

"Chambers of Business in Karoo towns: Fulfilling their unexplored potential"

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1. Introduction

Business chambers have traditionally assumed an am important role in serving the needs of their members. They have also been instrumental in creating a positive economic environment and in promoting economic growth. The strength of chambers has always been their members' knowledge, acumen and the influence they exerted in promoting business interest. Chambers have also been interactive with government, particularly at the local level of government.

The role of business chambers has become exposed to a bigger challenge in recent years. Firstly, the context has changed following the rapid spread of globalization, international trade and the advent of the information technology era and the new way business has been conducted in this era; secondly there is the recent economic and financial malaise and the devastating effects on business, particularly SMME's, the expected revision of financial regulations and the King III report; and thirdly the challenges for business in a country in transition. The latter challenges include promoting sustainable local economic development,

the local government crisis and improving service delivery, promoting public private sector dialogue, combating poverty, unemployment, inequality, HIV/Aids and crime to mention but a few.

Given the above and other challenges posed to business chambers, it is argued that chambers have to a large extent “not fulfilled their unexplored potential”. The role of the different stakeholders in development i.e. the public sector, private sector, civil society, NGOs and the private sector have changed considerably over the past two decades. Whereas these roles have been neatly demarcated in the past, there is considerable overlap today and therefore stakeholder management has become more extended and complex than in the past. Yet, it also provides the private sector with new challenges and opportunities.

2. The AHI: A changing strategic agenda

The AHI was founded in 1942 to be a centre of expertise for Afrikaans business and to promote Afrikaans business empowerment. Today the organization prides itself in its inclusive Afrikaans character. In recent years the AHI have had prominent leaders from the historically deprived communities such as Dr Matthews Phosa, Dr Franklin Sonn, Prof Eltie Links, Ms Veneté Klein and Mr Martin Kuscus.

A cursory glance at the strategic agenda of the AHI also shows the establishment of desks of expertise on topical issues of the day over the socioeconomic spectrum, promotion of Base of the Pyramid activities though the Base of the Pyramid Learning Laboratory housed at the AHI, a Black Empowerment Trust making it possible for medium size business

to participate in the BEE process, and a partnership with the Department of Provincial and Local Government to address some of the main issues at local government level (through a few pilot projects) including an investigation into the state of local government and a project on local economic development, determining the state of the art in LED in South Africa and eventually promoting LED in a selected number of towns. From the above exposition it could be gleaned that the role of business in society has changed significantly in recent years. The strategic agenda of an organization such as AHI seems to indicate a changing role for business in society.

3. Business' changing role in society

The role of the private sector has been broadening ever since the 1930's of the previous century. The shift was initially from "the business of business is business" to accepting that business always functions within a social context and that products and services serve a social purpose. Not only has the CSR and CSI portfolios of businesses grown, they have also shifted to strategic CSR and eventually to the triple bottom line namely financial/economic, social and environmental impact measurement . This has inspired the work on sustainable enterprise and the role of business in promoting sustainable livelihoods in poor communities and regions.

The current financial and economic malaise in the world therefore should not let us to believe that the days of the private sector are numbered. In fact in recent years it has become increasingly clear that the private sector has an important role to play in development. Kofi Annan has stated in this regard: "Let us choose to unite the power of markets with the

authority of universal ideas”, while the European Management Foundation has stated that “Businesses have a tremendous opportunity to shape a better world for existing and future generations”.

4. Business’ role in combating poverty and promoting sustainable development

Three recent approaches regarding business role in combating poverty are briefly highlighted below: inclusive markets (UNDP), the sustainable enterprise approach (World Business Council for Sustainable Development or WBCSD) and the base of the pyramid approach (BoP),

The UNDP approach promotes the idea of inclusive markets and puts emphasis on (Report on Inclusive Markets, 2008):

- Pro-poor value chain integration
- Brokering investment in pro-poor goods and services
- The development of policy and institutional infrastructure
- Facilitating pro-poor market integration
- Fostering inclusive entrepreneurship
- CSR in support of market development

The World Business Council on Sustainable Development (WBCSD)(2008) states that “Sustainable livelihood business is distinct from charity and philanthropy ...it is strictly business, new business and new markets that benefit the poor and the company”. The focus is on the poor both as aspiring customers and business partners.

The WBCS points out that the framework conditions in developing countries are improving and that business should break out of mature markets and do business in the emerging markets. They also emphasises the fact that communications are better and cheaper in developing countries today and that there are new and better partners available. The WBCSD focuses on core competencies and pro-poor business strategies; partnering across sectors and tapping into local network knowledge.

The third approach namely the BoP has moved from an initial consumer driven approach (BoP I) to deep dialogue and becoming embedded in poor communities (BoP II). The idea behind this approach is the huge untapped market in poor communities and the \$13 trillion sitting at the base of the income pyramid i.e. people earning below \$1500 per capita per annum. Hart (2005) argued that a different business model is necessary in poor communities based on high turnovers, a lower profit margin, and high return on investment (called Protocol I).

The BoP approach has prompted the notion that business strategy should not be designed in isolation from communities and NGOs. However, it has become more pronounced in the BoP II where more emphasis is placed on BoP as a business partner, deep dialogue, an embedded process of co-invention and enterprise development, expanding imagination, marrying capabilities, building shared commitment, and direct personal relationships (see comparison of BoP I and BoP II below)(Stu Hart, 2008).

A comparison of BoP I and BoP II

BoP I	BoP II
BoP as Consumer	BoP as Business partner
Deep listening	Deep dialogue
Reduce price points	Expand imagination
Reducing packaging, extend distribution	Mary capabilities, build shared commitment
Arms length relation- ships by NGOs	Direct personal relation- ships

Stu Hart stated in his book *Capitalism at the Crossroads* (2006) that “Sustainable global enterprise thus represents the potential for a new private sector-based approach to development that creates profitable businesses that simultaneously raise the quality of life for the world’s poor, respect cultural diversity, and conserve the ecological integrity of the planet for future generations. Making such a societal contribution while simultaneously creating shareholder value, will take real imagination and a fresh approach to business strategy”.

Against the backdrop of the above discussion on the role of the private sector in addressing some of the most pressing development problems of our time and the business opportunities involved in it, we can now turn to the question: How can business chambers fulfil their unexplored potential?

5. Seven statements regarding chambers: fulfilling their unexplored potential

5.1 Business chambers have a leadership role

Business chambers have an important role in the local development and particularly in promoting *local economic development* (LED). Chambers have resources, acumen and experience that can make a difference.

Change starts with organizations in conversation and committed individuals that want to make a difference. Business leadership can play a catalytic and facilitating role in identifying new opportunities for economic development and promoting sustainable livelihoods in towns and cities. Chambers should be great sources of information on prospective developments in their areas and should build strategic perspectives around these developments. Through applying a high degree of emotional intelligence and through servant leadership, business leaders can make a huge impact on change in their respective town.

5.2 Chambers as agents for promoting social and public private sector dialogue and partnerships

One of the biggest obstacles in our towns that impacts negatively on local development is the lack of cooperation and the lack of trust that exists between stakeholders in the development process. Issues from the past quite often stand in the way of cooperative and inclusive forms of development.

It is deemed of the utmost importance that chambers and business leaders break the deadlock in communication and promote social dialogue between all stakeholders about the most important issues at the local level. *Facilitation, deep listening and deep dialogues* is required for roleplayers to come to a common understanding of the challenges and opportunities at the

local level. This dialogue should particularly be prompted through local business forums consisting of NAFCO, FABCOS, AHI and SACI.

5.3 Chambers are agents for promoting Sustainable Local Economic Development (SLED)

With the economic decline of many small towns and the collapse of local government services, chambers have an important role to promote sustainable forms of local economic development that will revive economic growth and that will promote sustainable livelihoods at the local level. This would imply that chambers explore every opportunity at promoting local forms of development including the promotion of the informal sector, food gardening, micro-enterprise development, land reform and through linking the first and second economies of towns and cities.

The emphasis should be on local development using local resources in a typically community development driven style. These forms of bottom-up development should complement the current top down development state projects that are afoot country wide. However, local development efforts should hone in on the opportunities provided by the state's infrastructure and Public Works programs (PWPS). In fact local communities should keep a watchful eye on provincial infrastructure development and how local entrepreneurs and labor could benefit from it. They should not let one opportunity forego to create local benefit from these developments.

5.4 Chambers are the custodians of entrepreneurship, innovation, small business development and BoP

Business chambers should be the catalyst for business innovation and entrepreneurship development. Chambers must take the lead in private sector led development. New opportunities exist to be captured not only with regard to local economic development and various government initiatives, but also in fields such as education, training, health, housing water provision and reticulation, sewerage systems traditionally regarded as part of the public sector domain.

Chambers should also be the custodians of small business development and linking the first and second economies. There are various small business support programs available in the country and access to financing and credit is quite often a problem. Chambers can, through their interaction with various stakeholders, play an important role in improving the framework conditions, in particular infrastructure, service delivery and the availability of information, for small business development.

Chambers are also ideally placed to promote BoP or sustainable enterprise development at the local level. The involvement of the established companies and civil society leaders are of the utmost importance to exploit linkages between big and small business, to encourage procurement and to explore grassroots, microeconomic opportunities.

5.5 Chambers must identifying and act on key social development issues

The decline of many platteland towns has led to social decline and marginalization of people in the second economy. Social decline impacts directly on the local economy and the workforce. A multi-stakeholder approach including civil society leaders, churches, NGOs, local and

provincial government is key in fighting poverty, unemployment and HIV/Aids and in generating local solutions for local problems.

5.6 Chambers should work very closely and be interactive with local government

In most of the towns chambers have links with municipalities and are working in one way or another with them. However, due to the poor service delivery in many towns, local and national politics, personalities, and issue stemming from the past cooperation is either at a low level or non-existent.

Facilitation and mediation is quite often necessary to break through these barriers. Even in towns where disputes have been declared and “taxpayers unions have been formed to render services, cooperation is necessary to improve service delivery and to promote local economic development.

5.7 Chambers are great sources for mentoring and coaching

Chambers have many experienced members that forms a rich source of information, acumen and experience. Many of the members of chambers are well qualified and have a very important role to play to mentor and coach young business people and entrepreneurs. One can only imagine if a mentorship program is set up across the Karoo towns what impact it could have on entrepreneurial development in this part of the world.

6. The role of chambers in Karoo towns

From the above discussion it could be gleaned that chambers have an important role to play in the development of town, cities and within the regional context. In many of the smaller towns chambers do not exist any

more, simply due to economic decline and financial pressures, particularly during the current international financial crisis. Doreen Atkinson once made the remark that the absence of a chamber in Phillipolis was the “missing link” to the development of the town.

The challenge in the Karoo is therefore how to activate the private sector to take up the important role of developing the Karoo towns in interaction with other stakeholders. The opportunity avails itself to establish a network of smaller chambers that are served from a central point through a website that feeds them constantly with information that could assist them in their catalytic role in promoting sustainable development in Karoo towns. Here we can learn from the way in which small towns are served in the Outback in Australia.

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