MOTSWEDI

Economic Transformation Specialists

Mark's musings

Challenge of concentration

I was chatting the other day to an ex-colleague who is working at a large asset management company and he was giving me insight into the Socially Responsible Investment (SRI) projects his business is doing for school learners, graduates and entrepreneurs. I was truly amazed at the work they are doing and the lives they are impacting. He also mentioned to me that from a marketing perspective, they keep it all vey low key as its not their way to be over the top – which I respect immensely.

"touched-him-on-his-studio"

But in the whole discussion, I think I may have "touched-him-on-his-studio", when I said that all the good work they are doing is not translating into meaningful impact on most South Africans. He felt that I was being disparaging of all the work which his company has been doing. He even thought that I was implying that he should change his marketing strategy away from the low key approach they take – which I was not. I explained that they should continue doing the work they are doing and please continue to raise the bar as an example to other like-minded corporates.

Two fold problem

The point I was raising was two fold, which perhaps were missed – I should have articulated them better. One was that at its core, we are dealing with approximately 26,000 schools in South Africa with millions of learners, most of which his programme would not be able to impact. An unemployment rate of about 40% depending on the definition you are looking at, youth unemployment of 60% and unemployed tertiary educated graduates numbering in the hundreds of thousands, most of which his programmes will not reach. As good a programmes as his company is running, there size of the problem is too big for one company to solve. The harsh reality is that we are going to need thousands of such programmes which are as good as the one his company runs, to start changing these statistics.

The second point leans towards a concentrated financial services industry. South Africa long term savings and investment industry is dominated by six large financial services companies which control about 60% of the pool of assets of about R10 Trillion. This concentration means that not enough companies are able to have SRI programmes which are as big and in that way bottlenecking the flow of SRI supported programmes into the economy. If there were less concentration in the market, there would be more companies with bigger budgets for SRI being able to be innovative in their projects and in turn have a higher multiplier effect to try and solve the problems of poverty, inequality and unemployment pervasive in our economy.

Working towards solutions

This in not a criticism on the SRI programmes themselves, it is rather a observation that the current market structure is not allowing enough SRI programmes to exist or be as impactful as the ones from the concentrated large financial services companies.

So my words to my ex-colleague were to please not feel defeated by the enormity of the task at hand, know that you are making a difference and that South Africans need the innovative work you do to continue; but at the same time please be aware of the structural concentration which exists, which by its very nature crowds out the opportunity for many more such programmes to be as impactful.

My last comment to my ex-colleague was my commitment, that I will be approaching every decision and strategy I embark on grounded in the question.. "will this action lead to economic growth for South Africa". With this one question in mind we have the guiding light which could well solve many of the intractable problems our country faces.