining the main incentive to bring in black partners is to get government contracts.

In the event, the biggest beneficiaries of state capture in SA were not emerging local businesses, but foreign companies. The most egregious cases involved newly expanding companies from countries like India, China and Russia, where the relations between state and business have never been at arm's length.

In much of the world, the links between big business and the state are integral, institutionalised and unquestioned. That was certainly the case in SA before 1994. The ideal of a noncorrupt capitalist country is important, but mostly honoured in the breach, when someone is caught.

Ultimately, scrutiny by the media, the judiciary and whistle-blowers in the public and private sectors shone a bright light on corruption in the SA government. The state's extraordinary diversity helped by opening space for criticism both inside and outside it. In contrast, with Steinhoff the clique at the top came from a unified, long-privileged elite. The media, as well as many domestic investors, were far too credulous, while its own executives proved at worst complicit and at best blind to the misdeeds of their clan.

- *Makgetla is a senior researcher with Trade & Industrial Policy Strategies.*