



Transforming the lives of thousands in South Africa

Taffy Adler is hardly the most likely candidate for taking on the role of social entrepreneur. He had an impressive track record as a trade union organiser who shunned the world of business during South Africa's turbulent past and became the CEO of the Johannesburg Housing Company.



But as democracy in the country evolved, Adler left the trade union movement to become the CEO of the Johannesburg Housing Company (JHC) in 1996.

The company is an urban regeneration agency that operates in the poorer areas of Johannesburg. Its work includes tackling slums, carrying out refurbishments and conversions, and building new projects. It has a financial investment in inner city properties that is close to 360 million rand (US\$36.4 million).

According to Adler, the organisation's three main goals are to improve the buildings where people live, and once that has been achieved to then tackle the quality of people's lives, and to improve their neighbourhoods.

The JHC has developed around 2,800 homes, which it estimates is an eight per cent increase in

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Johannesburg's housing stock in the inner city. It now provides homes to more than 9,000 men, women and children.

Today, Adler, who's in his late fifties, is widely acclaimed in South Africa for winning international awards and for his outstanding pioneering work in housing.

"I have come out of an anti-business framework. For much of my working life I was a trade union organiser. I spent my life working for workers fighting the excesses of capital," he says.

"In this role, I have come to understand the power of some market forces and being able to apply the power of the market to social ventures has been one of the most extraordinary discoveries of my life anyway."

Regenerating Jo'burg

The JHC was established during a time of great change in South Africa, not long after Nelson Mandela, as leader of the African National Congress, had been inaugurated as the country's first black President in 1994, and he was still presiding over the transition from minority rule and apartheid.

It was also a time of rampant inner city degeneration, crime, poor municipal services, empty office buildings and flight from city centres.

“The challenge, which not all anti-apartheid organisations rose to, was to essentially move from the politics of mobilisation to the politics of development,” Adler explains.

“And that required a completely different mindset, whereas you were previously in a mindset where you were against everything, you now had to be in a mindset where you were essentially were doing developments with government with a range of private sector stakeholders.”

The task



The goal of improving neighbourhoods has been formidable. The JHC has tackled it with the premise that it needs to get people working on its side. It works with both communities and building owners, and seeks to bring them into an organisational framework. So essentially, the basic model is an organisation which involves both owners and tenants.

According to Adler, issues that have to be addressed include improving security and cleaning services in an area, tackling criminal activity, and dealing with schools so that children do not have to worry about drugs.

Tackling crime

But just how can you possibly start to tackle crime in a city as an intimidating as Johannesburg? It appears not to have unnerved the JHC.

Adler says: “You know it’s always more of a problem from the outside than it is from the inside. In the areas where we operate, in general the crime is of a petty nature, I am pleased to say. There are the occasional murders and rapes etc. ... but effectively what we have done is that we’ve created fairly safe environments in the buildings primarily through community awareness and watchfulness, plus 24-hour security environments at the doors.”

He also says work has been undertaken to create a visible security force on the streets. Also, they work

with people to foster a cultural environment where everybody feels it is important to be safe in the area and where residents feel they are “taking control of the streets”.

Lessons

Running a pioneering institution such as the JHC in Jo’burg’s inner city over the years has not always been straightforward and smooth. Adler admits that, over the years, the company has learnt some important lessons. The most important one is realising that housing regeneration cannot be carried out on the cheap.

“Low-income people, in the nature of the way in which you own and develop the building, require a high-cost product,” Adler says, adding: “You have got to develop and deliver the best possible product over the longest possible time.”

Balancing act



The company now has a revenue stream of 80 million rand, and has become increasingly complex to run as the years have rolled past. But Adler maintains that running the organisation as CEO is not “rocket science” and is simply a matter of getting the balance right.

“But again, from the inside, it’s not difficult, as long as you work on the assumption that there’s common sense and respect involved.”

He sees it very much as a matter of showing respect for people as clients and getting both sides of the equation to understand roles and responsibilities in a manner which is clear, consistent and fair.

Building on that, he advocates making sure that processes and procedures are in place to guide people through increasingly complex activities.

But there are added complexities these days. Adler says on the design side, the JHC is always striving to improve its projects. Every time it starts a new building it returns to the current users living in a similar type of housing project to seek advice on how to improve the design. But on the financial side, the company has had to diversify its funding

sources.

Each year, it makes a surplus of 30 to 50 million rand. However, it is a non-profit making institution. According to the company's CEO, its goal is to ensure that "not for profit also means not for loss" and that it will remain in business for a very long time.

"And for that reason our board is very insistent that we do make a surplus."

"There is a hurdle – it is much lower than a commercial hurdle – so on the buildings we target a 10 per cent return, as opposed to a commercial return which is anything between 25 and 35 per cent."

"And because of our capital requirements, we need to generate internal revenues so that we can contribute to the next building," Adler says.

However, the company is finding these days that property is becoming so expensive that increasingly it needs the financial support of other investors – both banks and equity investors.

The rising property market has now become the JHC's biggest challenge. Adler says it is becoming increasingly difficult to manage both the capital costs of buildings and the running costs of buildings at a level which is affordable to poor people.

The Habitat Award



Among the accolades Adler has helped the JHC win is the prestigious United Nations' World Habitat Award 2006 that recognises housing companies that come up with innovative and sustainable housing solutions.

However, Adler is cautious about whether the institution's model can be transposed elsewhere in the world.

"I think all models are local," he says. "For them to be successful they have to be very conscious of local

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knowledge and local geography. Having said that, I think there are a number of principles which can be applied."

He says that in the South African context, where there are a number of other cities that are similar to Johannesburg, there are at least another 17 institutions like the JHC. The company co-operates with them in a national trade association.

But as for the rest of Africa, Adler says the urban dimension is very different. The JHC has had contact with other similar institutions in Africa, and it has also had a number of exchange programmes with international groupings within countries such as Canada, Norway, Holland and England. India too is in touch with the JHC.

When it comes to community development, Adler asserts, the JHC represents some of the world's best practices and interacting with other partners across the world can yield fruitful results for everyone involved in the discussions.

The future

The South African economy, like many others, is suffering from the global economic slowdown. Unemployment is growing and some economists have issued a warning that the country could fall into recession this year.

But far from being precarious, it looks like the services of the Johannesburg Housing Company will be very much in demand.

"For a long time we see many opportunities to both create decent accommodation for poor people and to go into communities where essentially you are trying to recreate the urban fabric that was broken down by apartheid."

"Unfortunately, that's going to take awhile to deal with those issues and as long as those issues are there, we will have a job to do."

Taffy Adler took part in the INSEAD Social Entrepreneurship Programme held recently at the school's Asia campus in Singapore.

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