



CONVERSATIONS
A Global Forum

Reuel Khoza

in conversation with
Ann Bernstein

Democracy | Markets | Development

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To mark 25 years since its establishment, in November 2020 CDE initiated a series of discussions with global experts and prominent individuals in South Africa on important questions on democracy, business, markets and development. The series was relaunched in 2022 as CDE Conversations. This was the 20th event in the series.

Ann Bernstein: Welcome to CDE virtual. I am delighted to have Reuel Khoza as my guest today. I first met him decades ago through our mutual friend Professor Lawrie Schlemmer, when Reuel was running one of his first companies and did some work for the Urban Foundation. Since then, he's been chairman of Eskom, Nedbank, the PIC and numerous other institutions. He's also an author, a farmer and an entrepreneur. Welcome, Reuel, it's great to have you here.

Reuel Khoza: I am delighted to talk with you.

Ann Bernstein: You have argued that the philosophical traditions of Africa are important for the theory and practice of leadership in the world today. Many years ago, a well-known black businessman told me that *ubuntu* was a concept that black South Africans use to intimidate white South Africans, but really it had little content or originality. I think you see it differently. What exactly can African culture contribute to how we think about leadership in the modern world?

Reuel Khoza: *Ubuntu* is the African philosophy of life, by which many Africans live their lives. It is based on the belief that there is something wholesome in being a human being who cares about other humans. It extolls the virtues of human interdependence. It stands in contrast to the Western philosophy espoused by Rene Descartes who argued "I think, therefore I am". In African philosophy thinking alone does not make you who you are; how you interrelate with other humans does that. You have no independent existence. The philosophy of *ubuntu* is predicated on the dictum 'Umuntu ngumuntu ngabantu': you only find true human expression in the context of other human beings. Even the language that Descartes used, he learned from his mother, through socialisation, schooling, studying philosophy and reading other people. There is no such thing as an independent, isolated existence.

This *ubuntu* philosophy has found its way into our Constitution and the King Report on Corporate Governance that some of us worked on. It now permeates a great deal of South African and African thinking. It cannot therefore be devoid of content and cannot be something that Africans use to intimidate white people. If anything, it is a philosophy that embraces humanity.

Ann Bernstein: A few years ago, you said: "No black person can feel that the majority of companies are truly open to black ownership, control and promotion through the ranks. We still confront a caste system." Do you still believe this and what is the evidence for that?

Reuel Khoza: In large measure I still do. South Africa has not transformed substantially. If you look at corporate South Africa today, more than 60 percent of managers in major corporations are white in a country where whites only make up eight percent of the population. That cannot inspire confidence. We still have a long way to go.

There is still excessive dalliance amongst whites to draw managerial talent from the white segment of the population. 25 to 30 years after independence, South Africa should have normalised to a point where at least 80

percent of its managerial class is black, reflective of the country's demographics. It is for that reason that I would question anybody who says that the situation is in any way wholesome.

Ann Bernstein: You were chairman of Nedbank for nine years, and you have sat on the boards of many big companies, what were you able to do to change this dynamic? Do you think you made a difference? And what do you think needs to be done, bearing in mind not only our terrible history of discrimination, but also our appalling education system?

Reuel Khoza: When I joined Eskom as chairman in 1997, it was a highly indebted corporation. The debt-to-equity ratio was 3:1. By working with my colleagues, both black and white, in a catalytic and cooperative manner, five years later we could boast several achievements. In 2002, Eskom was rated above the sovereign by Moody's, meaning we were more creditworthy than South Africa. We also managed to reduce the debt-to-equity ratio to 1:1. In 2002, we declared a dividend of R1.6 billion to our shareholder, the state.

By the time I left in 2005, the debt-to-equity ratio was 0.18:1, which made us virtually debt free. Of the 12 leaders in Eskom's executive management, 10 were black and two were white, almost what you might call the ideal. What is of greater importance is that productivity had increased substantially. We had reduced the number of employees from 66 000 to 32 000. Some of the issues we are experiencing now, such as loadshedding, did not exist in the country's vocabulary.

I believe I left a positive legacy, but I want to emphasise that no chairman can do this on their own. If I again apply African philosophy, then a chairman is a chairman by dint of the support he gets from the board and from colleagues throughout the organisation. So, my achievements at Eskom were the result of a collective effort. My philosophy as chairman was one that said: be competent and be ethically sound in your conduct. I also made it clear that industry and diligence are wholesome values, and people bought into that view.

When I joined Nedbank in 2005 it needed to be rescued by its majority shareholder, Old Mutual. When I joined, the share price was below R80, when I left in 2013 the share price was hovering around R249. That doesn't happen without effort, or without inculcating and eliciting cooperation from your colleagues. By the time I left Nedbank, the board was largely transformed, the executive management was deracialised and there were almost as many black executives as there were white executives. I am told that today, the board comprises 15 members and of those, 10 are black and four out of the 10 are women.

So, I want to believe that I have played some part in introducing the kind of transformation the country sorely needs. Unfortunately, a great deal still needs to be done.

Ann Bernstein: Why do you think this happens? Is it because management replicates itself and people are more comfortable with people who are like them? I am often surprised when I speak to many South African boards and executives at how things have changed – it's not perfect by any means, but we are certainly in very different position from where we were. What do you think is the key problem?

Reuel Khoza: In some companies your observations are undoubtedly right, but they get subsumed and rendered inadequate by what happens in many other companies. Changes have clearly taken place but nowhere near enough.

There are several reasons why things have not changed as fast as they should have. One has to do with our education system. Under apartheid high schools and universities for black people were deliberately designed to

produce deficient human models. To overcome that legacy successfully will take perhaps a generation. Another reason has to do with the natural proclivity of people wanting to appoint those who look like themselves. So, if you have a different worldview, regardless of how good your brain is, many will be anxious about whether you will be able to fit in.

In the 80s, I ran several change programmes for the likes of IBM, and it came to light that many people tended to mistake corporate culture with European or Western culture. Those are not synonymous. People from many backgrounds and cultures can be acculturated into corporate culture. As a consultant I did a great deal of advising on how to do that right, and changes in attitudes around those issues from those early days in the mid-1980s to today are quite apparent.

Ann Bernstein: You have said that the “unholy alliance between the ANC and the Communist Party” is holding back socio-economic development in South Africa. You see the communists as the unelected “tail that wags the ANC dog”. You want the Communist Party to understand that it is “not co-governing” South Africa. This is an important issue and one that very few people like to talk or think about. Why do you feel strongly about this?

Reuel Khoza: Communists are in government, but rather than being based on votes the Communist Party secured, they used the ANC’s electoral victories to get there. If communists fundamentally believe in their ideology, why do they not hive off from the ANC and campaign as the SACP? Not doing so speaks to a certain doubt in themselves. The SACP is the tail that wags the ANC dog because the two are ideologically at variance. It is nationalists versus communists. You might ask “so what?”, but in economic terms the difference is important. As nationalists, ANC members gravitate towards a mixed economy, while communists have a strong preference for socialism. To achieve their goals nationalists could readily suggest cooperating with corporate South Africa. That is blocked, however, by those within the ruling elite who are communistically inclined, and who still see big businesses as capitalist monsters who always do things inimical to the rest of humanity. They believe business is the enemy.

The cooperation between corporate South Africa and political South Africa is crucial for us to prosper. Due to those political cleavages, you end up with a situation whereby the tail that wags the dog obstructs what would otherwise be an optimal way to achieve progress.

Ann Bernstein: You have said that the “future of South Africa will be brought about by leaders who dare to be unorthodox, not those who procrastinate”. The current President has said that the unity of the ANC is more important than the future of South Africa. What is your view of him?

Reuel Khoza: With respect, it is irresponsible to say that the unity of the ANC is more important than the welfare of the whole of South Africa. Political organisations come and go, and so do political leaders; the nation lives forever. The nation is infinitely more important than any political party can ever hope to be. Former President Jacob Zuma said the ANC “will rule until Christ returns”. That is the worst form of hubris that anybody, anywhere on the globe, could utter.

The current President has a fine stature, is well educated, is extremely presidential when he stands up to say something and is even worldly in terms of what he has been able to achieve continentally and around the globe. Unfortunately, in my observation, he has a few shortcomings. For one thing, I think he is irresolute. An effective leader must be decisive. You cannot prevaricate for an extended period of time. I agree with Winston Churchill, who said that you can have all the characteristics of leadership, but if you lack courage, particularly the courage of your own convictions, then you must not step onto the leadership plate. In my humble observation, the current President lacks courage.

Certainly, he does not have the courage to say things that may be inimical to his cabinet or his own party.

I am afraid he is also too accommodative, almost to a fault, which cannot augur well for the country. Perhaps he learned the wrong lesson from US President Lyndon Johnson, who once said that it was probably better to have your enemies inside the tent, urinating out, than outside the tent urinating in. The right way to think about it, in my view, is that if you have enemies who want to pee for whatever reason, then let them go and do that elsewhere, nowhere near your tent.

My worry with the President is that he allowed those who were clearly opposed to what he stood for and wanted to implement, to obstruct him from within. We need to be led by one leader and one party that is bold. The primary concern now is that the nation should survive, endure and prosper.

Ann Bernstein: You also said once that "people with no moral authority do not have the right to hold leadership positions". In your view, is this the case with the current government?

Reuel Khoza: I believe there is a modicum of moral authority, but there is a sense in which it is inadequate. In my humble opinion, anybody who wants to lead in politics or in business needs to stand on at least two major pillars. The first one is competence: if you are not competent, do not even have intentions of stepping onto the leadership platform. The second pillar is ethical conduct: without strong ethics you will not only be self-aggrandizing, but also self-enriching to the point of corruption. Flowing from those two pillars of competence and ethical conduct with good intentions are values of integrity, efficacy, a sense of responsibility, accountability, fairness and transparency. As I look at the current leadership, I find that to varying degrees they lack in all those elements.

If you want to lead in the 21st century you must have the conceptual tools that enable you to deal with complexity and to confront difficult challenges. You need to grapple with the realities of globalisation, for example. You need to understand that as a leader who may understand politics, it is also your job to ensure that politics and economics perfectly coexist, which requires a proper understanding of economics. What worries me is that it is easy to ascend to leadership on the basis of political manoeuvring, but unless you have a basket full of concepts that enable you to grapple with today's challenges, you are akin to the mechanic with good intentions but with an empty toolbox.

At the same time, leading in the 21st century also requires a strong commitment to ethical conduct. Intelligence or confidence alone is not enough. Look at Robert Mugabe, who was intellectually extremely gifted, but he had no sense of ethics. And look at Zimbabwe now.

Ann Bernstein: If you were in charge, what would you be doing about our power situation? How would you fix Eskom? More broadly, what has gone wrong?

Reuel Khoza: It is a huge conundrum. In 2018, a few former Eskom people and I approached six former Eskom senior executives currently working for utility companies elsewhere in the world. We asked them if they would be willing to come back home and they said they were willing to serve notice and come back to help. These people were still very active and very knowledgeable. A good number were electrical engineers. We recommended to government that they approach these people. We were brushed off with gusto.

I must admit that later the President approached me and asked if I could be chairman of Eskom once again, but it was at a time when I was chairing the PIC. I said to him I am in glaring awareness of my limitations; that I cannot handle the two at the same time. Having started with the PIC, I pleaded to be left there to do what he requested

me to do.

So, efforts have been made by us and by others. Unfortunately, some of those others are political foes from another political party. They have argued that South Africa has both civil and electrical engineers who would be quite happy to be of assistance if only government invited them to have hands on deck. Even that is regularly brushed aside.

If I were to take on the challenge today (which I would not because I believe I have done my bit) I would first make sure that I do a thorough analysis of the problem. You cannot just assume that the solutions that we came up with in 1997 to 2005 would be adequate to today's problems. Having done that, I would look for and employ those with the skills they need to be up to that assignment. Fortunately, this country is blessed with those kinds of skills if only we care to look for them. I would match the two and give those individuals the scope they need to tackle the problem.

I would insist, as I insisted in 1997, that the shareholder (i.e., government) behaves as a shareholder and not as part of management. I remember telling one of my late ministers that if they were going to interfere with succession planning, with skilling and multi-skilling of the people, they should come in and I would go out, and the minister, at that time, desisted from interfering. If you have a solid board, they can tell government not to interfere at all. The board and management must be given the mandate to run the company, and government should not interfere. If those who are running the company are not delivering then replace them with those who will deliver, but otherwise stay out of the way.

Ann Bernstein: It is beyond belief that we currently sit with an Eskom board that has little or no engineering capacity. I think the government is now suddenly starting to act on that, but one wonders why it has taken so long to get there.

Reuel Khoza: I think it is tragic because if you look at it, the board we had included several civil engineers who had run major corporations in the mining industry – and the mining industry was one of the segments of the market we were servicing, so they would make contributions based on an understanding of the real issues in mining. We had international electrical engineers who had run utilities in the Scandinavian countries. We had an engineer from West Africa and chartered accountants who could scrutinise the numbers. All of that made for robust debate and constructive engagement in governance. Now there are other forces at work which select people who may be amenable but don't necessarily have the requisite skill to serve on this vitally important board.

Ann Bernstein: In 2012, you were one of the first businesspeople to speak out about South Africa's strange breed of leadership that seemed to be undermining the institutions that underpin democracy. You argued in the Nedbank annual report that our political leadership's moral quotient was degenerating and that we were fast losing the checks and balances necessary to prevent a recurrence of the past.

Your comments drew strong criticism from the ANC, the then-minister of police, the government's official spokesman, and Gwede Mantashe, who said you were "irrelevant" and "unpatriotic". Blade Nzimande, chairman of the SACP and cabinet minister then and now, accused you of recklessness. What were the consequences for speaking out in this way?

Reuel Khoza: Let's start with the positive consequences or the consequences that one could live with. For one thing Nedbank's major shareholder shared the stance I took. As we were building up to the AGM, there were those who felt that perhaps some other shareholders and stakeholders would agitate for the termination of my

chairmanship, but I was voted back in by upward of 90 percent of the shareholders.

That was lower than the usual 98 or 99 percent I typically got year after year. So, perhaps 6 to 8 percent may have been a little bit unhappy with the stance I took.

The ultimate test of whether or not you have been an ineffective chair, and that you need to be punished out for it, is consumers quitting. We monitored that very closely. Two or three Nedbank customers in Pietermaritzburg came to one branch and said they were withdrawing their support because of what the chairman said, but none beyond that. In fact, later when we had engaged the ANC, some of its members said they were customers of Nedbank, and they were not about to move their accounts.

The ministers who attacked me were very bitter, at times condescending and derisive, which was not becoming of their positions. If they disagreed, they could have done that without being insulting. There are those who said I should withdraw the statement, but I refused. A more magnanimous government would have called me aside and asked for more information and engagement. Then perhaps we would have debated the issue to a point where they could have seen the negativity that was eroding our political economy and our democracy. Who knows, what we experienced later may perhaps have been averted. I am not saying that I was a prophet of any kind. I was just a businessperson who observed where things seemed to be heading.

So, what lessons are there for the current leadership? If you have critics, don't castigate them as if they were enemies. They could be seeing things that you cannot. Even the most visionary of us have blind spots. Recognise that and accept your limitations. Your limitations can be diminished by accommodating ideas that may not be your own.

Ann Bernstein: The country is in a terrible situation with crises on every front. Do you think business is speaking out enough? Are they being bold enough and talking truth to power? How do you see business leaders and organised business today? Is there any advice you would give to them?

Reuel Khoza: Organised business and perhaps a few individual business leaders are a lot bolder and more articulate today than they have been in the past. Take the chief executive of Business Leadership SA; she is extremely knowledgeable. She takes trouble to study trends and understand the situation, and she steps forward boldly with views that may not necessarily be very popular with the authorities. Take the president of Business Unity SA; he is very bold. He stands up and speaks truth to power without wavering. If you look at the chief executive of BUSA as well, he speaks truth to power in a very quiet, diplomatic but incisive way, and engages the leadership. One can go on.

Ann Bernstein: Is the ANC redeemable? Would it be better for the country if it split, not just between nationalists and communists but, let's say, between people committed to the Constitution and those who are not? What is your view?

Reuel Khoza: I believe the ANC can be salvaged. To get there they need to stop trying to unite the un-unifiable. If you cannot unify that which is resistant to unity, and you have artificial unity, you harbour enemies in your own house in the name of unity. If you have to face enemies outside, and you have enemies within, then it should be no surprise when things do not go well.

I fought for the ANC underground to a point of being fired from my first job as a university lecturer. I love the organisation and I have worked in it with real stalwarts. I lament the fact that it seems to be on a downward

Reuel Khoza in conversation with Ann Bernstein on 28 September 2022

spiral, but I continue to believe that it can be redeemed. That requires deep surgery, and bitter medicine.

Ann Bernstein: Reuel, thank you very much for spending an hour with us. It has been fascinating to learn more about your views on leadership and many challenges in South Africa. Thank you for being with us.

Reuel Khoza: Thank you very much Ann and keep up the good work at CDE.

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Published in October 2022 by The Centre for Development and Enterprise
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