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KWAZULU-NATAL

Top brand award well-deserved for school

AT ITS annual awards ceremony recently, the KwaZulu-Natal Top Business Portfolio, which deserves commendation for its great initiatives in promoting business in the province, announced a new category - that of KZN Top Brand.

Over a period of time, votes were canvassed from people in the province and the brand that earned the most recognition, walked off with the new award.

That the winner was UKZN's Graduate School of Business was a real feather in the cap of the university, whose school emerged as the top brand amid a group of high-profile finalists that included Hirsch, Signature Life and Edison Power Group.

Professor Anesh Singh, the head of the school, must be credited with this achievement. Over the period of his tenure, this respected academic has done a great deal to ensure that the world of

business academia has not been isolated from the real world of economic and financial activity.

Not only has he engaged very constructively with business people, and the chamber, I must add, but he introduced a programme consisting of quite regular seminars and workshops in which matters of common interest to business people and students and lecturers were explored by experts in the field.

There was a time when the context in which business was conducted was limited to the market. This was the source of profit and the guide to the business model.

However, while the market has not lost its nuclear role, the context in which business is done has been broadened by numerous factors quite characteristic of the contemporary world.

This is particularly the case in South Africa. In a presentation on the National Planning Commission's Diagnostic I saw a slide that



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CEO
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implied that the country had a choice: either it should seek economic growth or it should seek social upliftment. This was illustrated in graphical form by two lines, each representing one of the possible trajectories.

It was an accurate reflection of the current polarisation in thinking. Either/or; unions pulling for one, business pulling for the other; and a host of confused decision-makers in between.

It is not realistic. The simple fact is that

economic growth and social upliftment are so interdependent that we cannot contemplate "either/or". Nor is it helpful to try to decide which must come first.

The reality is that there will be no meaningful economic growth without social upliftment, nor any social upliftment without economic growth. It is possible, despite our scepticism, to do both, but the methodology is not easy to find, especially when the issue is so imbued with political rhetoric and philosophical rigidity.

What has this to do with Professor Singh and the Graduate School of Business? Universities do not exist to be profitable and their contribution to the public good is not devoted to poverty alleviation, nor the plight of workers. It is devoted to the uncovering of the mysteries that underlie society's polarisations and to the development of young people who may deal better with these in the future.

From the perspective of busi-

ness, academia does not only prepare entrants for the business world, it also adds to the understanding of the context in which business is conducted. A Graduate School of Business which holds itself aloof from the commercial and industrial spheres is no school of business at all.

It is essential for this facility (all of them, in fact, but this one in particular as far as the business community is concerned) to engage with the issues that confront business people, as well as the people themselves, on an ongoing and constructive basis.

Whether in the preparation of graduates for business careers, or in its successful enterprise development programme, the School of Business has achieved a profile that earned the Top Brand award. It is a notable success.

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Electricity tariff hikes put pressure on business

THE MATTER of increasing electricity tariffs is bound to cause tension, any way you look at it. Municipal officials think business is probably going to be unhappy with whatever increases they put in place, because no cost increase is ever welcomed, and since they have calculated increases to balance their budget, they are not particularly interested in hearing what business (or other ratepayers) has to say.

They may communicate, but in the case of our local municipality, they listen and then just implement the increases that they have already decided on.

This can't be considered consultation, and in my view business is justified in feeling aggrieved. And this year Pietermaritzburg businesses have more reason than usual to feel unhappy.

The chamber approached the city early about tariffs, and asked that we be allowed to have a look at the budget with a view to identifying areas of cost savings, so that the full burden of the Eskom tariff increases need not be passed on to business.

The Municipal Systems Act makes provision for this kind of meaningful consultation. Despite agreement to this, con-



MELANIE VENESS
CEO
PMB Chamber of Business

sultation did not happen.

Business is already unhappy with the security and quality of supply that costs them hours of lost production and significant machinery replacement costs as a result of electricity surges.

To have the municipality pay lip service to engagement rubs salt in the wound.

Msunduzi's poor management of resources resulted in the city being put under administration, and instead of addressing the internal issues to sort out the situation, the administration team looked to recover as much additional income as possible from the private sector.

One of the ways that they chose to do this was to terminate the electricity incentives for industry. The abrogation of incentives and the higher tariffs effectively handed businesses a double whammy that

put high electricity users under enormous strain.

Business is operating in a challenging environment without this additional burden. Job losses are a looming reality and in view of the number of jobs already lost, shouldn't the government be trying to make it easier for business to function?

One also has to ask whether it is justifiable for Eskom to increase the costs to local municipalities to the extent that it has, when it is declaring the kind of the profits that it is. Our new mayor has committed to engage with business on this issue.

Since electricity is of such relevance to our business community, we have invited Mpho Makwana, the immediate past chairman of the board at Eskom, to address guests at the induction of our new chamber president on August 4. He is an engaging speaker and I am sure his insights will be interesting and enlightening.

Business people interested in attending the function to hear Makwana are most welcome to contact our office.

● Melanie Veness can be contacted at 033 345 2747 or at ceo@pcb.org.za

The managers who go rotten

THE TYPICAL fraudster is someone in senior management who has been employed by the company for more than 10 years. People in management positions are responsible for 64 percent of fraud cases. However, a concerning trend is that the percentage of board-level perpetrators has increased to 18 percent of fraud cases in the Europe, Middle East and Africa (EMA) sector.

These were the findings in KPMG's analysis of global fraud trends, which indicated that 76 percent of fraud cases were committed by employees aged 36 to 55.

In addition, 32 percent of fraudsters work in the finance sector. This means fraudsters have access to and responsibility for corporate assets, financial reporting and credit lines. This allows the perpetrator to both commit an act of fraud and to conceal that fraud.

As is evident from these statistics, the fraudster tends to be someone in a position of responsibility and trust. A third of fraudsters have worked at the company for more than 10 years. They have firmly entrenched themselves at the firm, have gained the trust and respect of their colleagues, and, more importantly, have had ample time to identify control weaknesses and fraud opportunities.

Collusion in the workplace accounts for 59 percent of fraud cases in the EMA sector. This makes it more difficult to detect because two people are circumventing the control systems and thereby potentially reducing any "red flags".

Collusion may be with colleagues, suppliers or customers. Some red flags to look out for include instances where the supplier will deal with only one person at your company, where lifestyle expenses seem excessive, or where the employee rarely takes holidays.

On average, it takes companies 3 1/2 years to identify a fraud case, from inception to detection. This means companies should avoid operating in the hope that fraud will be detected before their profit margin is materially affected. There is, in fact, a good chance that the fraudster has been defrauding the company for a considerable period of time.

KPMG, with its global methodologies and experience, combined with its local knowledge, says it is well placed to effectively assist clients in preventing, detecting and responding to threats of fraud.

● For more information contact Roy Muller at KPMG at 031 327 6000 or roymuller@kpmg.co.za



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