

BBBEE vs reality



The idea of BBBEE for me stands for giving opportunities to individuals who would not ordinarily have had the chance – in SA that is a big number of people. Recently, the unintended consequence of BBBEE is what has dominated popular discourse. As a country, we have now seen the good and the bad of the policy. Surely the next step is to identify what has worked and do more of that and steer clear of what has not worked.

BBBEE in Fund Management

In the fund management industry, we have seen some success as a result of the BBBEE policy, with several organically grown black owned fund managers which have managed to achieve some mainstream success – which in turn has had the intended result of employment, financial inclusion and increased competition in the industry. Reality is, there are too few of them and even more concerning is when looking at the profile of their client base mainly blue collar worker funds and less representation from corporate funds (nothing to mention on Retail clients).

Economic Transformation, just a buzz word?

I do not think that Economic Transformation is about taking away from one person to give to another – there is no growth in that and little overall value. But at the same token it is not about keeping what you have in a closely held circle to the exclusion of the rest. Economic transformation is about growing the size of the proverbial pie – the economy, allowing more people to meaningfully participate and potentially introduce new and innovative ideas, create new opportunities. Unfortunately, in SA we have seen too many examples where rent seeking behaviour has undermined the opportunity for growth and true economic transformation – we can all think of the Eskom case study every time our lights go out. Leading to more risk aversion when corporates are asked to consider investing with majority black owned fund managers.

Looking for solutions

In our view solving for Economic Transformation in South Africa and in particular the Retirement Fund industry is having clear intent, on the side of asset owners and allocators, to action economic transformation. Start with identification of good asset managers preferably organically grown black managers which have good levels of diversity throughout the business. Make sure that they are able to deliver performance which is less luck and more investment skill. Identify ways to measure impact, this may be through employment, growth, innovation etc. And all to be done in a way that takes account of risk. This way we would need less reliance on the Regulator bringing out the “big stick”.

