

# The Business of Dreams

by Sharon Shinn

Ask Malose Kekana what is needed to lift a generation of South Africans out of poverty, and his poetic response is, “An all-encompassing infatuation with development.” It’s clear that that’s what *he* has brought to his role as the CEO of the Umsobomvu Youth Fund, a government-backed organization that provides training and monetary assistance to South Africans between the ages of 18 and 35. Since the Fund was founded in 2001, it has disbursed millions of rand to microfinance entrepreneurs—and provided millions of hours of consulting services to hopeful young businesspeople.

Before joining the Fund, Kekana spent the first years of his career in the far different world of banking and finance. After earning a bachelor’s of commerce degree at the University of the Witwatersrand in Johannesburg, Kekana completed stints at Standard Bank and Rand Merchant Bank, which included handling the trading portfolio at the RMB’s head office. He also received advanced training in finance through a course at the University of Pennsylvania’s Wharton School.

In the late 1990s, his career took a different turn. He founded a private equity fund and two investment companies—some of which were already oriented toward youth empowerment initiatives. For instance, his Baswa Investment Company was a youth investment group he founded to participate in South Africa’s Black Economic Empowerment (BEE). He had found his calling.

The Umsobomvu Youth Fund is dedicated to funding and supporting small businesses for South Africa’s impoverished younger generation. Malose Kekana runs the Fund—and nourishes big dreams.



“When people work at a nonprofit, they can’t be thinking about themselves and what they’re going to get. The objective has to be the bigger goal—what they want to see achieved in terms of their work.”

“I had the privilege of working at the highest levels of banking,” Kekana says. “Now I have the opportunity to give back to this country as well. In South Africa, we fought for this government and for freedom. If those of us who have some skills don’t play a role to make sure we are a strong democracy, then who else can be expected to?”

He offers alarming statistics. “In South Africa, 20 to 26 percent of our population is unemployed. Close to 50 percent of our young people are unemployed. Four million young people are unemployed.”

The Umsobomvu Youth Fund, which is based in Johannesburg, aims to reverse those trends through a wide range of services. UYF’s Youth Advisory Centres—which are set up mostly in rural areas, but some urban settings as well—are walk-in centers that offer basic financial information and counseling to young people. Various training programs focus on teaching life skills and job skills, promoting entrepreneurship, and helping individuals move from school environments to work environments. The UYF also provides microfinance loans of between 1,000 to 100,000 rand (about US\$130 to \$13,000) to young entrepreneurs. In addition, the Fund provides expansion loans to SMEs in amounts close to \$1 million in U.S. dollars.

Kekana recently participated in “Africa Emergent,” an Alumni Forum put on by Wharton in Cape Town. There, he spoke about the work the UYF has done and heard reports about the relevant work of Wharton grads. “We learned a lot about how MBA students have taken an interest in making a profit from development,” he says. “And that was very encouraging.”

Even so, Kekana believes that South Africa is “far, far, far from the promised land” when it comes to bringing eco-

nomie stability to South Africa’s young, poor, and black. He hopes that Umsobomvu—which means “rising dawn” in the Nguni language—will indeed bring a new day to South Africa. But he knows it will take the combined efforts of the government, the political sector, businesspeople, and business schools to truly develop the vast potential of South Africa.



JIM FRAZIER/GETTY IMAGES

**Surveys of business students indicate that many of them want to help the world. However, often they aren’t sure if they have the skills to run nonprofits, and many are concerned about losing momentum in their careers. What would you tell them about giving up a lucrative career for one that’s closer to their hearts?**

I left private equity to come into a field where I had no experience. As much as I’ve given to the Fund, I have learned more from it. So the first thing students should know is that they will learn so much more in such a setting than they would in a traditional corporate environment. One reason is that they do a lot more at a nonprofit than they would in a Fortune

500 company with 20,000 people. Here, when there’s work that is normally done by four or five or six people, they’ll be doing it all alone.

The second thing is, they can’t be thinking about themselves and what they’re going to get. The objective has to be the bigger goal—what they want to see achieved in terms of their work. If they acted only from narrow self-interest, many people wouldn’t do what we currently do.

**If you were at a business school, teaching a class to students who were interested in working in a developing nation, what would you want them to learn from you?**

“These young entrepreneurs don’t come from backgrounds where they’re sitting around the dinner table with their parents, talking about business plans.”

I would teach them that poor communities are facing similar challenges across the globe. Because these people lack a number of resources, they require more than one solution.

First, they lack financial capital, the financial resources to move from one place to another. Second, they lack social capital, the ability to build networks and relationships.

Third, they need human capital, the skills, knowledge, and ability to work. If you give people \$20,000 and say, “Produce a widget,” you are making the assumption that they have the capacity and intellectual skills to actually make that widget. But many people lack that human capital.

The fourth thing people lack is physical capital. If you’re purchasing goods but you don’t have anywhere to store them, you’re lacking the right structure.

One thing that people in rural areas often do have is natural capital—which could be land, or water, or minerals—but it’s not recognized or recorded, and so they can’t use it as capital. That’s something else I would say to students. How do you convert natural capital into financial capital so people can live off it?

If you’re doing business in a developing country, you have to think about all these factors! At the same time, you have to navigate the political sector. In many developing countries, the legal system is not clear and transparent. In some situations, to get a license, you must pay a bribe.

I would say to students, if you want to do business with or in a developing country, you must contend with all these issues. It’s not like doing business in the U.S., where you can download how-to stuff on your iPhone. You’re going to have to deal with all of these issues, and it might take time, so you have to be motivated to stick it out.

**You recently participated in Wharton’s Alumni Forum with its theme of “Africa Emergent: Transformational Leadership.” What did you tell attendees about the work that UYF is doing?**

I said that we are like a supermarket of development. You know, you go to the supermarket today, you want meat. You go tomorrow, you want water. But you still go to the same place.

We’re trying to show that we offer integrated support for young people—i.e., it’s not a single intervention that works, but a whole concoction of different interventions that people need. Giving only financing doesn’t solve the problem. Giving only business support doesn’t solve the problem. Giving only training doesn’t solve the problem. Effective development of young people requires that you look at their various needs, because youth by its nature is mobile and transitional.

Some people say that we’re spoon feeding these young entrepreneurs, but the reality is that they don’t come from backgrounds where they’re sitting around the dinner table with their parents, talking about business plans. Most of them are the first generation of people who can take advantage of opportunities. It takes so much for them to move from one door to another. That’s where people get lost. We need to provide consistent long-term investment in young people to help them navigate the future.

**Specifically, what kind of help does the UYF offer to South Africa’s young people?**

We help about 20,000 entrepreneurs every year with our business support programs. We make about 21,000 loans every year. We help people start businesses. We are one of the largest organizations in the world in terms of the impact we have on young people.

That’s the tangible help we provide, and that’s kind of like hardware. We also provide something more like software. We give people hope and the belief that they can achieve something.

We come from a past where people were not even allowed to dream. Discrimination and oppression kill a person’s sense of self-belief. They kill people’s desire to try to do something because they know there’s so much against them. Today, young people know that, because of the Fund, somebody is prepared to give them a chance. They can say, “Even if my application is rejected, at least there is a door I can enter. At least someone is prepared to listen to me.”

We see about half a million people every year in our Youth Advisory Centres. But we don’t just give them funding and training. We restore a sense of hope.

**How do you foster microfinance in South Africa through your Youth Entrepreneurship Programme?**

We have two strategies, really. One is that we work with other microfinance institutions, especially grass-roots rural institutions that have been doing good work for a number of years. Instead of displacing them, we support them. We operate almost like a wholesaler, giving them money so they can extend funding.

In other areas of the country, we have our own offices that provide both microfinance funding and business support. For example, we help entrepreneurs write business plans and find mentors. We link them up with supply chain opportunities and help them with procurement issues. Businesses often fail because of the lack of business support, so we give them that in addition to funding.

“If people are engaged in peaceful initiatives for their own development and their own livelihoods, they will not use their energies to make a negative impact on the world.”

**You mentioned how important it is to provide business skills to young entrepreneurs. How do you teach those skills? What other business support do you offer?**

We have 300 to 400 paid consultants who work with young people who need business help. For example, if someone wants a Web site for his business but he doesn't have IT skills, we will bring in a consultant. We have predetermined the cost of the support the consultant gives. If a Web site costs \$1,000, we subsidize 95 percent, and 5 percent comes from the entrepreneur.

Consultants also work with entrepreneurs to write business plans. We don't write the business plan for them, but we tell them, "You need a visibility study," and we point them in the right direction. By doing the work under a consultant's supervision, they gain practical experience.

We also have training programs where young people come into class every day for six months. But that program only reaches a few people, about 1,000 a year.

**Does UYF partner with local business schools to reach more people or achieve any of its goals?**

We don't. One problem is that many business schools don't see the kind of work we do as core to the education of their students. It's something extra. Schools might have an NGO elective course, but it's not something they want to add to the requirements of an MBA degree. We *have* commissioned South African business schools to produce research for us and evaluate our programs.

**Some scholars suggest that South African business schools have a mandate to produce more graduates who can help the country address its most serious problems in areas such as health and poverty. What do you**

**think South African business schools *should* be doing to produce the kind of graduates the country needs?**

Many South African universities are still struggling with how they can be relevant in our country. Our universities are trying to be like Harvard and Wharton, but those schools are great because they're in developed countries.

Our president has made the call to our schools, saying, "What does it mean to be a South African university? What distinguishes you?"

There's another ingredient that's missing. The average students are dreaming about going to work for a company. They aren't thinking, "What am I going to do to improve South Africa's economy, status, and development objectives?"

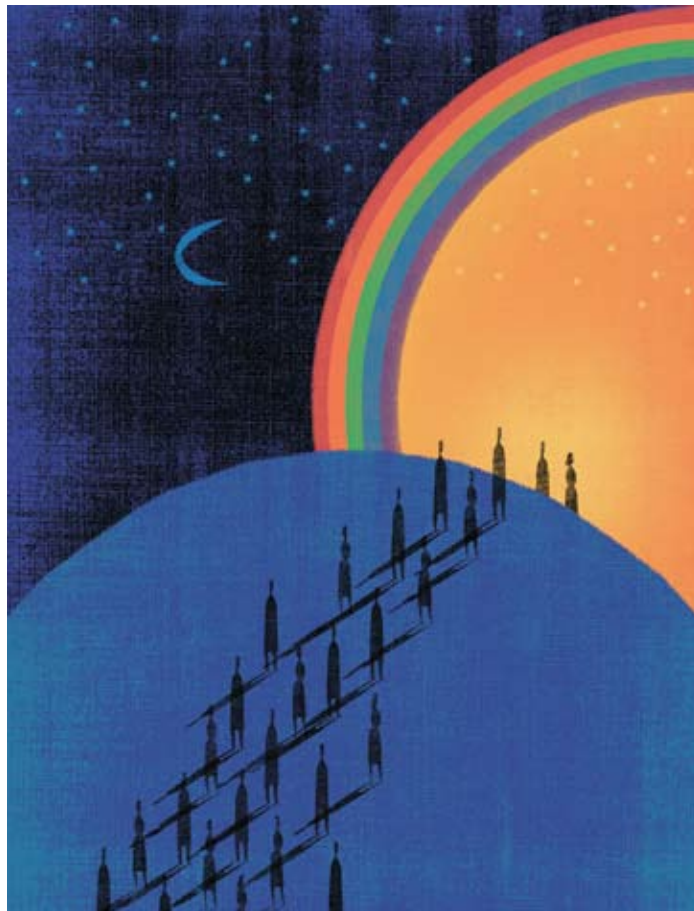
**What do you think it will take for UYF to add that "missing ingredient"? What would you like to see the organization accomplish by the year 2020?**

First, I would like to see the Fund in the whole of Africa. We've been invited to help develop a fund in Dubai that does what we do. We'd like to go into more developing nations

to share our knowledge and also learn from what they do.

Second, I'd like to scale our programs. I want us to do five times what we're doing today. I'm unhappy that we do 21,000 loans a year. I want to do 100,000 to 200,000 loans a year. I don't think it's impossible.

I would like to see the Fund be an anchor of development for large-scale initiatives. I'd like to make sure that, in every town where a young person says, "I want to start my own business, I want access to training," we are there for them. It would be just like walking into a bank to open an account. That's a level of investment we need to make in people if we want to create a better future. But today,



JIM FRAZIER/GETTY IMAGES

# The MBA That Delivers<sup>®</sup>

*Bringing Babson to the World.  
Bringing the World to Babson.*



**BABSON**  
**LEADS THE FIELD**  
IN EDUCATING GLOBAL LEADERS.

*Babson's strong global orientation, focused uniquely on entrepreneurship and innovation, presents students with:*

- ▶ Study abroad experiences at 42 institutions in 23 countries
- ▶ Access to a highly diverse international faculty
- ▶ Opportunities to connect with global business leaders on campus
- ▶ International internship and consulting opportunities
- ▶ Unparalleled network of strategic partners and alumni throughout the world

The MBA That Delivers<sup>®</sup> [www.babson.edu/mba](http://www.babson.edu/mba)

*Babson's MBA program is ranked as the second-largest full-time international population by Financial Times.*

TWO-YEAR MBA · ONE-YEAR MBA  
EVENING MBA · FAST TRACK MBA

governments spend more money on buying weapons than they do on developing their people. It doesn't make sense.

Someone once said, where there's peace, a thousand flowers bloom. I say, if people are engaged in peaceful initiatives for their own development and their own livelihoods, they will not use their energies to make a negative impact on the world. If you don't want young people involved in drugs, build more community centers. This is true not just for South Africa's young people, but for the young people of the world. It's the shame of the G8 members that they put more money in mining than in people.

Some people believe that you should invest 10 percent to 20 percent of the profit you make in the country where you're doing business. But other people are concerned about giving back even .5 percent to 1 percent—and yet they want to sustain their markets. It doesn't make sense.

### **Assuming that big businesses do begin investing in their communities, how would you envision the role of UYF?**

My vision is that, in 2020, when companies say, "We're ready to make a 5 percent or 10 percent or 20 percent commitment," the Fund will be there. We will be the lever, we will be the institution that does the practical work. It's not good to have all that money unless you have the solutions and programs and products that use the money efficiently. That has been the criticism governments have

made most often about development organizations—that some of them throw money at bad programs. I want to be one of the institutions where people can say, "If you give these guys a million dollars, they're not going to spend it unwisely. They will get it to the ground." And I want us to be one of the biggest players in the world.

A multinational corporation in India just gave us five million rand, and we are matching it one-on-one to invest in microfinance. A life insurance company in Africa gave us half a million rand. We're matching it rand for rand and investing it in women and youth enterprise. By 2020, we want to attract close to \$100 million per annum and put it in development.

### **By the same year, where do you think you will be in your own career?**

I might not necessarily be with the Fund, but I will be involved in development in some way. I might want to be involved in development financing at the private sector level. For example, big companies like Wal-Mart are displacing small retailers. I want to help small retailers procure the goods, services, and technology that will help them compete with big organizations—and make money. I want to link the profit element with the social element.

In 2020, I want to be doing what I'm doing now, but at the private level. This isn't a job, it's a cause. 