



BERTHA CENTRE



WENDY LUHABE: SOCIAL ENTREPRENEUR & IMPACT INVESTOR

Written by Cynthia Schweer Rayner, Researcher at the Bertha Centre for Social Innovation and Entrepreneurship. This document is intended to be used as a basis for class discussion, and is not intended to illustrate effective or ineffective handling of an administrative situation. © Bertha Centre for Social Innovation and Entrepreneurship, 2015.

INTRODUCTION

Considered to be one of the most influential businesswomen in contemporary South Africa, Wendy Luhabe has promoted the themes of economic inclusion for women and empowerment for communities throughout her life and career. As an entrepreneur, board member and investor, Luhabe combined profit and social impact before the terms social entrepreneurship and impact investing were in common use.



Luhabe's career path was unconventional for her time. She attended university and obtained a degree in commerce when it was highly unusual for women to enter higher education. Following university, it took her a full year to find a job, an experience which later inspired her to start her own business. After a ten-year stint in two large corporations, she went on to found a recruitment agency that was ideally suited to serve the new, democratic South Africa, combining traditional recruitment services with mentoring and education for black graduates. She then pioneered the involvement of 18,000 women in the business and financial sector of South Africa with the co-founding of Women's Investment Portfolio Holdings (WIPHOLD). Luhabe also founded the first African women's private equity fund which raised US\$14 million to invest in women-owned or led businesses.

Luhabe's business activities have included chairperson and board member roles at Alliance Capital, Vodacom Group, Vendome SA, the International Marketing Council (IMC), the Industrial Development Corporation (IDC), and the Johannesburg Stock Exchange (JSE). She also served as Chancellor of the University of Johannesburg from 2006-2011. Luhabe currently focuses her energy on investing in businesses and initiatives that promote community and women's empowerment, and serves in various capacities to support entrepreneurship and business development in South Africa.

Luhabe's approach to entrepreneurship and investment is equal parts intuition and strategy. Her story is a uniquely South African, yet globally instructive, approach to social entrepreneurship and impact investment.

EARLY YEARS

Wendy Yvonne Nomathemba Luhabe was born in Old Benoni Location, in the mining belt of the East Rand of South Africa, second in a family of four children. South Africa in the 1950's witnessed the entrenchment of apartheid policies, including the forced removals of numerous communities, the extension of pass laws to women, and the passing of the Bantu Education Act, which enforced racially-separated schools. At the age of eight, Luhabe's family was forcibly removed to Daveyton, a township that was created to segregate non-whites from the whites-only town of Benoni.

Luhabe's mother, a nurse, was determined that her children would get a good education. In the wake of the disruption caused by the apartheid policies, Luhabe went to live in Cradock, in the Eastern Cape, where she lived through junior school, and then to Healdtown, where she attended high school. Growing up in the Eastern Cape, Luhabe was exposed to some of South Africa's leading anti-apartheid activists, including her maths teacher Matthew Goniwe, who was later assassinated by the South African police. Luhabe believes that the era in which she grew up defined her choices and her approach to education:

I think for me the choices I made had a lot to do with the time that I grew up and the era that I was born into. I am a product of the apartheid era and, therefore, a product of the Bantu education system. I went to a black school and then a black university, and I guess I am an example of someone who defied what was the intention of the Bantu education system because it certainly didn't have people like me in mind. Somehow I was able to defy that system.

UNIVERSITY

In 1976, Luhabe enrolled at Fort Hare University, a leading black university. However, the Soweto uprising¹ that same year caused significant disruptions in the university system, and Luhabe used this opportunity to transfer to the University of Lesotho:

I went to university, and I was like most of us when we go to university—we don't quite know what we want to study, so we look at what people around us are studying. There were very limited choices for black women at that time...For black women who went to university, they tended to study social sciences [social work] and I did the same thing. At that stage of your life, you're not really thinking through your life and through the relationship between what you're doing and what you will need later on in life.

What changed everything for me was the Soweto uprising in 1976. It created a huge disruption in the education system and for two years there were disruptions. During this time, I decided to apply to the University of Lesotho because I then had some clarity about the role of education in my life. I made a very conscious decision to take responsibility for my life. When I got to the University of Lesotho, I realised that it was a much smaller campus, and they didn't have social sciences. So I converted my social sciences degree to a commerce degree. It was really quite by accident, it wasn't because I consciously wanted to study social sciences or even commerce but what I found was that having been exposed to both disciplines, it began to plant seeds that didn't really germinate until much later.

There was also an interesting realisation that I was among the first generation of black women to study commerce because commerce was not available in South African universities to black people. Remember we were not supposed to be in business, we were only supposed to be in very specific disciplines. So there were a lot of South Africans who were at the University of Lesotho, and my generation of black women were the first ones to qualify with a commerce degree.

EARLY CAREER

Upon graduation, Luhabe entered the workforce but initially found it challenging to find her first job. As a black woman with a commerce degree, Luhabe's profile made her difficult to place:

When I came back to South Africa, I couldn't get a job for a year because the recruitment agencies had never heard of black women who had a commerce degree. Those agencies were not willing to give us jobs that recognised our qualification. They would offer jobs for a matriculant [a high school graduate] because they had never come across black women with a university degree, let alone a commerce degree. Eventually I got a job and during my working experience I was really deeply bothered by this experience of how long it took me to get a job and I was observing how my peers were developing relative to myself. It was quite clear that a lot of them probably accepted jobs that were below their qualification.

I realised that's what actually happens between black graduates and white graduates: black graduates get employed at a lower level and that's why there is always a salary differential. They will just never be at the same level. At the time, the system allowed that to happen; it wasn't illegal, it was what the system wanted to achieve. I also started looking at the experience of women in companies, and again I realised that women were completely disadvantaged in the corporate environment. And all of these questions really just weighed on me.

After a year of searching for a job, Luhabe was introduced to South African tycoon Johann Rupert. Rupert offered Luhabe a marketing job at his cosmetics company, Vanda, designing and marketing a line of cosmetics for black women. When the company decided not to pursue the cosmetics line, Luhabe moved on to work for BMW, a role which eventually allowed her to work for three years in

¹ The Soweto uprising began in June 1976 and was a series of protests by students against the Afrikaans Medium Decree, issued in 1974, which required all schools to use Afrikaans as the medium for instruction for a number of critical subjects.

Germany and the United States. It was during this time that Luhabe began to formulate her vision for entrepreneurship and developing people:

I had an opportunity to go and work in the United States for three years and whilst I was in the US, I realised that my passion was not so much in business or in social sciences, it was actually in developing people. I decided that at some point I would start a business and I would focus on working with black graduates because they would come from similar circumstances that I came through: they would have gone to university not knowing what they wanted to study, ended up with a degree that they didn't quite know what to do with, and they would probably end up with the challenge of getting employment. So I realised that our experiences would probably be similar and I wanted to intervene and work with graduates and universities to transform that.

BRIDGING THE GAP

Upon returning from the United States, Luhabe had a transformative experience. She applied for a promotion within her unit at BMW South Africa and was turned down, even though she was more than qualified for the position. This experience caused Luhabe to realise that she needed to concentrate on her dream of starting her own business:

The reason that I started my own business was because I was overlooked for a promotion: that was really the trigger that actually got me to go and start. I had been thinking about starting my own business when this happened, and I thought to myself, I need to go and find out what I'm capable of. I had an idea, and I had all these experiences that had been accumulating over the years, but there was a trigger in that the environment did not attach the same value to me that I attached to myself. And I wasn't going to allow that to happen. I decided when that happened that I would go out and find out what I was capable of.

Luhabe founded her first business, Bridging the Gap (BTG), with business partner Roy Cardy in 1991. BTG combined recruitment services with mentorship and education for new graduates, assisting with the transition from university education into the corporate environment. As the business landscape in South Africa began to shift recruitment policies, BTG found an important niche providing services to corporates and graduates:

I did two things in my practice: I had clients who were sponsoring black graduates and I would work with those graduates as they qualified to prepare them for entry into the corporate environment and equip them with the skills that they needed to take responsibility for their careers, to advocate to companies and not to get stuck in the victim mentality. Then, I worked with black universities to help first-year students to have a better understanding of the marketplace so that they would make better choices of what field to study. I would bring in people who had been working for three years already who would share what they studied and what their experience had been looking for their first job, and what the experience of the first few years of working had been like. The idea was to help these students begin to think about why they are at university and make decisions and choices that would prepare them for the marketplace, because this was not happening.

Recruitment is quite lucrative, it kept the cash flow of the business going. But we applied the same principles to our recruitment. We really didn't just place people, we did a lot of mentoring and guiding and making sure that we were matching people to opportunities and environments that were suitable to them. We moved people away from just focusing on the salary, which is what a lot of black graduates do: they don't look at the environment or the opportunities that are being offered to them to grow, they don't look at the growth element. They focus on the money and then, a few years into the job they realise that they are not growing. We changed all of that and really made sure that we matched people, encouraging them to think about their own growth needs and their career aspirations rather than just the salary. That was also what Bridging the Gap did.

As Luhabe grew BTG, the idea of combining a profitable business with social impact crystallised in her mind:

Because this first business had been informed by a series of my own life experiences, it integrated in my mind the idea of creating a business that makes money and also addresses a social need. It wasn't something that I thought through, it really arose out of the passion that I recognised about developing and encouraging people using my own experiences. Because I could see the impact of that, I began to consciously decide that I would only be involved in businesses that achieved both of these things. I had proven that it was possible to make money and change people's lives at the same time. All the things that I've done since have really followed that model and, of course, it's only in the last few years that this has become defined. When I started Bridging the Gap, it wasn't defined, it just happened.

WOMEN INVESTMENT PORTFOLIO HOLDINGS

At the same time that Luhabe was following her career path, the political environment of South Africa was changing rapidly. As it became clear that South Africa would hold democratic elections in the near future, the black business community began to mobilise:

In 1993, there were a number of discussions that were taking place between the ANC leadership and black business, and I was involved in some of them. What I began to observe, and what was very glaring for me, was that there were no women in these discussions. In the very first meeting that I attended, there were about 30 of these leaders and there were four women, one of whom I had invited. And I thought, this is interesting: these are discussions that are going to shape the participation of black business in the future South Africa and women are not at the table.

Then, in 1994, I went to another meeting that was called by Tito Mboweni before he became the Minister of Labour and, again, it was a conversation with black business and what role we should play in a democratic South Africa, and again, there was only a handful of women. On our way home after the meeting [with WIPHOLD co-founder Louisa Mojela], I said, you know, there is a trend that is developing here. These meetings are being called, the men are organising themselves, and we are going to be left out. We need to do something. That meeting was on a Sunday so we decided that the next Tuesday, we would have a meeting at my office to discuss how women can participate in the economy. Four of us showed up, so we said that's fine—these are the four people who are meant to drive us.

We met every Tuesday for almost 18 months discussing the best way to do this, consulting and learning from people. It was recognising that a group of people in society were being left out—not deliberately, it was just how society was programmed. It needed people who recognised that and rather than criticise people, to create a solution. We could either wait to be invited or create something, and so we opted for creating something. That's how WIPHOLD was started.

WIPHOLD, which was started with ZAR 500,000 in seed capital, launched its first women-only rights issue in 1997, raising ZAR 23 million in capital from 18,000 women across South Africa. This amount was tripled one year later, in a second rights offer which raised ZAR 76 million from its original investor base, and an additional ZAR 424 million from institutional funders. In 1999, WIPHOLD became the first women's group to be listed on the Johannesburg Stock Exchange (JSE)².

Even today when people hear of WIPHOLD, their immediate response is to ask if it is a microlending organisation. That is the mentality that people have: that women should participate at the micro level. Education was a big component of what we did. We travelled around the country, and we said this is how the economy works, this is what an economy is—we simplified it. We wanted women to understand that you have to invest to make wealth and that investing is a risky business, so don't take school fees and go and invest it. Because we educated women and they understood what we were trying to do, they voted with their money. There is no other reason: it wasn't because they loved us, they just understood. And they were willing to take a risk with their money.

² It subsequently delisted in 2003.

Because we did this over a long period of time, we encouraged people to save small amounts of money so that when we were ready to do a rights issue, they would have the money. They saved 50 rand, 100 rand, however much they saved. And when we did our rights issue, we were able to mobilise 18,000 women—a lot of them were ordinary women and some of them were wealthy white women who had means. It didn't matter, the idea that this was a South African women's story and we were talking to all women, we were not just talking to black women, we were not just talking to poor women, we were talking to women from all walks of life. It's unprecedented, it's never been done anywhere in the world. The only thing that's different was that we invested in educating women.

Today, WIPHOLD is a diversified investment and operating company with interests focused on mining, infrastructure and financial services. The ownership structure has changed through the years, with Old Mutual South Africa, a large financial services company, taking a 32.5% ownership stake. However, through its establishment of a trust structure, WIPHOLD's original investor base retains a "broad-based"³ shareholding that benefits 1,200 direct and 18,000 indirect shareholders, and which collectively owns 35% of the company.

BEYOND WIPHOLD

While WIPHOLD was growing, Luhabe was continuing to run BTG, which she then sold in 2002. By this time, she was also sitting on the boards of several listed companies.

Luhabe's ideas have occasionally been ahead of her time. In 2002, Luhabe launched the Women's Private Equity Fund (WPEF), a US\$14 million fund which focused on women-owned and led business investments. At the time of its launch, the WPEF was the first women-focused private equity fund in Africa, and one of only 10 such funds globally. However, fundraising was difficult and the returns were disappointing. The fund closed its operations without seeking a second round of funding. Luhabe described the result as a lack of critical mass. "If lots of other people had started funds as a result of my pioneering endeavour and we ended up with 10 women's funds in South Africa, it would have changed the landscape."⁴

With the wrap-up of the private equity fund, Luhabe has broadened her interests again, seeking out investment opportunities that impact the broader community:

I've now shifted focus to community empowerment. Again, women are the focus, because women are in communities. Over the last two years, I've been involved in an agricultural project in the Eastern Cape to help a community that owns land but didn't have the resources to make that land productive. I invested to enable them to buy seeds and discovered that the most expensive item of agriculture is the cost of seeds. We have people who have assets but those assets cannot be productive because they don't have capital to convert them. I've also been involved in a project that started in KwaZulu-Natal to create micro-bakeries in communities. Because of the spatial development of South Africa, our incomes don't circulate in the communities where we live and we don't own businesses that the community can support. Something like bread is a staple in communities—everybody buys bread, there is no reason why the bread cannot be produced by the communities. It's the simplest thing to make, you just need flour, salt, yeast and water. So Mama Mimi's is creating these microbakeries in communities where people are unemployed. By just providing a small oven with the tools that they need as well as the flour, they are in business. Through that business, people are able to generate an income of between 4,000-6,000 rand per month. Just baking bread and supplying bread to their neighbourhood.

Luhabe is also investing her time and energy into education and mentorship initiatives. She is involved with an organisation called Partners for Possibility which matches business leaders with

³ Broad-Based Black Economic Empowerment (B-BBEE) was initiated by the South African government in 2007 as a means of distributing wealth across a broad population of previously disadvantaged individuals, rather than enriching just a few.

⁴ "South Africa's Luhabe Will Not Raise Second Women's Private Equity Fund," *The Africa Report*, 2012. <http://www.theafricareport.com/Southern-Africa/south-africas-luhabe-will-not-raise-second-womens-private-equity-fund.html>

school principals to help them develop their leadership capabilities. She is also Patron of Junior Achievement South Africa, which builds entrepreneurial skills for enterprising youth. Luhabe sees education and mentorship as key roles that she can play in promoting her philosophy and furthering her social impact:

In education, I established a scholarship that helps with the education of girls from less fortunate families to study commerce. It has to be commerce, because I want to bring as many women as possible into the business world. Through mentorship, I use my own experience to guide people in either their professional lives or in their business lives. I've seen hundreds of people over the years and I think that makes a huge impact in the lives of people. It's a soft impact that is never measured, but it changes society. I know that personally I am a role model for a lot of women and men. I get a lot of messages from young people who tell me how much I inspire them to be the best that they can. The impact is when we change people's lives and encourage people to behave differently because they see what is possible for their own lives. I had people who gave me opportunities who didn't know me. For example, after I looked for a job for a year, Johann Rupert gave me my first job. I am a living example of people who didn't know me, who believed in me, who gave me an opportunity. I have offered that to other people throughout my life because I know what it does.

INVOLVING FAMILY

Although Luhabe believes passionately in her work and investments, she does not intend to impose her life's calling on her own children. Rather, she thinks that her generation should act as role models for the next:

I don't think we can, you know we all have different callings. I think the best we can do is to live our lives by example. I can't impose that expectation on the next generations. I think that the way that I've lived my life, I have achieved that throughout.

I think that we are the pioneer generation. Our parents, they had very little, so we are the generation that had the university education, we are the generation that lived through the beginning of our democracy, we are the generation that pioneered ideas that would help to make sure that people benefit as much as they can from our democracy. So we didn't really have role models. Hopefully we are role models for the next generations.

PUTTING IT ALL TOGETHER

Luhabe's professional career, despite its broad reach, has followed a distinct path. At each stage, her activities have combined social purpose with profitable operations, with a core focus on the participation of women in the economy. Luhabe has also largely been a visionary, handing the operations of her pioneering ventures to others as she moves on to the next idea.

Ultimately, Luhabe believes that her philosophy of investment and social impact is something that can be practiced by everyone:

I am not waiting until I have a lot of money. My philosophy has been that even if I have 100 rand, I use 100 rand to impact someone's life. I think that as human beings we have an opportunity to impact on people's lives on a day to day basis with little acts of kindness within our means. I don't think we need to wait until we have a fortune to impact people's lives. There is a saying in the Bible that says "To whom much is given, much is expected." And to whom much is given, doesn't say it's this amount—if I have three meals a day and someone doesn't, I have been given much. There are little things that we can do as human beings to think of the other who has nothing, instead of just thinking of ourselves and accumulating more and more and more.

SOURCES

ILN. "Wendy Luhabe – Profile." *Inspired Leaders Network*, July 2007.
http://inspiredleaderssa.com/site/magazine_section_detail.php?id=46

Le Roux, Karen. "Wendy Luhabe, Social Entrepreneur." *DG Murray Trust*, 29 February 2012. <http://dgmt.co.za/tsibas-leadership-development-perspectives-wendy-luhabe-social-entrepreneur/>.

Maunder, Petra Krost. "Powerhouse of Change." *Wits Business School, Alumni Profiles*, accessed 11 September 2015.
http://www.wbs.ac.za/article/powerhouse_of_change_by_peta_krost_maunder

Ndzamela, Phakamisa. "Trader's Guide: Wiphold's Story." *Financial Mail*, 6 March 2014.
<http://www.financialmail.co.za/opinion/columnists/2014/03/06/traders-guide-wiphold-s-story>.

Ransdell, Eric. "What's Black and White and Working." *Fast Company*, 31 October 1995.
<http://www.fastcompany.com/26352/whats-black-and-white-and-working>.

Robinson, Vicky. "Cracking the Wiphold." *Mail & Guardian*, 13 February 2006. <http://mg.co.za/article/2006-02-14-cracking-the-wiphold>.

"South Africa's Luhabe Will Not Raise Second Women's Private Equity Fund." *The Africa Report*, 2012.
<http://www.theafricareport.com/Southern-Africa/south-africas-luhabe-will-not-raise-second-womens-private-equity-fund.html>

WIPHOLD. WIPHOLD Shine: Many Roads, One Journey. 2014.
www.wiphold.com/shine/downloads/WIPHOLD%20Shine.pdf