

Empowered women:

The WIPHOLD phenomenon

An interview with **Gloria Serobe** (Part 2)

Born with the advent of democracy in South Africa, the Women's Investment Portfolio Holdings Limited (WIPHOLD) proudly celebrates its 20th birthday this year. Executive director Gloria Serobe spoke with New Agenda editor Ben Turok about the vision and controversy of black economic empowerment.

Ben Turok: Tell me about how WIPHOLD come to be. What were you doing before you became a businessperson?

Gloria Serobe: I obtained my B.Com degree in South Africa and I went to the United States for my MBA. When I finished, I worked in the US for Exxon Corporation and then, when I came here, I worked in their Johannesburg office. From there I worked for a number of corporations as a financial accountant – I was very much in finance all the time. I was at Premier Milling, Munich Reinsurance [Company of South Africa]. Munich Reinsurance is very important to you. Do you know why?

BT: No, why?

GS: Their offices were at 54 Sauer Street. When the [ANC] leaders came out [of prison/exile] in 1990, Munich Reinsurance gave them offices. The CEO was German and very, very progressive. He was the only one who would give the ANC offices. I was working downstairs and the ANC was upstairs – we felt like we were the welcoming committee! (laughter)

From there, I went to Standard Corporate and Merchant Bank, the investment banking side of Standard Bank. It was very important for me to learn corporate finance there. How to structure deals, how to do project financing, aircraft financing – all these things that get done by investment banks. Standard Merchant Bank was South Africa's CitiBank; they were the leaders in investment here. That happened to be the time when black economic empowerment (BEE) was happening – however, without policy. NAIL [New Africa Investment Limited], Real Africa, Kagiso Trust – all of those entities were structured at Standard Merchant Bank. Even though I was junior, I was working on those assignments because I was in the corporate finance division.

Sitting there, I ended up knowing how it was done. How does a company with no money manage to buy a big business that requires a lot of money? How does a bank come in, how do the owners come in? What happens in the 5 or 10 years of that loan? Who pays what, and in the end, what does it look like? Those

are corporate finance transactions. With BEE, I know people actually think that it's only here that people can buy something big and have no money, but it's a worldwide formula. It gets done like that.

LET'S DO IT!

GS: At the same time, the ANC – especially in the form of Tito Mboweni, who was on the economic desk – was encouraging black professionals to watch out for possibilities and be ready. “A new government is going to come.” This was 1993. There was a workshop and two of our founders went on that particular Sunday. When they were coming back, they said, “You know, we keep on going to these workshops, but tomorrow, the men have gotten together and are doing stuff and women are not invited. Maybe we should just look at this ourselves.” One of those was my colleague, Louisa Mojela. The first thing on Monday, she told me about this and I said, “Let's do it!” We started from that time. We looked at how to craft an entity whose shareholders are women, so that, with all potential opportunities that come by way of South Africa, there will be a women's entity that can do that. We structured WIPHOLD with that in mind.

The thing of women not making it in business is also a worldwide phenomenon, not just South African. It's just men are not finding it comfortable to discuss business with women. We could never understand that. Even when BEE was coming, the captains of industry found it easy to speak to black men, and women were always going to find themselves wallowing again in that space and not being considered.

There were four of us then, and we thought that, if we are going to do it and it is going to have an impact, we must have lots and lots of women as shareholders. Most important is that we must find a system that will make sure that women in South Africa are always invited, and that they can never say they were never invited to this initiative.

First, we had to tell the women. “It's now 1994, and we are coming to you. We are forming WIPHOLD. We don't want to take your money now (because people



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were also losing money in all sorts of schemes). We will come back to you in two years, and at that time you must be ready with your money, whether you form yourselves into groups or you come as an individual. We will also have created a portfolio of investments into which you are investing so that you don't give us your two rands and then we run around wondering where to spend it. You will be investing in something that is already in place. You can see it. It's transparent. You will know what it cost and why we are spending so much money. So come back in two years."

To do this, we had to do road shows now, all over South Africa. By that I mean, all over. Eastern Cape, Gauteng, Limpopo...

BT: Did they believe you?

GS: No. Part of the problem was that we were 32 or 33 years old, we were small, and most people had never heard of us. It was very difficult.

BT: Did they think it was a stokvel or something like that?

GS: We tried to show them the difference. With a stokvel, you put in the money in January and come back for it in December. We made sure they understood that this was business: if you put in your money in January, it may never come back. It has risks. To make sure that people would trust us, we first sat down with the women leaders of the time, mainly political and from NGOs, to tell them what we want to do and why we want to do it. Their first response was that they didn't know anything about business. We said, "We're looking for leadership and you have provided leadership." People like Joyce Serobe, Brigalia Bam, Virginia Gcabashe, Sally Motlana – those were leaders of the time, hugely respected. We were looking for some endorsement from them and that helped a lot.

Fast-forward to 1996. By then, we had collected a portfolio of investments. We went back to the women to say, "We are ready now." We are going to do a public offer to all the women in South Africa – an IPO [initial public offering]. It's a normal commercial way of selling shares, but this IPO was directed at women only. There is a prospectus for people to know what it is that they're buying into. With this IPO, the prospectus included an affidavit, in which the person who buys these shares confirms that she is a woman.

BT: And what amount of money were you asking for?

GS: Two rands.

BT: Two rands?! (laughter)

GS: Two rands per share. You could buy a minimum of R300. We wanted it to be affordable. We wanted people to be able to respond. We wanted to reach all levels of women. Those who were wealthy could buy

R100 000 and those who were poor could buy R300. But that very R300 might well be her last savings and it had to go into a proper system. We were not carrying bags of cash around! It was very neat. For this holding, we had Deloitte & Touche as the accounting firm, Edward Nathan as the legal firm and Standard Bank as the banker – because Standard Bank was all over the country. It worked very well. Eighteen thousand women responded with R25 million. Very exciting.

"We keep on going to these workshops, but tomorrow, the men have gotten together and are doing stuff and women are not invited. Maybe we should just look at this ourselves."

BT: And you told them what the money would do?

GS: Yes, we still took them through. There was a lot of education on our side. People who had never heard of an IPO or a prospectus. We're talking rural and urban, and women who were first-time investors. To raise R25 million like that was unheard of.

We ended up with two types of shares: B-shares and A-shares. The reason was that, constitutionally, if a man applied, we wouldn't have been able to turn him away. But only those who signed the affidavit confirming they were women could have the A-shares. We were protected by law in that sense. That A-share is 100 times stronger than the B-share. The one A-share that a woman is voting with will require 100 men to counter it. So the ideology behind forming WIPHOLD cannot be changed easily, just like that. It went very well.

In that same year, a lot of investments started coming our way. There was lots of excitement and we needed more money. So we went back to the women to do a rights offer. To raise more money, you first go to your current shareholders with another prospectus and to say this is what we're buying and why we need more money. The women put down another R75 million. In the space of 12 months, the women in South Africa put down R100 million to start WIPHOLD in 1997.

Eighteen thousand women, one hundred million rands. That is the WIPHOLD phenomenon. Of course, we needed more money and the institutions have come in, but that's the key thing. Twenty years later, we still have those 18 000 women as shareholders.

BT: Do you give dividends?

GS: We've paid out almost R500 million as dividends and the company today is worth almost R3 billion.



It's not usual to have that kind of growth and that size of shareholder base, so every 5 years we have a big AGM. Company AGMs are usually thirty minutes long, but our AGM starts on Friday and ends on Sunday – with a church service! This is a variety of women who are in awe of what they have managed to achieve.

For us, celebrating our 20-year anniversary was about that. Do we think we have managed to have an impact? We have defined something. We have shown that it can be done. We have also shown to our investor companies, to some captains of industry, that it is okay to have women as partners and shareholders. It may even be better in some instances.

BEE BUSINESS AND THE STATE

GS: I will tell you where the difficulty is, or at least my disappointment. We were hoping that by now we would have created a lot of WIPHOLDS. The political environment itself is enabling, and that is all we needed. We did not expect government to give us deals. We didn't think that was their brief. It is enough for us that the environment is enabling in that fashion, that the policies are there. Obviously, the policies need to be carried by leaders, and not all the policies are followed...

BT: What has been the attitude of government, of Treasury, and also the ANC leadership? I'm not aware of any move to say that WIPHOLD is the example that everyone should follow.

GS: You wouldn't be aware. One downfall with women, I can say, is that we don't ask much. I do think that if we were a men's group, we would ask for more things.

BT: I don't think we should put the responsibility on women. The ANC is the ruling party, with a commitment to gender equity. Here is something that has worked well. It seems you haven't got the response you should have, in terms of national policy.

GS: There have been times when we thought we were deserving of a national response. Although this is "business as usual", there are enterprises that require a licence from government. For example, mining rights. We too applied for those rights, but we lost all of them.

BT: Why is that, with a female minister of mines?

GS: I don't know. Maybe we didn't qualify, maybe we didn't fit – but I'm telling you for sure that we have done all the applications like everybody else, and we never got a mining right.

BT: We see media articles about WIPHOLD, and yourself as an entrepreneur, as part of a small number who have done very well. The Sunday Times just ran

a piece by Ann Crotty, headlined "Rich pickings await chosen few in BEE schemes" (4 May 2014). BEE is being badmouthed like this all the time. Do you want to say anything about it?

GS: I'm quite happy to deal with this criticism of BEE.

BT: Are you a beneficiary of gifts of BEE, personally or as WIPHOLD?

GS: I only operate through WIPHOLD.

BT: You don't operate personally?

GS: No.

BT: So when they use your name here, it's as a representative of WIPHOLD.

GS: They like to show BEE as individualistic. Of course, I am a leader of WIPHOLD, so maybe it's easier to talk about "Gloria".

BT: The key point in this kind of article is the allegation that WIPHOLD, Shanduka and others were given free gifts by white business. Is that true?

GS: (laughs) I wish we had a gift. We're still waiting for a gift!

People can wonder how someone who has no money can buy a two-billion-rand asset. Maybe that is the question. First, that is the job of a corporate financier. That is how it gets done. Most of the time, when the big entities buy a big asset, they are also not advancing cash. Two, the debt will be serviced by dividends, if it is a good asset. So, instead of getting dividends, you pay the debt off. Three, it gives you a term when the debt must be finished – say 10 years. At the end of those 10 years, what maybe was a R2 billion asset is now a R3 billion asset. That is the normal structure. You get a loan; dividends must service it.

BT: All these BEE deals are based on dividends?

GS: Most of them are, to be fundable.

BT: Why should a company give you assets when you're not paying any money in?

GS: They are paid. You are funded by Citibank or Standard Bank and they pay the money to Goldfields or whoever. You now have a debt to the bank and the dividends from Goldfields are paid straight to the bank. At the end of the term, you've paid off the debt. That is more or less what happens. It is not gifts and hand-outs. Sometimes in the end, 10 years comes and goes and there's nothing left.

BT: What does the bank get out of it?

GS: Interest. They have lent you R1 billion. By the time it gets back to them, it is R2 billion rand over 10 years. At the end of the period, if you are left with R1 billion, they will take R300 million of that. All those things are transparent. If you still owe the bank at the



end, then they take the asset. Standard Bank, FNB and Nedbank do not want that. That's not good for them. They don't want to collect the Goldfields, Anglo Americans, Anglo Platimums and all of that. No. They want interest, returns on their money. Getting the asset is not their first prize.

BT: From the national-interest perspective, do you think we should encourage the banks to lend money to BEE companies like WIPHOLD in order to acquire assets that may or may not appreciate, through dividends that may or may not come? It makes the banks the drivers of the economy.

GS: With or without the WIPHOLDS, the financial services sector – the banks, life and short-term insurance, and the retirement funds, including yours, the GEPP [Government Employees Pension Fund] – is the driver of the economy. That is worldwide. They are the custodians of our savings and deposits. They more or less dictate how the economy goes. That's number one. Two: their job is to make money from that money. The bottom line is that, if they don't have somebody or some project to lend to, they will be in trouble. They must secure that capital and they must make returns.

BT: Then BEE is a side issue?

GS: It is a non-issue. But you know everybody's in a frenzy about it. I get disappointed by people like Ann Crotty, who are supposed to be financial analysts, people who know how the transactions work. Even when the loan is from the PIC [Public Investment Corporation, which manages GEPP assets], they know that it is paid back with interest plus returns.

Things can also go wrong. It was a good idea to buy Lonmin ten years ago; it's a bad idea today. But ten years ago, you could not see a Marikana and all of that. It's going wrong now, but not only for the BEE player. It's going wrong for every shareholder in Lonmin, even those who don't have loans. Losing an asset is losing an asset. If they have a loan, then it's losing an asset plus having a debt.

ANSWERING THE CRITICS

GS: The criticism that comes our way is for being absent, for not involving as many people as possible, for feeling entitled to everything. As BEE players, we need to take the criticism with all the courtesy and dignity that comes with it. The first point is that BEE was intended to bring blacks into the mainstream of the economy. That is the spirit of the policy. As WIPHOLD, twenty years later, there's no woman in this country who can say we never invited her to come in. That is because we understood the spirit of that policy. At that time, in 1994, there was not even a BEE policy. But we understood it that way. We sometimes joke that government had to make policy to mimic

WIPHOLD because this is what it was meant to do: bring as many people into the mainstream economy as possible.

The second point is that BEE was meant to make sure that we *know* these industries, these businesses. And for us to know these businesses, we must be in the office and working. We can't not be in the office. As much as we own WIPHOLD, we are also employed here. At 8am, we must be here. At 5pm, we must still be here sometimes – and not be an absent BEE shareholder.

We have also shown to our investor companies, to some captains of industry, that it is okay to have women as partners and shareholders. It may even be better.

As BEE players, we're accused of creating a model around being entitled to government business or licences or mining rights. No, we're not entitled to that. You can only try to be the best in the face of the people who are authorising something. If you're not, you're not. Do something else. Twenty years later, we acknowledge the ANC government still for having given us an enabling environment to get where we are. All we wanted was to be in business. We never said we are designing our service to live off government business. If we don't have the mining right, life goes on. There are other things that need to be done.

I have seen these criticisms less elegantly responded to and some of the criticism is ignorant and we don't entertain them. But there are genuine criticisms that we should respond to appropriately.

The most important thing is that the BEE policy must be here for the ones behind us to still benefit from. Where we have a few rotten apples, we are spoiling it for those ones – because we are going to require BEE for a little bit longer than people would like. So we have to do the right thing and make it work. Shortcuts are not helpful. To be a banker, you need to prepare for ten years. We can't just show up and say, because I'm black, I'm a banker tomorrow. Big problem. You still have depositors who are looking for real bankers – and those depositors are mixed, by the way. Both black and white. So, while you are following your narrow little individual needs to be a banker in two days, you are exposing everybody to something else: which is the collapse of the whole banking sector. That's a different problem.

We have to be careful what we defend around the BEE policy. We have to make it sustainable. It is our job. At least you must leave these legacies so that people can come in and make it work.

