

# CAPTAINS OF INDUSTRY

Top black South African company directors are recognised in a new survey that rates the better with the best

BY KERRY DIMMER



**A**ctor Eddie Murphy once said to playwright August Wilson, two-time winner of the Pulitzer Prize: 'I don't want to hire nobody just 'cos they black.'

Over the following three years Wilson was to hear many versions of this phrase and took the implication to mean that 'the only qualification any black has, is the colour of his skin'.

Wilson was fighting for the attention of film studios, urging them to hire black film directors. Similarly, corporate South Africans have fought to justify the appointment of black directors to their boards. But despite the application of the transformation code of BEE, many have been appointed not only because of their skin colour, but for the quality of their leadership.

A culture of qualified and highly respected black directors has emerged as a result, becoming unwitting flag bearers for a 2010 survey called *Trailblazers*. These are people of influence, self-determined individuals that display qualities that impact on the degree of success experienced by the organisations they represent.

*Trailblazers* united the JSE, Citadel, Empowerdex and *Business Times* to explore two main objectives. 'Firstly,' says Steven Hawes from Empowerdex, 'we wanted to recognise and offer a degree of exposure to those people who are making a difference in the boardrooms of SA. Secondly, the survey provides a barometer for the change that is happening from a BEE perspective.'

Adding to that list, Joe Bester from Citadel points out that by recognising industry leaders of this calibre, 'you create icons that young business-people can aspire to'.

*Trailblazers* is not a new concept. Since 2004, and every two years since, Empowerdex (an



empowerment rating and research agency) and Citadel (a leading wealth management company), have been monitoring the achievements of black directors of current JSE-listed companies, be they in executive or non-executive positions. Of the 400 companies surveyed in 2010, 3 450 individuals were found to be board members, some holding directorships in more than one organisation.

From defining sex and race, and the number of JSE directorships individuals held, combined with market capitalisation of the respective companies, it has been determined that over the past four years there has been an increase of 96% in black directorships. However, do not be fooled into thinking that the higher the percentage the better the overall penetration.

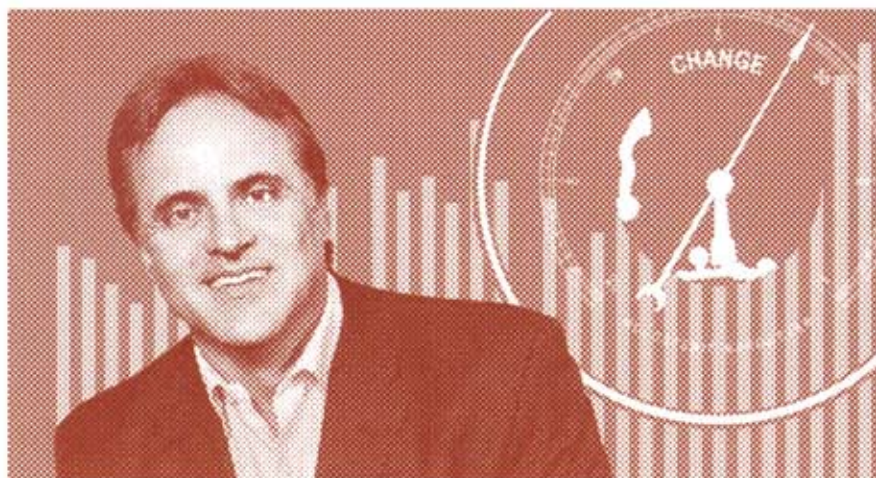
The facts are that since 2008 there's actually been a decrease within the top 50 African directors from 82% to 78%. Another decrease of 6% was proven to exist within the top 50 most influential black directors. Such decreasing percentages do not, however, translate into less black directorships than in previous years. Rather, it demonstrates that in terms of growth, there's been slow progress.

As Hawes points out: 'It's not the easiest thing to change a board, especially considering that it was only three to four years ago that legislation was introduced requiring BEE participants to make up 40% of an organisation's board.'

While BEE serves to accelerate the participation of black people at all levels of the economy, it cannot be solely credited with the shift in paradigm. ➔

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'BEE may have been the push that was required to change the status quo but the talent pool has created the demand'

**JOE BESTER**  
HEAD OF MARKETING, CITADEL

'BEE may have been the push that was required to change the status quo,' says Bester, 'but over the past few years the talent pool has created the demand.'

That talent includes the likes of Cyril Ramaphosa, who in the *Trailblazers* survey was ranked first, with eight non-executive directorships whose influence across these boards is over R805 billion of market capitalisation; Mamphele Ramphela, the top woman black director in the rankings; and third-placed Fred Phaswana with three non-executive directorships. 'What is really encouraging from the survey, is that there has been an increase in black women directors by 46% to 299 out of 951 directorships held by black individuals,' says Bester.

Commenting on these encouraging figures, Ramphela says that she remains saddened that there are still so few women serving on company boards. 'I hope that young people will be inspired by the opportunities opening up. To encourage the appointment of more women board members, you have to talk to the business case for gender equality to enhance the quality of board discussions and decision-making.'

A company's commitment to gender equality and BEE is not only defined by how many black people/women it employs but, among other criteria, the extent to which the components that affect

and influence business objectives are felt. The position of non-executive director obviously has less decision-making power than an executive director and while still important, their degree of influence has far less impact than, say, an executive board member who is also the CEO or chairperson.

So does a black director have more influence than his white counterpart? Both Hawes and Bester concur that collectively it depends largely on the number of boards the individual sits on, given that there remains a higher percentage of white directorships. 'You also have to consider the nature of who the person is – even non-executives can wield huge influence by nature of who they are,' says Bester.


Phuthuma Nhleko, CEO of MTN, is a prime example. He was voted as the Most Admired Black Director by his counterparts, yet he ranks only 15th on the *Trailblazer* list with just that one single, albeit executive, directorship. It's the influence he's had in growing MTN across the continent and the Middle East that makes him stand out. He is also the most powerful black director holding a market capitalisation of more than R198 billion.

The most powerful black woman director (in fourth position) is Nonkululeko Nyembezi-Heita, who heads up the ArcelorMittal Group with a market capitalisation of R35 billion.

It is of course the calibre of individuals like Cyril Ramaphosa, committed to the development of a number of diverse investment arenas, from financial services to education and energy, that highlights how culture can be shared through self-determination.

He also stands out for flavouring our democracy with a strong sense of self-identity. To ignore that he is a black South African would be an insult for, like all the *Trailblazers* business icons, his past is one of the reasons why transformation is so crucial.

In honouring the top 50 individuals, Hawes says that a project of this nature opens the door to uncovering the talents of directors who have long been ignored, particularly those who've come from especially challenging circumstances. 'Their stories need to be told to inspire future leadership.'

'The *Trailblazer* project,' says Bester, 'contributes significantly to transformation by highlighting the facts – both positive and negative – of the real situation on the boards of companies. Although the intention of the project was not to influence the promotion of executives to the boards, it remains imperative that the business environment becomes more inclusive and that new executive talent is developed, encouraged and rewarded.' 



PROFILE | MIKE TEKE



# LEGACY BUILDER

Mike Teke is bullish is his determination to grow a coal business that is both sustainable and successful

BY KERRY DIMMER



Optimum Coal's CEO Mike Teke had to describe himself in one word it would be 'modest', and that is exactly what he is. Success hasn't spoiled him. Parentless and under the care of his grandmother, patriarchal words of wisdom were embedded into his upbringing.

'My grandmother always said that if you want to make a difference you have to wake up and act ... early to bed and early to rise makes a man healthy, wealthy and wise. I still live by that credo.'

And so it is that Teke arrives at work by 6 am almost every morning, a pattern he adopted early in life while completing his education/social sciences degree and obtaining a postgraduate degree at the University of the North (now known as the University of Limpopo). These studies were followed by an honours degree (from what was then the Rand Afrikaans University), an MBA and a number of other human resources and business courses.

His personal ethics were fine-tuned and expanded on as he climbed a steady ladder at a number of respected organisations that include Bayer, Samancor Chrome, Ingwe and Impala Platinum. Directorships were acquired along the way.

Growth is a strong indicator of success but is worthless if there is no value. Teke had long identified the value of coal mining in SA evidenced by his purchase of 55% of the Vlakfontein prospecting rights in the Ermelo area, now the Vlakfontein greenfield development project owned by Optimum Coal.

And then, along with four like-minded investors with similar vested coal mining projects, he purchased Optimum Coal from BHP Billiton in 2008.

Optimum Coal will be a business that is not just healthy financially but also considers the well-being of its employees

It is almost impossible to believe, but in just two years Optimum Coal was worth R2.7 billion. 'We bought at a time when business fundamentals were favourable. Coal, at one stage during our first year, hit \$150 a ton so we made good money,' says Teke.

'But we were prudent and used the capital to invest in building a new underground operation, Boschmanspoort, and we spent some R560 million building a water reclamation plant. The plant was delivered on time and within budget and we were able to declare a dividend of R120 million.'

Optimum's employees were pleased, owing as they do, 25 million of the 251 million shares currently in issue. 'The second year was more challenging, we neither made nor lost money, but we kept afloat. We've finally turned the corner because we have good operational and strategic management, a strong balance sheet and are very acquisitive.'

Optimum Coal's future depends on growing organically within SA (for now that is) despite energetic door-knocking from a number of countries, including Zimbabwe, Mozambique, Zambia, Tanzania and India.

Teke says there are many internal projects planned such as new mines and more local acquisitions – all of which is in line with what he refers to as building 'exemplary growth, balanced with sustainability'. He's talking of course about responsible mining that encompasses far more than just adopting environmental principles. 'We want to build a healthy SA coal miner, a business that is not just healthy financially but also considers the well-being of its employees.'

For the past three years Optimum Coal has included and funded a comprehensive HIV/AIDS testing and educational programme at all its mining operations, encouraging employees and local communities to know their status and to live responsibly. Teke has set a good example by having himself tested, proving his leadership commitment to the initiative. Last year, he pledged personal funds to the campaign to encourage further support.

Turning thoughts into reality distinguishes Teke from his peers. 'We're building a legacy of a truly SA-owned and black-controlled mining group,' he says. 'It's not for show, there's no selling-off or walking away after huge financial gains. I want to be remembered as just a humble man who led by energising and motivating.'

'We are bullish about coal and we believe in the future of SA and will always be part of the country's growth.'





# IN THE MARKET

A round-up of the latest JSE news, by Kerry Dimmer

## BEST SECURITY IN THE WORLD

SA has been ranked first out of 139 countries for its regulation of securities exchange by the World Economic Forum (WEF), beating Sweden and improving on its second position in 2009.

The WEF's *Competitiveness Report* rates countries according to 12 criteria, including the quality of infrastructure and institutions, efficiency, market sophistication and capacity for innovation.

Russell Loubser, CEO of the JSE, expressed his pleasure at the achievement. 'This sends a good message about investing in SA and is testament to the effective working relationship between the JSE and the Financial Services Board, to which the JSE is accountable for market integrity, the regulation of markets and investor protection.'

A well-regulated securities exchange is vital to international investors particularly in the wake of the global financial crisis. What is significant for the JSE is that, unlike other exchanges in the midst of the meltdown, it did not ban short selling or introduce circuit breakers.

## ADVANCE INTO THE FUTURE

The JSE is one of the few exchanges in the world to offer variance futures, which are advanced derivatives allowing investors to profit from volatility in the market, or to insure against it.

Fund managers make particular use of these instruments when analysts anticipate increased market movement due to changes in market sentiment. Since the introduction of variance futures a year ago, the JSE has seen strong growth in the use of the instruments.

JSE Director Allan Thomson explains that professional investors are constantly on the lookout for new ways to gain the returns they require. Trading variance futures could be one way of satisfying this need.

'Investors trade these contracts for two reasons,' says Thomson. 'Firstly, they may wish to speculate on changes in volatility in the market directly without being affected by market direction, effectively trading on anxiety levels in the market.'

'Secondly, they may wish to hedge an option portfolio against unwanted volatility. That is, they may have a view on the market's future direction and want to trade on that, without being impacted by market fluctuations while moving up or down over a period of time.'

The JSE offers standardised variance products that can be traded free of charge, as well as Can Do derivatives that are tailor-made to cater to a client's specific requirements. The latter has shown particularly strong growth.



## IT'S AFRICA'S TIME

African Stock Exchange Association (Asea) leaders are urging players to invest in Africa while international interest in the continent is high. Sunil Benimadhu, newly appointed president of Asea, says that perceptions about Africa are changing and that the window for opportunities won't be available forever.

"Several markets in developed economies are currently unattractive to global investors due to low returns," says Benimadhu. "In contrast, financial markets in Africa are showing promise. The factors that catalyse such investment are what our financial and political leaders should be considering as being of paramount importance."

Geoff Rothschild, Asea's deputy president, is also a JSE director. He agrees with Benimadhu and points out that while traditional African exports like oil and mineral and agricultural commodities have been Africa's driving feature in attracting investment, there's a need to increase interest on other fronts.

"Attracting foreign investment should take into account avenues that benefit Africa not just in the short term, but in the long term too. We would be undermining our potential for growth if we did not do this."

Those countries that have strong financial markets, supportive regulatory environments and zero tolerance for corruption will be popular choices among foreign investors. It helps too that SA officially has the best regulated securities exchange in the world, coupled to the JSE's trade value of R21 billion a month according to Nedbank Capital.

## LET'S BE FRANC ABOUT THE SWISS

A Swiss franc currency derivative contract has been added to the JSE's existing portfolio, giving SA investors broader opportunities for hedging, trading and speculating. This is in line with the growth and volume that the JSE has been experiencing as a result of the rand's high trading value and confirms market awareness of these derivatives as a useful currency risk-management tool.

## IT'S RAINING RANDS

Asset managers, economists and import/export traders gain a new benchmarking tool with the launch of the JSE's Rand Index (RAIN), a currency index that will aid in tracking and forecasting the rand's strength against the currencies of SA's top five major international trading partners: the euro, dollar, yuan, pound and yen.

The representative weight of each currency in the index will be calculated using audited import and export data of physical goods obtained from SARS – data that is currently only available two months in arrears.

RAIN will be most useful in determining whether the rand is under- or overvalued, something that has come under the spotlight in recent months given its strength at the end of last year. The JSE will list tradeable products based on RAIN once market appetite/demand is present. RAIN is calculated daily at 3 pm and 5 pm. The inclusion of each of the five currencies and changes in individual currency weighting will be reviewed annually.