

SECTION 1

Prior to 1994, as you might know the business landscape in South Africa was, if I may say, lopsided, i.e. divided according to colour – white people were involved in formal business and most of the black people were involved in the informal business, however, not entirely.

In order to “level the playing fields” the new Democratic government came out with the “BEE” concept. The whole idea was to remedy the imbalances of the apartheid era.

However, the BEE principle brought along with it some problems e.g. it created handful millionaires – left behind the majority of the previously disadvantaged still poor – society was or is divided into the haves and have nots.

My personal opinion – millionaires were made overnight. It did not create or prepare entrepreneurs but business investors. If you were at the right place at the right time you would be lucky.

In my opinion BEE has not created entrepreneurs in the true sense but business entrepreneurs. BEE beneficiaries sit in offices, travel around and most of them have no idea of what is going on in the business.

It has created some animosity between the rich and the poor, and understandably so.

At the same time we cannot all be business people. In as much as the people who had all the chances to enter into business are not all business people.

Some companies have found a loophole in the BEE broad base.

I have maintained that the person who e.g. cleans offices, the person who fills petrol into your vehicle is concerned with “putting bread on the table”. Is he interested in having a share in a company? The answer is NO.

At the end of the financial year he gets a letter saying that a dividend of R1 per share has been declared and his dividend has been used to liquidate his indebtedness to the financiers of his shareholding.

The financiers may have lent him e.g. ±R100 million. The dividend amounted to R2,500.00. When is he going to liquidate his liability in full? The company on the other hand feels that it has fulfilled the requirement of BEE. It has a broad base empowerment.

Keith Kunene has been asked by the company to form an empowerment Co. He is then being remunerated with free shares or is being allocated options so that at the end of the financial year he will receive his dividend because his shares are unencumbered.

If the share price goes up he may exercise his options etc. In most instances will sell some of his shares and use the proceeds to liquidate his liability. GSB should examine this problem and see if it cannot come out with a solution.

SECTION 2

During about 1972 my late father and I started a milk distribution business. The business was funded from our pockets. It would therefore be expected that the initial capital outlay was limited.

For banks to lend you money for business it requires security.

This has been a problem even before the advent of the democratic government, I would imagine that even in this country banks would be unwilling to lend without security.

I shall use our company, Kunene Bros. Holdings commonly referred to as KBH, as case study in hand.

Some of the factors that made the business grow:

- a) We extended the trading hours vis a vi the traditional business trading hours;
- b) We deviated from general business practices, e.g. gave credit without security. Bring your priest, neighbour etc, should they confirm that you are a good man we will supply you with goods on credit.
- c) We adapted our business to suite our market. This enabled us to slowly grow our business.

My father, a retired school headmaster, in the meantime passed on and my three younger brothers operated the business. They understood one thing viz they must grow the business because at that stage it sustained their living.

SECTION 3

By the time my dad passed on we had began distributing Coca-Cola and its products.

My brothers grew the distribution of Coca-Cola – [story of the man on a bicycle].

The franchise to bottle and distribute Coca-Cola was the major catalyst in the development of our business.

About 1991/1992 our business became formalised and the present KBH was born.

KBH philosophy motto “Active Ownership” – [Explain]

Purchased bottle stores – problem to raise capital [Expand]

Story went around that we were active owners and we were not beneficiaries of free shares [Explain]

We enjoyed BEE only in so far as the fixing of the selling price of a business or shares is concerned. KBH – as a formal business grew further as a result of being:

- (i) Conservative;
- (ii) Patient;
- (iii) Trustworthy; and
- (iv) Flexible.

GSB is an important institution for the development of entrepreneurs. I believe we all agree that doing business today is different from doing business in e.g. the 70's. Computers inter alia have revolutionised the way of running business.

Today the financial report of a business goes beyond the preparation and presentation of the balance sheet. There is the need to be able to interpret and to analyse the different operations e.g. to identify the profit leader of the business.

This is where GSB should come in, to equip entrepreneurs with the knowledge, how to examine, interpret etc. financial reports – must be able to put to test some of the assumptions and explanations in the financial documents.

But I would like to caution that whilst the way to report on the financial activities of a business are universal, there is nevertheless the aspect e.g. of local conditions (the bicycle used as a means of supplying products). It is for GSB to adapt its curriculum to suite the local conditions.

GSB, I believe will teach students that there are no instant millionaires unless you have inherited millions or you got a lotto.

I have, from practical experience, identified issues which seem to permeate the running of small businesses as:

- a) Being unable to differentiate between business and personal funds;
- b) Funds generated by the business are not all the owners funds – there's stock to be replenished and there are creditors to be settled etc;

- c) Lack of skill to evaluate the returns – can I afford a BMW;
- d) Not to run a business, especially a new business or a small business by remote control – only by being hands on are you able to know your business;
- e) Being innovative – different markets may necessitate running the same type of business differently.
- f) Find a niche market – not to follow trends and “fashion”;
- g) Being able to raise capital.

This, in my country is the biggest obstacle facing small businesses.

GSB I am certain will assist in solving these problems by teaching its students how to prepare presentations to the banks.

To complement business theory, GSB, I believe, should now and again request business people to run seminars or talks to bring to the fore general problems identified in practice.

SECTION 4

I am made to understand that Mr Pupkewitz has made a very liberal donation to GSB. To me his acceptance of the principle behind GSB viz an academic institution which imparts knowledge particularly in the field of business. The domino effect is that the final product is the improvement of the country's economy.

If the country's economy is improved, the welfare of the nation is improved.

“Mens sana in corpora”

To me Mr Harold Pupkewitz, particularly considering your age, is an indication that you are not a selfish person, who contributes to the future welfare of the people.

There's a Chinese saying that goes... “Do not give me a fish, but teach me how to catch fish”

My interpretation of your gesture, Sir, is that you are creating a means to teach future generations how to catch fish. You are creating an environment in which future entrepreneurs are created. They will be independent – therefore sustainable means of creating entrepreneurs.

I wish you many happy returns on your birthday. Not many of us, I mean particularly at your age, would bother to cater for future generations.

My personal request to you, Sir, is a recipe so that I should reach your age and of course being healthy.