

**Speech by Prof. Dr. h.c. Jürgen Schrempp, Chairman of SAFRI; retired
Chairman of the Board of Management and CEO of DaimlerChrysler AG**

at the

4th ICEBE and 1st SAFRI J2EX Conference
Cape Town, Tuesday, 22 November 2011

“Ways Forward - a business perspective”

Ladies and Gentlemen,

I am very pleased to be part of this unique event and to share with you towards the end of the conference some of my personal thoughts on the way forward, as seen from a business perspective. I will do so against the background of my role as the Chairman of the Southern Africa Initiative of German Business, SAFRI.

Despite the current economic difficulties in many of the leading economies, there is a very clear trend towards greater engagement in Africa. Africans have made this possible by improving their governance and implementing political and economic reforms, leading to robust economic growth.

One after the other, consultants, analysts and other international experts describe Africa as a continent of opportunity. And let me be honest - the strong interest shown by China and other dynamic economies has helped businesses in Europe to recognise - or in some cases to rediscover - the potential of the continent and respective opportunities for the years to come.

As a result of all of these factors, we have seen the international focus on Africa moving steadily from aid to business. It is a change in emphasis that I welcome wholeheartedly.

Ladies and gentlemen,

Southern Africa is of great political and strategic importance to Germany. This is spelled out in numerous policy documents and was underlined by Chancellor Angela Merkel, for example, during her visit in July this year to Kenya, Angola and Nigeria.

Southern Africa is considered an important political partner, not only because of its influential role in African and international affairs, but also because it provides some fine examples of countries pursuing good policies, implementing successful reforms and adhering to the rule of law. Germany and other democracies regard it as politically important to support and encourage these positive developments.

The African continent - including Southern Africa - also features more prominently in Germany's new approach to defence and security. There is now a greater focus on

promoting development, preventing instability in other parts of the world and ensuring cooperation with like-minded states.

As far as business is concerned, a recent survey of German companies doing business in SADC, conducted by the German-African Business Association, resulted in the most up-beat assessment since the start of the survey in 2006. This relates both to the current situation and the outlook for business.

Beyond these factors, the region is strategically important as a source of natural resources and a great potential source of food. In both these areas, I believe that the region offers attractive business opportunities, not least because of the enormous potential of adding value locally, e.g. through beneficiation and agro-processing.

Because of its strong and growing links to other emerging markets - including Brazil, Russia, India and China - the region is due to become even more important in coming years, in strategic, political and economic terms.

Nevertheless, some commentators love to point out how relatively small the African economies are and what small percentage of Germany's trade takes place with Africa. At first glance, this seems to be true. However, it is not fair to compare Germany's trade with our EU partners with our trade with Africa. To get a better perspective of Africa's and Southern Africa's importance to Germany, one should compare them with other markets outside Europe. This reveals that in 2010, for example, South Africa ranked 11th among non EU states as an export market, 13th as a source of imports. As an export market, it featured ahead of Canada, Mexico and Taiwan (to mention only three) and even ahead of EU states like Ireland and Greece.

In that context, allow me a few words about the Southern Africa Initiative of German Business, SAFRI.

Following the South African elections in 1994, the German government wanted business to become more active in Southern Africa, realising that democracy had to be underpinned by economic development.

In 1996, the German Chancellor at the time, Helmut Kohl, asked me to set up and lead SAFRI. Even at that time, my love for Southern Africa and its people was well known ... and I guess that my business experience in the region helped me to meet the job requirements

I am greatly honoured by the fact that this mandate was renewed by his successors, Gerhard Schröder and, more recently, Angela Merkel. In all humility, I can say that SAFRI has been a consistent element in relations between Germany and Southern Africa over the last 15 years ... and we are planning to build on this solid foundation in our current efforts to bring about change to SAFRI and to transform it gradually. It is in this to my great honour that I have won Andreas Wenzel as Secretary General of SAFRI. He has more than 7 years of professional experience in German-African

business relations and is currently very active to transform SAFRI to become an even more important and powerful initiative in Germany as well as on the continent.

One of SAFRI's main goals in Germany is to promote Southern Africa as a place to do business. Working with a large network of partners - including the Southern African Embassies in Germany - and supporting organisations, such as the German-African Business Association, the Association of German Chambers of Commerce and the Federation of German Industry - SAFRI arranges and participates in meetings, conferences and other events, helping to keep Southern Africa high on the agenda of German business.

An important SAFRI instrument is the Student Experience Programme (STEP), initiated in 2005. In terms of this programme a number of young and promising Southern Africans – students as well as young graduates - are offered internships in German companies, where they refine their skills, learn about German business and, of course, share their own knowledge and experience with their hosts. Quite a number of the alumni are currently employed with German companies in Southern Africa.

From the outset, SAFRI wanted to assist local SMEs in Southern Africa to develop and grow their businesses. This led to the first workshops for entrepreneurs in 1998, which later developed into the Journey to Excellence Programme (as it is has been called since 2006), under the guiding hand of Nina Mapili. J2Ex helps companies and individuals to improve their performance continually, striving to reach international benchmarks.

Ladies and gentlemen,

It is so rewarding to meet entrepreneurs who were helped by this programme to unlock their potential, to start and continue on the Journey to Excellence! Let me mention some examples that come to mind:

- Many years ago in Malawi, Eddie Kaluwa lost his job. Instead of looking for a new one, he took his savings and started his own company, Combine Cargo. A little less than two months ago, the company celebrated its 17th anniversary. In Eddie's own words, a SAFRI workshop marked the beginning of the company's transformation, helping it to develop a strong strategic focus and to implement robust plans, leading to success.
- a similar story is told by Thandi Chisiri of Catering Solutions in Zimbabwe, who has seen great improvement in the motivation and professionalism of her staff, opening up new business opportunities.
- another company that participated in the J2Ex programme is Premier Gaskets, also from Zimbabwe. In a document prepared for this conference, they outline some of the challenges of doing business in

Zimbabwe. However, what struck me most and filled me with pride, was to read that they list integrity as one of their core values, adding that “we always adhere to the highest moral standards”. That, ladies and gentlemen, is one of the key elements of excellence!.....And Nina tells me that whenever she holds a workshop in Bulawayo, Premier Gaskets MD Themba Nkomo makes a special presentation about values – once again with integrity at its core.

I admire each of these entrepreneurs and I hope that they will continue to serve as sources of inspiration to others. But what is the secret of their success? Or, to phrase the question more generally, what is the key to success in business? Let me share with you some of my thoughts on this.

- Many authors and other experts have praised Africans for their extraordinary entrepreneurship, for the way in which they overcome the challenges posed by politics, a lack of infrastructure, natural disasters, a lack of access to markets and other factors inhibiting business. Therefore, I think that we can teach you little about entrepreneurship. What we can offer, though, is knowledge and experience about how to develop an entrepreneurial idea into a successful business. And this is where J2Ex can play a role.

Very often, people simply need help to recognise the value of their own ideas.

- I see entrepreneurship as a tribute to the human spirit ... it reflects our wish for freedom, our desire to find solutions, our determination to persist until we succeed and to improve our lives. To an entrepreneur, business is not only about making money. It is part of who they are.
- When one speaks to successful entrepreneurs or reads the biographies of great business leaders, there is one word that appears surprisingly often, and that word is “failure”. Strange as it may seem, failure is often an important step on the road to success. Failure discourages most people, but it seems to inspire entrepreneurs.

Thomas Edison, the great inventor, phrased it well: “I have not failed. I've just found 10,000 ways that won't work.”

Or to quote Henry Ford - “Failure is only the opportunity to begin again more intelligently”.

If your focus as an entrepreneur is on avoiding failure, you probably won't take the kind of risks that are necessary to be truly successful in business.

My advice to you, therefore:

- Embrace risk and accept the possibility of failure
- Have big dreams, but heed the advice of a German saying -

first do what is essential, then do what is possible, and suddenly you will achieve the impossible.

- Believe in yourself, but listen to advice
- When you see an opportunity, work relentlessly to take advantage of it.

One aspect that I see as particularly important is the contribution that responsibility and accountability make to entrepreneurial excellence.

Being sensitive to the needs of others is central to an entrepreneur's success. Where people need a product or service that is not yet provided, or not yet available in sufficient quantity or quality, entrepreneurs will respond to this need. To do this effectively, they need to be in touch with the people around them.

I would say that entrepreneurship, like business in general, is a plant that flourishes in the rich soil provided by its community. When you plant a seed, you will not neglect the soil, leave it to dry or even poison it, but will care for it and nourish it. Similarly, besides the moral obligation, it is in the interest of every entrepreneur to ensure that his or her community is as healthy as possible. You will never reach excellence if you spoil or neglect this soil.

I am glad that a sense of community is so strongly developed in African culture, reflected among others in the concept of Ubuntu.

One sometimes hears the argument that inefficiencies in a system increase the temptation to be corrupt. Corruption is even seen by some as a way of making the system work, a way of speeding up processes and influencing decisions. This is a very short-sighted view. Once corruption takes root, it soon leads to a vicious circle ... it increases inefficiency ... leading to further corruption. I guess it is clear that this vicious circle has no place on any journey to excellence.

Therefore, if I had to leave you with a single piece of advice today, it would be to do all you can to ensure good governance in your own business, and in every part of your society, including all levels of government. Do your best to promote and support institutions that are responsive, effective and that engender trust.

How can governments help entrepreneurs to excel?

Governments in the region have launched some good programmes to assist SMEs, among others by providing training programmes and favourable financing. Such programmes, if managed and implemented correctly, have an important role to play.

The best way of helping entrepreneurs, though, is simply to provide an environment that ensures freedom and fairness. This means implementing policies favourable to free enterprise, and providing good, effective, accountable and responsive government.

Many studies have pointed to the central role of good public institutions in promoting economic success.

At this point, allow me a few words about the recently published South African National Development Plan, drafted under the guidance of Minister Trevor Manuel. The NDP is a fine example of a policy approach that is sound and innovative. I welcome its focus on job creation by small and expanding companies, its proposals about cutting red tape, as well as its sensible (and logical) suggestion that wage growth should be linked to productivity growth in the long term.

Ladies and gentlemen,

Business thrives in an environment where risk can be embraced, in the knowledge that both the rewards and the costs will accrue to the risk-taker. This is as valid in Europe - currently dealing with a debt crisis - as it is in Southern Africa.

To give a more concrete example - in a case where someone secures a government contract, but delivers sub-standard products (e.g. housing) the downside of risk is often borne by the poor, while the well-connected gain disproportionately. This is not sustainable in the long term. You do not develop a culture of enterprise by encouraging short-cuts to wealth.

Ladies and gentlemen,

Allow me a few remarks about the German approach to business and its relevance to SMEs in this region. I realise, of course, that it would be wrong to adapt German examples without taking account of the unique circumstances in Southern Africa. I definitely do not promote a prescriptive approach, but I think there is great value in sharing experiences, in looking at some of the elements of Germany's success. Most of them are well-known, including:

- a strong domestic market and large markets in close proximity
- a decentralised economy, with a number of centres of excellence
- a responsible approach to labour relations, both by employers and trade unions. This includes wage discipline; an understanding that a rise in wages needs to be underpinned by an increase in productivity.
- an excellent infrastructure
- an emphasis on thoroughness and quality, at every level of business, in every stage of production and service delivery.
- the dual education system, which provides cost-effective and market-relevant education and training

- a focus on innovation
- a fundamental understanding that the world is your market. Although they tend to be cautious and conservative, even smaller German companies seek international markets.

To summarise, I believe that the German “social market system” has proven to be very effective. It encourages both freedom and responsibility. It promotes individual excellence, while placing an emphasis on social cohesion. And, of course, it is embedded in a democratic society. In a way, it is in line with the African saying: “If you want to travel fast, travel alone. If you want to travel far, travel together” At times, we encourage people to travel fast and alone, but in the end we move together (but still as fast as possible).

Ladies and gentlemen, dear friends

Let me conclude on a more personal note. I am very fond of (love?) Southern Africa and its people. Your friendship, your generosity and your warmth have become a part of my life. When I breathe the air, touch the soil, taste the food or swim in the waters of Africa, I feel at home. The cradle of humanity has always been kind to me. Therefore, it is my great wish that this region should prosper in every way. That democracy will flourish; that poverty will be eliminated; that inequalities will be addressed, and that the wonderful, rich cultures of this region will continue to enlighten the world.

Rest assured that you have many friends in Germany who have your interests at heart. In government and in business, officially and privately, we will continue to do our best to strengthen relations and to grow our friendship. That, dear friends, is what SAFRI and I stand for.

I wish all of you an enjoyable and rewarding road ahead on your entrepreneurial endeavours.

We as SAFRI look forward to spending a lot more time with you on our shared journey to excellence.

Thank you.