

Conversations with

BRUCE WHITFIELD

Author of

The Ups!de of Down

How chaos and uncertainty breed
opportunity in South Africa

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Webinar Notes and Summary: “The Upside of Down: How chaos breeds opportunity”

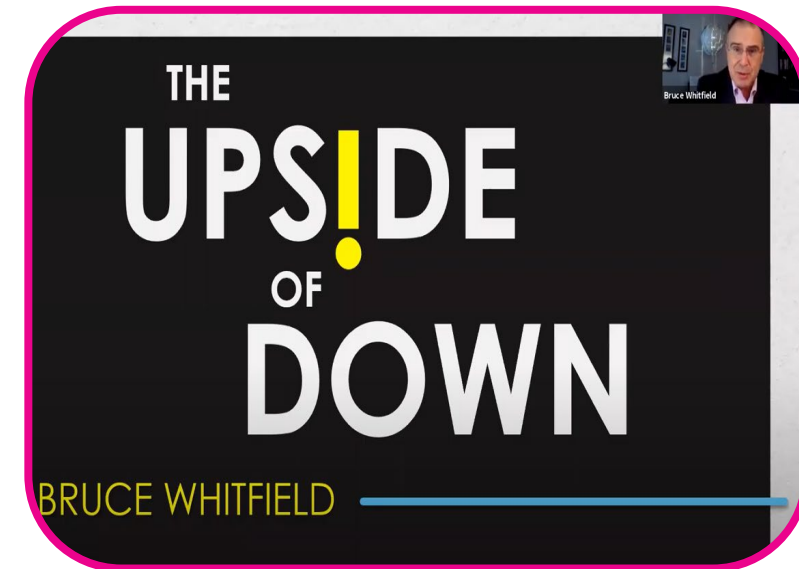
Date: 24 June 2021 | Hosted by Bruce Whitfield and Skynamo (www.Skynamo.com)



On 25 June 2021, Skynamo was privileged to host award-winning financial journalist Bruce Whitfield, who presented a webinar titled “The Upside of Down: How chaos breeds opportunity.”

Bruce hosts The Money Show on 702 and Cape Talk and is a contributing editor at the Financial Mail. But he’s also well-known for talking about some very serious topics in an accessible, entertaining way, always emphasising the positive amidst the chaos that South Africa often finds itself in.

He is also the author of the bestselling book, The Upside of Down, which is currently on its second print run. Bruce said he wrote his book because he was fed up with the number of books about South Africa that detailed many important issues, all of which were important, relevant, accurate and true, but which painted a binary picture of the country.

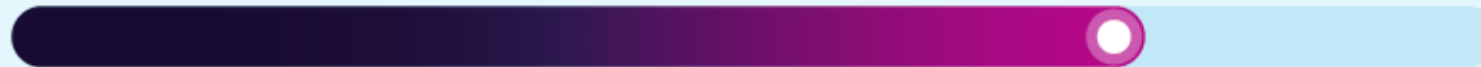




Poll Questions:

Are you optimistic about the future of South Africa?

At the start



Yes: 72.48%

At the end

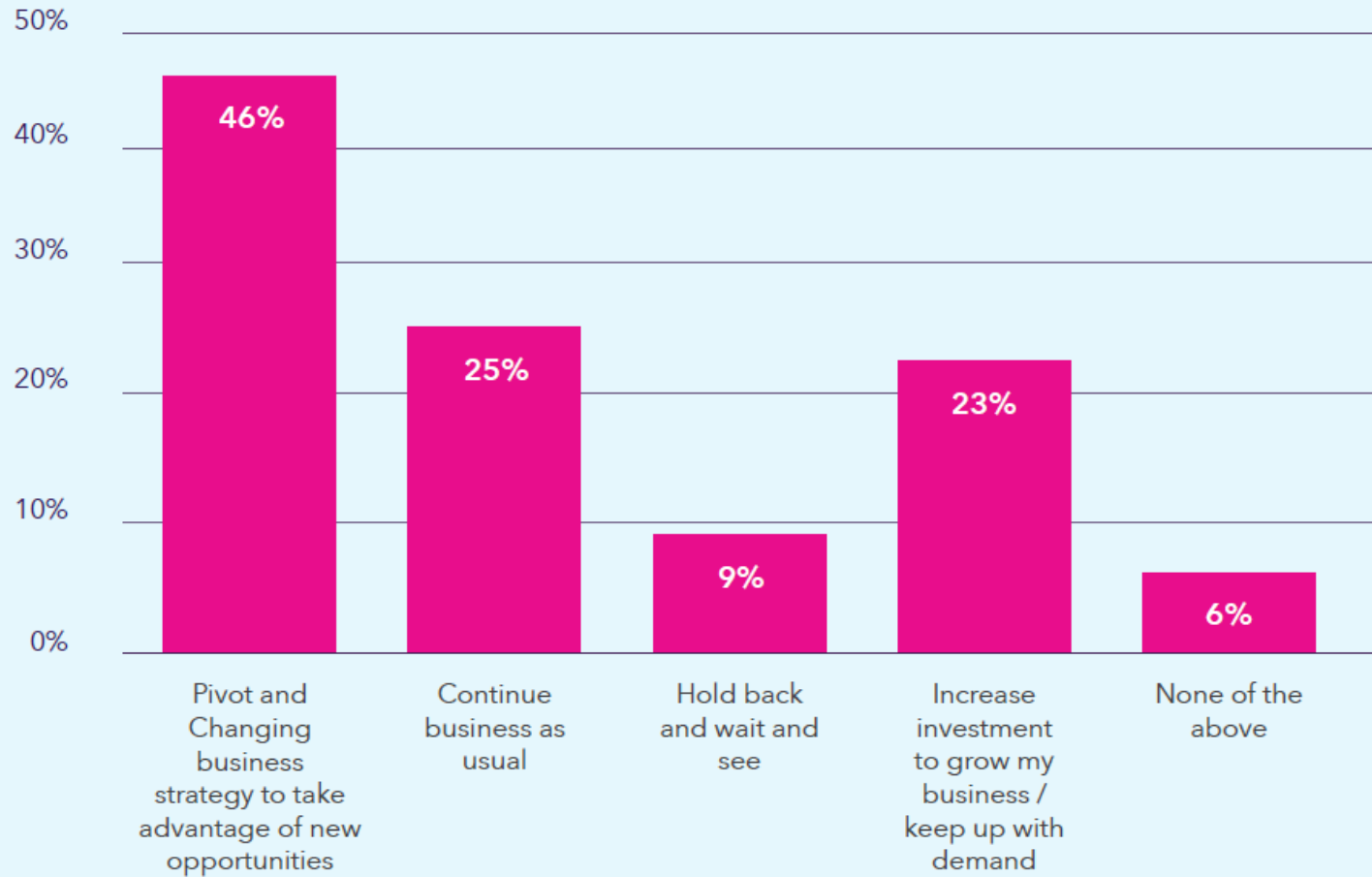


Yes: 90.24%



Poll Questions:

What is your current business and investment strategy?





If you looked at the country, it was easy to become dragged down by some of its more salubrious vital statistics, he pointed out. Some of these include:

- The Auditor General saying it had no idea where R5 billion had disappeared to
- That SIACA estimated we had lost R1.5 trillion to state capture – and that didn't even include the opportunity cost and loss of confidence in the country
- The rampant greed that has seen the destruction of our municipalities
- The ongoing cost of load shedding
- The slow pace of the Covid-19 vaccine rollout.



“People are battered and bruised and broken,” he said. “And moedeloos – such a lovely word – about the future. And it’s understandable. It really is. But something interesting is happening.”

President Cyril Ramaphosa, he said, was working hard to turn the country around. He had inherited a broken country. And when you understood the depth of the catastrophe that the president had inherited, and the level of political and economic dysfunction he had inherited, his work was always going to be cut out for him.

“I didn’t think I would ever quote Vladimir Lenin to capitalists,” Bruce quipped, “but Lenin said ‘There are decades when nothing happens. And there are weeks where decades happen.’ And suddenly, in the last couple of weeks, some astonishing things have happened.”

The news that the Guptas might be on their way to South Africa to face the music, the moves in the energy industry with respect to self-generation, the SAA deal, the proposed upgrading of South Africa’s largely dysfunctional ports, recent court proceedings against Ace Magashule and Jacob Zuma – all of these were hugely positive signs, he said.

That doesn’t take away from that fact that our health system is under huge pressure and youth unemployment is a massive problem, but there is a real drive within government to drive economic reform.

“And a month ago, people looked at me as if I was completely and utterly nuts when I said that the sorts of things that happened in the last month would happen. But the very survival of the ANC is at stake here, as they are polling under 50% going into local government elections at the end of October.”

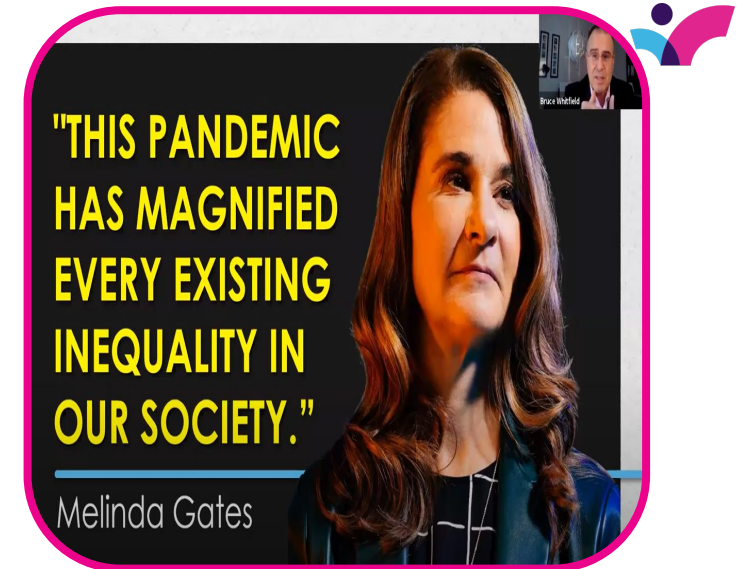


That created a huge opportunity for the private sector to step in, he pointed out, because the government is out of money. And the reality is that the Covid-19 pandemic has magnified every existing inequality in our society. “This is our great challenge,” he said.

Bruce urged the audience to consider how they engage with the massive amounts of information – and misinformation – they consume daily. Quoting Israeli philosopher Yuval Hurari, he pointed out that today, power means knowing what to ignore

“There is so much misinformation and disinformation, that you really have to weed out the garbage in your life,” he said. “Because looking at facts, looking at data, and really understanding what is happening in the world is considerably harder than simply going to a braai and accepting what Johnny says because he heard it from a friend who heard it from a person who heard it from another person.

“Those are not the facts that you need to arm yourself with. You really do need to be distilling information from the noise in our environment because the world is very, very noisy and very, very difficult.



Hans Rosling, the late medical doctor and a statistician of some renown, in his book, *Factfulness: Ten Reasons We're Wrong About the World – and Why Things Are Better Than You Think*, pointed out that there's so much misinformation that we actually don't understand the world, Bruce explained.

“He proved many, many times over that we have an overdramatic worldview, courtesy of our Facebook feeds, our Twitter feeds, and everything else.”

That means we have to take responsibility for truly understanding the future, because we cannot possibly make good decisions about the future if our thoughts are clouded by fear – and many South Africans are understandably frightened right now.

“But if you sit and second-guess yourself all the time and really navel gaze and look at every risk rather than looking at the opportunities, you are never going to build anything,” he said, “and South Africa is Opportunity Central, largely because it is as broken as it is.

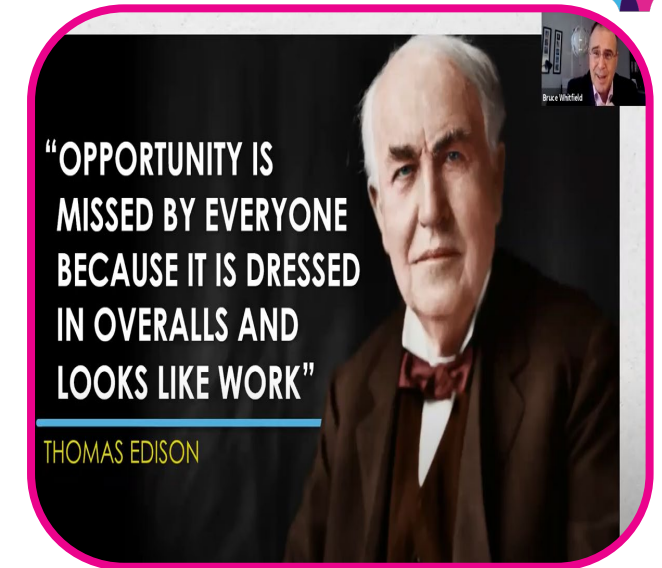


“You might not like Cyril Ramaphosa. You may think he’s slow. You may think he’s bumbling. You may think he’s indecisive. You may think he’s not the guy for the job. But I promise you, we’re better off today than we would have been with Jacob Zuma in charge.

“Thomas Edison said most people miss opportunity because it’s dressed in overalls and looks like work. None of this is easy. But the opportunity set is incredible,” Bruce noted.

“Yes, we’re permanently on the edge of chaos. It feels like we’re standing on a cliff looking into the abyss. And occasionally, we dangle the left foot over, and occasionally our right foot, but we pull ourselves from the brink time and time again. Yes, it is tedious, boring, and frustrating.

“However, it does force logic to prevail when the time comes. And yes, it is messy, it is noisy, it is uncomfortable, but it creates opportunity and creates the gaps for the optimists to take advantage of every single day.”





3 TAKEAWAYS



1

SA FEELS
PERMANENTLY
ON THE EDGE
OF CHAOS

2

IT'S MESSY, NOISY
&
UNCOMFORTABLE

3

IT CREATES
ENORMOUS
BUSINESS
OPPORTUNITY



Robust Mindset



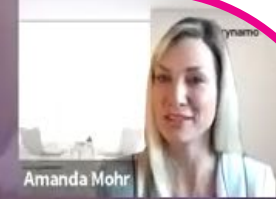
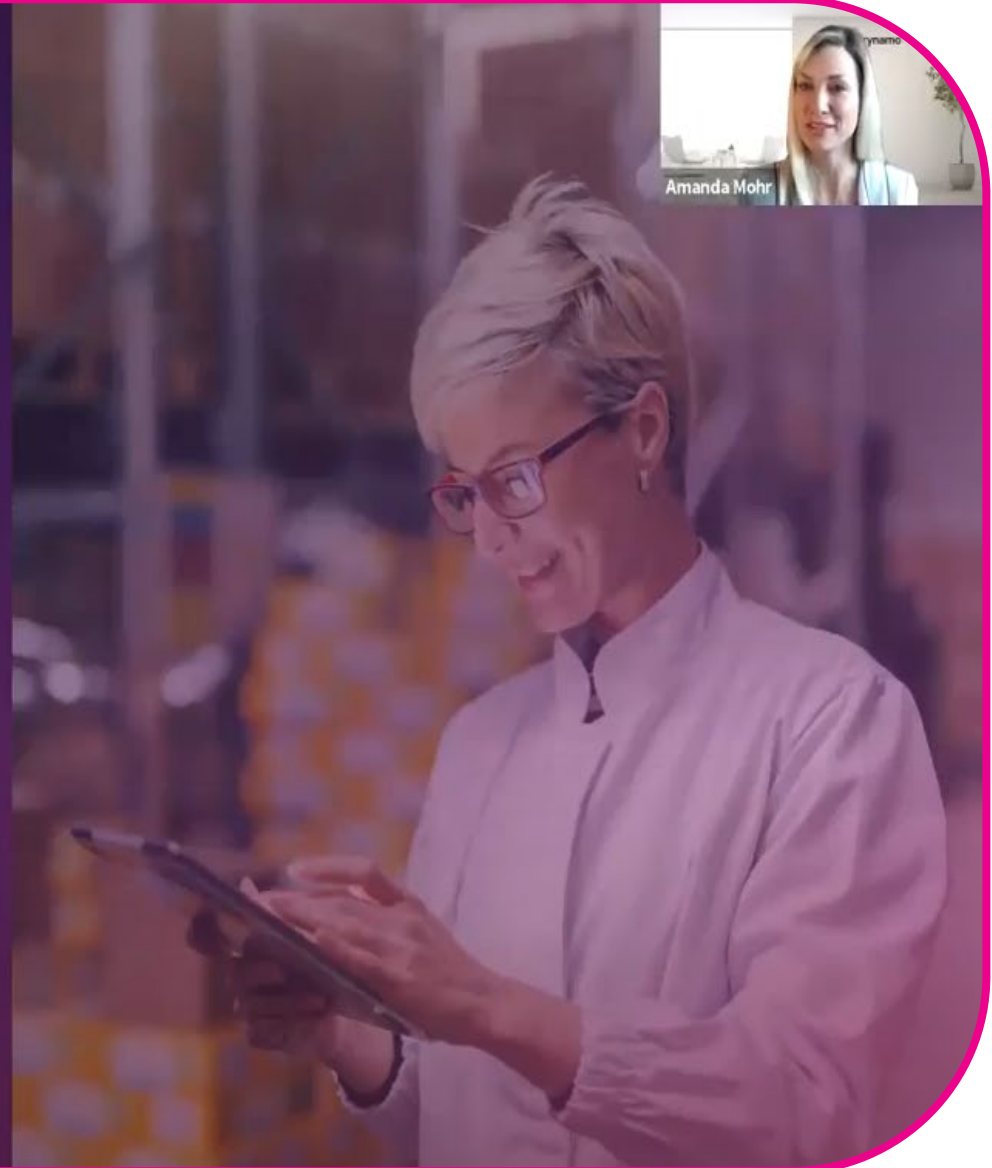
Data Driven Decision Making



Choose What Information You Consume



Steer through, around or over obstacles





This webinar was co-hosted and sponsored by Skynamo

Skynamo is South Africa's leading Field Sales Management software and Order app used by Manufacturers, Wholesalers and Distributors to manage their field sales operations, capture orders in the field and gain visibility into field sales activity.

Skynamo integrates with back-office systems (e.g., ERP, accounting and Inventory Management systems) to provide improved order accuracy and order fulfilment turnaround times.

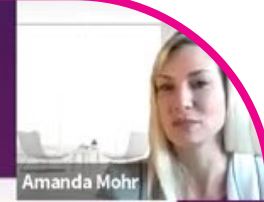
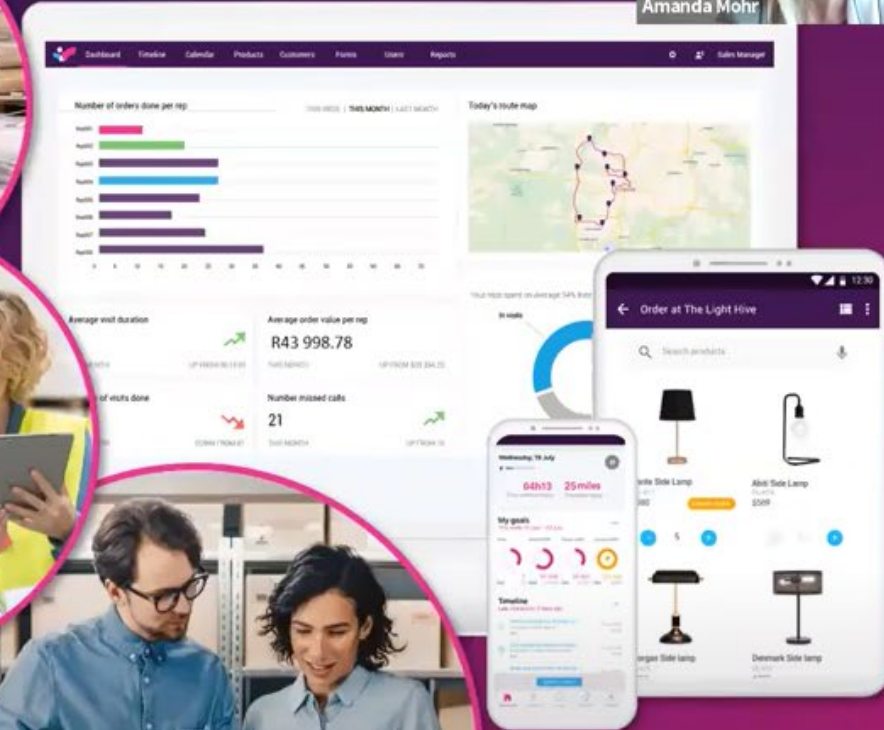
Skynamo customers typically experience an increase in sales of up to 20% their first year, and a doubling of customer visits thanks to increased efficiency and productivity. They also experience smarter sales decisions that enable managers to coach their teams, and sales reps to become valued consultants to their customers.

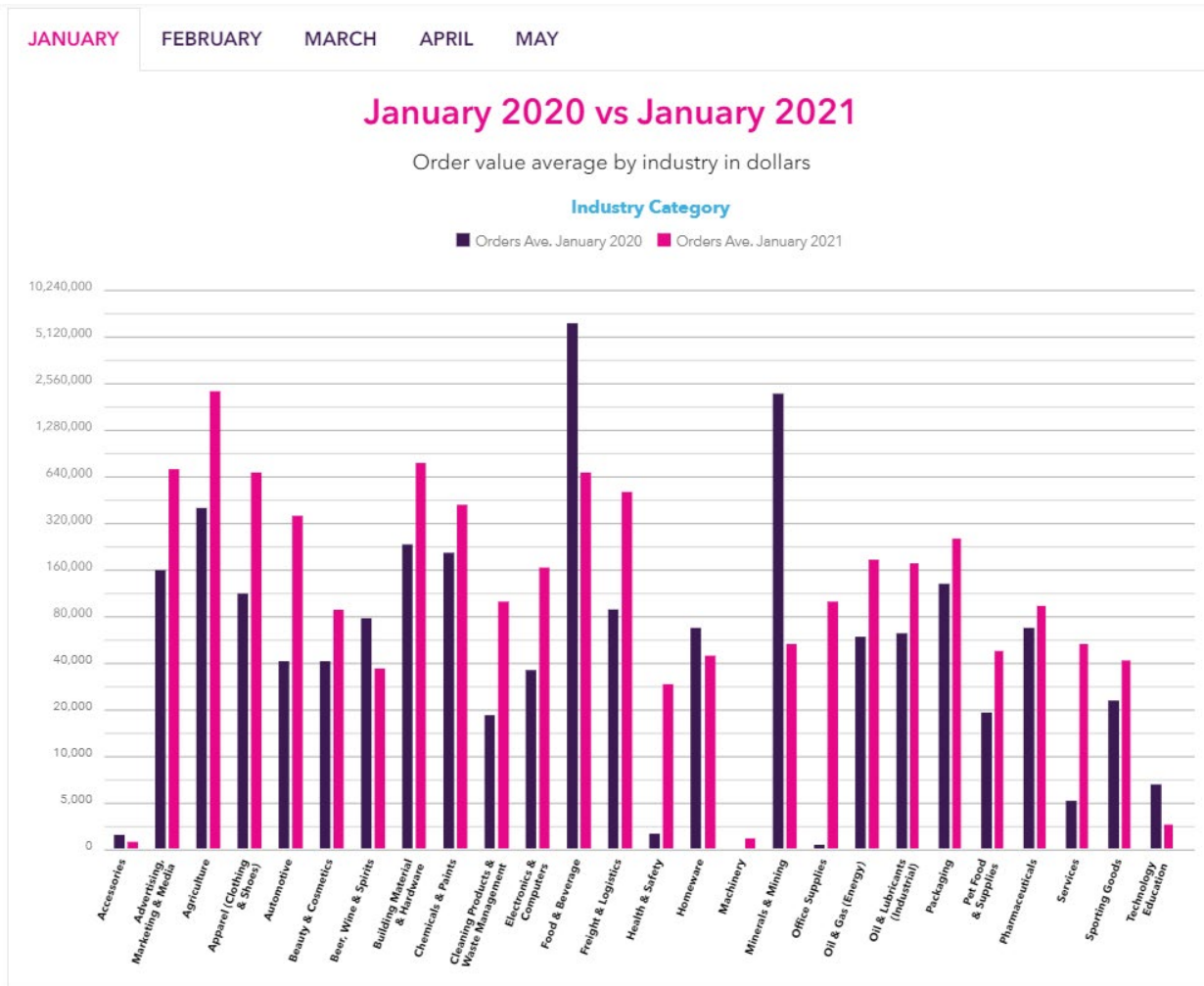
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How do you compare?

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www.Skynamo.com/industry-thermometer-2021



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Bruce Whitfield

Q & A

Guest



Bruce Whitfield
Highly Acclaimed Financial
Journalist

Thank you

Q&A Session with Bruce Whitfield

What do you think needs to happen for South Africa to get out of the dire position we find ourselves in, outside of government factors?

I used to believe that government wasn't necessary. And I wish we could just do away with government. But I think government is essential, particularly in a place like South Africa when it comes to providing a framework and an infrastructure and just doing the basics of providing basic health care, good connectivity, all those things that we expect of governments, and we should be able to take for granted. It's only once you see the destruction of those resources that you realise, actually, having proper governance, good governance is important. So yes, government needs to do that. The rest of it, frankly, is up to the likes of you and me. And that is, being confident enough to invest, being confident enough to grow businesses, being confident enough to hire.

A lot of people are freaked out by this idea of hiring in South Africa. Even Tito Mboweni on various occasions when he was governor of the Reserve Bank, made some disparaging remarks about the labour laws that he'd written. And understanding the constraints that that puts on so many people, he understands the need for those reforms to come through. But, to get that through ANC structures is what is so frustrating and difficult.

So, there is a sense of urgency within government. But then the lethargy of the political process is what holds us back. And I wish we could just ignore that political process and focus on what is necessary. I think as our confidence returns, and as we start seeing the results of a justice system working, last week for example, we saw Julius Malema being told by the court; you are suing one of your former colleagues for defamation, because he told everybody that you'd been a beneficiary of VBS Mutual Bank, but you didn't sue any of the newspapers and the publications that reported it. And that's very, very telling, so terribly sorry, but your defamation suit doesn't stand. So, we're beginning to see the courts really pushing back and making critical decisions. What's necessary now is to see institutions like the third estate, the fourth estate media, we're doing our jobs, but what we need is the first and second estates to do theirs.

What that means, is to get government functioning better, and to get police working better at getting the arrests going. That will, I think, get some confidence back in the system that the system is back to functioning, albeit slowly, and to get people keen to invest again.

There is a lot of frustration, and a lot of bureaucracy and red tape is the big constraint. And so, I know, Cyril is aware of it. I know Tito is aware of it, and so is Pravin. All of these guys are aware. But the process of getting that stuff done is clunky and energy-sapping. So, what fixes it? We fix it. And small enterprises fix it, and growing those enterprisers fixes it, and exploiting the opportunities that the dysfunction brings does begin to fix it, because we need more people to pay more tax in this environment to spread the load a little bit. There's far too much dependency on a very small pool of people and companies that pay vast amounts of tax and don't get too much in return. So yeah, lots of problems. I'll give you that. However, the fix lies with us, and therein lie the opportunities.

Q&A Session with Bruce Whitfield

What would you say to an unemployed youth in South Africa to give them hope and help them change the current status?

Yeah. This keeps me awake at night. I mean, what do you tell an 18 year-old, or a 21 year-old who did well at school, went to university and is now ready to go out into the world with a great qualification, and there simply isn't an opportunity for them? I don't know what to say.

Certainly, governments answer is, just create your own business. Now anybody who's ever tried to create a business knows just how difficult it is. My friend, Xhanti Payi who's an economist, and also runs his own advisory business, knows just how tough it is. He says telling young people to create their own businesses is the most grotesque lie that you can tell to young people in South Africa today, because, you know, most successful businesses that are started in South Africa, are started by 40 somethings, people who have got some real-world experience, they've got some networks, and they've refined their ideas, and they found a gap in the market, and they create their own opportunities. That's where we see most great businesses starting. So, starting your own business, isn't the solution.

The solution is getting the Public Works programs going, The solution is getting some, really not very sexy, jobs going, getting people into the jobs market, getting people trained into the jobs market, with real world experience.

Somebody like Tashmia Ismail, for example, who started the Yes Campaign, on the instructions of Cyril Ramaphosa, has found this deeply frustrating. I mean, she was meant to have a million jobs created by now, because government talks in millions and steals in billions, and to date, I think she has created around 54,000 connections between young people and corporate. Yes, that has helped 50,000 people, if you take the starfish principle of helping one to help many, that does make a difference, but not near enough to make a significant impact.

So yes, I don't think we need to tell young people anything, I think we need to create the opportunities for them to see. Then people can get that job, that first job is so so so important. And the only way you get those first jobs is by creating the enterprise. And giving people like you the confidence to go out there and to create the opportunities for these young people, that is really the only solution.

Q&A Session with Bruce Whitfield

What trends are you seeing in migration in and out of South Africa? And what do you think the impact will be?

Right now, it's all anecdotal, because I've asked the Reserve Bank, I've asked SARS on a regular basis, and they either will or won't, or don't feel comfortable sharing the data, because maybe it's too ugly to tell.

But we've seen big, big trends. I was chatting to Peter Wharton-Hood about this the other day. He went from Standard Bank to Deutsche Bank to London, and he's come back now to run Life Healthcare, and we see these flows of talented people like Jonathan Lowe, who was running Adcock Ingram and was in Dubai for a while. He too is back now and running the education business that owns Mancosa and other brands. So, we see a lot of young people, because of this concern about unemployment and joblessness and because of the lack of opportunity, going elsewhere. It's disruptive. And it's discombobulating for families, and we have a huge migration problem.

I don't have the statistics because those statistics don't exist. But every week, a family here gone, a family there gone, and people are apprehensive about the future, there's no doubt about it. And there's no sugarcoating that particular pill, other than, getting the vaccine program done, getting the electricity grid stable, and just creating a really not complicated baseline for people from which to work. Once you have that baseline in place, I think people can get some confidence to say, okay, now I can do it. When you take away the supports that should be in place, people get the hell in, and that's understandable.

Regarding the interest rates: keeping interest rates low to create opportunities for entrepreneurs, and for people to invest in property. What are your thoughts on that?

Yesterday's (23rd June 2021) inflation number was interesting, 5.2%, which is a big spike. But it was anticipated. And mostly it was because of a 37% increase in fuel prices since this time last year. So, no-one really thinks that inflation in South Africa is going to be particularly sticky and nobody believes that the Reserve Bank is going to raise rates this year unless there's some deep catastrophic issue that starts to push up inflation in a way of contributing to the interest rates. The market says there will be two interest rate hikes next year. I can't see interest rate hikes coming. The Reserve Bank has got absolutely no desire to do it. And there has to be some sort of existential shock for the Reserve Bank to raise rates because there's very little demand. The things that are driving our prices are fuel and energy, rates and taxes. Those are prices you can't avoid. There's very little consumption happening in our economy. So, yes, market says two interest rate hikes next year of 25 basis points each at this stage. I don't see that happening next year. I may be wrong, but I just don't see the reasons for it materializing in the short term.



Hi Skynamo Team.

Thank you for this great webinar! I was feeling quite negative about SA, but Bruce managed to change my mind. Might not leave SA just yet.

*Thank you,
Brenda*

