



**STRATEGIES, CHALLENGES AND BEST  
PRACTICES IN IMPLEMENTING BLACK  
ECONOMIC EMPOWERMENT IN SELECTED  
SOUTH AFRICAN COMPANIES**

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## DECLARATION

I, Swastika Juggernath, declare that the content of this thesis represents my own unaided work, and that the dissertation has not previously been submitted for academic examination towards any qualification. Furthermore, it represents my own opinions, ideas and not necessarily those of the Durban University of Technology. I further declare that all the sources cited or quoted are indicated and acknowledged by means of a comprehensive list of reference.

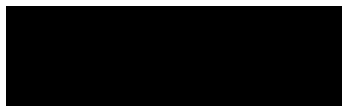


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## **DEDICATION**

This thesis is dedicated to my parents for their continuous support and motivation. I also dedicate this to the memories of my late and loving grandfather Mr Jack Juggernath, who always ensured that I strived to develop myself academically.

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## Table of Contents

Declaration .....	ii
Dedication .....	iii
Acknowledgement .....	iv
Table of contents.....	v
List of figures .....	xvii
List of table's .....	xviii
List of acronyms .....	xix
List of statutes .....	xxi
Abstract .....	xxii
<b>Chapter One: Introduction and overview of the study .....</b>	<b>1</b>
1.1. Introduction .....	1
1.2. Background to the study .....	2
1.3. Context of the study .....	2
1.4. Rationale for the study.....	3
1.5. Research Problem .....	5
1.6. Aim of the study .....	6
1.7 Objective of the study.....	6
1.8. Literature review .....	6
1.8.1 BEE as an initiative of corporate transformation and sustainability.....	7
1.8.2 BEE agencies and the scorecard .....	9
1.8.3 Strategies for organisational change.....	10
1.8.4 Challenges associated with the implementation of BEE .....	11
1.8.5 Managements role and priority in implementing BEE .....	12
1.8.6 Best practice in implementing BEE.....	13
1.8.7 Contribution to the field of study .....	13
1.8.8 Theoretical contribution within which the problem is addressed.....	14
1.8.8.1 Supporting theories from a macro perspective.....	14
1.8.8.2 Supporting theories from a micro/organisational perspective.....	16
1.9. Research Methodology .....	17
1.9.1 Target population.....	18
1.9.2 Sampling method and size.....	18

1.9.3 Measuring instrument.....	18
1.9.4 Data dissemination process.....	19
1.9.5 Data collection method.....	19
1.9.6 Data analysis.....	20
1.10 Pilot test.....	21
1.11 Delimitations.....	21
1.12 Confidentiality and anonymity.....	21
1.13 Validity and Reliability.....	21
1.14 Ethical considerations.....	22
1.15 Conclusion.....	22

## **Chapter Two: BEE- A redress initiative for macro transformation in South Africa**

.....	<b>23</b>
2.1 Introduction.....	23
2.2 The macro environment for BEE.....	26
2.3 Reflection on South Africa’s past (apartheid era prior to 1994) .....	29
2.4 Legislative advancement before BEE.....	29
2.4.1 Reconstruction and Development Programme (RDP) and Growth, Employment and Redistribution (GEAR) .....	30
2.4.2 Labour Relations Act No 66 of 1995.....	31
2.4.3 The South African Constitution and Bill of Rights.....	32
2.4.4 The Employment Equity Amendment Act 47 of 2013 (EEA) .....	32
2.4.5 Skills Development Act 97 of 1998.....	33
2.4.6 The Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000 .....	34
2.4.7 Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) .....	35
2.5 The implementation of BEE strategy.....	36
2.5.1 Aims and objectives of the BEE Act 53 of 2003.....	37
2.5.2 The five codes of a BEE strategy.....	39
2.5.2.1 Enterprise and Supplier Development Code.....	40
2.5.2.2. The Ownership Code.....	41
2.5.2.3 Skills Development Code.....	42
2.5.2.4 Management Control Code.....	43
2.5.2.5 Socio-Economic Development Code.....	45

2.6 The role players involved in BEE implementation.....	47
2.6.1 The role of BEE agencies.....	47
2.6.2 The role of Government in the implementation of BEE.....	49
2.6.3 The role of organisations.....	52
2.7 Monitoring and evaluation tools for BEE implementation .....	54
2.7.1 The BEE scorecard tool (2013) .....	58
2.8 Challenges and strategies at a macro level since BEE implementation.....	58
2.8.1 Narrow to broad-based BEE.....	60
2.8.2 PR and social recognition.....	60
2.8.3 Fronting and window dressing.....	62
2.8.4 Foreign organisations doing business with South Africa.....	63
2.8.5 Slow pace of BEE implementation.....	63
2.8.6 Inequality continues.....	65
2.9 Intervention strategies from the government.....	67
2.10 Theoretical contribution.....	70
2.10.1. Social Justice Theory.....	71
2.10.2 Economic Development Theory.....	71
2.11 Examples of international best practise, challenges and strategies.....	72
2.11.1. Malaysia. ....	73
2.11.2. Namibia. ....	76
2.12. Conclusion.....	78
<b>Chapter three: A micro organisational perspective of BEE implementation...79</b>	
3.1. Introduction .....	79
3.2. Theoretical underpinning for micro-organisational interpretation.....	80
3.2.1 Entrepreneurship Theory .....	80
3.2.2 Organisational Theory .....	82
3.3 The understanding of and relationship between selected organisational strategies.....	83
3.4 Overview of organisational BEE implementation.....	85
3.5 BEE Codes as organisational strategies: challenges, interventions and best practices.....	87
3.5.1 The Enterprise and Supplier Development Code.....	87

3.5.1.1 The Enterprise and Supplier Development Code as part of a BEE organisational strategy.....	88
3.5.1.2 Challenges with the implementation of the Enterprise and Supplier Development Code .....	88
3.5.1.3 Preferential procurement challenges associated with the Enterprise and Supplier Development Code.....	89
3.5.1.4 Intervention Strategies for Challenges Relating to the Enterprise and Supplier Development Code .....	90
3.5.1.5 Intervention Strategies for Procurement Challenges .....	91
3.5.1.6 Best Practice for the Enterprise and Supplier Development Code.....	92
3.5.2 The Ownership Code. ....	92
3.5.2.1 The Ownership Code as part of a BEE organisational strategy.....	93
3.5.2.2 Challenges with the implementation of the Ownership Code .....	94
3.5.2.3 Intervention strategies for challenges relating to the Ownership Code.....	95
3.5.2.4 Best Practice for the Ownership Code .....	95
3.5.3 The Skills Development Code.....	96
3.5.3.1 The Skills Development Code as part of a BEE organisational strategy.....	96
3.5.3.2 Challenges with the implementation of the Skills Development Code.....	99
3.5.3.3 Intervention strategies for the challenges relating to the skills Development Code.....	99
3.5.3.4 Best Practice for the Skills Development Code .....	101
3.5.4 The Management Control Code.....	102
3.5.4.1 The Management Control Code as part of a BEE organisational strategy...102	
3.5.4.2 Challenges with the Implementation of the Management Control Code.....103	
3.5.4.3 Intervention strategies for challenges relating to the Management Control Code .....	103
3.5.4.4. Best Practice for the Management Control Code.....	104
3.5.5 The Socio-Economic Development Code.....	105
3.5.5.1 Socio-Economic Development Code as part of a BEE organisational strategy .....	105
3.5.5.2 Challenges with the Implementation of the Socio-Economic Development Code.....	105



3.5.5.3 Intervention strategies for challenges relating to the Socio-Economic Development Code .....	106
3.5.5.4 Best Practices for Socio-Economic Development Code.....	107
3.6 Management’s role and responsibilities in BEE implementation operations.....	108
3.7 Management priorities in respect of the Codes for BEE implementation.....	111
3.8 Departmental challenges associated with the implementation of BEE Codes/strategies .....	114
3.8.1 Finance Department .....	114
3.8.1.1 Financial implementation challenges.....	114
3.8.1.1.1 High costs of compliance .....	114
3.8.1.1.2 Dilution of cash flow.....	115
3.8.1.1.3 Misuse of allocated finances .....	115
3.8.1.2 Intervention strategies addressing financial challenges .....	116
3.8.1.3 Best practice for Financial Departments .....	117
3.8.2 Human Resource Department .....	117
3.8.2.1 Human Resources implementation challenges .....	118
3.8.2.1.1 Racism .....	118
3.8.2.1.2 Overpriced staff, entitlement and job hopping .....	120
3.8.2.1.3 Organisational culture and diversity.....	120
3.8.2.1.4 HR Management skills and competencies.....	122
3.8.2.2 Intervention strategies addressing HR challenges.....	123
3.8.2.2.1 Racism intervention strategies .....	124
3.8.2.2.2 Employee engagement.....	125
3.8.2.2.3 Organisational culture and diversity intervention .....	127
3.8.2.2.4 HR Management skills intervention .....	128
3.8.2.3 Best Practice for HR Departments .....	129
3.8.2 Communication Departments .....	130
3.8.3.1 Communication implementation challenges.....	130
3.8.3.1.1 Misaligned stakeholder communication .....	131
3.8.3.1.2 Intervention strategies addressing communication challenges.....	133
3.8.3.1.3 Digital intervention communication.....	134
3.8.3.1.4 Best practice for Communication Departments.....	136
3.9 Management roles and responsibilities for departmental implementation challenges .....	136

3.10 The role of leadership for BEE implementation.....	139
3.10.1 Roles and responsibilities of leaders for BEE implementation.....	140
3.10.2 Values and skills of an organisational leader .....	141
3.10.3 Differentiating between management and leadership .....	143
3.10.4 Theoretical Contribution: Transformational Leadership .....	145
3.10.5 Ethical leadership for BEE implementation.....	146
3.11 Conclusion.....	147

## **Chapter Four: Research Methodology**

4.1. Introduction.....	149
4.2 Research problem.....	149
4.3 Aim, objectives and context of research methodology approach .....	150
4.4. Methodological approach to study .....	151
4.4.1. Rationale for the combined quantitative and qualitative approach .....	153
4.5 Population and sample selection .....	155
4.5.1 Population.....	155
4.5.2 Sample design.....	155
4.5.3 Sampling techniques.....	155
4.5.4 Sample size and response rate.....	157
4.5.5 Profile of sample respondents.....	158
4.6 Data collection methods and instruments.....	159
4.6.1. Secondary data collection method.....	159
4.6.2 Primary data collection method: Questionnaire.....	160
4.6.2.1 Advantages and disadvantages of the questionnaire instrument .....	160
4.6.2.2 Questionnaire design.....	161
4.6.2.3 Online questionnaire.....	163
4.6.2.4 Questionnaire dissemination and data collection.....	164
4.6.2.5 Typology of questions utilised in research instruments.....	165
4.6.3 Primary data collection: Interview method .....	166
4.6.3.1 Interview structure, advantages and disadvantages.....	166
4.6.3.2 Interview guide.....	167
4.6.3.3 Interview data collection methods.....	167
4.6.3.3.1 Face-to-face interviews.....	167
4.6.3.3.2 Skype interviews.....	168

4.6.3.3.5 Telephone interviews .....	169
4.7 Data analysis .....	169
4.7.1 Qualitative data analysis .....	170
4.7.1.1. Thematic analysis .....	170
4.7.1.2 Content analysis .....	171
4.7.2 Quantitative data analysis.....	171
4.7.2.1 Descriptive statistics.....	172
4.7.2.2 Inferential statistics.....	172
4.7.2.3 Hypothesis tests.....	172
4.7.2.4 Factor analysis.....	173
4.7.2.5 KMO.....	173
4.7.2.6 Bartlett test of sphericity.....	173
4.7.2.7 Varimax and Kaiser Factor Analysis Rotation.....	173
4.7.2.8 Cross tabulations.....	174
4.7.2.9 Chi-square test.....	174
4.7.2.10 Correlations.....	174
4.7.2.11 Validity.....	175
4.7.2.12 Reliability.....	176
4.7.2.13 Cronbach's Alpha test.....	176
4.7.2.14 Transferability, credibility, confirmability.....	177
4.7.3 Triangulation.....	178
4.8 Ethics, sensitivity, anonymity and confidentiality.....	178
4.9 Pilot testing the research instruments.....	179
4.10 Data storage.....	182
4.11 Conclusion.....	182

## **Chapter Five: Analysis of results and discussion of findings**

5.1 Introduction.....	183
5.2 The research instrument.....	183
5.3 The sample.....	183
5.4 Note on the presentation of the results from the primary data.....	183
5.5 Reliability statistics .....	184
5.6 Factor analysis .....	184

5.6.1 Objective of factor analysis .....	185
5.6.2 Rotated Component Matrix .....	185
5.6.3 KMO and Bartlett's Test .....	187
5.7 Cross-tabulations .....	187
5.8 Correlations .....	191
5.9 Analysis and discussion: Quantitative Data from questionnaire .....	194
5.9.1 Section one- Biographical data.....	194
5.9.1.1 The industry/sector of respondents.....	195
5.9.1.2 Position of respondents .....	196
5.9.1.3 Age of respondents .....	197
5.9.1.4 Respondents' length of service.....	197
5.9.2 Section two: Implementation of the five BEE Codes.....	198
5.9.2.1 Importance and prioritisation of the five BEE codes.....	199
5.9.2.2 Roles and responsibilities of Management for the Enterprise and Supplier Development (ESD) Code. ....	203
5.9.2.3 Roles and responsibilities of Management for the Ownership Code.....	203
5.9.2.4 Roles and responsibilities of Management for the Skills Development (SD) Code. ....	204
5.9.2.5 Roles and responsibilities of Management for the Management Control (MC) Code .....	204
5.9.2.6 Roles and responsibilities of Management for the Socio-Economic Development (SED) Code .....	205
5.9.2.7 BEE consultants and their supporting role.....	206
5.9.3 Section three: Departmental Challenges.....	207
5.9.3.1 Departments driving BEE compliancy.....	207
5.9.3.2 Financial Challenges .....	208
5.9.3.3 Human Resource Challenges .....	209
5.9.3.4 Communication challenges .....	210
5.9.4 Section Four: Strategies for compliancy.....	211
5.9.4.1 Willing BEE transformation vs dire need.....	211
5.9.4.2 Placing pressure for ripple effect of compliancy.....	212
5.9.4.3 BEE and CSI .....	213
5.9.5 Section Five: The role of management and leaders.....	214
5.9.5.1 Management's current transformation challenges vs prior situation .....	214

5.9.5.2 Leadership traits for effective BEE implementation.....	215
5.9.5.3 Manager vs. leader for organisational transformation.....	216
5.9.5.4 Management characteristics required for successful BEE implementation...	217
5.9.5.5 Training required for Management before transforming the organisation....	217
5.9.5.6 Fronting and window dressing is seen as a barrier to successful transformation and BEE implementation .....	218
5.9.5.7 Leadership skills for employee engagement.....	219
5.9.5.8 Organisational advantages gained from BEE implementation .....	220
5.9.6 Section six: Qualitative data from questionnaires.....	221
5.9.6.1 Recommendations for government.....	221
5.9.6.2 Role of BEE consultants and recommendations.....	222
5.9.6.3 Management versus leadership .....	222
5.9.6.4 Employee reactions: pre- and post-transformation processes.....	223
5.9.6.5 PDI strategy . .....	223
5.9.6.6 Employee engagement strategy .....	224
5.9.6.7 Gender and disabled persons empowerment strategy .....	224
5.9.6.8 Ideal BEE strategy.....	225
5.9.6.9 Challenges with the implementation of the Enterprise and Supplier Development (ESD) Code.....	226
5.9.6.10 Challenges with implementation of the Ownership Code.....	226
5.9.6.11 Challenges with implementation of the Skills Development (SD) code.....	227
5.9.6.12 Challenges with implementation of the MC Code.....	228
5.9.6.13 Challenges with implementation of the SED code.....	228
5.9.6.14 Reactions to fraud and corruption .....	229
5.9.6.15 Slow pace or hesitancy toward BEE compliance.....	229
5.10 Discussion of qualitative findings from interviews .....	230
5.11 Themes.....	232
5.11.1 Theme One: Macro-role players for BEE implementation.....	232
5.11.1.1 Recommendations for Government .....	232
5.11.1.2 The role of BEE consultants and recommendations.....	234
5.11.2 Theme Two: The micro-environment for BEE implementation .....	235
5.11.2.1 Sub-theme one: The role players within the micro/organisational environment .....	235
5.11.2.1.1 Management versus leadership. ....	235

5.11.2.1.2 Employee reactions: pre- and post-transformation processes .....	236
5.11.2.2 Sub-theme two: Strategies for BEE implementation.....	236
5.11.2.2.1 PDI strategy .....	237
5.11.2.2.2 Employee engagement strategy.....	237
5.11.2.2.3 Gender and disabled persons' empowerment strategy.....	238
5.11.2.2.4 Ideal BEE strategy.....	239
5.11.2.3 Sub-theme three: Strategy challenges encountered within the organisation .....	240
5.11.2.3.1 Challenges with the implementation of the Enterprise and Supplier Development (ESD) Code.....	240
5.11.2.3.2. Challenges with implementation of the Ownership code .....	242
5.11.2.3.3. Challenges with implementation of the Skills Development (SD) Code .....	243
5.11.2.3.4 Challenges with implementation of the MC Code.....	244
5.11.2.3.5 Challenges with implementation of SED .....	245
5.11.2.3.6 Responses associated with fraud and corruption .....	245
5.11.3 Theme Three: The pace of change and transformation.....	247
5.12 Triangulation .....	248
5.12.1 Theme One: Macro- role players for BEE implementation .....	248
5.12.1.1 Sub-theme one: The role of Government .....	249
5.12.1.2 Sub-theme theme two: The role of BEE consultants .....	249
5.12.2 Theme two: The micro-environment for BEE implementation .....	249
5.12.2.1 Sub-theme one: The role players within the micro/organisational environment .....	250
5.12.2.1.1 Employee reactions.....	250
5.12.2.1.2 Managers versus leaders .....	250
5.12.2.2 Sub-theme 2: Strategies for BEE implementation.....	251
5.12.2.2.1 PDI strategies.....	251
5.12.2.2.2. Employee engagement.....	252
5.12.3 Theme-three: The pace of change and transformation.....	252
5.12 Conclusions .....	253

## **Chapter six: Conclusions and recommendations**

6.1. Introduction.....	254
6.2 Research aim and objectives.....	254
6.3 Summary of findings.....	254
6.3.1 Summary of findings from the questionnaires .....	254
6.3.1.1 Management roles and responsibilities for the BEE codes.....	255
6.3.1.2 Challenges encountered by management in the implementation of the BEE policy .....	255
6.3.1.3 Key role players for BEE implementation.....	256
6.3.1.4 Management and leadership required for BEE implementation .....	257
6.3.1.5 Strategies that have been implemented for BEE compliancy.....	257
6.3.1.6 Departmental challenges associated with BEE implementation.....	258
6.3.1.7 Challenges associated with the implementation of the BEE Codes .....	258
6.3.2 Summary of findings from the interviews .....	259
6.3.2.1 Role players involved in BEE implementation.....	259
6.3.2.2 Management versus leaders.....	259
6.3.2.3 Strategies for BEE implementation.....	259
6.3.2.4 Challenges associated with BEE implementation.....	260
6.4 Conclusions .....	261
6.4.1 Conclusions from the literature review .....	261
6.4.1.1 Strategies that have been implemented for BEE compliancy.....	261
6.4.1.2 Challenges encountered by management in the implementation of the BEE policy .....	262
6.4.1.2.1 The challenges experienced with implementation of the BEE Codes.....	262
6.4.1.2.2 Departmental challenges.....	263
6.4.1.2.3 Other challenges .....	263
6.4.1.3 The priority and responsibility of management in driving BEE compliancy .....	264
6.4.1.3.1 The importance and prioritisation of five BEE codes.....	264
6.4.1.3.2 The role and responsibilities of management for the various BEE codes .....	264
6.4.1.3.3 Leadership traits and requirements for effective BEE implementation.....	265

6.4.1.3.4	Best practices for BEE implementation .....	265
6.4.2	Conclusions from the empirical study .....	266
6.4.2.1	Strategies which have been implemented for BEE compliancy .....	266
6.4.2.2	Challenges encountered by management in the implementation of the BEE policy .....	267
6.4.2.2.1	Challenges associated with implementation of BEE codes.....	267
6.4.2.2.2	Departmental challenges included in the discussion surrounded financial HR and communication challenges .....	267
6.4.2.3	The responsibility of management in driving BEE compliancy .....	268
6.5	Recommendations .....	269
6.5.1	Strategies that will assist in BEE compliancy.....	269
6.5.2	Steps to address challenges in the implementation of BEE.....	270
6.5.3	Suggestions on best practice .....	271
6.6	A proposed framework based on best practice to assist South African businesses that wish to become BEE compliant .....	272
6.6.1	Adaptation of Nadler and Tushman’s Congruence Model.....	272
6.6.2	Graphical representation of proposed framework for BEE implementation.....	273
6.7	Suggestions for future research .....	275
6.8	Contribution to the body of knowledge .....	275
6.9	Limitations of the study .....	277
6.10	Concluding remarks .....	277
	References .....	279
	Appendix I: Questionnaire .....	
	Appendix II: Unstructured Interview questions .....	
	Appendix III: Correlation chart .....	
	Appendix IV: Letter of information .....	
	Appendix V: Letter of consent.....	
	Appendix VI: Institutional Research Ethics Committee (IREC).....	
	Appendix VII: Editors certification.....	
	Appendix VIII: Turn it in summary report .....	



## LIST OF FIGURES

## PAGE NO

Figure 2.1	Three main aims of BEE 2012	38
Figure 2.2	Top Management level from 2003 to 2013 by race	44
Figure 2.3	Racial composition of senior management level from 2003 to 2013	45
Figure 2.4	Workforce of top management level public and private by race 2017	51
Figure 2.5	South Africa Lorenz curves 2012	68
Figure: 2.6	Income inequality per capita income 2011	69
Figure: 3.1	Skills level by race 2007-2011	97
Figure: 5.1	Age of respondents	197
Figure: 5.2	Respondents length of service	198
Figure: 5.3	Importance of five BEE codes	200
Figure: 5.4	BEE consultants and the supporting role	206
Figure: 5.5	Financial challenges	208
Figure: 5.6	HR challenges	209
Figure: 5.7	Communication challenges	210
Figure: 5.8	Placing pressure for ripple effect of compliancy	212
Figure: 5.9	Management recent transformation challenges vs prior	214
Figure: 5.10	Managers required for successful BEE implementation	217
Figure: 5.11	Fronting and window dressing as a barrier to transformation	218
Figure: 5.12	Organisational benefits from BEE implementation	220
Figure: 5.13	Organisational benefits from BEE	232
Figure: 6.1	Proposed framework for BEE implementation within organisations	273

<b>LIST OF TABLES</b>	<b>PAGE NO</b>
Table 1.1 BEE deals in South Africa	4
Table 2.1 Amended BEE codes and points 2013	39
Table 2.2 Key role players in the verification process 2013	49
Table 2.3 BEE recognition levels 2019	59
Table 4.1 Profile of respondents	158
Table 4.2 Amendments from pre- test	181
Table 5.1 Cronbach's alpha score	184
Table 5.2 Rotated Component Matrix	186
Table 5.3 KMO and Bartlett's Test for factor analysis	187
Table 5.4 Enterprise and Supplier Development – Years of service cross tabulations	188
Table 5.5 Socio-Economic Development – Age cross-tabulations	189
Table 5.6 Employee communication – Age cross-tabulations	190
Table 5.7 Employee communication – industry/sector cross-tabulation	191
Table 5.8 Industry sector	195
Table 5.9 Position at organization	196
Table 5.10 Prioritising the five BEE codes	199
Table 5.11 Managements role for the ESD code	202
Table 5.12 Management roles and responsibilities for the Ownership Code	202
Table 5.13 Management roles and responsibilities for the SD Code	202
Table 5.14 Management roles for the MC Code	202
Table 5.15 Management roles for the SED Code	205
Table 5.16 Departments driving BEE compliancy	207
Table 5.17 Willing BEE transformation vs dire need	211
Table 5.18 BEE and CSI	213
Table 5.19 Leadership traits for effective BEE implementation	215
Table 5.20 Manager vs. leader for organisational transformation	216
Table 5.21 Leadership skills for employee engagement	219

## List of Acronyms

ANC:	African National Congress
ARNSA:	Anti-Racism Network South Africa
BASA:	Banking Association of South Africa
BBBEE:	Broad-Based Black Economic Empowerment
BEE:	Black Economic Empowerment
BEEAC:	Black Economic Empowerment Advisory Council
BEECOMM:	Black Economic Empowerment Commission
CCMA:	Commission for Conciliation, Mediation, and Arbitration
CEE:	Commission for Employment Equity
CEO:	Chief Executive Officer
CSI:	Corporate Social Investment
CSR:	Corporate Social Responsibility
DOS:	Department of Statistics
DTI:	Department of Trade and Industry
EAP:	Economically Active Population
EEA:	Employment Equity Act
EME:	Exempted Micro Enterprises
FDI:	Foreign Direct Investments
FNB:	First National Bank
GDP:	Gross Domestic Product
GEAR:	Growth, Employment and Redistribution
HDA:	Historically Disadvantaged
HR:	Human Resources
IODSA:	Institute of Directors Southern Africa
JSE:	Johannesburg Stock Exchange
LAC:	Labour Appeal Court
NDP:	National Development Plan
NDP:	National Development Policy
NEP:	New Economic Plan
NEEEF:	New Equitable Economic Empowerment Framework
NGP:	New Growth Path
NVP:	National Vision Policy

NP:	National Party
PDI:	Previously Disadvantaged Individual
PESTEL:	Political, Economic, Social, Technological, Environmental and Legal
PPFA:	Preferential Procurement Framework Act
PR:	Public Relations
QSE:	Qualifying Small Enterprises
RDP:	Reconstruction and Development Program
SAHRC:	South African Human Rights Commission
SANAS:	South African National Accreditation System
SDA:	Skills Development Act
SDLA:	The Skills Development Levies Act
SETA:	Sector Education and Training Authority
SOE:	State Owned Enterprise
SPSS:	Statistical Package for the Social Sciences
UN:	United Nations
USA:	United States of America

## **List of statutes**

Broad-based Black Economic Empowerment Act 53 of 2003

Broad-Based Black Economic Empowerment Amendment Act 46 2013

Civil Rights Act of 1964

Companies Act 71 of 2008

Employment Equity Act 55 of 1998

Employment Equity Amendment Act 16 of 2014

Group Areas Act 41 of 1950

Natives Resettlement Act 19 of 1954

The Constitution of South Africa Act 108 of 1996

The King I Report on Corporate Governance 1994

Skills Development Act 97 of 1998

The Skills Development Levies Act 24 of 2010

King II Report on Corporate Governance 2002

King III Report on Corporate Governance 2009

King IV Report on Corporate Governance 2016

Labour Relations Act 66 of 1995

Preferential Procurement Policy Framework Act 5 of 2000

Promotion of Equality And Prevention of Unfair Discrimination Act 4 of 2000

## **ABSTRACT**

This study presents an exploration of the challenges, strategies, and best practices in implementing Black Economic Empowerment within selected organisations in South Africa. The practise of Broad Based Black Economic Empowerment (BBBEE) within industry aims to provide redress for the imbalances of the apartheid era with the support of businesses.

The focus area for this study is centred around the organizational implementation of BEE, which has become an unavoidable imperative for many South African companies if they wish to maintain long term profitability (Business Map, 2005). The challenge that arises is that, BEE legislation is not mandatory for the private sector, and businesses have no legal obligation to comply with it should they wish not to. This allows room for organisations to decide whether BEE will be profitable for the business or not and therefore, some organisations are hesitant and/or too slow to implement BEE, and hence, the pace of BEE compliancy is further questioned.

The priorities and responsibilities of management in driving BEE, as well as the challenges, strategies, and best practices in implementing it, were investigated through this study, using both quantitative and qualitative methodologies. To achieve the objectives of the study, a survey using questionnaires and interviews was adopted. Questionnaires were administered to organisations on the 2018 Empowerdex List of Top 100 Companies and twenty of the respondents were selected for interviews. The findings from the study showed that the government and BEE consultants can support organisations with BEE implementation. Various departments must be accountable for successful BEE implementation together with the sound guidance of managers and ethical leadership for genuine transformation. Whilst various challenges were noted, strategies and best practices area also noted for successful BEE implementation. Based on the findings, a BEE Implementation Framework based on best practice was developed to assist South African businesses with their BEE implementation. The study is of significance to South African organisations, particularly those engaged in BEE implementation, government and academics who are exploring development and transformation within South African organisations.

# **Chapter One: Introduction and overview of the study**

## **1.1 Introduction**

The focus of this study is central to the implementation of Broad Based Black Economic Empowerment (BBBEE), which has become an unavoidable imperative for many South African companies wishing to maintain long term profitability (Business Map 2005). This chapter provides a summary of the study and the various chapters included. The discussion commences with a background and context to the study. During the apartheid era Black people were prohibited access to education, trades and skills therefore the 1994 political changes introduced a new democratic society which resulted in transformation which has impacted the business environment (Horwitz, Browning, Jain and Steenkamp 2002: 1105). The Broad-based Black Economic Empowerment Act 53 of 2003 (South Africa, Department of Trade and Industry 2003) therefore aims to provide redress for the socio-economic imbalances of the apartheid era together with the support of organisations.

The discussion thereafter reviews the rationale and problem statement. One of the most important challenges and the rationale for this study is that BEE is not a direct, binding piece of legislation; therefore, businesses have no legal obligation to comply. This allows room for directors to decide whether BEE will be lucrative for the business or not and therefore, some organisations are hesitant and/or too slow to implement BEE initiatives. The key aims and objectives of the study are also listed, followed by the literature review. The role of BEE for corporate sustainability, the BEE scorecard, strategies, challenges and the role of management are also included. The literature review also looks at best practice in implementing BEE and the contribution of this study to the existing body of knowledge. The literature review concludes with a theoretical overview from a micro (organisational) perspective and macro (socio economic) perspective. The methodology is briefly addressed detailing the quantitative and qualitative approaches to this study. This discussion includes the target population, sampling process, research instruments, data collection methods and analysis. The chapter also briefly details the discussions of confidentiality, anonymity, validity, reliability and also ethical considerations.

## **1.2 Background to the study**

The African National Congress (ANC) came into political power in 1994, and the government prioritised redress for the various inequalities created by apartheid in the economic, social and political spheres (Department of Trade and Industry 2007). Since extinguishing all apartheid discriminatory laws and the voluntary transfer of equity to Black individuals or groups, many enterprises began to develop, and this compelled the setting up of a comprehensive BEE framework (Engdahl and Hauki 2001).

The narrow-based approach of BEE in 1994 faced certain challenges and was therefore followed by the establishment of BBBEE as a nation building initiative which intended to empower “all Blacks”, listed as Africans, Coloureds and Indians. The BEE strategy is based on the Broad-Based Black Economic Empowerment Act 53 of 2003 in conjunction with its Associated Charters, the Codes of Good Practice and various scorecards (Leonard and Grobler 2006: 390). One of the key focuses of BEE was to increase Black ownership of businesses and to escalate Black representation into management positions (Booyesen 2007: 47-69) considering that, in 1990, Black people occupied 3 percent of corporate management positions, and in 1995, Black people owned only 1 percent of the total market value of the Johannesburg Stock Exchange (Cargill 1999).

The concept of Black Economic Empowerment is important to South Africa’s redistribution of wealth, as the main objective is to transfer economic power from the previously advantaged to the previously disadvantaged (Selaelo 2007). BEE was therefore envisioned to transform the economy and make it representative of the demographic composition of the country. Such transformation required the South African corporate sector to re-evaluate their business strategy requiring that managers amend organisational strategies significantly to meet the required transformational guidelines affecting the internal environment.

## **1.3 Context of the study**

The necessitation for the implementation of a BEE strategy has been accepted and recognised by corporates as a critical tool to meet the objectives set out in the BEE Act (Ramaphosa 2002: 3). With this change companies have been bound to take into consideration the interests of previously disadvantaged South Africans to enable



sustainable participation of Black people in the economy and to achieve the required change in the racial composition of ownership and management structures (Venter, Levy, Conradie & Holtzhausen 2009). The BEE Act therefore encourages organisations to be cognisant of the various factors in the country within which they operate, and to use legislation effectively to control their corporate integrity.

The South African Department of Trade and Industry (2007) defines the objectives of the BBBEE Act as the promotion of economic transformation whereby substantial change arises in the racial configuration comprising of ownership and management configurations within new and existing enterprises. This Act also aims to elevate the beneficial reach to communities, employees, and other organisations especially in improving the extent to which Black women own and manage new and existing Enterprises. In addition, encouraging funded programmes which lead to financing BBBEE and empowering local or rural communities with socio-economic activities, infrastructure, land and training further support the true intention of BEE.

The literature indicates that, while some companies prioritise selected objectives according to their transformation strategies and budgets, other companies are in a position to ensure that all seven objectives are part of their long term or ongoing transformation strategies (Gule 2012: 26-27). This study therefore assesses how corporates include BEE objectives into their transformational strategies.

#### **1.4 Rationale for the study**

Jack and Harris (2007: 1-35) explain that the need for driving BEE transformation is based on three imperatives. Firstly, it relates to a moral issue, i.e. to rectify the disparity spawned by apartheid. The second imperative is that of a social nature; most South Africans are Black people surviving just under the poverty barrier. The third imperative, which is the most important motivation for BEE, is economic growth. The authors add that the skills level of labour is also a major concern whereby BEE aims to increase the skills level of Black labour, previously restricted by past apartheid practices.

Table 1.1 shows that, while there is a constant growth in the value of BEE deals from 1995 to 2007, the number of transactions and compliancy deals decreased from 2004 to 2007. Since then no official report has been published about the growth of BEE

deals or their value. Horwitz and Jain (2011: 11) interpret these statistics to depict that although companies may be investing more into BEE deals, the number of organisations moving towards BEE transformation is decreasing.

**Table 1.1: BEE deals in South Africa**

Period	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Number	23	45	52	111	132	126	101	104	189	243	238	221	153
Value (Rbn)	12.4	7.0	8.3	21.2	23.1	28.0	25.1	12.4	42.2	49.9	56.2	56.0	96

Source: Ernst & Young M&A Report (2008)

South Africa demonstrates a distinct context to explore the initiatives of domestic organisations in a developing economy for three reasons (Arya, Bassi and Phiyega 2008: 227-228). First, since the 1994 democratic elections, critical organisational changes have been introduced within the country. Second, this disruption surfaced with social challenges within the South African economy such as racial injustices accumulating over years of apartheid practices, igniting organisational demands for enterprises to execute significant social responsible initiatives. Third, the lack of confirmatory transformation led multiple organisations to execute transformation policies or codes in order to self-manage their strategies.

An additional reason why the problem is worth addressing is related to the daily tensions faced by South African managers encountered in their change processes. Transformation operations range from downsizing, outsourcing and restructuring to empowerment of employees and systems thinking, which leave managers and employees with emotions, such as stress, denial, rejection, fear, mistrust and resistance to new ideas which are all emotions that are often associated with change (Puth 2002: 117-130).

South Africa's organisational change and transformation barriers can only be addressed within the framework of a growing economy. However, according to Khumalo (2008: 9) economic growth, whilst being a necessary condition to raise the living standards of the people, is unlikely to reduce the racial and income inequalities of society. The author explains that for transformation to be effective and sustainable,

a holistic and balanced approach needs to be taken. BEE should not be the key factor in the decision-making process of organisational transformation, but it should be one of the most important factors.

The literature indicates that there are various reasons relating to why corporates do not willingly pursue BEE as a transformation initiative. Grant and Borchers (2011: 25-27) explain that there is sufficient literature confirming the existing transformation challenges within organisations, thereby elevating the importance of and the need for this study. The findings of this study will also add to the body of knowledge relating to BEE compliant organisations, more specifically relating to the evaluation of transformational strategies and change management approaches, providing a unique contribution and new knowledge in the field of management science.

### **1.5 Research problem**

Jack and Harris (2007: 22) shares his concern that organisations are too slow to embrace transformation. He elaborates that the success of BEE relies heavily on future-perspective leaders and that, unfortunately, there are very few of these available. He therefore encourages managers, leaders and organisations that drive transformation to adopt a sustainable perspective, as this is the only hope for economic transformation to succeed in South Africa. Whilst some corporates have already laid the foundation for best practice, the move towards transformation lies in the hands and beliefs of corporates who are willing to change.

BEE is not a directly binding legislation on the private sector and businesses have no legal obligation to comply with it should they wish not to (Thornley, Wood, Grace and Sullivant 2011: 4-6). This allows room for directors to decide whether BEE will be profitable for the business or not, and therefore, the common challenge cited within the literature is that the success of BEE is strongly dependant on private companies striving for transformation. As a result, an elevation in the volume of BEE compliant organisations can be attributed to the overall success of corporate transformation and the country's economic sustainability at large.

Sharing a similar opinion, Johnson, Yip and Hensmans (2012: 25) explain that few companies have made a voluntary change for transformation from their traditional

model to a contemporary one. They elaborate that these organisations are often in denial or only begin to search for a new way forward when they are pushed. This statement indicates that, while the private sector at large has committed to the implementation of BEE, companies are still hesitant towards the BEE transformation initiative. Those corporates who are hesitant or uninterested in successful BEE compliancy will ultimately affect the contribution towards sustainability practices within corporate South Africa at large (Esser & Dekker 2008: 157-158).

### **1.6 Aim of the study**

This study seeks to explore the strategies, challenges and best practices in implementing Black Economic Empowerment in selected South African companies.

### **1.7 Objectives of the study**

- To explore strategies that have been implemented for the adoption of BEE practices;
- To examine the challenges encountered by management in the implementation of the BEE policy;
- To determine the priority and responsibility of management in driving BEE adoption; and
- To develop a proposed framework based on best practice to assist South African businesses that wish to adopt BEE practices.

### **1.8 Literature review**

This review of literature examines aspects relating to the various objectives set out for this study. It commences by examining the background to BEE and how it has been incorporated into South African organisations. The concepts of corporate transformation and sustainability are also examined to show the interrelation between BEE and these concepts.

South Africa continues to undergo change and transformation in all levels of society as it aims to recover from the apartheid legacy which ended in 1994. From an economic perspective, the changes in the South African corporate sector required that businesses should re-evaluate their transformational business strategies to align with

the objectives of the BEE as part of their transformational strategy process. According to Kim (2010: 7), the BEE policy, together with other related policies, aims to provide redress for historical injustices, particularly from an economic perspective.

It is also understood that the South African corporate sector is further regulated by the King Report on Corporate Governance (King IV). The core principles of the King IV Report highlight the fact that social injustice has to be eliminated (King IV Report 2016). Furthermore, this report elaborates on social transformation and redress as being highly important and hence must be integrated within the larger transformation to sustainability (Price Waterhouse Cooper 2011). The King IV Report therefore requires organisations to “proactively manage the relationship with its stakeholders” and ensure the appropriate balance between the various stakeholders, aligning with the objectives of the company (Olson 2010). Similarly, both the BEE initiatives and the King IV Report are aligned for the purpose of ensuring the goodwill and development of the economy.

### **1.8.1 BEE as an initiative of corporate transformation and sustainability**

Corporate sustainability is crucial for the long-term survival of the relationship between businesses and society. Rockey and Smith (2014: 5-9) explains that, over the past decade, the term corporate sustainability has taken hold as a highly important term for urgent implementation which does not just concern multinationals, but all corporates and future transformational organisations. Therefore, the need for successful BEE implementation is a priority for a company’s long-term success and sustainability in South Africa.

Jack and Harris (2007: 2) explain that they have come across people with a past-positive perspective. The author explains how some people have accepted the transformational changes but remain challenged to adapt to the new environment. He describes the behaviour of these people as “slow to embrace change”, but once they have contributed to broad-based BEE, it becomes meaningful. The author is also wary that people with a past-negative perspective regard the apartheid era as the “good old days” and that numerous “present pessimists” make only a half-hearted attempt at transformation.

It is understood that, for an economy to grow, companies must make profits, investing and increasing their productivity through BEE which contributes to their overall sustainability and transformation initiatives (Acemoglu, Gelb and Robinson 2007: 35). For this reason, South Africa needs to be competitive, not just regionally, but internationally as well, bearing in mind that South Africa is dependent on raw material export. These goods represent the potential for a higher economic stimulation for the country. Dawson (2012: 59-63) cites the Global Competitiveness Report for 2011/2012 which indicates that there are various challenges when conducting business in South Africa, namely, inefficient government bureaucracy, an inadequately educated workforce and hindering labour regulations. The quality of South Africa's workforce therefore requires investment in people, as well as the sustainable development of small-medium enterprises (SMEs), and skilling and training of staff, which are not just government prerogatives. It is clear that, if businesses want to reap the benefits of a successful economy, companies need to help invest in driving small and medium enterprise development to support skills development and job creation.

To better understand how transformation and sustainability practices encompass businesses strategy and direction, a case study of the fishing company, Oceana Group (South Africa's second most empowered company), highlights that successful transformation is driven by people at every level of their company (*A strong focus on compliance and good governance is a value driver for Oceana 2018*). According to Kuttel (2010: 28), "it is not just the person at the top directing it and that unless one lives the scorecard, it will be difficult to transform". The author emphasises that the company has a responsibility to stakeholders who demand that the organisation position itself as world-class, by being proactive and making long-term sustainability a primary strategic objective in all areas of their business.

This statement can be related to the sincere responsibility of management and making it a top priority in their transformation process. Kuttel (2010:28) elaborates on his view that long-term business sustainability goes beyond philanthropy or "going green", as companies need to ensure sustainability plays an integral part of their business agenda, adopting a multi-dimensional approach to sustainability. Furthermore, the Oceana Group understands that their business cannot prosper in a dwindling society

and have therefore instituted efforts to improve the socio-economic conditions with the coastline communities they operate in. This case in point is an ideal example of what true transformation and sustainability practices should cover within any organisation (Kuttel 2010).

Gule (2012:1) positively states that, despite BEE implementation being classified as slow, it is still in progress. This study aims to draw on this progress in an effort to encourage the best practice in implementing BEE. In agreement, Kruger (2011: 207-209) explains that BBEE has the potential to transform the nature of organisational change and corporate sustainability in South Africa, hence, re-affirming the need for this study, from the perspective of BEE as an initiative for corporate transformation and sustainability. To ensure the sustainability of the BEE policy, BEE agencies serve as “watchdogs” to monitor South Africa businesses that claim to be BEE compliant. This is discussed in more detail below.

### **1.8.2 BEE agencies and the scorecard**

To ascertain a company’s BEE status, a “generic scorecard” has been instituted to quantify the elements with a total score of 105. Each code is allocated a weighting with ownership accounting for 25 points, management control 10 points, employment equity 15 points, skills development 20 points, enterprise and supplier development 40 points and socio-economic development 5 points (Davies 2013).

Various considerations in the BEE charters accommodate scoring of additional points with regards to gender representation. Points can be scored under the Enterprise and Supplier Development code if an organisation undertakes transactions with Black female-owned organisations. The representation of women within the workplace enhance an organisation’s scoring within the BEE Charters, especially if these ladies are practising within senior levels of the organisation.

Makakane (2008: 22) further maintains that there is a misunderstanding about BEE as managers assume that once a balanced scorecard is created there will be automatic transformation and buy-in. The authors explain that a BEE scorecard can be successful implemented and undergo a change process which is entrenched within the management system. This once again confirms the need for management’s close

involvement in the BEE implementation process which is discussed in more detail later on.

In addition to the scorecard, BEE agencies are accredited representatives of the true BEE Act that governs and evaluates the BEE transformational processes with the use of the scorecard system. These BEE agencies have surfaced as watchdogs to measure, authenticate and validate the BEE level of organisations factually and autonomously. BEE codes further encompass various direct and indirect fronting indicators that should be independently tested or authenticated; therefore, BEE agencies are critical for the successful execution and monitoring of the BEE processes in South Africa (Siko 2008: 62). In addition, the implementation a successful BEE programme has become an essential requirement for numerous South African organisations as they consider long-term sustainability and profitability with regards to retaining or growing their customer base (Cargill 1999).

The process of communication about organisational change and implementation necessitates a well-structured communication strategy specifically to gain “buy-in” from employees. This study also addresses the BEE strategy to understand more about the successful implementation amongst selected South African organisations.

### **1.8.3 Strategies for organisational change**

The term “strategy” in this study’s context and as viewed by the management philosopher Drucker is an indication of the organisation’s positioning for the future: the “what” rather than the “how” (Steyn 2004). Strategy is also described as a method, blueprint, or system that guides the course of action in a specific situation and it is the means to achieve the end (Grunig & Repper 1992). In addition, the strategic direction in any company is described as the rationale beyond the actions.

Raupp and Hoffjann (2012: 151) explain that a strategy is a high level plan which consists of setting goals, determining actions to achieve the goals, and mobilising resources to execute the actions entailing how the end goals will be achieved by resources. The senior management of an organisation is often tasked with determining strategy especially in an emerging economy that requires significant transformation (Buck, Filatochev, Demina and Wright 2003: 530). Further, Thomson (2007)



elaborates that organisational strategies must include effective communication, as this is required for good human relations and a successful business. It especially requires employee focus in ensuring that staff are adequately informed and that open channels of communication exist (Jack & Harris 2007:13-14). In addition to the various BEE strategies, implementation challenges have been cited from the literature which include a macro and micro perspective.

#### **1.8.4 Challenges associated with the implementation of BEE**

The challenges identified for the purposes of this study have been separated onto two broad discussions, namely macro challenges and micro challenges. The macro challenges are addressed in Chapter Two of the study, whereas the micro/organisational challenges are addressed in Chapter Three of this study. The macro challenges address the various environments which impact on BEE implementation whereas the micro challenges address the departmental challenges (HR, finance, communication) and each BEE code at the organisational level.

Duffett, Van der Heever and Bell (2009: 87-95) maintain that financially related challenges are included in the implementation challenges associated with BEE, and these are:

- **High costs:** The expenses of doing business in South Africa has elevated in terms of the real costs of adopting BEE practices, especially with regard to investment risk and implementation;
- They are **detrimental to foreign investment:** these costs could dissuade international companies or investors from investing in South African businesses owing to the reduced return on investment (ROI); and
- **BEE partners often add little value to a BEE deal:** as BEE investors set aside masses of funding without developing the necessary skills and expertise to make a contribution to their investment.

Another common challenge cited through mass media is the perception that BEE has become politically aligned with large business tycoons and many middle-class Black South Africans do not feel an effect from the BEE policy (as initially intended).

However, the aim of the policy was not to create an “elite working class” (Patel and Graham 2012: 193). In addition, the terms “fronting, window dressing and Black Diamonds” are all attributed to these challenges which similarly relate to the concept of the “Black elite”. Duffett *et al.* (2009: 87) agree with this view and share their concern as they believe that the BEE policy is still misconceived or misinterpreted, with critics expressing preconceived ideas and emotions, which hinders effective implementation.

Another challenge related to the implementation of BEE is the “carrot and stick approach”. This phrase is explained in the sense that BEE adherence increases the opportunities of success with BEE government tenders, application for licences, and authorisation for projects or the granting of concessions (Horwitz & Jain 2011:298). At the same time, organisations that do not directly transact with the state or its agencies will eventually experience a “cascading effect”, pressurising non-compliant organisations towards the adoption of BEE practices, as a result of the supply chain effect of supplier compliance in order to secure business (Horwitz & Jain 2011: 299).

BEE has the ability to incorporate more people into the mainstream economy; therefore, the management and leadership role in this process is a very intricate one in ensuring that the correct approach is used to implement transformation processes via the most appropriate strategies to the various stakeholders. The next section elaborates on this.

#### **1.8.5 Management’s role and priority in implementing BEE**

Leonard and Grobler (2006: 390-392) explain that management can be seen as “organisational leaders” who need to comprehend their transformational responsibilities, preparing them psychologically for their role in the “thinking science” of corporate transformation which is a complex reality. In addition, Fraclix and Dixon (2012: 2) together with Birasnav, Rangnekar and Dalpati (2010: 108), explain that leadership is a key role for top management to be able to implement change effectively in an organisation.

The literature also posits a challenging role for management through transformation and diversity practises in organisations. Duffett *et al.* (2009: 88) express their concerns relating to the lack of management skills which hinders BEE compliant companies

from obtaining external funding or lucrative international contracts. It is noted that managers across cultures need to be trained in diversity and conflict management and this needs to be prioritised as a key role in the management function. Mayer and Louw (2011: 572) is wary that managing cross-racial or cultural conflict which stems from the historical influences of apartheid and diversity characteristics, must be approached carefully and must be managed by the organisation with great consideration. In addition, the role of leadership is also required for the effective implementation of BEE and this is also supported by the Transformational Leadership Theory explained further into this study.

#### **1.8.6 Best practice in implementing BEE**

Tongaat Hullett's (2016) BEE score within the Ownership Code can be recognised as one of the leading examples of best practice for this BEE code. Tongaat Hullett established a staff ownership programme for all Black employees and senior Black management respectively, offering a seven percent stake into the hands of employees to retain and attract a high level of Black employees at every level of the business, which created a sense of ownership amongst staff (Staude 2011). In addition, Ashanti Gold (2016), is also recognised as a company leading with best practices in relation to the Ownership Code as this company was determined to move two BEE levels up, from Level 6 to Level 4. Ashanti Gold's ownership strategy comprised of a 20.8 percent sale of their assets to African Rainbow Minerals, 4.5 percent allocation to an employee share ownership plan and 1.5 percent to their BEE partner, thereby reiterating the leading practices for other South African organisations to follow suit with adaptations to their own unique business operations. It is noted from these two examples that the challenges experienced through the Ownership Code can be overcome or avoided if planned for appropriately, as in the case of Tongaat Hullett and Ashanti Gold above. Various other South African organisations are presented further into this study as it draws on best practices.

#### **1.8.7 Contribution to the field of study**

Approaches and strategies within transformational organisations within a South African context are under-researched. The existing literature around this area of study is specific to certain types of industries, therefore encouraging the need for a study within various types of industries.

The literature cites various authors who have investigated organisational transformation in their studies; for example, Grant (2007: 93) who addresses transformational challenges in the South African workplace. The author addresses diversity in the workplace as well as diversity management and further explains why South Africa is such a “difficult case” as compared to other countries and their organisational transformation challenges.

Another scholar who has provided insight for this study is Leonard and Grobler (2006: 397-401), who contributes to this area of study by exploring challenges to transformational leadership specifically in relation to employment equity. Her study explored the management of employment equity at an organisational level against the South African background. In addition, Emkes (2012: 200-209) notes that the academic literature on the topic of transformation within South Africa has many gaps, including areas such as BBBEE dealings, as well as the challenges and factors necessary for the successful implementation of the BEE policy. As a result, the lack of information in this area of study has led to misunderstanding about the implementation of such a policy and the extent to which it can serve as an effective transformational agent for social change within South Africa. This lack of information further justifies the need for the study indicating that many organisations are not well equipped as there is limited knowledge in this area. The theoretical framework is elaborated below.

### **1.8.8 Theoretical contribution within which the problem is addressed**

This discussion reviews five supporting theories for this study. The first two, which are discussed from a macro perspective, include the Social Justice Theory and Economic Development Theory. The remaining theories are discussed from a micro/organisational perspective and include the Entrepreneurship Theory, Organisational Theory and Transformational Leadership Theory.

#### **1.8.8.1 Supporting theories from a macro perspective**

Social justice is embedded in the South African constitution, in terms of which an improved quality of life is considered imperative for all. As a result, BEE aims to provide redress for past injustices, ensuring equality for all by affording Black entrepreneurs with equal opportunity to work, and providing an improved quality of life,

reaffirming social justice within the role of BEE (Van der Walt and Ingley 2004). After the establishment of South Africa's democracy, social justice did not prevail within the South African society and therefore had to be attained through transformation and reform (Chipkin and Gibert 2013). Social justice has many meanings as interpreted differently; however, for this study social justice relates to the redress of apartheid through BEE as a socio-economic initiative.

Gerwitz and Gribb (2002: 499) maintain that for BEE particularly, social justice reflects in equal opportunity for the marginalised and redistributing economic opportunities. In addition, Steger (2009: 113) maintains that the role of the state in addressing social injustice is also essential especially with regards to procurement systems. Pooe (2016) states that BEE can be positioned as an economic tool for redressing past imbalances drawing from the Social Justice Theory by recommending that the government execute the empowerment framework to uplift the previously disadvantaged individuals (PDI) population.

The second theory that supports this study from a macro perspective is the Economic Development Theory. This theory supports the immense productivity benefits from correcting the misaligned physical and human resources challenge that apartheid left behind. Hammer and Pivo (2016: 25-36) state that the Economic Development Theory can also be related to discussion of the triple bottom line, which reflects on the economic, environmental and social value of investments for sustainable development. The triple bottom line is increasingly critical as a factor that organisations are responsible for with regard to good corporate governance. This study explores the discussion on good corporate governance in the next chapter to explain how organisations can support South Africa's economic development through BEE implementation. The two theories discussed above support the macro interpretation of BEE implementation and allow the study to be interpreted for successful BEE implementation at a macro level, where BEE is viewed as an initiative by the government for the greater wellbeing of South Africans at a macro socio-economic level.

### **1.8.8.2 Supporting theories from a micro/organisational perspective**

This discussion provides a theoretical contribution for this study and considers three supporting theories for effective BEE implementation from a micro or organisational perspective. Entrepreneurship theories are critical for research and are important for development of the entrepreneurship and the organisational field as it relates to an “opportunity based” perspective, which explains that entrepreneurs do not cause change but rather seek advantages through the opportunities that change (Meyer 2010:27). The entrepreneurship theories discussed in this study include the Financial Capital Theory /Liquidity Theory and Social Capital/ Social Network Theory, as these theories allow the study to be interpreted from diverse viewpoints.

The entrepreneurship theory further demonstrates that entrepreneurs have an astute sense for opportunities as a result of change, rather than the challenges encountered. Stevenson and Jarillo (1990) state that this approach focuses on the resource-based theory of entrepreneurship which accesses resources by original starters of the organisation, and this is an important predictor of opportunity-based entrepreneurship, with specific impact on finances and social resources. The above resource-based theory can be interpreted similarly within a BEE perspective in terms of which Black entrepreneurs can be considered as the entrepreneurs, where resources focus on financial and social opportunities.

Post-apartheid, the rectification process aims to correct the imbalances cited. However, this process is slow (Mattes 2015: 665), which can therefore be interpreted as a challenge that still exists for Black entrepreneurs. The entrepreneurship theory therefore lends itself well for application to this study, considering the role of entrepreneurship amongst Black ownership for BEE implementation within South African organisations. The above resource-based entrepreneurship theories have therefore been utilised in this study to interpret the opportunities, or lack thereof, for Black entrepreneurs as discussed above. The theory further informs the study by providing insight into how opportunities across the resources described above enable the entrepreneur into an advantageous position.

In addition, the second theory that lends itself to this study from a micro perspective is the Organisational Theory, which describes the ways in which organisations are

designed, the relationships between society and organisations, the authority and power in organisations, as well as the development of culture (McAuley, Duberley and Johnson 2007). The Organisational Theory is further described as the study of an organisation's behaviour and environment as it attempts to elaborate management structures and styles while informing management of same (Winzenried 2010: 23). Andrews (2008) states that apartheid disadvantaged Black people from a socio-economic perspective, with few Black people exposed to a formal market space. BEE is therefore recognised as a reform intervention to rectify the skewed racial profile (especially within the private sector), changing patterns and structures for betterment. Similarly, the Organisational Theory argues that structures and networks that support an organisation can influence the mainstream involvement of PDIs in organisations, allowing access and opportunities to Black people who were previously excluded.

The Organisational Theory therefore frames through this study how transformation can impact on growth and further provides a new approach to interpret the impact of BEE implementation on an organisation. The fifth theory that supports this study is that of transformational leadership. Iwowo (2015: 408-429) maintains that leadership, particularly in African organisations, is under-developed. Groenewald and Ashfield (2008: 56) find that a transformational leadership approach reduces the effects of uncertainty and change to effectively guide employees to attain their objectives. The authors describe transformational leaders as leaders who possess the ability to align individual work goals in order to improve employee engagement. Transformational leadership is further described as playing a pivotal role in organisational change where employees are seen as the "followers" and leaders drive followers' motivation with a positive effect on followers' work commitments and their fulfilment (Colbert 2004: 19-25). This leadership style is especially relevant for BEE implementation.

### **1.9 Research methodology**

The research design for this study consists of both quantitative and qualitative methodologies. The quantitative approach is further supported by an exploratory qualitative approach. The combination of both data types enabled the researcher to combine the strength of both forms to support and explore the quantitative results in more detail. In addition, data was collected via both questionnaires and interview methods. Johnson (2007: 115) confirms that different methods complement each

other as some variables can be quantifiable while others cannot, and this helps to clarify and challenge findings. The combination of both a quantitative and qualitative approach was most appropriate to explore the overall aim of this study and data was collected from both primary and secondary sources.

### **1.9.1 Target population**

The target population is often described as the population to which the researcher ideally would like to generalize a study's results, and therefore involving all members of the population usually makes it impractical and uneconomical in a research project (Welman & Kruger 2011: 47). Consequently, we have to rely on the data obtained from a sample of the population, and for this study the target population comprised of all BEE compliant companies in South Africa.

The researcher drew the sample from the Empowerdex Top 100 BEE compliant companies (2013). Empowerdex was selected to create the sampling frame, as they are accredited and recognised as one of the leading BEE verification agencies in South Africa.

### **1.9.2 Sampling method and size**

According to Welman *et al.* (2012: 52-53), the population can be defined as the research project's object, which consists of people, groups, organisations, human products, events and the circumstances in which they operate and the population is therefore a full set of cases from which a sample is taken. Welman *et al.* (2012: 67) further elaborate that purposive sampling is the most important type of non-probability sampling. For the administration of questionnaires, the sample size for this study consisted of the top 100 most empowered companies (2018) from the Empowerdex listing. In this study, eighty organisations responded to the questionnaire used in the study. From the eighty respondents, twenty were selected for interviews.

### **1.9.3 Measuring instrument**

Creswell (2009: 179) explains that the purpose of a survey design is to generalise from a sample to a population so that inferences can be made about some characteristics, attitudes or behaviours of this population. The study utilised a questionnaire and an



interview as the survey instruments. Various types of questions were posed in the survey such as open-ended and closed-ended.

### **1.9.3.1 Questionnaire**

The economy of the design and rapid turnaround time from respondents were the two key reasons why a questionnaire was most suitable for this study (Creswell 2009: 179). Due to the fast-paced corporate environment, managers may not have been willing to offer their time for this study. Therefore, questionnaires were emailed for ease of access and convenience for the respondents. Follow up interviews were also scheduled with key informants.

### **1.9.3.2 Key informant interviews**

According to Kumar (2011: 47) key informant interviews allow for in-depth information which further allows for sensitive and complex discussions to be probed by the researcher. The semi-structured key informant interviews in this study allowed the researcher to explore the challenges cited in the literature. The interview platform further allowed the researcher to understand the unique and relevant barriers and/or solutions that the participants have implemented in their BEE process.

### **1.9.4 Data dissemination process**

The questionnaire was emailed to the designated transformation managers, communications managers, human resource managers, and top management within the 100 top empowered BEE organisations (2018) as they have the necessary expertise to comment on the organisations BEE and transformation strategies.

### **1.9.5 Data collection method**

A database was created with contact details of the most relevant people identified within respective organisations. Introductory messages and invitations were sent through electronic mail to complete the online questionnaire, explaining the study and informing respondents that the researcher would be contacting them to follow up.

The primary data collection instrument was the questionnaire which was emailed to the various respondents. The questionnaire also applied a funnel technique with broader questions posed first collecting generalised and biographical data, and

thereafter a more focused approach contributing to both qualitative and quantitative data. Kumar (2011:226-228) adds that the advantages of a questionnaire allow convenience and greater anonymity as there is no face-to-face interaction between respondents and the interviewer; therefore, in some situations where sensitive questions are posed, this method aids in increasing the likelihood of obtaining accurate information relevant for this study. The benefits of the questionnaire further ensured low costs as the sample was geographically widely spread across the country and was free from the bias of the interviewer.

According to Flick *et al.* (2004: 203), the data collection methods in social research often utilise qualitative interviews, and likewise this study identifies the interview process as one of the data collection methods. Face-to-face interviews were suggested in addition to video Skype and telephone communication mediums for interviews.

#### **1.9.6 Data analysis**

Creswell (2009: 188) explains that the procedure for data analysis entails making sense out of data by preparing the data for analysis as the researcher moves into greater understanding of the data, continual reflection and asking analytical questions. This study's data analysis involved collecting mostly close-ended quantitative information from the questionnaires. Various statistical processes were carried out on this study's quantitative data, including descriptive statistics, inferential statistics, hypothesis testing, factor analysis, Kaiser-Meyer-Olkin (KMO) and Bartlett tests, cross tabulations, Chi-square tests and correlations. All quantitative data collected was analysed using the Statistical Package for the Social Sciences (SPSS) software and represented graphically and tabulated through Microsoft Excel.

The qualitative data from the interviews were captured and classified into themes for analysis, with content analysis applied, and further triangulated. These findings are presented separately in the study. Guion, Diehl and McDonald (2015) explain that triangulation can be used to expand the researcher's understanding of the study and strengthen their confidence in the findings of qualitative studies. Triangulation is further recognised as a valuable technique that expedites validation of data through

cross verification from two or multiple sources and this application with a combination of methodologies was very useful for this study.

### **1.10 Pilot test**

Paltridge and Starfield (2007: 131) confirm that a pilot test allows the researcher to use a trial for the research instruments and evaluate the trial data to determine whether there is room for improvement. With this in mind, the researcher ensured the questionnaire and semi-structured interview guide were pilot tested amongst three respondents from the sample within the Durban area.

### **1.11 Delimitations**

The first delimitation is this study is that the researcher targeted businesses based in KwaZulu-Natal first with regards to ease of travelling and expenses. Secondly, the questionnaire was emailed to all respondents and then interviews were arranged to probe for clarity where required.

### **1.12 Confidentiality and anonymity**

The respondents' participation was voluntary, and the organisations' identities were kept confidential. The covering letter to the questionnaire highlighted the confidentiality and anonymity of the respondent at all times. When securing interviews, the researcher highlighted the respondents' anonymity throughout the study. The individual respondent's designations and personal information cannot be traced to any particular organisation and the data will be stored with the researcher to ensure confidentiality of the information obtained in confidence.

### **1.13 Validity and Reliability**

Welman *et al.* (2012: 142) explain that validity often refers to the degree to which research findings represent precisely what is occurring in the situation and if a test is considered invalid, it cannot demonstrate a researcher's thoughts or claims. This allows room for poor research processes, invalid samples, misleading or inaccurate measurement and ultimately undermines the validity of the study. When a new measurement instrument is developed, it is often recommended that the instrument be "tested". Mouton (2012: 100-102) elaborates that a research design instrument should be tested for validity and reliability.

In the context of this study, the questionnaire and interview guide instruments were pilot tested for validity and reliability to foresee challenges in the measurement procedures, identify unclear or ambiguous terms and to further gauge if there was any room for improvement. The qualitative information collected in this study was further triangulated to determine levels of validity between the electronic questionnaire and interview for confirmation of the reliability of the information. In addition, various statistical analyses were carried out via factor analysis to ensure validity of the quantitative data. Reliability was further ensured for the quantitative data via Cronbach's Alpha test.

#### **1.14 Ethical considerations**

The study is of a sensitive nature. as BEE is an initiative of organisational transformation and ethical boundaries, as well as professionalism that was required for application during the data collection and analysis process. The researcher encouraged managers to be transparent and truthful in a tactful approach during interviews. All respondents were informed that should they wish not to participate, they were free to do so.

#### **1.15 Conclusion**

This chapter presented an overview of this study. The discussions have reviewed a background to the study with supporting context and rationale. The aims and objectives together with the problem statement have also been considered in this chapter, as well as an overview of the research methodology used. Chapter two entails a literature review from a macro (socio economic) perspective, and chapter three from a micro (organisational) perspective.

## Chapter Two: BEE- A redress initiative for macro transformation in South Africa

### 2.1 Introduction

This chapter reflects on BEE as a form of socio-economic transformation in South Africa from a macro perspective, whereas the forthcoming chapter is framed from a micro organisational perspective. The discussion commences with an overview of South Africa's past with consideration to the apartheid era and the resultant legislative advancement which emerged thereafter. The discussion also addresses the government's macro BEE strategy for implementation within organisations, the aims and objectives of BEE and the five generic codes of good practice to highlight the contribution towards South Africa's macro-economic transformation.

This discussion further highlights the role players involved in BEE implementation, consisting of government, organisations and BEE agencies, the evaluation and monitoring process of BEE implementation, macro challenges including the BEE shift from a narrow to broad-based approach and a review of international best practice. For ease of understanding, the term BEE is used consistently, although referred to within the Broad Based Black Economic Empowerment (BBBEE) context.

### 2.2 The macro environment for BEE

This discussion highlights the universal macro environment and contextualises the relevance of this environment for BEE and organisational transformation in South Africa. There are various factors which define the universal macro-environment, with the most commonly cited PESTEL model that classifies political, economic, social, technological, environmental and legal factors as most important when describing a macro environment for organisations (Kolios & Read 2013: 5023-5045).

According to Rastogi and Trivedi (2016: 384-388), the PESTEL environments for organisations represent:

- **Political factors:** government policies which affect the ways of work within an organisation impacting on various important scopes of business and ultimately the economy;

- **Economic factors:** inflation and exchange rates, taxation, economic growth and interest rates which can pose a detrimental impact on higher interest rates and deter investment;
- **Social factors:** changes in social trends which could impact on organisations, for example the willingness and availability of people to work, education and skill sets, languages, poverty and social investment;
- **Technological factors:** new technologies, products, processes and markets;
- **Environmental factors:** climate change that can impact on an organisation's sustainability; and
- **Legal factors:** the legal environment in which organisations operate.

From a macro organisational perspective, the PESTEL framework allows one to analyse these macro factors in relation to an organisation, thereby enabling managers to understand and action strategies for factors that are most likely to change or have impact on an organisation (Ersoy 2014: 181). In recent years within South Africa, there have been various significant PESTEL changes which have affected organisational behaviour (Yüksel 2012: 52). Organisations therefore need to consider all PESTEL environments to ensure sustainability and that their organisational transformation is reflective of the economy at large (Bitelmal 2010: 102). All seven PESTEL factors cited above are not applicable to the implementation of BEE; therefore, only some of the macro environments are reflected, these being the socio-economic and legal factors which have been addressed in this chapter.

It is also important to contextualise from a macro perspective that South Africa is recognised as one of the continent's largest and most developed countries. As at 2019, the country has a population of 55.9 million consisting of 80.2 percent Africans, 8.8 percent Coloureds, 8.4 percent Whites and 2.5 percent Indians. South Africa has eleven official languages, a labour force of 20.23 million, unemployment at 25 percent and urban-rural dwellers at 64.3 percent (Statistics South Africa 2019). With consideration to these statistics, the South African Government has therefore identified BEE as a redress initiative to support the challenging socio-economic factors within the country.

“The South African Department of Trade and Industry’s growth strategy for the country “includes a focus on broadening participation, equity and access to redress for all economic citizens, particularly those previously marginalised” (South Africa, Department of Trade and Industry 2007b). A special so-called “B-BBEE unit” was created in the department with the vision to:

“work towards ensuring, through equity and empowerment policies and strategic interventions, that the South African economy is restructured, to enable the meaningful participation of Black people, women and rural or under-developed communities in the mainstream economy, in a manner that has a positive impact on employment, income redistribution, structural re-adjustment and economic growth” (South Africa, Department of Trade and Industry 2007a).

The above notes that some South Africans were excluded economically due to colonialism and apartheid – which were based around the White minority holding economic power, while the Black majority was legally restricted from opportunities to participate in the market through any form other than tedious labour (ANC 1994; Terreblanche 2002; Ramphela 2008; Mbeki 2009). The Broad-based Black Economic Empowerment Act 53 of 2003 (South Africa, Department of Trade and Industry 2003) can therefore be recognised as a macro transformation government initiative that is part of the country’s overall growth and development strategy to accelerate macro socio-economic transformation (Tangri & Southall 2008: 705).

Although the economy has improved the state of living for some, since the end of apartheid, there is room to improve various socio-economic factors which can aid the country’s transformation amongst the masses (Mavrokordatos, Stascinsky & Machael 2012: 179-184). BEE therefore aims to build a Black middle class in the private sector, allowing the masses to access growth opportunities and economic power, which can contribute to the larger process of transformation for the country (Mattes 2015: 665-669).

It is important to note that the late former President, Nelson Mandela’s presidential inaugural speech (1994) described nation building as a critical task ahead of the country to bridge the segregation of the past, and since 1994 organisations have

become deeply engaged, recognising their responsibility to help repair the ravages of the past, as well as build South Africa into a modern, democratic and economically successful nation which indicates that BEE implementation should not only be approached as an issue of Black or White, and rather be recognised for helping those less fortunate into mainstream economic participation (Jack & Harris 2007: 228). Mesatywa (2011: 14) is also optimistic about the future of the country and the macro factors as ultimately both Black and White South Africans should intend to eradicate BEE as soon as the economy is not separated by racial advantages. It is therefore interpreted how BEE aims to redress the past historical challenges and can be recognised as a form of macro transformation to alleviate the damage caused by the apartheid era.

The above discussion aids in contextualising the country from a macro PESTEL perspective. The discussion proceeds to elaborate on South Africa's past to aid in contextualising the need for BEE and better understand why it was introduced into the South African economy.

### **2.3 Reflection on South Africa's past (apartheid era prior to 1994)**

This discussion reviews South Africa's historical past since the apartheid era and highlights that BEE can be recognised as an initiative that can reduce or alleviate the imbalances since apartheid through South African organisations and transformational initiatives. From the PESTEL framework described above, this discussion addresses various macro environments as described below.

Subsequent to the defeat of the Boers since the Anglo-Boer War, the Union of South Africa was established as a domain of the British which amalgamated the four prior British colonies: Cape Colony, Natal Colony, Transvaal Colony and Orange River Colony in 1910 (Dollery 2003: 2). Between 1948 and 1994, South African government and politics were dominated by Afrikaner nationalism (Beinart & Dubow 2003: 12) led by the White National Party (NP) minority and during this period the country was led by the apartheid regime (an official law of racial segregation), an Afrikaans word meaning "separateness" which excluded non-White South Africans in all PESTEL macro factors. The exclusion set out to legitimise disparities in every aspect of life by



governing the separation of South African Black, White, Coloured and Indian citizens (Lowenberg 1998).

As a result of these unfair practices, prejudiced legislation also governed access to amenities, services, schooling, health, recreation and transportation with the Bantu Education Act of 1953 that was devised as a policy for separate schooling and curriculum on the basis of race (Worden 1994) and used to relegate Black people to a demeaning status through the curriculum content in English and Afrikaans languages. Such languages were challenging for Black people as they were intended to aid Black people in following directives of the “White master” (Hartshorne 1992) which is therefore recognised as a political act that was executed with intentions to subjugate Black people and exclude them from the economic and social structures in South Africa. These restrictions highlight the Economic factor of the PESTEL macro environments that were affected in the country at that time.

In addition, the social environment of the PESTEL framework also affected the country as social restrictions were further enacted and all non-White South Africans were restricted from having sexual relationships with White South Africans, combined with the race-exclusive public areas demarcated for example “Whites only” social services – such as beaches, transport, benches, toilets and churches – were all classified by race, with a separate area allocated for “Black, Indian and Coloured” people (Beinart & Dubow 2003: 12).

As a result, these special and social isolations caused generations to struggle socio-economically as a consequence of the laws that were practised in the past (Mhlauli, Salani & Mokotedi 2015: 203). Apartheid also prevented non-Whites from living in “White areas”, securing high-ranking positions and gaining access to civic facilities. Many were closed to Black people, as they would not serve products or services, whilst some alternatively offered separate or inferior products and facilities (Dykes 2011:17) which reaffirmed the desperate need for a redress initiative across the country.

Another social environment affected was public health care, as racial segregation was further enacted by the apartheid government where diseases were also viewed in racial terms (Sharma 2017:38) as Black people were assumed to carry diseases

through unsanitary and overcrowded living conditions. In addition, when Black people travelled outside of their “Black homelands” a pass was carried to control the amount of Black people entering urbanised cities during the apartheid era. The Black South African identity pass, cards or reference books were described as a “dompas”, which literally meant a “dumb pass”, and are recognised as one of the most despicable symbols representative of the apartheid era (Thompson 2001: 37).

From an economic and legal perspective, it is noted that Black people were restricted by the Group Areas Act No 41 of 1950 (Parliament of South Africa 1957) as Black, Coloured and Indian people could not operate beyond their “designated areas” (Jack & Harris 2007: 5). The Group Areas Act, together with the Natives Resettlement Act No 19 of 1954 referred Black people to live in homelands and further institutionalised the practise of migrant labourers in mines, ensuring that non-Whites did not participate in an urban-led life (Kassner 2015: 691). Having been restricted geographically to only specific areas, Black, Coloured and Indian people could not develop themselves from a socio-economic perspective.

It is further highlighted that Black South Africans were constrained in all areas of development, especially from a socio-economic perspective within organisations (Jack & Harris 2007: 5). Management and senior organisational positions were offered strictly to White citizens while non-Whites were offered fewer and inferior positions (Beinart & Dubow 2003: 12). In efforts to safeguard White workers from economic rivalry, Black people were denied from holding skilled occupations or management posts (Babarinde 2009: 359), reiterating the need for BEE implementation as this initiative aims to tackle the difficulties experienced by Black people during the apartheid era.

Between 1991 and 1994, the apartheid government consulted itself out of power after encountering years of international remoteness, armed opposition and mass marches as Mr Nelson Mandela synonymously fought under the African National Congress (ANC) for justice and the equality of all races. This was indicative of the legal environments affecting the country at that time. In 1994, the apartheid era had ended with the ANC leading as the ruling democratic party in which all races could vote, and the democratically-elected management encouraged disbursement which set about to

redress social imbalances as the new state accepted responsibility for removing the unjust legislation of the past (Reddy 2015: 16).

The discussion above provided a brief understanding of South Africa's past injustices and discrimination against Black people during the apartheid era to assist in contextualising the reasons why a redress initiative was needed across most of the PESTEL environments. The era post-apartheid demanded the immediate intervention of the new democratic government with corrective action, legislation and initiatives to be undertaken in efforts to rectify injustices caused by apartheid (Maylam 2009: 280). As a result, the following discussion sequentially addresses the various pieces of legislation according to respective timeframes of introduction (prior to the launch of BEE).

## **2.4 Legislative advancement before BEE**

The Reconstruction and Development Programme (RDP) together with the Growth Employment and Redistribution (GEAR) programmes, the South African Constitution (1996) incorporating the Bill of Rights, the Employment Equity Act (1998), the Skills Development Act (1998), the Promotion of Equality Act (1999) and the Preferential Procurement Framework Act (2000) were some of the first of many legislative attempts aimed at redressing apartheid post 1994. Some of the earliest initiatives were the RDP and GEAR.

### **2.4.1 Reconstruction and Development Programme (RDP) and Growth, Employment and Redistribution (GEAR)**

One of the key challenges facing the new South African government post-apartheid, was that of "organisational constraints", as the state encountered a lack of efficient public services, and an incapacity to build the new state required (Harsch 2001; Heymans 1995:7). Post-apartheid, a wave of change was recognised through two government redress initiatives, namely, the RDP Fund Act of 1994 (as amended by Act 79 of 1998), followed by GEAR (South Africa, Department of Finance 1996: 12-16). The RDP was the primary socio-economic programme for a more equal society through reconstruction and development. The RDP did not perform as well as planned, considering that the government faced fiscal challenges and the immediate inherited legacy from past apartheid practices (Brooks 2017: 115).

It was inevitable that a quick fix could not alleviate the sufferings of victims affected by apartheid. Therefore, by 1996 it was evident that the economy was not growing at a sufficient rate to fund the RDP programme (Visser 2004:1-4). Between 1994 and 1995, South Africa sustained a loss of 1 700 people in professional occupations who emigrated, while many Black people were appointed to jobs for which they did not have appropriate training or education as they were disadvantaged in the past and as a result, the combination of Black unemployment and an unskilled labour force, was one of the greatest economic challenges confronting South Africa post-apartheid (Maylam 2009: 280).

Due to the socio-economic challenges highlighted above, the ANC government replaced the RDP with the GEAR strategy. The government continued to embark on draft legislative measures aimed at undoing apartheid laws (Isaacs, Hara & Raakjær 2007). GEAR was recognised as a macro-economic policy framework that was introduced to stimulate faster economic growth, while still encompassing the social objectives of the RDP (Chabane *et al.* 2006: 549). The new framework focused on three key initiatives comprised of reducing the fiscal deficits, addressing the large socio-economic development distance between White and non-White South Africans and increasing openness to an international flow of goods and capital, and growth of the country at large (Ntim & Soobaroyen 2013). Despite the achievements, job creation, private investment and gross domestic product (GDP) growth at a macro level, was unsatisfactory, achieving little success while attracting social challenges, such as unequal distribution of wealth, poverty and lack of employment creation (Isaacs, Hara & Raakjær 2007:25), resulting in termination of the RDP and GEAR initiatives. Another key piece of legislation that is relevant for this study is that of the Labour Relations Act (South Africa, Department of Labour 1995).

#### **2.4.2 Labour Relations Act No 66 of 1995**

In addition to the legislative advancements above, the Labour Relations Act (South Africa, Department of Labour 1995) specifically sought to amend and repeal certain passed laws relating to unfair labour practices within organisations. Chapter Two of the Labour Relations Act addresses employee rights to freedom of association, protection of employees and persons seeking employment considering that the

apartheid regime developed major disparities in organisations, particularly with labour discrimination through practices such as job reservation. This law further attempted to rectify the unfair practices of the past by encouraging organisations to support fair practices and aid in undoing the past discriminatory practices which would ultimately support the socio-economic development of the country. Between 1990 and 2000, the post-apartheid state enacted some of the most liberal legislative measures, which also included the 1996 Constitution of South Africa incorporating the Bill of Rights (South African Constitution 1996) which is briefly discussed below.

### **2.4.3 The South African Constitution and Bill of Rights**

The Constitution of South Africa (Department of Justice and Constitutional Development 1996) is the ultimate law of the country, providing a legal foundation for the country, establishing the duties and rights of its citizens, and outlining the structure of government. The constitution defines the country as a democratic state founded on values such as human dignity, equality (incorporating non-racialism and non-sexism) together with freedom, and a common citizenship for all with equally entitled rights, privileges recognising injustices of the past, freedom and justice, thereby supporting diversity for all those who live in the country (Constitution of the Republic of South Africa 1996).

The South African Constitution is therefore recognised as one of the major stepping-stones towards economic empowerment for Black people as it enabled many changes, such as fair practices and justice for all South Africans. The constitution further deterred all apartheid practices, with the aim of ending all the injustices of the past, thereby providing equal opportunity whereby all Black people could become involved in the mainstream economy, have access to jobs and be treated fairly (Ponte, Roberts & van Sittert 2007: 933-955). Chapter Two of the Constitution sets out the Bill of Rights (1996) which also has a direct impact on bringing about macro change in the country by protecting Black people and ensuring a level of fairness for all South Africans (Kim 2010: 7).

It is also important to note that Section 9 of the Bill of Rights in the Constitution relates to the right of equality and articulates that everyone should be treated equally with legislative measures enacted to protect or advance persons disadvantaged by unfair

discrimination. Section 29 of the Bill of Rights also addresses education, whereby all South Africans have the right to basic schooling, including adult schooling, and to receive education in the official languages within public schooling institutions where such education is reasonably practical (Constitution of the Republic of South Africa 1996). It is therefore reiterated that the constitution aims to undo many injustices caused by apartheid as previously Black people were restricted from educational institutions and discriminated against and treated unfairly at every macro level of socio-economic activity.

In addition to the legislative advancements discussed above, the Employment Equity Act (1998), Skills Development Act (1998), and Promotion of Equality Act (1999) all contributed towards legislative transformation in support of the country's development post the apartheid era (Reddy 2015: 12; Jain, Horwitz & Wilkin 2012: 16) and are discussed below.

#### **2.4.4 The Employment Equity Amendment Act 47 of 2013 (EEA)**

South Africa's past created unequal education and training opportunities whereby White South Africans had an advantage over Black people and as a result reserving jobs resulted in an extensive representation of White males possessing critical decision-making jobs, especially within the private sector (Mbababne 2007: 32). In response to these unfair practices the South African democratic government sought to provide redress for the historical legacy of unfair workplace discrimination and introduced the Employment Equity Act (EEA) 1998 (BEE Commission 2001; Jain, Horwitz & Wilkin 2012:18).

The EEA (South Africa, Department of Labour 1998) aimed to correct the past imbalances by prohibiting all forms of unfair discrimination in the workplace. Employers with more than fifty staff were required to achieve representative employment at all levels including Black people, women and the disabled in particular (De Klerk 2008: 22). Reports are required to document the progress made in implementing employment equity plans which are monitored by labour inspectors who have wide powers to ensure compliance with the Act (Tangri & Southall 2008: 701). The Employment Equity Act can therefore be recognised as legislative advancement aimed at also improving past injustices in South Africa. "Affirmative action" is also a

commonly cited term which is closely related with the Employment Equity Act (Hiam Eshghi 1, Eshghi 2 2017: 1370).

The term affirmative action refers to the advancement of an improved life for Black South Africans and can be recognised as an organisational policy to empower Black people, giving them the opportunity to enter the mainstream economy which White people were exclusively privy to before (De Klerk 2008: 22), thereby enabling more candidates into the workplace for the same fair opportunity. The role of affirmative action in organisations is crucial and at the same time also aims to ensure that non-Black people are not alienated from the process of socio-economic development within the country (Alexander 2010: 422). Another key Act that supported anti-apartheid initiatives was the Skills Development Act (1998) discussed below.

#### **2.4.5. Skills Development Act 97 of 1998**

The Skills Development Act (SDA) 97 of 1998 (as amended in 2003) is also viewed as a legislative advancement providing redress for the apartheid challenges. It aimed at developing the skills of employed South Africans by elevating the eminence of life for employees and their prospects of work. Due to the restrictions from South Africa's past, this Act enables Black people that were previously limited and hindered as far as the development of their skills were concerned (Dollery 2003: 2). The SDA was also aimed at rectifying past injustices, thereby allowing skills to be developed, as Black people were previously deprived and discriminated against in terms of skills development (Aigbavboa, Oke & Mokasha 2016: 53-54). The broad objective of the SDA is to enhance the skills of the South African workforce by elevating the investment levels in training and education to encourage active learning spaces and provide existing employees the opportunity to adapt new skills and allow new employees to obtain work experience (South Africa, Department of Labour 1998).

The requirement for skills development is further recognised by the demand from employers who necessitate improved education and training among Black employees (Aldridge 2014: 58). Skills development is also encouraged in the form of business education which can lead to the financial growth of Black people and, as a result, skills development has since become a business responsibility for all South African organisations to actively participate in (Jack & Harris 2007: 272). Some employers

have commenced with the creation of skills programmes for their own relative workforce, making applications to the Sector Education and Training Authority (SETA) for a grant or subsidy in this regard (Engdahl & Hauki 2001: 13-18). The Skills Development Levies Act (SDLA) of 2010 further provides for the obligation of a skills development levy on employers (with very few exceptions) and is calculated on the company's payroll (Allais 2012: 523). Some companies view this skills levy as a "tax" and make no effort to train staff; as a result, there is little that drives skills development for Black employees (Andrews 2008: 75).

From this discussion, it is clear that the SDA directly impacts on South African organisations, as it requires the development of skills for previously disadvantaged individuals and it is now a business responsibility to help redress skills challenges, encourage development, education and support of Black people who were discriminated against in the past. Another Act supporting the reversal of apartheid is the Promotion of Equality and Prevention of Unfair Discrimination Act (2003), which is discussed below.

#### **2.4.6 The Promotion of Equality and Prevention of Unfair Discrimination Act 4 of 2000**

In addition to the legislative advancements, the Promotion of Equality and Prevention of Unfair Discrimination Act No. 4 of 2000 (PEPUDA) further prohibits discrimination in general, particularly on the basis of race with the intention to further advance PDIs through the principles of equality, which is also one of the fundamental rights in the Constitution of South Africa. PEPUDA therefore promotes equality and the Constitution, and the Promotion of Equality Act further provides for legislative measures which were created to address PDIs. This Act seeks to eradicate racial discrimination, hate speech, harassment, particularly for race, gender and disability whilst also raising awareness and educating the public on the significance of encouraging equality while providing solutions for victims of unfair discrimination (Vogt 2001: 196).

The above discussions have briefly reviewed the legislation initially introduced to accelerate socio-economic transformation for Black people which eventually led to the introduction of BEE. The next section examines the Preferential Procurement



Framework Act (PPPFA) which is more recent legislature which supports BEE and currently also aims to provide redress.

#### **2.4.7 Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA)**

The South African Constitution states that when an organ of state at national, provincial or local level contracts for goods or services, representing government or contracting with government, must do so in agreement and with a method that is transparent, competitive, fair and cost effective (South Africa, Department of Trade and Industry 2006). As a result, the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) was enacted as an instrument to create business opportunities and job creation, as well as facilitate social and economic development whereby preference tenders are awarded to Black people, women and the disabled in a manner similar to the concept of BEE.

Preferential procurement further provides an incentive for proactive engagement in BEE implementation as the PPPFA ensures that state organs grant preference in awarding tenders and contracts in support of developing PDIs, which is structured to have a ripple effect further down the supply chain, encouraging BEE compliancy (Ramlall 2012: 13-14). As a benefit, companies score higher BEE points through the Enterprise and Supplier Development Code if they procure services or goods from BEE compliant suppliers. Therefore, compliancy with these codes is more an organisational essential rather than a legal one, as only organisations that interact with government departments are legally obligated to comply (Thornley, Wood, Grace and Sullivant 2011: 5). This method is different from previous policies introduced for economic development as the PPPFA encourages, recognises and rewards organisations that are contributing towards socio-economic development from their organisations' perspectives (Klein 2017).

The impact of preferential procurement is noted by South African organisations that are reliant on government business, as these organisations note a ripple effect on other organisations who directly or indirectly deal with the government, and in return, require licenses from the state or positive BEE scores from their suppliers (Nattrass 2014: 18). Public entities and organs of state are legally required to comply with the BEE Act, procuring from suppliers with an applicable status (Migiro 2010: 177). In

addition, it is noted that the voluntary nature of BEE compliance in the private sector is undergoing a change as purchasing patterns influence one another to comply with BEE regulations, which could result in BEE becoming mandatory.

However, if a business chooses not to comply, the non-compliant business could be recognised as an unattractive supplier to other businesses, and potentially it could lose opportunities to trade (Kloppers 2014: 58). It is important to note that, even where private organisations do not engage in business with government bodies, these private companies may select BEE compliancy due to a moral obligation (Ferreira and De Villiers 2011: 22).

The above discussions reviewed various legislative policies that were introduced by the democratic South African government to alleviate past injustices against Black people, particularly within the organisational workplace. The next section addresses the implementation of BEE.

## **2.5 The implementation of BEE strategy**

This discussion reviews the implementation of BEE, including the aims and objectives of the Broad-based Black Economic Empowerment Act 53 of 2003 (the BBEE Act), from a macro perspective. Despite the past initiatives and governing legislation mentioned above, socio-economic growth for South Africa was not achieved at the pace intended (Mattes 2015: 665). The Department of Trade and Industry (DTI) was therefore tasked by the South African government to develop a Black Economic Empowerment (BEE) strategy working document (DTI 2012) which highlighted the socio-economic imbalances of the past, indicating that BEE could contribute to restoring the balance. In 2003, the Strategy for B-BBEE was introduced, defining Broad-Based BEE and detailing seven initial elements of the scorecard. This strategy was succeeded by the promulgation of the Broad-Based BEE Act (South Africa, Department of Trade and Industry 2003). Thereafter, in 2012, the South African government recognised barriers pertaining to the implementation of the B-BBEE policy, as this became visible from the Revised Codes of Good Practice that were approved by the cabinet (DTI 2012; Pooe 2016: 2). The aims and objectives are elaborated on below, followed by the five key codes that support the BEE strategy.

### **2.5.1 Aims and objectives of the BEE Act 53 of 2003**

Section 9 of the Bill of Rights as set out in Chapter 2 of the Constitution states: “Equality includes the full and equal enjoyment of all rights and freedoms”. This right to equality includes the right of all South Africans to participate fully in the economy of the country. The Broad-Based Black Economic Empowerment Act 53 of 2003 (South Africa, Department of Trade and Industry 2003) and the amended Codes of Good Practice seek to give effect to this right. The BEE Act (2003) initially consisted of seven key objectives and three broad aims. The overall objective of the BEE Act remains to provide meaningful participation of Black people in the economy by promoting socio-economic transformation within the country at large (Ritchken 2004), through addressing various macro socio-economic factors. The South African DTI (2007) describes the seven initial objectives of the BEE Act as follows:

- The promotion of economic transformation;
- Substantial change in the racial composition relating to ownership and management structures of new and existing enterprises;
- Increasing the extent to which communities, workers, co-operatives and other collective enterprises, own and manage new and existing enterprises;
- Increasing the extent to which Black women own and manage new and existing enterprises;
- Promoting investment programmes that lead to BBBEE;
- Empowering rural and local communities by enabling access to economic activities, land, infrastructure and training; and
- Promoting access to finance for BBBEE.

The seven BEE strategy objectives stated above address various areas of socio-economic injustice from the past and can therefore be recognised as a form of macro transformation. The government’s BEE initiative can therefore be recognised as one that intends to reverse past injustices, thereby improving the South African economy and empowering Black people through BEE initiatives within South African organisations.

The three broad aims of BEE are depicted in Figure 2.1.



**Figure 2.1 Three main aims of BEE (2012)**

Source: Department of Trade and Industry (2012)

In Figure 2.1 the three main aims of BEE are noted, including: direct empowerment (encompassing ownership and control of enterprises and assets); human resource empowerment (entailing employment equity and skills development); as well as indirect empowerment (consisting of preferential procurement and enterprise development and socio-economic development). This figure depicts the broad initial objectives and the supporting development programmes intended to support BEE implementation.

The key purpose of the BEE Act is to decrease income inequalities by accommodating historically disadvantaged individuals (HDIs) with the chance to control and own their businesses (Reddy 2015: 14). To control and maintain the intended effectiveness and implementation of BEE, the BBEE Act (2013) now focuses on five key codes for a successful BEE strategy and now includes two of the initial three broad aims shown above, namely direct and indirect empowerment. The five codes now drive organisations towards assisting the country in uplifting its socio-economic advancement as each code is allocated a weighting of points rated out of a total 105 points (South Africa Department of Trade and Industry 2013a). The following discussion looks at what BEE implementation entails presently, as it unpacks the five key codes of BEE, which is the key strategy in understanding successful BEE implementation.

### 2.5.2 The five codes of a BEE strategy

All five BEE codes will be examined in this discussion to understand that these codes are prioritised by management as part of an organisation's transformation strategy. These codes are also used to measure BEE compliancy with the intention to undo past discrimination and injustices through organisational platforms and economic transformation at large. A detailed discussion follows below relating to the codes, associated challenges, measurement tools and role players involved in BEE implementation.

The DTI explains that all organs of state and public entities, all Measured Entities that assume any economic activities with one another or others, must practice BEE compliancy effectively (DTI 2014) through the codes of good practice. The codes of good practice are issued if targets are consistent with the objectives of this Act; and within the period which those objectives must be achieved (BBBEE Act 2013), although different organisational sectors would find varying degrees of ease to score in some codes versus others. Ultimately, BEE should create an economically sound future for South Africa that may be sustainable and an advantage to every organisation in the country and should eventually form part of their conscientious business strategy (Mathura 2010: 5).

**Table 2.1: Amended BEE codes and points (2013)**

<b>Code</b>	<b>Points</b>	<b>Bonus points</b>
• Enterprise and supplier development	40	4
• Ownership	25	
• Skills development	20	5
• Management control	15	4
• Socio-economic development	5	
<b>SUBTOTAL</b>	<b>105</b>	<b>13</b>
<b>TOTAL</b>	<b>118</b>	

Source: The DTI: Amended Broad Based Black Economic Empowerment code of good practice 2013

Table 2.1 tabulates the five key codes and possible scoring of respective points (South Africa DTI 2013) which forms the core of BEE implementation. The table also depicts a column with bonus points that are allocated to each code.

This discussion therefore reviews the contribution of each of the five key codes of BEE, their respective BEE points and how organisations can score BEE points through each code. The first code which is assigned the highest points, is the Enterprise and Supplier Development Code addressed below.

### **2.5.2.1 Enterprise and Supplier Development Code**

The Enterprise and Supplier Development Code is prioritised with the highest allocation of points being 40 out of 105, with 4 bonus points. The Enterprise Supplier Development code was required to allow Black people the opportunity to have their own businesses, develop skills, obtain financial support and sustain themselves with interest free, easy payment terms for loans, or supporting small businesses with skills – as these initiatives can immensely assist organisations which are cash restricted (Pooe 2016: 6-8). Enterprise Development is further aimed at ensuring that large organisations procure from small Black-owned businesses and assist them to grow and play a meaningful role in the economy (Schoonbee 2013: 24-25).

One of the gauges of the Enterprise Supplier Development Code is for a company to spend at least 40 percent of its procurement on empowering suppliers that are at least 51 per cent Black-owned (Pooe 2016:6-8). This indicated an immediate change in organisations' procurement strategies as they were required to identify Black businesses who could supply goods and services in order for those companies to score as many points as possible under this code (Tshaka 2014). It is therefore noted that a ripple effect from one business to another is created by the requirements of the Enterprise Supplier Development Code.

In addition, larger organisations can score points through this code by offering smaller organisations advice and allowing them access to information in places where they

may be lacking, such as legal, sales and procurement (Mondal 2015). The Preferential Procurement Policy Framework Act 2000 (PPPFA) addressed previously in this chapter also directly supports the Enterprise Supplier Development code. The extreme targets for preferential procurement signify the need for efficient Enterprise and Supplier Development programmes. This can be interpreted for a company as achieving a good score on the Enterprise Supplier Development Code, since organisations need to procure goods and services from suppliers with equivalently good, if not better, B-BBEE recognition levels (DTI 2012).

Enterprise and Supplier Development can therefore be interpreted as a code that aims to directly promote the mainstream involvement of Black people at grassroots level beyond traditional corporate social investment. The second BEE code discussed is the Ownership Code which follows below.

#### **2.5.2.2. The Ownership Code**

The Ownership Code is prioritised as second of the five codes with a possible scoring of 25 out of 105 points. Points can be scored for complete or partial ownership, shares, start-ups, buy-ins or partnerships with Black PDIs in an organisation, which are all recognised as strengths which enable and ignite economic growth as well as prosperity within the country (BBBEE Act 2013).

Black organisational ownership was desperately needed because of past injustices where Black people were restricted from economic development; therefore, this code contributes to transformation as it empowers Black people to contribute to the mainstream South African economy. The promotion of the Ownership Code is also recognised by the government's programme on the reformation of state-owned enterprises which can be ascertained through the sale of an equity stake or transfer in a state-owned enterprise (SOE) to Black enterprises. The offering of shares in SOEs is therefore utilised to promote ownership by Black people through allocating discounted shares for those PDIs (South Africa, DTI 2013).

The ownership code ensures that Black people in organisational ownership positions possess or hold voting rights within the entity with additional points earned for Black female owners in particular. Ownership can therefore take the form of a measured

entity including employee shared programmes, Black people in broad-based ownership schemes, Black participants in co-operatives or any new entrants into the organisation whereby the measured entity could be a company, close corporation, trust or partnership (Rumney 2004: 401).

In addition, Sartorius and Botha (2008: 437) highlight that the appointment of BEE partners can also contribute to the Ownership Code and therefore caution that the appointment of the most appropriate BEE partner is essential for longer terms of sustainability and achievement of BEE ownership initiatives. The authors stress the ability of the partner to produce results regarding empowerment opportunities, as the BEE partner must possess potential to grow the business with the necessary qualifications or business acumen adding long-term value and competitive advantage. Jack and Harris (2007: 23) agree that a BEE partner should understand and operate in the same industry with insights of challenges and opportunities faced, bringing synergies and possible diversification opportunities.

Having briefly reviewed the Ownership Code, the next section discusses the third BEE code, viz. the Skills Development Code.

### **2.5.2.3 Skills Development Code**

The third code of a BEE strategy is the Skills Development Code, which is worth 20 points out of the 105, with 5 bonus points on the BEE scorecard, whereby this code is further supported by the Skills Development Act of 1998 which arose from the immense skills shortage facing the country (as discussed above). Considering that apartheid deprived many South Africans of the opportunity to develop skills, a huge gap is acknowledged in industry for varying levels of skills amongst Black South Africans. Therefore, this code aims to rectify the past injustices and encourages the development of skills amongst Black people within an organisational environment (Groener 2013: 723).

This code further aims to develop skills from an outward perspective, where points are earned by organisations which train those PDIs who are unemployed through learnerships, apprenticeships and work-integrated experiential learning, thereby improving their employment prospects (DTI 2012). The Skills Development Code also



encourages earning points from an inward perspective, such as worker participation in leadership, informal training onsite or offsite, workshops, seminars, conferences and short courses, which all contribute towards earning points for this code, as well as towards the achievement of South Africa's socio-economic development and growth goals that will improve the creation of meaningful work and sustainable lives (BBBEE Act 2013). The BEE Act further explains that expenses associated with skills development claimed by organisations include the costs of trainers, training materials, venue, catering, administration, travel and accommodation, course fees, and scholarships or bursaries, which are all considered towards the scoring. In addition, Natrass (2014: 12) is of the opinion that there is a noticeably sharp focus on skills development for Black females in particular, to ensure equitable representation.

This section has reviewed the Skills Development Code and it is clear that organisations can implement BEE initiatives through this code. The fourth code is the Management Control Code, which is discussed below.

#### **2.5.2.4 Management Control Code**

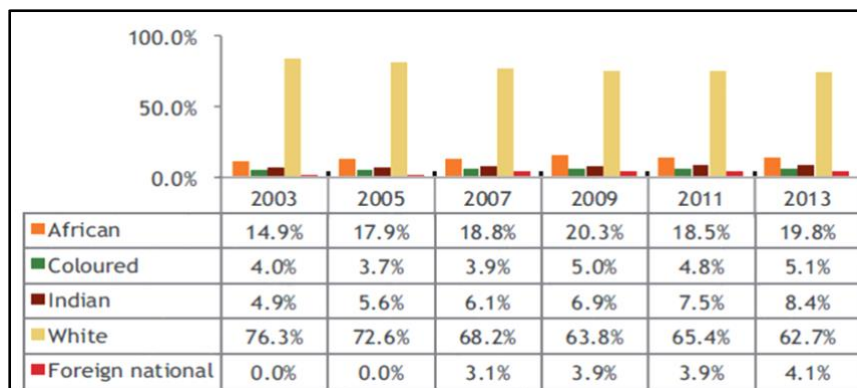
The Management Control Code allocates 15 out of 105 with 4 bonus BEE points to be earned and focuses on all levels of management control across industries. The Management Control Code was also needed due to the past historical imbalances in terms of which Black people were restricted from economic development. Therefore, this code contributes to transformation as it directly empowers Black people to contribute to the mainstream economy (BBBEE Act 2013).

As discussed earlier, the apartheid legacy restricted Black people from being in organisational management positions. Therefore, this code aims to address these injustices by promoting more Black people to management and senior management positions, as well as having more Black board members to allow exercisable voting rights on the organisation's board (Horwitz & Jain 2011: 297). The Management Control Code further aims to bring about increased numbers of Black persons who own and control the country's economy through organisations, thereby improving the pace of growth and transformation (BBBEE Act 2013).

The Management Control Code also allocates points for Black management members who are participating on the organisation's board with exercisable voting rights, as well as points for Black Executive Directors, Black Executive Management, Black senior, middle and junior management. Additional points can also be earned if these Black candidates are female or people with disabilities (South Africa, DTI 2012).

One of the challenges cited with the narrow BEE approach (discussed earlier) relates to the promotion or appointment of Black people who do not make a meaningful contribution in management positions (Jack & Harris 2007: 228; Acemoglu, Gelb & Robinson 2007:35). Therefore, this code aims to restore equality and balance through organisational transformation and in the economy at large.

To inform this discussion further about the Management Control Code, an analysis of the top management levels in South African organisations is reflected below.



**Figure 2.2: Top management level from 2003 to 2013 by race**

Source: 14<sup>th</sup> Commission for Employment Equity annual report (2014)

Figure 2.2 above compares top management level positions by race profile over a ten-year period from 2003 to 2013. It indicates that White people occupy the highest percentage of top management positions. At the same time, the combined percentage of Black people increased from 23.8 percent in 2003 to 33.3 percent in 2013, and simultaneously the White senior management level positions decreased from 76.3 percent in 2003 to 62.7 percent in 2013. The above graph further depicts room for more racial representation of top management positions which the Management Control Code aims to address.

Similarly, Figure 2.3 below depicts a comparison by race from 2003 to 2013 for senior management levels.



**Figure 2.3: Racial composition of senior management level from 2003 to 2013**

Source: 14<sup>th</sup> Commission for Employment Equity annual report (2014)

As far as senior management positions were concerned, as at 2013, White people still occupied the majority of positions at the senior management level within organisations. Since 2003, White management positions have reduced from 72.7 percent to 57 percent. The positions occupied by the combined Black population has increased from 27.3 percent to 40.1 percent yet remains imbalanced when compared to the Economically Active Population (EAP) statistics of the country. Again, this figure also reaffirms the need for the Management Control Code to bring about fairness and equality to all race groups within South African organisations at senior management level (CEE Report 2014).

The discussion above has reviewed the Management Control Code. The next section will address the fifth and final BEE code, which is the Socio-Economic Development Code.

### 2.5.2.5 Socio-Economic Development Code

The Socio-Economic Development code allows 5 out of 105 points to be earned through socio-development initiatives supporting disadvantaged beneficiaries

(BBBEE Act 2013). Kloppers (2014: 58) explains that this code is also motivated by apartheid imbalances and is intended to restore past exclusion, take corrective action and support previously disadvantaged Black South Africans. From a Corporate Social Responsibility (CSR) perspective, this BEE code represents the most important step towards entrenching social responsibility in an open and legal framework, as contributions must be of direct benefit to Black people, whereby the value of the contribution made, multiplied by the percentage of direct Black benefit is acceptable in a monetary or non-monetary contribution (BBBEE Act 2013). The contributions can be aligned to the benefit of:

- Environmental (education, waste management, conservation, awareness);
- Enterprise creation;
- Reconstruction in non-developed locations; and
- Infrastructural development (BBBEE Act 2013).

The Socio-Economic Development Code further allows organisational contributions to be made in the form of grants, security guarantees given, overhead costs, development capital or direct costs or payments made to third parties for the implementation of socio-economic activities (BBBEE Act 2013). Training or mentoring beneficiary communities further allows organisations to multiply the benefit to Black people by calculating the cost of time spent by staff or discounts given. These values calculated are all considered for BEE points within the Socio-Economic Development Code.

McGregor (2008: 7) maintains that the private sector should deliberately encourage a culture where everyone pulls together for the common good and not just for scoring points, as more organisations are viewing their public responsibilities more intensely, especially since the role of corporations is changing drastically to rectify social injustice and uphold ethical relationships within communities. It is therefore understood that the Socio-Economic Code is needed for the country's transformation because it contributes towards BEE and transformation, while allowing organisations to score BEE points for all socio-economic initiatives benefitting PDIs.

The five BEE codes discussed above form the core of a BEE organisational strategy, as BEE intends to implement corrective initiatives which will eliminate challenges caused by apartheid, undo past discrimination and injustices and further improve organisational and economic transformation at large. Ultimately, BEE is recognised as a means to create a sustainable and an economical yet also solid future for the country that should form part of all strategies (Mathura 2010: 5). In summary, the five codes of BEE discussed above are therefore crucial for the transformation strategy of South Africa and will be examined further in this study to understand how the BEE codes are prioritised by management, as this is one of the key objectives of this study.

This discussion above has mentioned the historical background relating to South Africa during the apartheid era, post-apartheid laws and corrective actions undertaken by government to rectify past injustices and the five BEE codes that all contribute to eliminating socio-economic injustices caused by apartheid. The next section reviews the role players involved in BEE implementation from a macro perspective.

## **2.6 The role players involved in BEE implementation**

This discussion reviews BEE agencies, the South African government and organisations that were identified as the three most commonly associated role players for effective BEE implementation at a macro level.

### **2.6.1 The role of BEE agencies**

BEE agencies have commonly been associated with the appropriate strategies to effectively support organisations. Therefore, their role in supporting BEE implementation is critical. The second role of BEE agencies has been identified as being “watchdogs”, as this is critical for monitoring and certifying effective BEE implementation (Andrews 2008: 91). Although the government initiated the BEE Act (2003), BEE agencies are private agencies that serve a critical dual role in the successful implementation and verification of BEE compliance (Shava 2016: 161). It is further highlighted that both BEE roles (implementation and evaluation) cannot be fulfilled by the same agency for an organisation. Therefore, an independent verification agency must assist a potential BEE-compliant company to obtain its BEE score (Burger 2009: 21). These agencies have to verify and certify the company’s BEE

status independently and objectively, especially considering that BEE codes have many fronting tactics that require independent verification (Siko 2008: 62).

BEE agencies provide organisations with support, including a qualified analyst to address BEE legislation, including the five codes discussed above, and aligned with the organisational requirements for compliance and training. BEE agency support also includes the preparation of supporting documents for an audit to ensure a swift rating process (Empowerdex 2018). In addition, Ernest and Young (2012) recommend that organisations interested in BEE compliancy should commence with a “current state assessment” and follow through with a “future development plan” with the support of a well-established BEE agency. A unique implementation strategy can be anticipated with realistic capabilities and organisational needs, together with reporting and monitoring frameworks for all stakeholders (Ernest and Young 2012). The authors further maintain that BEE agencies can advise on mergers and acquisitions by identifying investment opportunities and BEE partners, capital raising and structuring BEE transactions for organisations. They add that the role of a BEE agency includes supplier development models through the supply chain and also that organisations should anticipate regular changes to their BEE strategies, as circumstances and the business environment changes. These points made by the authors clarify how a BEE agency can assist an organisation in terms of best practise and maximum scoring, with expert advice for an organisation’s BEE strategy.

In addition to the supportive and assisting role played by BEE agencies, BEE implementation is also officially monitored, evaluated and certified by these BEE agencies (DTI 2013). Seate, Pooe and Chinomona (2016: 9) explain that BEE agencies are able to audit a scorecard for factual correctness with objective evidence that specific requirements have been fulfilled by an organisation. Therefore, the process and activities conducted by a verification agency include assessment, verification and validation of the BEE score awarded to an organisation. In addition, Gumede (2013: 173) states that BEE agencies themselves need to be accredited by various processes, as reflected in Table 2.2.

**Table 2.2: Key role players in the BEE verification process**

<b>Role player</b>	<b>Role and responsibility</b>
Accreditation body (SA National Accreditation System)	Accredits verification agencies to perform verification assessments, evaluations for measured entities and issue BBBEE certificates. The accreditation body is also responsible for ensuring the consistency and quality of the verification process.
Verification agency	Assess, verifies and issues BBBEE verification certificates to a measured entity
Association of BEE Verification Agencies	Promotes the objectives of the BBBEE Act and the Codes, high levels of professionalism and competence and represent the BEE verification sector in its dealings with the DTI, SANAS, the public and other relevant stakeholders
Independent Regulatory Board of Auditors	Approves registered auditors to provide BBBEE assurance and services and to issue valid BBBEE status level certificates-to measured entities
B-BBEE approved registered auditors	Only approved Registered Auditors are responsible for assessing, verifying and issuing BBBEE verification certificates to a measured entity.

*Source: B-BBEE, Broad Based Black Economic Empowerment; DTI, Department of Trade and Industry*

Source: DTI 2013

Table 2.2 above highlights the roles and responsibilities of BEE agencies, from the BEE auditors to the South African National Accreditation System (SANAS), for their process of accreditation to become valid role-players through the BEE implementation system. The table indicates that BEE agencies need to follow approved accreditation from the governing bodies that monitor and evaluate BEE transformation. This five-tiered approach indicates the rigidity of structure and control of BEE agencies that support the monitoring, evaluating and certification of BEE implementation within South African organisations.

This discussion has briefly reviewed BEE agencies as role players in the implementation and evaluation process. The next section looks at the role of government in BEE implementation.

### **2.6.2 The role of Government in the implementation of BEE**

The ANC government has been responsible for transformation of the economy since 1994. As a key role player, it consistently aimed at building the Black middle class and encouraging the private sector to set aligned benchmarks and targets within a timeframe (Mattes 2015: 665). Hence, the need for this discussion on its role in BEE

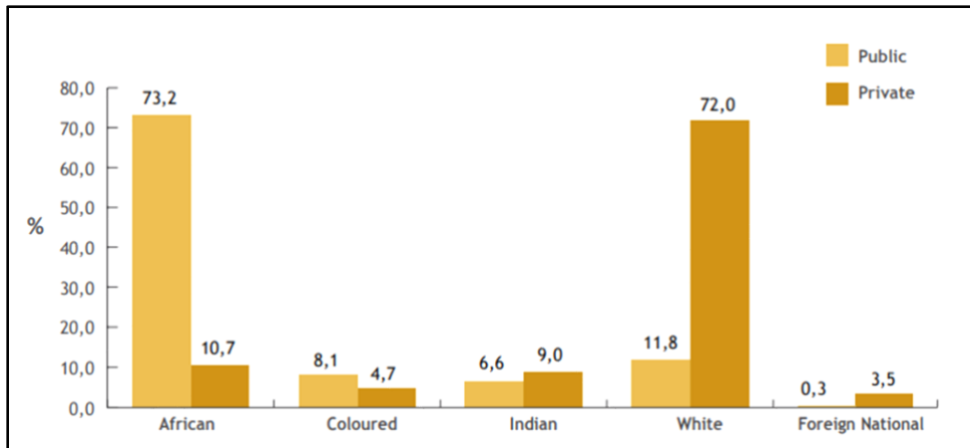
implementation. Within the government, the DTI is specifically recognised as the custodian of the country's BEE policy that facilitates the empowerment and development of trade, inclusive of growth and employment creation (Southall 2014: 647).

As mentioned above, SANAS, together with the DTI, is responsible for accrediting BEE agencies in order to manage and control the BEE implementation and evaluation process. The role of government is, therefore, to ensure that vetted and accredited agencies are executing the implementation of BEE successfully as intended (South Africa, DTI 2013). The South African government, as a key role player in the BEE implementation process, also established the Black Economic Empowerment Advisory Council (BEEAC) to guide the government on BEE, review success among organisations maintaining BEE compliancy, advise on the codes of good practise or any developments and changes to the BEE Strategy, and to make recommendations on all such issues (BBBEE Act 2013).

In addition, the BEE Commission (BEECOMM) was also introduced by the government with various functions which include supervising and promoting BEE to foster cohesion between the public and private sectors. The BEECOM also undertakes queries and complaints, and advocates access to schooling programmes and opportunities, maintaining a registry of major BEE transactions for analysis, and promoting good governance and accountability (BBBEE Act 2013).

The role of the government in BEE is further noted through the active levels of Black employment positions in public organisations as compared to those of private organisations. South Africa's EAP is an evaluation of people between the ages of 15 to 64 years who are either seeking employment or employed and is used in analysis to determine the magnitude of under-representation of these designated groups (Sharma 2017:38). The latest Commission for Employment Equity (CEE) Report (2017) relates to the EAP description above and indicates that public organisations (government owned or managed) exceed in Black representation at top management level versus that of private organisations.





**Figure 2.4 Workforce at top management level by race: public and private (2017)**

Source: 17<sup>th</sup> Commission for Employment Equity annual report (2017)

Figure 2.4 above shows that the private sector is the biggest employer for White people (72 percent) and Indian people (6.6 percent) in top and senior management positions, while Black and Coloured people are employed to a large extent by the government in the public sector. Black people are mostly represented in state-owned companies, with Black males occupying influential top management positions. Figure 2.4 also indicates that the public sector is dominated by the Black and Coloured groups, although they are still short of the EAP statistic. This leaves room for government to improve the shortfall towards meeting the EAP target as a key role player in the BEE implementation process. This report further confirms the level of inequality from a top management perspective indicating room for more Black representation especially among private organisations in order to restore balance and have more economically active Black people benefit directly at grassroots level.

Moleke (2006: 4-5) confirms that the state is an employer that must account for the majority of success with regard to racial representation and the enhancement of Black people in the market, as the government is recognised as a key role player in the implementation of BEE. The preceding discussion has looked at the role of government with regard to BEE implementation. The next section briefly reviews the role of organisations (public and private) in BEE implementation.

### **2.6.3 The role of organisations**

This discussion examines the role of private organisations in particular with regard to BEE implementation. Private organisations are recognised as one of the key role players that can aid in reducing the inequalities of the past, such as alleviating poverty, by creating employment or skilling and training Black people, and through the absorption of PDIs into the mainstream economy (DTI 2013). Whilst poverty is also an incredible challenge worldwide, the role that South African organisations can play in alleviating poverty and inequality is a tremendous one (Swira 2014: 15; Reddy 2015: 9). In support of organisations' role towards BEE, Gule (2012: 26-27) notes that some South African organisations have understood and prioritised macro development of the economy through BEE and transformation initiatives at the top of their agendas, creating internal structures that specifically deal with transformation-related matters, developing transformation committees and appointing transformation officers to support and facilitate their initiatives. It is therefore noted that organisations need to ensure their dedication to maintaining social change through significant programmes, beneficial to those who have been disadvantaged in the past.

As discussed above, the five BEE codes are key for successful BEE implementation among organisations (public and private). It is also recognised as the organisations' responsibility to internally evaluate and monitor these BEE codes with the support of BEE agencies (Gumede 2013: 173; Seate, Pooe & Chinomona 2016: 7). Changes to organisational operations, such as the inclusion of BEE codes, demand that the corporate sector should play an active key role, taking into account the requirements of previously disadvantaged South Africans. In this way, they would promote transformation and involvement of Black people in the economy in order to accomplish considerable change in the race composition of management and ownership structures (Venter, Levy, Conradie & Holtzhausen 2009).

It is further critical for organisations, as role players, to understand that the greater responsibility to fast pace transformation lies particularly amongst private organisations (Duffett, Van der Heever & Bell 2009: 19). It is understood that for transformation to be sustainable and effective, an all-inclusive and balanced approach must be undertaken amongst these private organisations and these factors must

remain important, or the organisational fate may eventually lead to destruction (Thomson 2007).

Organisational sustainability is also crucial in ensuring that industries are able to keep operations open, workers employed and make a profitable contribution to the nation's GDP. In support, Kuttel (2010: 28) is of the opinion that sustainability must go beyond philanthropy and be integral to organisations' business activities by understanding that their businesses cannot prosper in a deteriorating society. Organisations have therefore set up deliberate efforts to improve the socio-economic circumstances within the communities in which they operate. Economic transformation is thus a key responsibility for businesses as these businesses need support in developing the South African economy at large (Meyer 2010: 18). Organisations are therefore acknowledged as key role players for the successful implementation of BEE across the country.

In addition, South African organisations are subjected to mandatory legislation, such as the Companies Act (2008), which influences operational capabilities and, as a result, some organisations have recognised the need for the implementation of a BEE strategy as paramount to the transformation agenda in helping to redress past injustices (Kruger 2011:207).

The Companies Act (2008) is applicable to all businesses and supports the notion that companies for profit or non-profit organisations consisting of public, private and state-owned companies should be involved with and serve the communities in which they reside. The Companies Act promotes compliance with the Bill of Rights as indicated in the Constitution in the following ways, through the application of company law:

- Promotes the development of the South African economy;
- Encourages entrepreneurship;
- Encourages high standards of corporate governance given the significant role of enterprises within the socio-economic life of the nation;
- Promotes the concept of a company as a means of achieving economic and
- social benefits and continues to provide for the creation and use of companies

- in a manner which enhances the economic welfare of South Africa;
- Provides for the formation, operation and accountability of non-profit companies in a manner designed to promote, support and enhance the capacity of such companies to perform their functions;
- Balances the obligations of shareholders and directors; and
- Encourages responsible management of companies (South Africa, DTI 2013).

From the above, it can be deduced that the purpose of the Companies Act 71 of 2008 is related to what BEE intends to achieve. Therefore, the attributes above from the Companies Act can be utilised as binding legislative requirements for organisations as they support the same intentions of BEE, although BEE is not obligatory legislature to which all companies must comply.

There is also a noticeable organisational mind shift from solely focussing on profit to consideration for the environment and society (Dimitrov and Davey 2011), particularly where sustainability is critical for the long-term survival of the organisation and the environment it operates in (Groenewald and Powell 2016). The King IV Report (2016) on Corporate Governance further ensures the South African corporate sector through core principles, whereby social imbalances have to be eliminated and redress initiatives are incorporated within the bigger transition to sustainability (PWC 2011). This comprehensive report requires companies to actively lead the relationship with their stakeholders (Olson 2010: 222-223; Andreason 2011: 131). The King IV Report also supports organisations playing an active role with respect to BEE. This aspect is elaborated on in the discussion below.

#### **2.6.4 King IV Report and corporate governance**

This discussion reviews the King IV Report and the concept of corporate governance, which explains the role of organisations within the communities in which they reside. The King Report similarly supports the objectives of BEE as this report is written with the intention that organisations should comply with governance principles, both in South Africa and internationally. The King code of governance principles and the King IV Report on Governance (2016) was introduced by the Institute of Directors in South Africa (IODSA). This body of directors focuses on conducting integrated business

reports annually that detail how a company has impacted progressively and unprogressively on the economic lives of their surrounding communities and further explains that the company intends to rectify the negative implications, while also elevating the positive aspects (King III 2009).

Similar to the Companies Act, this report identifies a company as fundamental to society, and is also described as an employer or wealth initiator with immense human and monetary capital (King IV 2016). In relation to the Bill of Rights as provided for in the Constitution, society also possesses a moral perception of companies, whereby companies are flawed if they embark on a profit journey alone. The companies must therefore include dignity, equality and freedom as qualities that guide them with their stakeholder interaction. Companies must therefore be recognised as social entities with responsibilities and rights and, as such, the Bill of Rights is applicable to these companies, expecting more than financial consideration.

It is further highlighted by the King IV Report (2016) that there is an association between compliance with the law and good governance, as these two factors do not operate in isolation. The duty of directors of governance and officers of law is similar as they both speak to the duties of skill, diligence, care and fiduciary duties. The King IV Report (2016) is also centralised around leadership, corporate citizenship and sustainability which is elaborated on below:

- **Good governance is about leadership:** characterized by ethical values, accountability, fairness and responsibility, transparency and ubuntu, whereby responsible leaders guide companies to achieve sustainable economic, environmental and social performance.
- **Corporate citizenship** stems from the fact that a company is a person that is required to operate in a sustainable manner. These sustainable considerations are further noted in the South African Constitution which imposes responsibilities upon people and juristic persons in support of fundamental rights.

- **Sustainability** is regarded as a key economic and moral necessity, as nature business and society are connected in diverse ways which must be interpreted by leaders who demand a change in the way companies organise themselves.

It is also noted globally that companies which are successful in the twenty-first century also drive good corporate governance and summarises this to focus on people, planet and profit all together (England 2011). It is also important to note that South African listed companies specifically are regarded positively by foreign institutional investors amongst emerging economies as a result of these listed companies following sound governance principles. The discussion above has highlighted the reasons supporting the King Code of Principles and Practices on a non-legislated basis (Price Waterhouse Coopers 2019).

In addition, the ethical foundation for the King IV Report (2016) comprises:

- **Responsibility:** to take corrective actions that maintain a company on a strategic path.
- **Accountability:** able to justify decisions
- **Fairness:** to give fair consideration to all stakeholders
- **Transparency:** to disclose information which allows stakeholders to make an informed evaluation of the company's accomplishments and sustainability.

Similarly, the triple context (economic, environmental and social issues) and ethical foundation, can be related to the expectancy of a company through BEE implementation, considering that both good corporate governance and BEE align with similar objectives of socio-economic development. It is further noted that social transformation and apartheid redress should be integrated within the broader transition for sustainability. It is therefore acknowledged that integrating sustainable and social transformation could provide greater opportunities and benefits for society and companies.

Drawing from the King III Practice Notes (2014), Chapter Nine speaks directly to BEE, acknowledging the past socio-economic imbalances, and that transformation is a constitutional, business and social imperative. PDI's contributions are recognised as valuable for a healthy socio-economic environment where the onus rests upon business to uphold law in a manner that goes beyond a tick box compliance approach with a guideline of substance over form. The Practice notes further dictate that BEE redress initiatives should be accountable at a board level to ensure integration into sustainability agendas, ensuring that organisations develop a BEE policy forming part of business performance and risk management, with targets and reporting, accountability and prioritising BEE interventions at the executive committee of Board of Directors responsibility. It is further suggested that a committee of the board be established for this purpose, with responsibility to monitor compliance with the objectives of BEE, and further that such a body must be chaired by an independent director for objective oversight (KPMG 2019).

The King IV Practice Notes (2016) provide a guideline on best practice as to how to integrate BEE reporting into strategy that informs stakeholders with sufficient information regarding compliance. According to Deloitte (2019), these recommendations for reporting on BEE include:

- List empowerment credentials of five biggest suppliers; the categories of goods and services procured from these entities, together with the impact of such expenditure on job creation – aside from just the percentage of spending on empowered organisations;
- Comparative year on year statistics demonstrating the reasons for progress or lack thereof against the targets;
- Comparative data against industry B-BBEE benchmarks, to contextualise;
- Include the organisation's BEE rating scorecard, volume of Black people employed, proportion of senior management remuneration paid to Black people, Black skills acquired, employment equity progress made, development and retention of key Black skills (intellectual capital), significant roles played by Black people on the board committees; and

- The overall empowerment impact made in the communities where companies reside.

Having addressed the role of good corporate governance in support of BEE implementation, the following discussion looks at monitoring and evaluation tools for BEE implementation.

## **2.7 Monitoring and evaluation tools for BEE implementation**

This discussion reviews the BEE scorecard and associated BEE recognition levels for compliancy. It is understood that the ultimate responsibility for BEE implementation lies within private organisations which can be supported by BEE agencies, as mentioned previously. In order to execute this compliance, the most important tool to execute successful implementation is the BEE scorecard, utilised by both organisations and BEE agencies. These rules for BEE are grounded in the generic scorecard which is discussed below.

### **2.7.1 The BEE scorecard tool (2013)**

The generic codes for BEE monitoring and evaluation, which came into effect on 9 February 2007, applied to all enterprises except those with an annual turnover of less than ZAR10 million. Exempted Micro Enterprises (EME's) are commonly granted a specified BEE status. Enterprises with an annual turnover between ZAR10 million and ZAR50 million are described as Qualifying Small Enterprises (QSEs) and these organisations can elect to be measured on any three of the five BEE codes. Larger entities with an annual turnover of ZAR50 million and above are required to comply with all codes (Esser and Dekker 2008: 157-158). Certain industries such as mining, financial services and liquid fuels have developed their own transformation charters which provide for BEE targets specific and individual to their respective industries, providing guidance on BEE by relating the practicalities of BEE within the context of their industries (Gumede 2013: 170).

In order to assess the extent to which organisations comply with the BEE codes, the BEE Act authorises the Minister of Trade and Industry to issue Codes of Good Practice to promote the purpose of the Act (Kloppers 2014). The Minister may review the Codes at any stage, and regular reviews take place to monitor the implementation of B-BBEE



throughout the economy (BBBEE Act 2013). Measuring the success of BEE is completed through the BEE scorecard which is recognised as a measuring tool or instrument and this is discussed in more detail below.

The BEE scorecard has been developed to measure the extent to which a business is BEE compliant, although there is no mandatory coercion or legal obligation on all enterprises to conform to BEE codes (Davies 2013). In addition, the Summit Report (2013: 9) explains that the codes aim to provide a standard framework for the measurement of BEE across all sectors of the economy. The generic BEE scorecard (2013) is the instrument used to monitor, evaluate and measure an organisation’s level of compliancy toward BEE implementation (The DTI: Amended Broad Based Black Economic Empowerment Code of Good Practice 2012). In efforts to monitor and measure BEE implementation, the scorecard tool is utilised. This is discussed below.

**Table 2.3: BEE recognition levels**

BBBEE Status	Number of Weighting Points Required
<b>Level 1</b>	≥100 points
<b>Level 2</b>	≥95 but <100 points
<b>Level 3</b>	≥90 but <95 points
<b>Level 4</b>	≥80 but <90 points
<b>Level 5</b>	≥75 but <80 points
<b>Level 6</b>	≥70 but <75 points
<b>Level 7</b>	≥55 but <70 points
<b>Level 8</b>	≥40 but <55 points
<b>Non-Compliant</b>	<40 points

Source: www.werksmans.com (2019)

Table 2.3 highlights the levels of BEE compliancy that an organisation holds post evaluation, depicting the range of possible points that can be scored and the recognition level awarded. With consideration to the overall performance of the measured entity, a BEE status will be granted with a respective recognition level. The number of points scored from the five BEE codes are converted and recorded on a BEE certificate whereby the highest and most favourable is level 1 which has a BEE

score of 118 or more points and a recognition of 135 percent. The lowest and least favourable score is below 40 points which would mean that an organisation is non-compliant with 0 percent procurement recognition (BBBEE Act 2013). These procurement points are required for government procurement as addressed earlier under the preferential procurement discussion. Despite BEE compliancy being non-obligatory, should an organisation wish to transact with government or another BEE compliant organisation, they would need a favourable BEE score (Steyn 2013).

The above discussion reviewed the evaluation and monitoring tool for BEE implementation through the scorecard and codes, as well as BEE recognition levels. The challenges of BEE implementation, together with reactive strategies, are important, and are addressed from a macro perspective.

## **2.8 Challenges and strategies at a macro level since BEE implementation**

This discussion reviews the challenges and strategies relating to BEE implementation as one of the most important tasks that lie ahead for some organisations in the country (De Klerk 2008: 39-40). Although the South African democratic government intends well with its BEE Act, there are various challenges and weaknesses which are suspect to influence (Ndlangamandla 2014: 42). An overview of some macro challenges is incorporated below, including the narrow to broad-based BEE approach, BEE implemented for PR and social benefit, window dressing and fronting, doing business with South Africa from a foreign investment perspective, as well as inequality and the slow pace of BEE implementation which prevails at a macro level. One of the most common challenges at the macro level is the narrow-based approach to BEE implementation which is addressed below.

### **2.8.1 Narrow to broad-based BEE**

The first phase of narrow empowerment (1994-2000) was strongly characterised by Black ownership deals which were projected to result in empowerment being driven from the top (Ponte, Roberts & van Sittert 2007: 933) as it was anticipated that once Black people shared the control of an organisation, they would encourage transformation from within the organisation, thereby stimulating the economic development of other Black middle-class people. Through this narrow-phased approach, the challenge surfacing is that Black people holding ownership and

management positions have little or no time to focus on driving transformation or helping others enter the mainstream economy due to their individual workload and adaptation to the newly founded organisational environment (Jack & Harris 2007: 18).

In addition to the narrow based challenges, Black people possessing ownership in organisations do not have real control, further limiting the Black beneficiary base to those who have the chance to build equity stakes or be tasked into senior positions, often referred to as “the elite” (Jeffery 2015). BEE initiatives from 1994 through to the early 2000s was criticised for this narrow approach for only the Black elite having benefitted from BEE, while the majority of the PDI population did not integrate into the mainstream economy and is also important to note that the elite is still considered to continually benefit from BEE deals (Patel & Graham 2012: 193).

Migiro (2010: 178) states that more than R200 billion was spent in BEE equity transactions; however, the success of BEE remains conflicting. He explains that the success of drawing Black people into ownership positions and productive participation in the economy indicates mixed results, as more than 75 percent of the private sector is non-BEE compliant, and unemployment and poverty indicators are rife, while income discrepancy widens. This statement further indicates that levels of socio-economic inequality still exist post the broad-based approach to BEE implementation.

The ownership related challenges (Acemoglu, Gelb & Robinson 2007: 35) therefore required a revision of the BEE policy which de-emphasises ownership, increasing the focus on other aspects, such as increased productivity and the broader transformation of the economy. Similarly, the scoring of BEE codes reduced focus on ownership and increased the aligned importance of enterprise and skills development accordingly. Through the narrow approach of BEE, the emphasis of ownership points was most important and has since shifted to the Enterprise and Supplier Development Code as a priority code.

Another challenge noted is that BEE agencies do not have the authority to enforce BEE legislation in the way that government does and are merely a third party to the BEE initiative, and there are no sanctions or levies to penalise guilty organisations (Balshaw & Goldberg 2005: 42-43). The authors explain that some organisations were

found guilty of fronting and window dressing during the narrow BEE approach whereby BEE agencies were challenged to utilise their discretion in resolving fronting practices amongst guilty offenders. In an effort to meritoriously deal with the menace of fronting, BEE agencies, and/or procurement officers are encouraged to obtain a signed affirmation from organisations to verify services provided and further recognises and accepts that the verification agency and or procurement officer may report fronting practices to the DTI (Naidu 2008: 19). In addition, Jain and Horwitz (2011: 12) is of the opinion that South African Labour Inspectors need to be given greater flexibility and responsibility for BEE auditing purposes, as this process is currently still a challenge that needs to be addressed.

In response to some of the BEE failures during the narrow approach, the government enacted the BEE Commission (BEECOM), which laid the foundation for the revamped Broad-Based BEE Act in 2003 (Ponte, Roberts & van Sittert 2007: 933). Various challenges were discussed in relation to the narrow-based approach and some of these challenges are noted to persist through the broad-based BEE approach (Patel & Graham 2012: 193; Terrazas 2004: 2).

The various macro challenges encountered through the narrow-based BEE approach were highlighted. However, another challenge noted is the exploitation of public relations (PR) in social spaces in exchange for positive BEE scorings. PR and social recognition have also been cited as a common challenge to successful BEE implementation, as BEE is implemented for media exposure, rather than in the true spirit of transformation.

### **2.8.2 PR and social recognition**

Another macro challenge that remains for BEE is that some companies spend notable amounts on BEE and social responsibility programmes, with the underlying intention of creating positive PR for their organisation. These organisations are recognised as fickle in supporting charities, as they direct efforts and funds from one charity to another, which often generates more favourable PR, rather than the true intentions of what BEE aims to achieve (Ramlall 2012: 270).

The challenge noted with this approach is that charity-hopping does little to bring benefit to those receiving support and it is therefore recommended that organisations identify a long-term sustainable view by supporting those charities for a sustained period (Ndlangamandla 2014: 17). In addition, Rockey and Smith (2014: 5) maintains that these societal imperatives generally have a more memorable impact on reputation and are intuitively the kinds of indicators people use to inform their trust in companies; therefore, BEE and Corporate Social Investment CSI related activities should not be misused for PR or public favour. In addition, a commonly cited macro challenge noted through the implementation of BEE is also that of window dressing or fronting, which is discussed below.

### **2.8.3 Fronting and window dressing**

The other commonly cited challenge is that of fronting which is defined as a transaction which undermines the achievement of BEE objectives for an enterprise to ascertain a required level of BEE compliancy without allowing a Black person the benefits that would realistically be anticipated in association with the position or status (Burger 2009: 16). It is further noted that fronting often involves reliance on data or assertions of compliance based on misrepresentations of facts, whether made by the person or party declaring compliancy or by any other individual (DTI 2007).

In addition, the term “window-dressing” is also closely associated with fronting challenges which describes the situation where Black people are appointed to a business on the basis of minimum effort and skin colour, whilst they are prevented from significantly contributing in the activities of the business (DTI 2012). Jack and Harris (2007: 228) explain that some guilty organisations earn points for the positions held by Black people without them properly managing or controlling organisations in productive roles. Foreign organisations and other countries doing business with South Africa is another commonly cited challenge which also affects the macro environment for BEE implementation.

### **2.8.4 Foreign organisations doing business with South Africa**

According to the Global Competitiveness Report (2011/2012) there are a number of challenges when foreign organisations do business in South Africa. Such challenges range from an ineffective government organisation, to an unsatisfactorily educated

workforce and constricting labour regulations. It is noted that South Africa ranks 95<sup>th</sup> in the labour market for efficiency as the quality of the workforce still requires investing in people skills (Dawson 2012: 59). It is further noted that the skills challenges in turn hinder the potential for foreign investors and trade due to the lack of skills which BEE still intends to rectify.

It is further highlighted that, should a foreign company wish to participate in a South African tender process (private or public), they will be required to obtain a BEE scorecard in order to demonstrate how BEE compliant their organisation is (The DTI: 2016: 9). The BEE Act (2013) further requires additional time and costs for foreign investors (especially if they are involved in tender processes). It is understood that investors are trying to understand the BEE policy and capitalise on the commercial gains. However, BEE is recognised as difficult due to local requirements considering that the BEE programme requires organisations to develop targets for transformation in various areas, such as management control, skills development, ownership, socio-economic development and enterprise development (Mebratie & Bedi 2012: 94).

It is further understood that South Africa risks losing current and future Foreign Direct Investments (FDI) should the government demand that multinational companies trade equity in their local businesses (Waldkirch & Ofori 2010: 1114). The authors state it is therefore important to note that foreign investors are not easily convinced of the merits of selling shares to local personnel, as the fees incurred in searching for Black talent and developing Black people are recognised as expenses. Similarly, Ferreira and de Villiers (2011:22) reflect on a South African BEE ownership deal which was flagged as controversial considering that the Australian company, Drillcorp sold its African subsidiary to evade a BEE transaction.

Kim (2010: 93) further recommend that FDIs become more fluid within the country, as this will ultimately support BEE and growth of the economy at large, considering that BEE hinders foreign investors and attracting business into the country. In addition to the FDI challenges, various challenges are described from a macro perspective, including the slow pace of BEE implementation and inequality which are addressed below.

### **2.8.5 Slow pace of BEE implementation**

It was noted earlier that the apartheid system encouraged discrimination at the political, social, economic and constitutional levels, and this discrimination has not been resolved completely (Kanjere & Ngwakwe 2017: 47). This further contributes to the slow pace of PDI representation within the workplace. The slow pace of implementation has therefore challenged BEE implementation from a macro perspective with regard to the entry of Black people into management control and structures that are criticised for not creating a supporting environment for motivation and continuance of BEE implementation (Esser & Dekker 2008: 157; Nattrass 2014: 12 & Andrews 2008: 75). It has taken many years since democracy to bring about macro development and social upliftment for the marginalised and poor as the process has been “government-centred and top-down”, with minimal success. Hence, there is a need for the prompt and active role of organisations to aid in speeding up the process of addressing socio-economic inequality (Sharma 2017:35; Hartley 2012: 32). Further, efficient links between organisations and government initiatives are therefore required to promote good governance as one of the more important objectives to ensure continued economic development (Thomas 2014; Roman A.G; Roman C. & Boghiu 2012).

Bhyat (2015: 1-34) maintains that little has been done to vigorously change South Africa’s organisations in a manner which will allow growth in the future as she anticipates little transformation in prominent roles. In agreement the Jackhammer Executive Report (2015) similarly calls for more aggressive changes within leading positions across industries.

The Jackhammer Executive Report (2015) profiles South Africa’s top companies and indicates that organisational transformation and change has occurred diminutively since Jackhammer’s previous CEO research in 2012. The report highlights an insignificant representation from Black and female candidates and shows that the captains of the country’s top forty companies continue to be White males aged fifty plus. Despite increased Black executives found in senior positions, only fifty percent of them are enabled to reach peak jobs as envisioned by the BEE Act (Janssens, Sefoko, Van Rooyen & Bostyn 2006: 384-385).

In addition, Jackson, Alessandri and Black (2011: 229-230) maintain that despite BEE supporting a transformational drive in the social, political and economic landscapes of post-apartheid South Africa, the pace of BEE implementation remains questionable. Similarly, Jack and Harris (2007: 21) states their concerns that organisations are too slow to embrace transformation, as the success of BEE relies heavily on future-perspective leaders and there are unfortunately very few of these. The author therefore encourages managers, leaders and organisations which drive transformation to adopt a sustainable perspective as this is the only hope for economic transformation to succeed in South Africa.

It is further understood that the pace of transformation has never been more challenging as compared to the current evolving organisational context. Lindeque (2013: 8) maintains that tomorrow's world will be different from that of today, calling for new organisational approaches, as business leaders presently face risks unlike those of the past. Despite the positive BEE intentions and execution from some organisations, business leaders are ultimately required to be accountable for meeting their BEE commitments towards development and transformation within their organisations (Masipa 2018: 1). However, this is based on their voluntary participation, which is one of the reasons for the slow pace of BEE implementation.

South Africa is still regarded as being in the process of change and transformation (Croucher & Miles 2010; Detomasi 2006), commanding good governance in promoting the contributions made by organisations to the social development of PDIs. It is therefore recommended that BEE should not be viewed as a burden to organisations but should rather be seen as a requirement to promote growth (Mabuyakhulu 2010). BEE transformation cannot be accomplished by government alone; therefore private stakeholders, such as companies, share the accountability to assist with transformation of the country as key role players in the process (Young and Thyil 2008: 94; Flemming & McNamee 2005: 137; Francis & Armstrong 2003: 376; Diale 2010). Similarly, Gule (2012: 26-27) emphasises that, although the success of BEE and organisational transformation is still in progress, it has been successful for the country considering the history and restrictions of the apartheid era. In agreeing with this view, Kruger (2011: 207-209) maintains that BEE has the ability to change the nature of



organisational transformation and corporate sustainability in South Africa, hence reaffirming the need for this study.

In addition to the challenges mentioned above, Emkes (2012: 200-209) maintains that the academic literature relating to transformation in South Africa has many gaps, including areas such as BEE, as well as the associated challenges and the factors necessary for the successful implementation of the policy. As a result, the lack of information in this area of study resonates with misperceptions over how to execute BEE strategies and the level to which it can act as a change agent within South Africa (Grant & Borchers 2011: 25-27). Hence, this lack of BEE and transformation information, can also be attributed to the slow pace of BEE compliancy, thereby elevating the importance of this study. The macro challenge of persisting inequality is further elaborated on below.

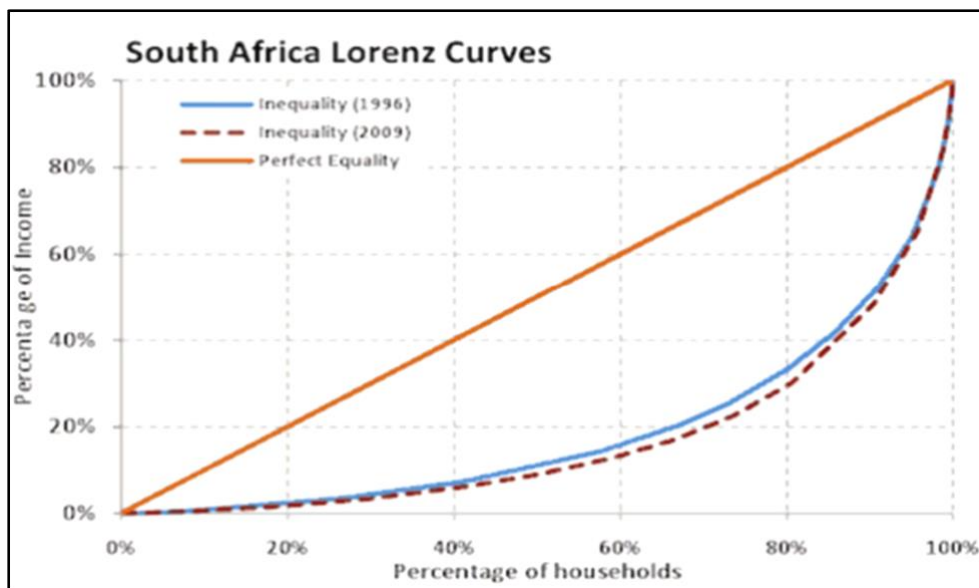
#### **2.8.6 Inequality continues**

Although a degree of wealth transfer has occurred overall, Whites still hold a wealthier share than Black people. The average White person has sixteen times more assets when compared to the average Black person (Baker 2010: 5). This points to room for improvement in order for equality to be achieved amongst Black South Africans. Hamann and Reddy (2015: 13-16) agree that a lack of progress is noted in BEE deals as challenges remain with regard to poverty, housing, basic services, unemployment and inequality. In addition, Kovacevic (2007: 6) states that BEE initiatives have achieved minimal results in eradicating inequality. Davies (2013) maintains that South Africa's deep pockets of poverty and racially skewed unemployment and deprivation are arguably the highest rates of inequality across the world and necessitate a more inclusive set of policies.

It is important to note that, as at 2017, the poorest twenty percent of the country's population consumed less than 3 per cent of total expenditure, while the wealthiest 20 percent consumed 65 percent, making South Africa one of the most unequal countries in the world (World Bank South Africa 2017). Whilst Statistics South Africa (2017) explains that the income per capita Gini coefficient (income inequality) has decreased from 0.72 in 2006 to 0.68 in 2015, there are however prominent variations amongst different population groups. Black people in particular have the highest income

inequality with a Gini coefficient of 0.65 in 2015, increasing from 0.64 in 2006 (Statistics South Africa 2017).

Despite BEE aiming to reduce inequality, these statistics show that inequality prevails through the masses, and is indicative of the need to improve inequality in the country. To further contextualise the concept of inequality within a South African perspective, the study makes reference to the Lorenz Curve (1905) which is utilised in economics as a graphical representation to indicate the distribution of wealth or income.

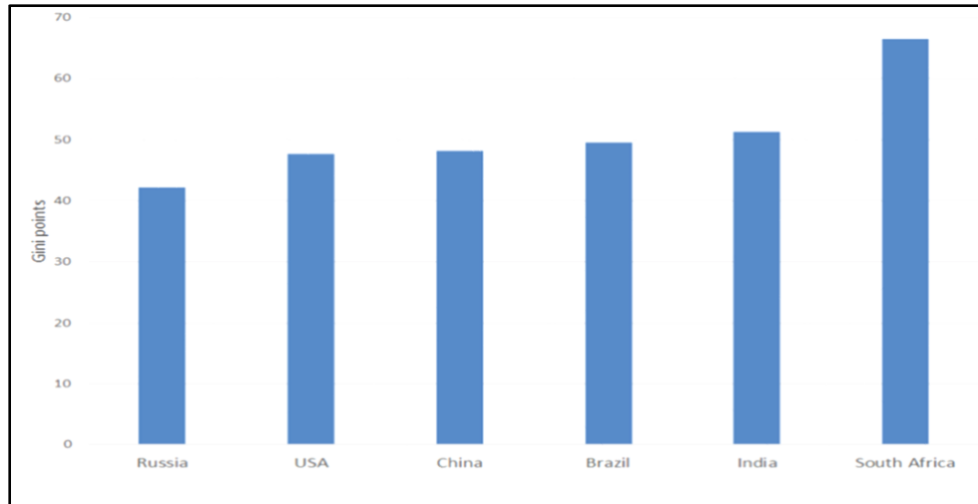


**Figure 2.5 South Africa Lorenz curves (2012)**

Source: Department of Trade and Industry (2012)

Figure 2.5 above is a Lorenz Curve which portrays South Africa's Inequality status as at 2009. The X axis reflects the percentage of households and Y axis reflects the percentage of income. The curve results indicate that South Africa's state of inequality has increased with time when comparing the 1996 position to that of 2009. The implication of this data is necessary to highlight the great need for equality within the country. Reddy (2015:12) and Sharma (2017:34) further add that the legacy of apartheid propagates poverty and income inequality, and with respect to what BEE aims to achieve, equality can be reached through BEE initiatives if more organisations comply at a more rapid pace.

By comparison, from a global perspective, it is noted in Figure 2.6 below that South Africa scores the highest level of inequality, being higher than Russia, the United States, China, Brazil and India (Agarwal 2009).



**Figure: 2.6 Income inequality per capita income (2011)**

Figure 2.6 above shows that South Africa is amongst the most unequal countries in comparison to international equality standards around the world. Tregenna and Tsela (2012: 35) state that substantial continuous equality can only be achieved if there are policies driving equality to decrease the inequality level in South Africa. The discussion above indicates the necessity to improve inequality in South Africa through the support of BEE initiatives to aid in socio-economic development.

Another macro inequality challenge is that of gender inequality, which remains relevant for BEE in South African organisations. This gender inequality encompasses women remaining under-represented in South African corporate leadership, despite BEE and other legislation promoting gender equity (Mall 2015: 6; Stainback, Kleiner & Skaggs 2016: 109; Kinnear & Ortlepp 2016: 7; Willows and van der Linde 2016: 211). As a result, both BEE codes (Management Control Code and Ownership Code) encourage female empowerment where the scorecard allocates additional points for such measures. It is further demonstrated that females' abilities to enhance the corporate governance value and the addition of women's soft skills provide substantial

benefits which can translate into improved company performance (Wittmann 2012: 248 & Manzini 1999:4).

This discussion has reviewed some of the macro challenges associated with and hindering effective BEE implementation. In an attempt to alleviate some of the challenges encountered, the South African government intervened with remedial intervention strategies which are addressed below.

## **2.9 Intervention strategies from the government**

The BEE Act was introduced in 2003, and since then the BEE commission appointed by the government has measured the success of BEE progress, identified possible barriers in process and made observations about the pace and results of BEE to reach a decision on the challenges of meaningful participation of Black people in the economy (Acemoglu, Gelb & Robinson 2007: 35) as part of the government's intervention strategy.

The Broad-based Black Economic Empowerment Act 53 of 2003 was amended to produce the Broad-based Black Economic Empowerment Amendment Act 46 of 2013 to accommodate and amend certain definitions, clarify interpretations, promote compliancy set out by the government to strengthen the monitoring and evaluation of compliance, include incentive programmes to support Black managed and owned enterprises, enhance the recognition status of Black owned Exempted Micro Enterprises (EMEs) and Qualifying Small Enterprises (QSEs) to ensure penalties for offences (Department of Trade and Industry 2014), all in an effort to improve BEE implementation. Since the revision of the narrow approach, the main intervention strategy has been economic development and an intention to focus on benefitting the masses of Black people and not just the elite.

To overcome some of the challenges, the BBBEE Act (2013) now provides government with the right to cancel any contracts or authorisation awarded to companies that falsify BEE information, and has also introduced various criminal offences for illegal practices with offences resulting in organisational and individual fines including up to ten years imprisonment (BBBEE Act 2013).

In support of the BEE Act which addresses socio economic imbalances, the discussion below reflects on two theoretical approaches that support this study from a macro perspective, including the Social Justice Theory and Economic Development Theory.

## **2.10 Theoretical contribution**

This discussion reviews two theories; namely, the Social Justice Theory and Economic Development Theory, to support this study's macro perspective on the socio-economic imbalances of the past. These theories were identified as most suitable for this discussion on BEE implementation which aims to rectify imbalances.

### **2.10.1. Social Justice Theory**

Social justice is embedded in the South African constitution where an improved quality of life is considered imperative for all and, as a result, BEE aims to redress past injustices with equality for all, by rewarding Black entrepreneurs with equal opportunity to work, and providing an improved quality to life, reaffirming social justice within the role of BEE (Van der Walt & Ingley 2004). Gerwitz and Gribb (2002: 499) specifically highlight that, for BEE particularly, social justice reflects on equal opportunity for the marginalised and redistributing economic opportunities. In addition, Steger (2009: 113) highlights the role of the state in addressing social injustice, especially with regard to procurement systems.

Even after the establishment of South Africa's democracy, social justice still does not prevail within society and has to be attained through transformation and reform (Chipkin & Gibert 2013). Therefore, mixed responses are encountered with respect to the Social Justice Theory as it creates debatable outcomes. The Social Justice Theory has been critiqued, as some Black groups are of the belief that BEE should be in their favour, despite tensions increasing between Black and White communities (Shava 2016: 161).

Pike, Puchert and Chinyamurindi (2018: 7) maintain that social justice is articulated as the democracy and equality of an economy, by inheriting fairness and equity through government systems which execute the key rights of an economy. The authors explain how the government is therefore held accountable to influence the rights and benefits of the people, particularly the effects of apartheid which need to be reversed with

employment opportunities and equal rights for all. BEE is therefore reiterated as the ideal initiative to aid in the redress required. In support, Pooe (2016) states that BEE can be positioned as an economic tool for redressing past imbalances and draws from the Social Justice Theory, recommending that the government execute the empowerment framework to uplift the PDI population.

Social Justice has many meanings and is interpreted differently. However, for this study, social justice relates to redress for the inequality brought about by apartheid through BEE as a socio-economic initiative. BEE is in fact supported by the South African constitution and various other pieces of legislative as an initiative which can implement activities within organisations to redress social justice challenges encountered at present within the country.

Another theory which supports the macro perspective of this study is the Economic Development Theory discussed below.

### **2.10.2 Economic Development Theory**

Basic Economic Theory contends that there are immense efficiency benefits from the misaligned physical and human resources which apartheid left behind. Through the interpretation of this theory, it is understood that the government invests in education, as schools have the potential to improve the quality of human resources, especially in view of the lack of access to education and skills development resources that apartheid practices encompassed (Acemoglu, Gelb & Robinson 2007: 22). The Economic Development Theory states that when a balance between the two drivers of physical and human resources is achieved, the economy can experience growth (Mbabane 2007). In addition, Kosempel (2004: 202) explains that development relates to a process whereby countries “catch up” to wealthy countries measured by their per capita incomes. Interpretation of the above supports the need for this study to reflect the role of human resources, including skills development resources, the role of managers and employee focus within an organisation which support economic development initiatives such as BEE.

Hammer and Pivo (2016: 25-36) explain that the Economic Development Theory can also be related to the discussion of the triple bottom line, which reflects on the

economic, environmental and social value of investments for sustainable development. The triple bottom line is increasingly critical as a factor which organisations are responsible for with regard to good corporate governance, and ultimately supportive of a country's larger economic development. The issue of good corporate governance is therefore explored in the next chapter, to inform the discussion as to how organisations can support South Africa's economic development through BEE implementation.

These two theories that support a macro interpretation of BEE implementation are significant for successful BEE implementation at a macro level where BEE is initiated from the government for the greater wellbeing of South Africa at a macro socio-economic level. The next section examines international best practise for BEE with a reflection on the practices in selected countries.

## **2.11 Examples of international best practise, challenges and strategies**

A few countries have encountered similar challenges and strategies as far as redress initiatives are concerned. BEE initiatives are therefore not unique from a socio economic perspective, considering that similar programmes have been introduced in the United States of America (Anderson & Gregory 2012: 97; Jones 2016; Bacque & Biewener 2013; Johnson, Burthey & Ghorm 2008: 890), in India (Assouad, Chancel & Morgan 2018; Basu 2018; Agrawal 2016; Subramanian 2016; Ghose 2016 & Behera 2016), in Brazil (Andrews 2008: 477; Bucciferro 2017; Rossi 2018; Pose, Tomaney & Klink 2001) which has resulted in various outcomes. The discussion below briefly reflects on the initiatives from Malaysia and Namibia in particular.

### **2.11.1. Malaysia**

The most comparable international socio-economic redress initiative to South Africa's BEE is that of Malaysia's New Economic Plan (NEP) 1971. The NEP is indicative of drastically reduced poverty levels during a twenty-year period and can serve as an excellent socio-economic redress initiative that South Africa could mimic. It is understood that the Malay population constituted 57.6 percent of the total population, of which 65 percent lived in poverty. Therefore, the NEP strategy was directed at eliminating poverty and promoting greater economic equality between Malays and non-Malays (Jomo 2004: 18-19).

The initiative, which is similar to BEE and preferential procurement practises in South Africa, required that non-Malay companies which sought to tender for government contracts had to restructure their companies with 30 percent of stocks allocated to Malays for sale at a discounted price. Malaysia's redress strategy also promoted the development of a commercial and industrial community with the government utilising the allocation of licenses, contracts and quotas which are similar to South Africa's preferential procurement and BEE initiatives. The NEP strategy therefore worked well for the previously disadvantaged Malay group as their equity ownership increased from 2.4 percent in 1970 to 20.3 percent twenty years later (Haque 2003: 255).

The NEP strategy consisted of various policies in different areas including targets to achieve 30 percent local Malay (Bumiputera) ownership of capital (from the original 2 percent ownership in 1970), large scale employment in modern sectors reflective of the ethnicity of country, supportive loans and credit with financial training and management as well as tertiary education and household schemes (Lee, C. & Lee C.G 2017: 439). The NEP strategy was eventually expanded into a broader context (National Development Policy – NDP and National Vision Policy – NVP) with greater clarification in a 5-year transformation plan to reduce inequality through growth and not just a “disruptive redistribution”. These plans still remained with the central objective that NEP displayed, i.e. to eradicate poverty and restructure society (Mardziah 1998). Similarly, in South Africa, BEE was introduced in 2003 with a narrow approach and then a broader approach was enacted in 2013.

Scholtz (2012), an independent political analyst, observes that, through the NEP strategy skills development was strongly associated with education and encouraged that massive resources be poured into education specifically so that an economic spurt might occur after two to three decades of well-structured investment in training. This strategy further supports the similar role of the five BEE codes which encompass skills development and training, as well as management control from a structure perspective.

Comparisons can be drawn between South Africa and Malaysia for their socio-economic strategy challenges. On the contrary, Mathura (2009: 5) critiques that the



NEP strategy also encountered challenges and was successful only to an extent, as it was similar to South Africa in that NEP was not broad-based and only benefitted an elite few who were highly connected at the expense of the masses. Although the poverty overall declined, the wealth disparity amongst the Malays increased, as there was limited admission for non-Malays to be awarded lucrative government contracts which similarly resulted in fronting challenges amongst Malays and non-Malays (Mathura 2009:5). The NEP implementation challenges serve as important lessons for BEE in a South African context as there was a similar need to replace the narrow-based BEE approach with the broad-based approach to address the “elite barriers”, with the intention of reaching the masses through a broad-based BEE approach.

Malaysia’s economic transformation initiatives inform this study to an extent, as a guideline of best practice for South Africa’s BEE implementation in promoting greater economic equality between previously advantaged and disadvantaged citizens, thereby providing a comparison for BEE and redress with regard to apartheid challenges encountered in the past. The NEP can also be regarded as successful considering the progress made towards its objectives. From 1970 until 2002, all ethnicities experienced a drastic decrease in poverty, while the local Bumiputera increased share capital to 19 percent, as compared to the initial 2 percent, together with increased household income (Mardziah 1998). The initial inequality of control and ownership was further reduced following the successful implementation of NEP. By 1990, all affected ethnicities owned 66 percent of capital in the corporate sector (Yusof 2005).

In addition, a part of the success strategy was the reliance on the good system of statistics supported by the Department of Statistics (DOS) which aided in the implementation, monitoring and evaluation of the NEP programme. These data are supported by various sources (household income and expenditure surveys, ownership of share capital, firm surveys) which serve as an important consideration that can better support South Africa’s’ BEE implementation and evaluation initiatives. In addition to Malaysia’s socio-economic initiative, the study reflects on Namibia’s BEE transformation as discussed below.

### **2.11.2. Namibia**

Namibia's economic strategy was coined the New Equitable Economic Empowerment Framework (NEEEF) and is also based on voluntary business practice whereby government utilises all forms of its procurement and licensing to enhance empowerment and protect against fraud and fronting to create a society of equality (Government of the Republic of Namibia 2017). The private sector plays a critical role in supporting NEEEF with similar strategies to South Africa's BEE. The NEEF consists of five initiatives, including: Management Control, Ownership, Human Resources, Employment Equity and Skills Development, Entrepreneurship Development and Community Investment. Similarly, the NEEEF strategy includes sectoral charters which are specific to certain industries. Teek (2008) explains that both the public and private sectors are encouraged by government to utilise draft BEE guidelines and establish their own empowerment initiatives.

Similar to South Africa's BEE, the NEEEF has also been critiqued by those who are disadvantaged, as NEEF strategy also encompasses challenges which are perceived as only benefitting an elite few and not reaching the intended masses of beneficiaries. Namibia recognises that, in order to dispel the cycle of underdevelopment, a firm commitment to broad-based BEE implementation is essential, in particular, through ownership initiatives (Teek 2008). Considering that there is no formal policy, the recommendations were intended to develop transformation strategies which can be implemented for monitoring, measuring and evaluation, together with financial support for a sustainable approach. In addition, skills development for SMEs was also cited as an essential element for successful BEE strategy in Namibia and is similar to South Africa's BEE.

In addition, Shejavali (2007: 11) explains that Sanlam Namibia fully supports their Namibian BEE strategy by retaining and attracting skilled resources reflective of the macro environment. In addition, there is also a commitment from FNB Namibia to develop the economy by providing bursaries for skills to support the government's vision of creating jobs, prosperity and wealth. Namibia experiences a similar challenge to South Africa with regard to appointing appropriate business partners, as these partners act as facades even though real talent exists which could easily replace this form of fronting. Shejavali (2007: 14) further maintains that other financial

organisations, such as Old Mutual, Alan Gray and Alexander Forbes, are similarly taking the lead in BEE implementation strategies within Namibia. Old Mutual's BEE strategy identifies key partners within communities, such as large churches, to grow and contribute to Namibian communities, receiving shares worth N\$22.5 million. Old Mutual also introduced an Education Trust worth N\$50 million to support tertiary education scholarships to clients of Old Mutual and Nedbank. In addition, both Alan Gray and Alexander Forbes have sold 25 percent and 30 percent shareholdings in their organisations to newly founded Namibian BEE companies respectively.

Karamata and Gwari (2006) further reflects on BEE implementation within the tourism sector specifically and maintains that this sector has always been challenged by the controlling and advantaged White Namibians. It is noted that BEE implementation within this sector is challenging and not as successful as reported by comparison to the financial services sector. In addition, Henning (2006) maintains that BEE implementation strategies in the Agricultural and Fisheries Sector differ from other sectors, as the commercial land and skills are also held by White Namibians, which points to additional challenges since BEE implementation. Henning further criticises the BEE strategy's failure at a macro level to make a significant difference at grassroots level. He maintains that the term "previously disadvantaged" is misused to the advantage of those who already have more than enough, whereas BEE initiatives should be targeted to make a real difference in Namibia which is an economically divided society.

Despite the Transformational charters that support various sectors of Namibia's BEE, there is a confirmed lack of implementation. Even though there has been support for such implementation, such as training and mentorship, there is still no visible change with regard to ownership (Gwari & Shikongo 2005). The factors which contribute to the challenges of successful implementation are described as; a lack of skills; lack of start-up capital; and mistrust amongst the private sector. Therefore, the adoption of a strict national BEE policy was required (Karamata & Gwari 2006). Having reviewed Namibia's BEE implementation, strategy and challenges, these resonate with the implementation strategy and challenges noted in South Africa. Regrettably, no best practices have been cited through Namibia's NEEEF movement.

Despite the advancement of first world nations, it is important to understand that South Africa is not unique in its challenges in the implementation of BEE or the challenges encountered as a result thereof.

## **2.12. Conclusion**

This chapter has discussed BEE and transformation from a macro perspective, by reviewing South Africa's socio-economic transformation since the apartheid era and how the South African government, through BEE, addressed the challenges post-apartheid. The discussion also reflected on the evolving and supportive developmental policies for the country. In addition, the verification process and monitoring of BEE, together with the key codes of BEE, were identified as crucial in its implementation. BEE agencies, in conjunction with the South African government, were also examined as key role players for successful BEE implementation. The chapter also included a review of related theories, including the Social Justice Theory and Economic Development Theory.

The chapter concluded with a reflection of international socio-economic initiatives in two other countries which have similar macro-economic strategies, as well as the challenges and best practises from such initiatives. Chapter Three discusses BEE implementation from a micro organisational perspective.

## **Chapter Three: A Micro-Organisational Perspective of BEE Implementation**

### **3.1. Introduction**

The previous chapter played an informative role that addressed the history of apartheid, the need for BEE implementation as well as the respective challenges that were encountered with BEE implementation from a macro-perspective. The narrow-versus broad-based BEE approach, together with the role players were also discussed. The previous chapter further addressed how successful BEE implementation can be recognised as a form of South African macro-transformation. The previous discussion also reflected on two theoretical stances: the social justice theory and the economic development theory that support the macro-perspective of this study.

This chapter addresses most of the key objectives of this study which are to explore strategies that have been implemented for BEE compliancy, to examine the challenges encountered by management in the implementation of BEE, to determine the priority and responsibility of management in driving BEE compliancy and to explore operational factors that affect BEE implementation from a micro-organisational perspective. This chapter also includes three theories for reflection, including the entrepreneurship theory, organisational theory and transformational leadership theory.

The discussion presents an overview of BEE implementation and strategies for compliancy within South African organisations which focuses on the five key BEE codes. In this chapter, the challenges associated with BEE have been categorised into two sections consisting of operational and departmental challenges. The operational challenges are associated with the five key BEE codes, responding intervention strategies and a reflection of the best practices. This discussion is followed by the roles and responsibilities of management in relation to the operational strategies and challenges. The priorities of management are also briefly discussed. Thereafter, further organisational challenges have been categorised as departmental challenges, including financial, human resource and communication challenges. Similar to the

operational challenges, the departmental challenges also address intervention strategies together with the best practices for more effective BEE implementation within the respective departments of the organisation. This discussion is also followed by the roles and responsibilities of management in relation to these three departmental challenges.

Due to the critical role of management for BEE implementation, this study also includes a leadership perspective for successful BEE implementation. The discussion below commences with the theoretical underpinning that supports this chapter from a micro-organisational perspective, specifically, and the study at large.

### **3.2. Theoretical underpinning for micro-organisational interpretation**

This discussion provides a theoretical contribution for this study and considers two supporting theories for effective BEE implementation from a micro-organisational perspective. These theories allow the study to be interpreted for successful BEE implementation at an organisational level where ultimate accountability for implementation occurs. The two theories that inform this discussion are the Entrepreneurship Theory and Organisational Theory, briefly addressed below.

#### **3.2.1 Entrepreneurship Theory**

Entrepreneurship theories are critical for research and are important for development of the entrepreneurship and the organisational field, as it relates to an “opportunity-based” perspective which explains that entrepreneurs do not cause change but rather seek advantages through the opportunities that change (Meyer 2010:18). The two Entrepreneurship Theories discussed below therefore include these opportunities through the Financial Capital Theory, Liquidity Theory and Social Capital/ Social Network Theory, as these theories allow the study to be interpreted from diverse viewpoints.

This theory indicates that entrepreneurs have an astute sense for opportunities as a result of change rather than the challenges encountered. Stevenson (1990) states that this approach focuses on the *resource-based theory of entrepreneurship* which accesses resources by original starters of the organisation. This is an important predictor of opportunity-based entrepreneurship with specific impact on finances and

social resources. The above resource theories can be interpreted similarly within a BEE perspective in terms of which black entrepreneurs can be considered as the entrepreneurs whose resources focus on financial and social opportunities.

Similarly, social networks are recognised as resources. Therefore, the *social capital or social network theory* (which supports the resources-based theory and entrepreneurship theory) explains that entrepreneurs are part of a bigger social network with the capability to understand where entrepreneurial opportunities exist (Landstrom 1998:26-27). These entrepreneurs may also be limited by the social associations and connections they possess (Reynolds 1991:47-70). Similarly, the social network theory can be interpreted from a BEE implementation perspective considering that entrepreneurs have a large social network that allows entrepreneurs to grow their business opportunities. It can therefore be interpreted to reflect on how South Africa's black entrepreneurs have a delayed start to business network opportunities as a result of limited social opportunities (Johnson, Burtney & Ghorm 2008:890) caused by the apartheid era.

In addition, financial capital or liquidity is recognised as a resource. Therefore, the *financial capital or liquidity theory* indicates that the opening of new organisations is mutual among businesspersons who possess financial capital, suggesting that these entrepreneurs are able to obtain resources and undertake entrepreneurial opportunities (Blanchflower, Oswald & Stutzer 2001:680-691). From a BEE perspective and specifically for application to this study, the financial resource theory is interpreted to imply that, for a black entrepreneur, the lack of financial capital has reduced entrepreneurial opportunities for a black entrepreneur, as restricted through the apartheid era. This restriction of financial capital and entrepreneurship opportunities among black people is noted across various countries worldwide when comparing the cases of the USA and Brazil (Pose, Tomaney & Klink 2001:459-469; Bucciferro 2017; Anderson & Gregory 2012:97; Jones 2016). The Financial capital/liquidity theory has been contested by various studies in that BEE founders also begin new entrepreneurial ventures with minimal capital which is not necessarily related to the success of the entrepreneur (Aldrich and Cliff 2003:573-596; Hurst and Lusardi 2004:112; Davidson & Honing 2003:121).

Post-apartheid, the rectification process aims to correct the imbalances cited. However, this process is slow (Mattes 2015:665-692) which can therefore be interpreted as a challenge that still exists for black entrepreneurs. The entrepreneurship theory therefore lends itself well for the application of this study considering the role of entrepreneurship among black ownership for BEE implementation within South African organisations. The above resource-based entrepreneurship theories will therefore be utilised throughout this study to interpret the opportunities or lack thereof for black entrepreneurs as discussed above. The theory further informs the research study by providing insight into the opportunities across the resources which place an entrepreneur in an advantageous position. The second theory supporting this discussion is the organisational theory which is addressed below.

### **3.2.2 Organisational Theory**

The organisation theory has evolved over the last hundred years into a social science discipline that influences undertakings within organisations (McAuley, Duberley & Johnson 2007). The authors explain how this theory supports in developing and exploring management and leadership, especially with the modern diversity dynamic within organisations. The organisational theory is therefore utilised to describe the ways in which organisations are designed, the relationships between society and organisations, the authority and power in an organisation as well as the development of culture (McAuley, Duberley & Johnson 2007).

The organisational theory is further described as the study of an organisation's behaviour and environment, as it attempts to elaborate management structures and styles while informing management of the same (Winzenried 2010:23). Andrews (2008) relates how apartheid disadvantaged black people from a socio-economic perspective with few black people being exposed to a formal market space. BEE is therefore recognised as a reform intervention to rectify the skewed racial profile (especially within the private sector), changing patterns and structures for betterment. Similarly, the organisational theory argues that structures and networks that support an organisation can influence the mainstream involvement of PDI's into organisations, allowing access and opportunities to black people who were previously excluded. The organisational theory will therefore frame, through this study, how transformation can



impact on growth and further provide a new approach to interpret the impact of BEE implementation on an organisation.

In addition, Andrews (2008) maintains through his BEE related study that BEE is implemented based on the organisational theory, as this theory includes various structures and networks which can influence people to partake in the countries socio-economic initiatives for development. The author further recommends that BEE should define PDI by socio-economic status despite racial backgrounds. Similarly, Lindsay (2015) maintains that South Africa can be utilised as a catalyst for improving economic growth amongst the PDI. The organisational theory will therefore be used in this study to link the various structures and departments of an organisation with the behaviour of the environment surrounding the organisation.

Having addressed the theoretical contribution of the entrepreneurship resource-based theory and organisational theory which support this study from a micro organisational perspective, this chapter discusses the understanding and relationship of organisational strategies in general in the next section, followed by BEE strategies that are especially significant for this study.

### **3.3 The understanding of and relationship between selected organisational strategies**

This discussion reviews a few descriptions of organisational strategies to contextualise understanding the concept of BEE strategy implementation. Strategies in general are defined as a scheme, design, approach, or system that leads the roadmap in a particular situation to derive specific outcomes (Grunig & Repper 1992:123). In comparison, organisational strategies, in particular, are recognised for frequently adopting compound strategies to meet conflicting and competing goals required (Beynon, Andrews and Boyne 2015:12). As a result, complex and hybrid organisational strategies are developed, and these strategies cannot be placed within an exclusive classification of strategies alone (Leibbrandt & Botha 2015:15; Feniser, Sadeh & Lungu 2017:4).

The implementation of an organisational strategy is further described as demanding, considering that managers in emerging economies, particularly South Africa, are

significantly transforming to meet guidelines set out by a changing government and environment (Buck, Filatochev, Demina & Wright 2003:530). It is further stated that organisational strategies must be time bound, as what seems tactical today may prove strategic tomorrow (Mintzberg 1987:11-24; Brown & May 2012:533).

In addition, *Mercer Delta Consulting* (2012:3) also explains that every organisation encounters two levels of strategic issues. The first is corporate strategy which involves portfolio decisions about which business the company should be in. The second level involves business strategy which is a set of decisions about how to configure the organisation's resources in response to demands, threats, opportunities and constraints of the environment within the context of the organisation's history. In this study, the latter is of greater relevance. *Mercer Delta Consulting* (2012:6) further confirms that poor strategy implementation can result from weak communication, lack of monitoring, inadequate senior leadership, insufficient skills, unstructured strategy, lack of accountabilities and insufficient focus. The report therefore cautions the above as some key challenges hindering effective strategy implementation hence, strategies can fail without thorough interrogation.

Strauss and du Toit (2010:302) maintain that the modern organisational environment, combined with the rapid pace of business, requires more tasks to be handled, together with dynamic decision-making processes together with swift turnaround times, as, globally, organisations have increased competition and become aggressive. As a result, competitor intelligence is recommended through organisational strategies considering that at a global scale manager have realised the need to monitor activities and actions of their competitors, or their own strategic plans will fail (Strauss & du Toit 2010:308). The above recommendation is important for this study, as it allows management to evaluate their organisational or transformational strategy from a competitor perspective, especially when a competitor becomes BEE compliant and the organisation remains non-compliant, while both organisations compete for the same market share or customer.

Having briefly reviewed the organisational strategies above, the discussion that follows reflects on BEE organisational strategies in particular. The emphasis on BEE strategy continues throughout the discussion as this chapter continues. Ernest and

Young (2012) share several recommendations for successful BEE strategy tactics, as they believe BEE is not a simple redress of apartheid's wrongs. However, it is rather seen as a pragmatic and logical growth strategy that aims to achieve and maximise the country's full potential. The authors further maintain that the most important role of the BEE strategy is that the mindsets of organisational managers and leaders have to firstly be aligned with the BEE objectives and genuinely embrace transformation and BEE as a redress initiative that organisations can support. Ernest and Young (2012) further reiterate how critical it is for an organisation's BEE strategy to comprise of all five BEE codes.

Similarly, a BEE organisational strategy can be interpreted as a system or course of action that is necessary for effective implementation from an implementation perspective, as businesses in South Africa are encouraged to embrace transformation ensuring BEE compliancy is a part of the all-encompassing organisational transformation strategy (Esser & Dekker 2008:157). Having briefly understood these descriptions of a BEE strategy, this study will discuss further organisational strategies for BEE implementation. The discussion below provides an overview of BEE implementation within organisations and thereafter unpacks the five BEE codes for BEE strategy within the organisations.

### **3.4 Overview of organisational BEE implementation**

This discussion provides a summary of BEE implementation with an overview of the country's past injustices and the reasons why the South African government introduced BEE to support socio-economic transformation at large.

Due to the apartheid era restricting black people from acquiring fair and equal opportunities from a political, economic, social and legal perspective, various policies and Acts have been introduced by the South African Government since 1994 (Mavrokordatos, Stascinsky & Machael 2012:179; Beinart & Dubow 2003:14). Some of the key initiatives were the South African Constitution (1996), including the Bill of Rights, the Skills Development Act 97 of 1998 and the Employment Equity Act 55 of 1998, which were aimed at ensuring equality for all through fair legislation, and was therefore key to transformation and reform, allowing previously disadvantaged individuals an opportunity to enter into the mainstream economy.

In 2003, the BEE Act aimed to provide a redress initiative that responds and possibly alleviates the challenges of apartheid, however, from the previous chapter, South Africa's macro economy has been challenged since 1994 (Dollery 2003:6). BEE implementation within South African organisations, in particular, was further identified as a form of socio-economic transformation at both a macro level within the country as well as a micro level within public and private organisations. Multiple challenges have been associated with the implementation of BEE, in particular, since the introduction of the BEE Act (Terrazas 2004:1; Ponte, Roberts & van Sittert 2007:933).

As addressed in the previous chapter, if BEE is correctly implemented, this socio-economic redress initiative has the potential to benefit organisations and the South African economy at large. The challenge that arises at organisational implementation level is that BEE is not directly binding upon the private sector and businesses have no legal obligation to comply (Davies 2013; Thornley, Wood, Grace & Sullivant 2011:4). This allows room for organisations to decide whether BEE will be profitable or beneficial for the business or not and therefore some organisations are hesitant and/or too slow to implement BEE (Esser & Dekker 2008:157). In addition, organisations are not compelled to comply unless they do work with the South African Government or another strictly BEE compliant organisation. Some organisations are therefore merely complying with the BEE Act to benefit from the associated social recognition or government work, as the Preferential Procurement Policy Framework Act 5 of 2000 (PPPFA) requires organisations to portray a favourable BEE score. Due to the challenges associated with fronting practices, verification agencies serve as watchdogs that ensure fairness of BEE ratings and reduce all forms of fraud and corruption associated with BEE implementation. A generic BEE Scorecard (DTI 2013) tool is utilised across most industries to measure the five key BEE codes for BEE strategies and compliancy which focus comprises of ownership, skills development, management control, and enterprise and supplier development socio-economic development.

In addition, it is highlighted how the pace of transformation and BEE implementation has been slow among private businesses as a result of which the role of government has also been criticised for limited business support (Ndlangamandla 2014:17 & Rockey & Smith 2014:5). At a micro level, multiple challenges are also noted which

affect various organisational departments such as human resources, finances and communications teams (Emkes 2012:200; Pike, Puchert & Chinyamurindi 2018:7) which is unpacked in detail through this discussion. This chapter therefore includes a discussion on the role and responsibilities for management, including a leadership perspective for effective BEE implementation to address some of the challenges cited above. Intervention strategies for BEE implementation are also addressed with a reflection on the best practices within South African organisations. The five BEE codes are discussed in detail below for BEE strategies, followed by the challenges, intervention strategies and best practices in relation to these five codes.

### **3.5 BEE Codes as organisational strategies: challenges, interventions and best practices**

This section discusses BEE strategies utilising the five key codes for effective BEE implementation which include: enterprise and supplier development, ownership, management control, skills development and socio-economic development. These codes are discussed from an internal micro-operational perspective, followed by the associated challenges, intervention strategies and best practices for these codes. The challenges have been included in this discussion, as it demonstrates the obstacles encountered by South African organisations in implementing these codes and to reflect a practical, operational understanding of how BEE implementation has occurred within the industry. The strategies and best practices further indicate how these obstacles were overcome by other organisations, indicating that, if the correct strategies are planned and executed, BEE can be implemented successfully with minimal challenges.

The five key codes for BEE implementation also refers to the BEE operations of an organisation in this study. The first code for BEE strategy implementation is the Enterprise and Supplier Development Code which is elaborated on below.

#### **3.5.1 The Enterprise and Supplier Development Code**

This discussion looks at the Enterprise and Supplier Development Code from a BEE organisational strategy perspective and thereafter reviews the challenges associated with the implementation of this code. Preferential procurement challenges associated

with this code are also addressed, followed by intervention strategies and best practices for this BEE code specifically.

### **3.5.1.1 The Enterprise and Supplier Development Code as part of a BEE organisational strategy**

The Enterprise and Supplier Development Code allocates the most BEE points namely, 40 out of 100. Therefore, many organisations have a single policy, strategy or arrangement to manage enterprise and supplier development, as is the case with Eskom, Petro SA, Sasol, Transnet, Arcelor Mittal, Anglo Gold and Ashanti (Pooe 2016: 9). The Enterprise and Supplier Development BEE Code is recognized to promote the procurement of goods and services among BEE compliant organisations and actively promote Black suppliers (Pooe: 2016: 11). There are various benefits associated with the implementation of the Enterprise and Supplier Development Code, such as creating new sources of innovation through suppliers, and to elevate supplier capabilities or performance aligning with the organisation's requirements and benefit (Pooe 2016: 12). Pooe (2016: 12) further recommends that these initiatives should be aimed at reducing supply chain costs, increasing profitability and quality, to gain a competitive advantage. These initiatives must therefore form part of the BEE strategy enabling maximum points to be earned if correctly implemented. Some of the challenges associated with the Enterprise and Supplier Development Code are briefly elaborated below.

### **3.5.1.2 Challenges with the implementation of the Enterprise and Supplier Development Code**

This discussion reviews the challenges associated with the operational execution of Enterprise and Supplier Development strategies for BEE transformation and implementation at a micro-operational level. Numerous South African organisations do not possess the skills or capacity to support or develop start up black enterprises (Pooe 2016:9) as recommended above. Most SME's experience challenges in running their own business. Therefore, supporting start-up BEE firms is impossible for SME's, thereby complicating BEE implementation for this code specifically and therefore requires support and connection between the small enterprise sector and the formal modern economy (Emuze & Adlam 2013:176). This challenge highlights the need for entrepreneurial networks to integrate relationships between small and large

organisations that currently hinder scoring points through the Enterprise and Supplier Development Code.

Rajendra, Mahajan and Joshi (2012:37-51) elaborate on the challenge of knowledge transfer among enterprises as there is lack of cooperation and use of channels to implement this correctly. The authors further caution how many organisations apply a results-oriented focus to Enterprise and Supplier development, which draws attention to resolving challenges of costs or quality with suppliers whereas process orientated focuses on continual supplier performance programmes to aid and support their capabilities. In some circumstances, such Enterprise and Supplier Development challenges are evident from the Black enterprises that are challenged to stay afloat due to cash-flow challenges and declining enterprises, and commonly occurs when these Black enterprises provide clients with inferior goods or do not deliver on time or there is the challenge of excessive pricing due to capacity challenges and/or unawareness (Emuze and Adlam 2013:154). Hence, this implies that, at the implementation level, the Enterprise and Supplier Development Code has proven to be a challenge for some organisational strategies, which in turn hinders successful BEE implementation.

Aside from the Enterprise and Supplier Development challenges listed above, preferential procurement challenges have also been closely associated with the Enterprise and Supplier Development Code which is discussed below.

### **3.5.1.3 Preferential procurement challenges associated with the Enterprise and Supplier Development Code**

Preferential procurement relates to the purchasing of goods or services by government with BEE compliant enterprises to enhance the procuring companies BEE score (Horwitz & Jain 2011:297). This initiative is therefore closely associated with the Enterprise and Supplier Development Code that also supports the promotion of black enterprises and suppliers through development, including preferential procurement practices.

The challenges associated with preferential procurement are often related to inadequate planning and organisational budgets which lead to the decentralisation of

the procurement system, resulting in BEE Enterprise and Supplier Development strategies being ineffective (Ambe & Badenhorst-Weiss 2012:249). Ambe and Badenhorst-Weiss (2012:251) maintains how organisations are lacking the appropriate knowledge around BEE implementation, despite the government introducing programmes to educate and train practitioners. It is further noted that too many tenders are outsourced to winning organisations that do not have qualified skills (Osode 2004:107). Compounded by the skills challenge, this further hinders successful procurement processes. In addition to organisational procurement challenges, government entities are also challenged by preferential procurement policies, as they cannot account, evaluate, track, control or report on their expenses against a budget to avoid the risk of additional corruption or misused funds where ethical behavior is crucial for controlling procurement practices (Ambe & Badenhorst-Weiss 2012:249), and this further hinders successful procurement processes. In response to some of the challenges listed above, the discussion below addresses intervention strategies that can be applied to some of the Enterprise and Supplier Development challenges with the intention to improve BEE implementation.

#### **3.5.1.4 Intervention Strategies for Challenges Relating to the Enterprise and Supplier Development Code**

One of the essential strategies recommended for Enterprise and Supplier Development is that organisations need to pro-actively develop black entrepreneurs and address the poor connection between small enterprises and the formal sector, as there is a lack of skills and capacity among PDI's (Jack & Harris 2007:165-166).

It is further recommended that, in order for the Enterprise and Supplier Development Code to succeed, both the procuring and supplying enterprises need to be prepared in advance for adaptation, alliance and mutual benefit (Pooe 2016:8). Mathu (2019:6-8) is of the opinion that the Enterprise and Supplier Development Code is specifically suitable for medium to large sized organisations, as most of these organisations possess resources to assist other suppliers and enterprises, whereas SMEs struggle with their own businesses leaving little room for them to execute the implementation of this code.



In support of Enterprise and Supplier Development Code strategies, Pooe (2016:8) states that there are push and pull factors to support supplier development. These push factors can include current suppliers being unable to provide a product/service, suppliers not performing to expectation or suppliers who are unavailable. Pull factors can comprise of a need for cost reduction, need to enhance the performance of suppliers, the development of new product, improvement in quality, and alignment between both organizations. This can be interpreted as strategies to support the Enterprise and Supplier Development Code whereby smaller organisations can be tactful to approach new businesses with pull factors and larger organisations can also apply push factors to enable new suppliers to support their BEE strategy requirements. In addition, intervention strategies are also addressed for procurement specifically, below.

#### **3.5.1.5 Intervention Strategies for Procurement Challenges**

Ambe and Badenhorst-Weiss (2012:249) recommends that addressing procurement challenges entails decision-makers improving their own skills and knowledge through specialised procurement training for all relevant stakeholders involved in the transformation and procurement process. In addition, it is recommended that academic Institutions of higher learning can also play a crucial role in equipping learners and employees with the necessary procurement skills and knowledge, as their curricula would bridge the gap within the industry. Ambe and Badenhorst-Weiss (2012:242) add that these learning programmes must entail procurement skills with knowledge and insight of supply and purchase, sourcing strategies, supply tasks and technological advancement. Although the above recommendation relates to higher learning, it is understood that the same principles can be applied at an organisational implementation level.

This study also includes the best practices among South African organisations that are leading with BEE scores and compliancy (Empowerdex 2018) through the Enterprise and Supplier Development Code below.

#### **3.5.1.6 Best Practice for the Enterprise and Supplier Development Code**

The Standard Bank (2013) experience can be related as an example of best practice for the Enterprise and Supplier Development Code within the South African

organisational landscape, as they hold an overall BEE score of 94,52 through the use of specific Enterprise and Supplier Development strategies. The bank was also proudly recognised in the Association of Black Securities and Investment Professionals Game Changer Awards, as recipients of an award for the Company with Significant Transformation Progress in the Financial Services Sector. This award is attributed to their proud rating as a level two BEE contributor at that time which stems from part of their BEE strategy to ensure that a substantial number of black professionals head up business units of the Standard Bank Group. In addition, the implementation strategy ensured that priority was given to restructuring other enterprises ranging from development initiatives of micro-enterprises to small and medium enterprises (SME's). The bank recognises transformation as an ongoing process of change and intends to remain reactive as an organisation that mirrors the environment in which they operate. Although the bank has scored well with the Enterprise and Supplier Development Code, the bank believes that, in order to remain competitive, they must continue with their BEE strategy through all areas of the five BEE codes and align their BEE strategy to these codes, as they engage with local peers and the Banking Association of South Africa (BASA), to reach agreement on uniform BEE measurement. It is further noted that the bank scores well in the area of implementing empowerment financing and preferential procurement.

The second BEE code for strategy implementation is the ownership code which is elaborated in detail below followed by the associated challenges, intervention and best practice.

### **3.5.2 The Ownership Code**

This discussion reviews the BEE ownership code from an organisational strategy perspective, followed by the challenges of implementation of this code. Thereafter, intervention strategies and best practices associated with the BEE Ownership Code are discussed.

#### **3.5.2.1 The Ownership Code as part of a BEE organisational strategy**

The Department of Trade and Industry (DTI 2016) expects BEE to be implemented by businesses in order to alleviate the past inequalities and increase the number of Black people that are in ownership or control of enterprises (Pike, Puchert & Chinyamurindi

2018:1-10). The Ownership Code was initially received with hesitation by organisations when placed as the number one priority code for BEE when first introduced and has been updated since the BBEE Act (2013) which reduces the focus of ownership to the second highest code (Migiro 2010:178). The ownership code now ranks with a total of 25 points to be earned out of 100 points. It is also noted that BEE implementation remains one of the most important drivers for South African organizational strategies as this is reflected on listed Johannesburg Stock Exchange (JSE) companies that have undergone restructuring and transferring significant ownership percentages from existing shareholders to new Black shareholders (Strydom, Christison & Matias 2009: 67). Some of the challenges associated with the Ownership Code are briefly discussed below.

### **3.5.2.2 Challenges with the implementation of the Ownership Code**

The Ownership Code has encountered multiple challenges at a micro-operational level whereby organisations are faced with the challenges of aligning their management constitution, restructuring, transformation and ownership (Akinsomi, Kola, Ndlovu and Motloun 2015:12-13). The implementation of the Ownership Code is further challenged when black entrepreneurs have restricted access to capital and funding to participate in BEE ownership initiatives. In addition, there is also a negative ownership perspective about BEE which is assumed to mean “giving away equity or shares” to black owners (Kleynhans and Kruger 2014:442).

Another ownership challenge affecting successful BEE implementation, is the unfair practice of winning contracts through a positive BEE ownership status. Pike, Puchert and Chinyamurindi (2018:8) discovered an unfair practice whereby a PDI could gain a BEE certificate and easily win a tender within a year due to possessing a high ownership scoring and BEE rating whereas non-PDI's took many years to develop their businesses into a financial success. In addition, implementation of the Ownership Code is further challenged with regard to finding the appropriate candidates and partners, maintaining and utilising candidates appropriately and according to skills sets that will benefit the organisation (Guern 2017:4).

In response to some of the challenges discussed above, the discussion below addresses intervention strategies that can be applied for the Ownership Code to improve BEE implementation.

### **3.5.2.3 Intervention strategies for challenges relating to the Ownership Code**

This discussion looks at intervention strategies for the challenges encountered through the implementation of the BEE Ownership Code. In response to some of the ownership challenges, Jack and Harris (2007:228-230) further highlight that BEE initiatives must follow sound economic principles as market principles will apply to the sale of shares or assets with the intention of BEE ownership initiatives. Various monitoring agencies and bodies have been appointed since the introduction of the BEE policy, to assist with ownership challenges and support organisations' BEE strategies (Acemoglu, Gelb & Robinson 2007:35).

In addition, PDI's have often been challenged to obtain funding for BEE transactions and, in response to this ownership challenge, it is recommended that BEE compliant organizations loan funds to Black businesses in order to purchase shares within a BEE organization, because of their restricted access to capital and funding whereby future dividends can be utilised to service the loan raised (Acemoglu, Gelb & Robinson 2007:22). Emuze and Adlam (2013:176-178) further maintain that considerable amounts of money are spent to implement ownership transactions whereby organisations are required to ensure the debt incurred by their black shareholders is settled, as failure could result in reducing the ownership score which can be contrary to what BEE intends to achieve at the outset.

Through the literature, it is noted that various organisations have adapted creative and unique financial arrangements enabling BEE role players to buy shares with limited or no capital, and thereby financing their shares. In response to the funding of ownership strategies, Fauconnier and Mathur (2008:8) recommends that a clear and comprehensive process for BEE partners can alleviate the challenges, as considerable time and due diligence must be accorded in order to understand the requirements of all parties involved. The author further states that a steering committee and project team should enact strategic meetings with continuous engagement, as this further alleviates some of the challenges of this code. In addition,

it has also been noted through the literature that transparent and honest relationships and interactions between partners assist the ownership code, coupled with long term BEE contracts that allow for a BEE partner to be a part of the organisation (Guern 2017:4).

It is further reiterated throughout the study that improving how the skills challenge is addressed will support all five BEE codes. Similarly, for the Ownership Code as well, this was the common recommendation. To support the role of intervention strategies, this section also presents the best practices among South African organisations that are leading with BEE scores and compliancy.

#### **3.5.2.4 Best Practice for the Ownership Code**

Tongaat Hullett's BEE score within the Ownership Code can be recognised as one of the leading examples of the best practice for this code. Tongaat Hullett established an employee ownership scheme for the benefit of all black employees and senior black management respectively, offering seven percent stake into the hands of employees to maintain and draw highly competent Black employees within the organization which created a consciousness of ownership amongst staff (Staude 2011).

Ashanti Gold (2016) is also recognised as a company leading with the best practices in relation to the Ownership Code, as this company was determined to move two BEE levels up, from Level Six to Level Four. Ashanti Gold's ownership strategy comprised of 20.8 per cent sale of their assets to African Rainbow Minerals, 4.5 per cent allocation to an employee share ownership plan and 1.5 per cent to their BEE partner, thereby reiterating the leading practices for other South African organisations to follow suit with adaptation to their own unique business operations. It is noted from these two examples that, the challenges experienced through the Ownership Code can be overcome or avoided if planned appropriately, as in the case of Tongaat Hullet and Ashanti Gold above. The third code for BEE strategy and implementation is the Skills Development Code which is elaborated on, below.

#### **3.5.3 The Skills Development Code**

This discussion addresses the Skills Development Code's organisational strategies and the challenges associated with implementation of this code. Thereafter, the

discussion reviews intervention strategies and the best practices for the Skills Development Code within organisations.

### **3.5.3.1 The Skills Development Code as Part of a BEE Organisational Strategy**

The Skills Development Code is ranked third, comprising an allocated 20 points out of the total 100 points that is critical for effective organisational BEE strategies. It is noted through the BEE related literature that two important factors, including education and training, are key to successful skills development (Emuze & Adlam 2013:176).

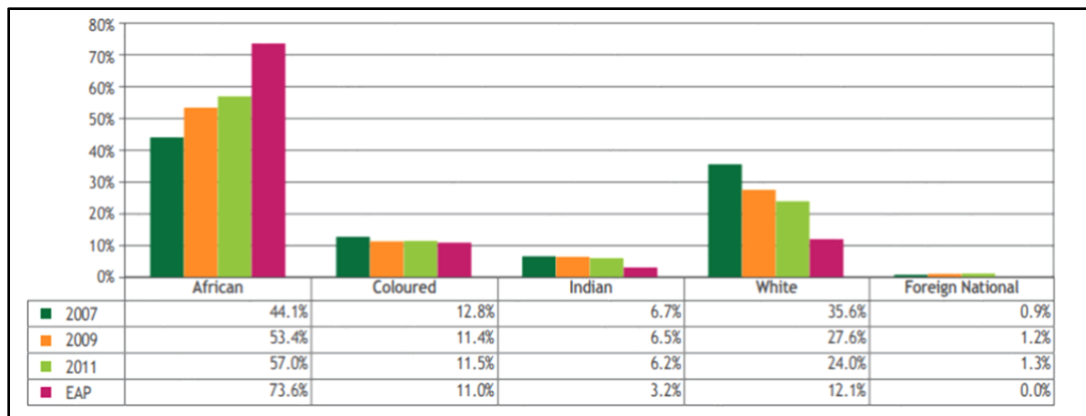
The BEE code for skills development strategies focus on growing the skills of black employees, especially females, through programmes such as mentorships, training and bursaries which are addressed below. In agreement, organisational leaders and authors have cited various skills development challenges (Scholtz 2012 & Groener 2013:723) which are unpacked below.

### **3.5.3.2 Challenges with the implementation of the Skills Development Code**

The Skills Development Code has encountered multiple challenges at a micro-operational level which are unpacked below. Skills development challenges remain the most frequently cited challenge from all five BEE codes.

Strauss and du Toit (2010:302-306) state that an inefficient and uninformed workforce ranks as a key challenge within South Africa in 2008 and continues to be a major challenge each year, therefore the country needs to redress skills development with organizations in order to remain competitive. In addition, employee skills are further identified as a great challenge within most of South Africa's organisations. It is also noted from the previous chapter and discussions that the legacy of apartheid and lack of education in black schools has led to an under-educated and under-skilled majority of the South African population which has hindered the skilled workforce within the country (Kazi & Karodia 2013:47) which can be interpreted as one of the reasons why the challenge of poor organisational skills persists. As a result of the skills challenge above, the successful implementation of BEE in South African organisations is therefore compromised.

**Figure 3.1. Skills level by race 2007-2011**



**Source: 12th Commission for Employment Equity Annual Report (2017)**

Figure 3.1. above reveals that there is a general trend since 2007-2017 with year on year growth at a skilled level for black people, however, in 2011, the black population is noted to remain below the EAP requirement of 73.6 per cent. This supports the discussions above indicating that there is still room for improvement with regards to skills development that can support effective BEE implementation. It is therefore reiterated throughout the literature that skills development is critical to South Africa's development. In addition, Reuben and Bobat (2014:2) maintain that the country's new democracy is still in its infancy and should embrace affirmative action policies, as black South Africans were victims of receiving limited, if any, education and skills, as a result of the poor schooling in pre-democratic South Africa.

Zwane, du Plessis and Slabbert (2014:7) maintain that there is a deficit of skills in South Africa particularly within the Tourism sector. This is a highly service driven industry whereby staff must demonstrate key skills consisting of as people skills, particular specialist skills, self-reliance as well as common occupational skills when engaging within this industry. The authors above state that some Black staff are not adequately equipped or ready with these required skills to meet the demands of employers and, moreover, there is a substantial staff renewal rate of employees, which compounds to the pressure of the human resources and management of organizational transformation and BEE implementation.

The implementation of the Skills Development Code is further attributed to challenges such as processing and reclaiming training expenses from SETA. Administrative challenges relating to skills claims were identified as too technical and administrative. Therefore, additional service providers are appointed to administer the claims of these processes and, as a result, incurring additional expenses and challenges through the implementation of this BEE code (Emuze & Adlam 2013:176).

In addition, another skills development challenge hindering this BEE strategy is related to the uninformed investments employers make towards employee training programmes, as these programmes are decided by management alone for their staff. This poor one-sided method for skills investment could have focused on the training required from staff in a participative discussion before being decided upon it in isolation (Emuze & Adlam 2013:154). As a result, some organisations utilise their funds on programmes that are of no interest or benefit to some employees.

It is also noted that some organisations are found guilty of opening new organisations solely for obtaining tenders as a result of their Level One BEE status and do not possess the required skills to complete tasks contracted to them and further subcontracted work out to those skilled and able to carry out the work (Pike, Puchert & Chinyamurindi 2018:8). This leaves a poor reputation for BEE compliant organisations and is wasting time and resources of paying clients. It is further noted that, irrespective of BEE compliancy status, work is often delivered incompetently. This practice is also frowned upon by those organisations that have the necessary skills and expertise for years and cannot compete with the subcontracting practices. The ripple effect of skills challenges denies some organisations from obtaining work as a result of their BEE status and thereafter the work is outsourced to them with a smaller profit to accommodate the BEE compliant organisation (Baloyi 2012). It is therefore observed that the lack of appropriate skills is defeating the true purpose of what BEE represents and as a result hinders successful BEE implementation within organisations.

Additional skills challenges include the poor attempts made by some organisations to genuinely contribute towards Skills Development. While some sectors have made considerable strides towards transformation, the property industry for example is



noted to be lagging behind, as big business owners in this industry are offering bursaries rather than mentoring and providing internships to gain skills within their organisations to help upskill PDIs (Rosli, Boerhannoeddin & Kayode 2017:104-111). The author state that some organisations are found guilty of offering bursaries to university students in an isolated programme rather than developing, mentoring, investing in skills or training within the workplace. This lack of training and skills development is what reduces and limits the pipeline of talent, creating challenges for BEE implementation.

Skills Development for BEE strategies are failing due to the requirements of specific skills or a lack of experience in a specific trade and this is resulting in businesses collapsing (Akoojee 2012:674). In response, Leibbrandt and Botha (2015:15-25) maintain that organisational transformation will not automatically lead to improved performance and is not a quick solution, as multiple activities, reporting, stakeholders and processes add complexities demanding great managerial skill in executing a BEE strategy. In support of the demand for improved management skills, multiple business divisions demand cooperation with one another during BEE implementation. Therefore, Feniser, Sadeh and Lungu (2017:1-6) recommend hiring a specialist for the skills required and a successful execution of the transformation strategy should follow. The common lack of management skills through BEE implementation is addressed later in this discussion.

In response to some of the challenges listed above, the discussion below addresses intervention strategies and the best practices that can be applied for the Skills Development Code to improve BEE implementation, below.

### **3.5.3.3 Intervention strategies for the challenges relating to the Skills Development Code**

This discussion addresses intervention strategies in relation to the Skills Development Code that can alleviate some of the challenges cited above. From an international perspective, there is a recent change of rationale with regards to skills development, as skills development is identified to augment a country's competitiveness and serve as an essential part of the larger transformation process, including poverty alleviation, job creation and socio-economic growth (Kaplan 2004: 217-227). This is a positive

indication that skills development is not just a priority in South Africa but as a global movement and is being taken seriously. Similarly, it is noted that for effective BEE transformation, the quality of workforce is dependent on the investment in people which is not just a government sanction. Therefore, organisations driving skills development and training can make valuable inroads that contribute towards boosting skills and creating employment (Dawson 2012:59-63). It is therefore recommended that people skills should be embedded before the transformation process occurs, however, it can also be part of the actual transformation process to help align people with the correct skills and processes to do the work required (Strauss & du Toit 2010:302-320).

In support of a skills intervention strategy, it is recommended that the South African youth, specifically, needs to be targeted for skills development, as this age group is likely to yield more sustainable results and can access the labour market or create small businesses which in turn absorb the high unemployment rates (Sanchez 2011:3). Guern (2017:4) similarly recommends a pipeline to be generated for prospective employees, as companies often complain about not being able to source sufficient black candidates.

BEE points can also be earned through this code for expenditure on learning programmes for black people, including interns and apprentices, as well as for the absorption of these students into the organisation after the internship phase (Dykes 2011:17). Through skills training and development initiatives, learnerships have elevated opportunity to employment, granted that HR is capable and in a position to recruit new PDI's through or post the organizational transformation processes (Groener 2013: 723). Furthermore, the author maintains that if employment prospects are available, and they can align skills development with the particular scholarship, this will ensure opportunity to employment for low-skilled Black people, thereby redressing genuine inequalities. In agreement, Rambe (2018: 11) endorses using work integrated learning programmes that can extend academic and workplace competencies to teach and advance students that adapt to organisational work demands, bridging the gap between employees and youth. As cited above, various skills intervention strategies have been recommended to improve the challenges of

BEE implementation. Below is a reflection of two organisations that depict the best practice for skills strategies.

#### **3.5.3.4 Best Practice for the Skills Development Code**

In response to some of the Skills Development Codes' challenges, this study recognises Tongaat Hullett and DSTV as best practice for their skills development strategies. Since their initial BEE implementation strategies, Tongaat Hullett (2016) experienced a shortage of skills across various positions within the organization and was therefore essential to ensure a resource pool of skilled people could meet future organizational requirements by skill sets and that succession planning was considered. Since this skills development challenge, HR intervention strategies addressed these concerns such as programmes to draw, elevate and maintain essential skills. This included strategized employment processes and industry-related salaries together with efficient talent and performance management which all played a vital role to the skills development strategy for their BEE implementation. This programme further highlights the valuable role for HR to play in relation to the skills development code.

In addition, DSTV's new generation of filmmakers are emerging out of the Film Skills Development Programme of young and dynamic participants in the industry to fast-track the development of talent for previously disadvantaged individuals. Sixty-four graduates have since completed the programme consisting of a majority of PDIs that work at their production houses whilst thirteen others are independent film makers and run their own businesses. The programme ensures that the filmmakers are able to deal with every aspect of the filming process, including business management. The DSTV Programme has two key phases: the first phase focuses on the selection of twenty candidates who are already participating in their industry. A twenty-four week training programme provides them with a comprehensive understanding of the industry and with relevant technical skills required by the industry. The second phase focuses on six up-and-coming producers and directors who are nominated by their peers and industry specialists. These candidates receive customised training and, together with the other twenty candidates, they are provided with access to the local film industry.

The Tongaat Hullet and DSTV skills development programmes inform this study as to how training programmes, through HR management, can serve as skills development initiatives for successful BEE implementation, especially if they are relevant to the nature of the business or industry. The fourth BEE code for strategy implementation is the Management Control Code which is elaborated on, in detail, below with the associated challenges, interventions and best practices.

### **3.5.4 The Management Control Code**

This discussion reviews the Management Control Code for BEE organisational strategies, followed by the challenges associated with the implementation of this code. Thereafter, the intervention strategies and best practices are discussed in relation to the implementation of the Management Control Code within organisations.

#### **3.5.4.1 The Management Control Code as part of a BEE organisational strategy**

The Management Control Code is ranked fourth among the five BEE codes with an allocation of 15 points out of 100 points. This code encourages black people into organisational management positions, especially females.

It is recalled from the apartheid legacy that black people were restricted from management positions. Therefore, this code aims to address the injustices by promoting more black people in management and senior management positions as well as black board members to allow exercisable voting rights on the board (Horwitz and Jain 2011:297). The BBBEE Act 2013 explains that through this code points are awarded for Black people through; executive management, directors, senior middle and junior management, board participation, female and with disabilities. The Management control code is therefore required to form part of every successful BEE strategy. Some of the challenges associated with the Management control Code are briefly addressed below.

#### **3.5.4.2 Challenges with the Implementation of the Management Control Code**

The Trailblazers Rate of Transformation Report (2012) confirms that there has been growth among black directors within listed companies, as the number of positions grew from ninety-eight among listed companies in 1997, compared to three hundred and seven in 2003. As in 2012, the number of black directors reached one thousand and

forty-six. However, the challenge that remains, despite the growth, is that black director positions are still lagging behind, taking on more non-executive positions which tend to be that of an outsider looking in rather than an employee who can advise or make decisions. Hence, there is a poor representation of black people at senior and top management level positions who are non-actively participating or voting on a board (Manyi 2008:7) which further contributes to the negative impact of implementation with regards to the Management Control Code.

Further challenges associated with the implementation of the Management Control Code includes the struggle to source experienced and skilled black candidates, as prospective candidates are limited and cost a fortune, thereby, increasing the cost of remuneration expenses as well as attaining and retaining these candidates (Emuze and Adlam 2013:154). Emuze and Adlam (2013:154) explain that, from a black employee perspective, new entrants (PDIs) into organisations struggle to acclimate to the work environment and culture and are sometimes exposed to victimisation and marginalisation within the workplace, thereby, compounding the Management Control challenges. It is also understood from these candidates that their work is often unappreciated or recognised with minimal responsibility thus leading to dissatisfaction in their employment positions and contributing to the job hopping and headhunting epidemic (Nzukuma & Bussin 2011:9). In response to some of the challenges listed above, the discussion below addresses intervention strategies that can be applied for the Management Control Code to improve BEE implementation.

#### **3.5.4.3 Intervention strategies for challenges relating to the Management Control Code**

Mallaby, Price and Hofmeyr's (2017:14) maintain the need for targeted development whereby mentorship could become vitally important with the assignment of a dedicated leader which reiterates the valuable role of leadership discussed through this study. Similar to the case of the Enterprise and Supplier Development Code, it has been noted that, through addressing the skills challenges, the Management Control Code will be easier for successful BEE implementation thus reiterating the importance of skills development.

In response to some of the Management Control challenges, Business Unity South

Africa (BUSA) recommends intervention strategies which necessitates that directors intending to retire, proactively merge a mentorship plan with appropriate Black candidates at least 18 months prior to retirement, as this could address the under representation of Blacks in a management control position.

To support the role of intervention strategies, this study also briefly reflects on the best practices within South African organisations that are leading with the BEE Management Control Code.

#### **3.5.4.4. Best Practice for the Management Control Code**

Ashanti Gold (2016) can be recognised for their leading performance within the Management Control Code, as consultation with various stakeholders has been a successful strategy throughout the organisation. The company continues to promote diversity with a representative management demographic at all levels of the workforce. The level of PDIs at the different management levels exceeded targets of 40 per cent in management (with the exception of senior management). At a detailed management level, PDIs constitute at a board level, 46 per cent, top management, 50 per cent, senior management 39 per cent, middle management, 49 per cent, and junior management, 59 per cent. In addition, from a female empowered perspective, the baseline Mining Charter requires a ten per cent female representation with Ashanti Gold recording 15 per cent female representation. These scores are reflective of the PDI strategy executed within the organisation accommodating PDIs in the various management levels that did not exist prior.

The fifth code for BEE strategy implementation is the socio-economic development code which is elaborated on, in detail, below.

#### **3.5.5 The Socio-Economic Development Code**

This discussion reviews the BEE Socio-economic Development Code, for organisational strategy, followed by the challenges with the implementation of this code within the organisation. The intervention strategies and best practices are also addressed.

### **3.5.5.1 Socio-Economic Development Code as part of a BEE organisational strategy**

The fifth BEE Code is the Socio-Economic Development worth 5 out of 100 BEE points. Many South African organisations have identified that their BEE strategies can include CSR initiatives which directly speak to the Socio-Economic Development Code (Kloppers 2014:73-75).

Thornley, Wood , Grace and Sullivant (2011:4 ) explain that both CSI initiatives and BEE can be aligned with similar objectives, as this allow funders to direct investment towards organisations with extraordinary levels of societal influence especially since these funders are interested with concerns of civic progress, access to funds, economic injustice or the development of small and medium enterprises. Jack and Harris (2007:320-323) therefore encourage organizations to utilise BEE as a conduit of the triple bottom line to reach Black people who live below the poverty line via socio economic development initiatives. It is therefore noted that, if correctly executed, socio-economic development is another crucial element for successful implementation of a BEE strategy. However, challenges have also been noted, as discussed below.

### **3.5.5.2 Challenges with the Implementation of the Socio-Economic Development Code**

As in the case of the previous four codes for BEE strategy, the Socio-Economic Development Code has also encountered challenges at a micro-operational level whereby BEE compliant organisations fail to follow up on their investments and these contributions end up misused as a result of these organisations not possessing the time or resources to ensure that the contributions reach the intended beneficiaries (Emuze & Adlam 2013:158). Futher, Pooe (2016:8) notes that another common challenge associated with the Socio-Economic Development code which relates to the selection of PDIs that cannot be clearly quantified to understand is at what point in time do PDI's no longer require support through a Socio-Economic Development Code strategy.

Skinner and Mersham (2016:110) elaborate on additional challenges that include some organisations misusing Socio-Economic Development initiatives for PR purposes such as reputational growth whereby charity-giving practices (once-off

donations or monetary contributions) are unsustainable or immeasurable to empower people, thereby, defeating the purpose of what true transformation is supposed to represent. Skinner and Mersham (2016:120) maintain that South African organisations are supportive to and invest in projects with a measurable return. However, there is limited information about projects that are performing well and have limited access to tools that can measure and define the impact made on lives, thereby, convincing organisations to support funding initiatives for social investment activities.

In response to some of the challenges listed above, the discussion below addresses intervention strategies that can be applied for the Socio-Economic Development Code to improve BEE implementation.

### **3.5.5.3 Intervention strategies for challenges relating to the Socio-Economic Development Code**

To alleviate some of the socio-economic development challenges, many organisations believe that they would make a more meaningful impact if they had Socio-Economic Development or CSR activities implemented in conjunction with government departments (Kirsten and Rogerson 2002:29-59). The authors further recommended that staff get involved through a vital hands-on approach with genuine effort to give back to PDIs. Below is a list of suggestions provided by Mersham and Skinner (2016:110-129) to ensure that socio-economic development strategies are effective and meaningful:

- ***Aligning business with CSI:*** Expertise and knowledge can be more effective if CSI is recognised as part of the business initiatives and not operate in isolation as a sperate function;
- ***Selecting specific areas of focus:*** a few key projects to build experience and knowledge, rather than trying to do many different projects;
- ***Understanding the development context:*** gauging the challenges affecting communities, and forging relationships with other stakeholders to benefit with an amplified effort;
- ***Having dedicated teams:*** applies resources well and understands engagement with stakeholders and



- **Monitoring:** evaluate and duplicate any successful efforts.

To support the role of intervention strategies, this study also includes the best practices among South African organisations that are leading with Socio-Economic Development initiatives below.

#### **3.5.5.4 Best Practices for Socio-Economic Development Code**

Massmart's socio-economic development implementation (2015) can be utilised as the best practice considering that the organisation prioritises social responsibility through long term involvement in communities, underpinned by the need to make a sustainable difference in the lives of those less fortunate. Massmart's approach is governed by a balance between the society's needs while deriving value for the business. The education sector is also a key area of focus for the business and ensures that strict guidelines are followed by the responsible parties within the business. This responsibility is decentralised at all levels of the management committees so that all division and branches are involved, thereby, eliminating a top-down approach to execution. The business further allocates a one per cent profit after tax for all CSI spend which is tracked through a budget for clear reporting purposes. The beneficiaries of Massmarts (2015) programmes are selected through sound principles whereby these beneficiaries must be financially disadvantaged people from the poorest of poor communities. The responsible teams within the business must also provide an insightful understanding of the targeted social development issues within the community and proven knowledge of said issues affecting the people. At the same time, Massmart determines that realistic and measurable, clear business benefits must be presented whereby quality of contribution versus quantity of contributions precedes. All receiving beneficiaries also have performance targets to meet and are measured regularly by Massmart for any further funding which is closely dependant on meeting these goals (Massmart 2015).

This section has addressed BEE strategies that revolve around the five key codes for effective BEE implementation, including enterprise and supplier development, ownership, management control, skills development and socio-economic development. These strategies have been discussed from an internal micro-operational perspective followed by the respective associated challenges, intervention

strategies and best practices. The next discussion looks at management's role for BEE implementation operations below.

### **3.6 Management's role and responsibilities in BEE implementation operations**

This discussion reviews the roles and responsibilities of management in relation to the five codes and with regards to BEE operational implementation in general.

With regards to the first BEE Enterprise and Supplier Development Code, management's role and responsibility is to support suppliers with training, financial training, skills training, administration development and any form of training or assistance that can enable an increase of performance among these suppliers' capabilities (Mathu 2019:1-8). This code also requires that management is prepared, together with their suppliers, for the adaptation of enterprise and supplier development practices in advance (Pooe 2016:1-12).

The second BEE Ownership Code also requires management to align their roles and responsibilities with the management constitution, restructuring, transformation, partnership and ownership (Akinsomi, Kola, Ndlovu & Motloun 2015: 19-21).

The third BEE code is the Skills Development Code that requires various roles and responsibilities of management on a daily basis. Various organisations' BEE implementation strategies are failing due to the lack of skills or experience in a specific trade, thereby, resulting in businesses collapsing (Akoojee 2012:674) and, as a result, places intense responsibility on managers. In addition, management is also responsible for the administrative challenges relating to skills claims that are technical and incur additional expenses (Emuze & Adlam 2013:132). In response, youth talent and development remain a key role for management to ensure a pipeline of skilled talent (Sanchez 2011:3). In addition, Dykes (2011:17) further suggested that management's responsibility includes learning programmes for black people, including interns and apprentices, which also assist in BEE scoring.

The fourth BEE code is management control code which entails management's critical role in promoting more black people in senior management positions as well as black board members to allow exercisable voting rights on the board (Horwitz & Jain

2011:312). Although there is growth in the number of black directors within South African organisations, the challenge that remains for management is that black director positions are still lagging behind taking on non-executive positions (Manyi 2008:7). Another grave responsibility for management is to ensure that appropriate black talent is appointed with relevant skills and experience.

The fifth BEE is the Socio-Economic Development Code which highlights management's role and responsibility in determining the selection of PDI candidates, as it cannot be clearly quantified in advance as to what point in time a PDI may no longer require support (Pooe 2016:8). Management's responsibility is increased through challenges that comprise of misused funding, organisations demonstrating poor resources and a lack of time to evaluate socio-economic development activities as well as creating a timeframe for PDIs to be moved off the list of beneficiaries (Pooe 2016:4; Emuze & Adlam 2013:150).

In addition, Skinner and Mersham (2016:112) explain that socio-economic development must not be manipulated for PR purposes, publicity, reputational growth or once-off donations which are not sustainable to empower people. As a result, this means that a management's responsibility increases through ensuring these processes are not manipulated or implemented incorrectly. This chapter has also reviewed various challenges hindering BEE implementation through which management is ultimately responsible for resolving these challenges in their daily roles for effective organisational transformation.

From the discussion above, it is noted that the role and responsibilities of a South African manager entails believing in BEE, recognising the need for it as meaningful to the organisation, adding value through the execution of the five BEE codes and fostering a positive working environment. The role and responsibility of management is further described as critical in order to curb fraud, fronting and window dressing, as they are held accountable for redress and socio-economic transformation despite the various challenges. Emuze and Adlam (2013: 160) explain that BEE implementation is hindered by the alarming levels of fraud, fronting and corruption which is reaching an irreversible point. The authors maintain that fronting can be identified through various forms which include: fronts on paper and within the company itself, fronts in

joint ventures, transfer pricing, non-existing companies (fictitious), exploiting ownership structures, falsifying certification, proof of payments and incorrect application and use of the five BEE codes, thereby, creating barriers to successful transformation and BEE implementation. All of these methods therefore form part of management's responsibility to overcome these challenges.

With regard to management's role and responsibility for BEE challenges encountered, *Mercer Delta Consulting* (2012) cautions that senior management often reacts to the symptoms of challenges based on past experience and assumptions, without diagnosing the cause of the problem and preventative measures put into place. This can be significant for BEE implementation as well considering that through the various associated challenges, management is accountable for providing solutions. It is also understood that managers sometimes encounter inertia when implementing any form of organisational transformation and, despite the organisation comprising of smart and intelligent managers, organisational transformation remains a difficult and accountable responsibility for even the most successful managers (Mayle 2006:170).

It is therefore understood that BEE implementation requires a high level of management responsibility and accountability for successful implementation, ensuring that all levels of management, respective and departments, are recognised as key role players, especially for the challenges, strategies and best practices discussed above. It is important to understand that the role and responsibility of organisational managers are constantly changing, considering that some managers have been practising management for many years. Therefore, the evolving role and responsibilities of management is crucial for business organisations, as these roles encompass the most prevalent business decisions today and on a daily basis (Coldwell, Joosub & Papageorgiou 2012:133; Brown & Bourke 2017:212-215). Therefore, the changing role and responsibility of management is critical for consideration through this study, as the BEE initiatives must result in the meaningful participation of blacks in the company and broader economy. In addition, the prioritisation of tasks for management in relation to BEE implementation is also considered important for this study, as managers are inundated with day-to-day activities and BEE implementation can be overwhelming if BEE is new to an organisation. The discussion relating to management priorities in respect of the five BEE codes in particular follows below.

### **3.7 Management priorities in respect of the Codes for BEE implementation**

Makakane (2008:22) maintains that, for a successful BEE change process to happen, the BEE scorecard must be entrenched within the management structure consisting of priorities, as these priorities resonate the need for senior management's commitment towards BEE. The priorities of management is another key objective of this study, as organisational managers' positions have attracted additional roles and responsibilities over the years, in particular, for effective BEE implementation. This discussion looks at how the five BEE codes are prioritised by management across various industries for successful BEE implementation with a reflection on specific organisations. Considering that organisations across multiple industries have differing transformation strategies, BEE implementation is therefore aligned accordingly and, as a result, the five key codes are also prioritised differently across industries.

Lindeque (2013:8) states that, within some organisations, all five codes of BEE form part of their holistic transformation strategy and confirms that some organisations prioritise selected objectives according to their organisational transformation strategy, resources and budget. She further states that some companies are in a position to ensure all five objectives to be a part of their long-term transformation strategy. It is therefore understood that the successful prioritisation of BEE codes for implementation is dependent on a thorough understanding of an organisation's strengths, weaknesses, opportunities, objectives and budgets.

In addition, it is noted by Botsello Mills (2013) that a BEE compliant organisation prioritises the critical role of the small and medium enterprise sector in the South African economy. Based on the five BEE codes, Botsello Mills (2013) prioritises their transformation programmes as follows:

- **First-Supplier and Development Programmes:** Broadening its supplier base, thereby, allowing opportunities for previously disadvantaged enterprises and people to supply goods and services. Investments and facilitation to capital, business resources, association between big and small businesses, training and mentorship;
- **Second-Socio Economic Development:** Finding a continuous fit between the

community's needs and investment opportunities to benefit both the community and business, through strategic and sound partnerships for maximum impact;

- **Third-Ownership:** Support a broad-based approach of equity partners, employees and communities;
- **Fourth-Management Control:** Actively seek to secure people from PDI groups in senior management positions and
- **Fifth-Skills Development:** Rely on highly-skilled people, and the development of competencies is important for the organisation.

It is clear from Botsello Mills (2013) strategy above that the BEE codes were prioritised for meaningful transformation which would affect some organisational departments more than others. The prioritisation of codes further aids in understanding BEE within the organisation, creating internal awareness, demonstrating commitment, facilitating effective execution and evaluating the performance of their strategy. This further allows all staff to understand their requirements and responsibilities as well as departmental contributions to ensure the framework is committed and adhered to.

With reference to another example, Standard Bank's senior management was held directly responsible and accountable for prioritising transformation and associated tasks. Standard Bank's BEE Report (2012) indicates that some BEE codes are prioritised over others for various reasons, as the bank was measured against higher targets for employment equity and preferential procurement because these were specific areas for improvement at that time in 2012. Despite the bank meeting their targets for black representation at a junior management level, they continued to prioritise initiatives reaching targets set for black representation at senior management levels and black female representation at a middle management level (Mittner 2011:40-41). Standard Bank (2012) explains that, in order for their organisation to remain competitive, the bank must continue with their BEE strategy through all areas of the codes and to continuously update strategies as they engage with local peers. It is therefore evident that the implementation and prioritisation of a BEE strategy remains critical for organisations to survive and remain competitive in South Africa.

Another BEE compliant organisation is Oceana (South Africa's largest fishing group) which was ranked first for its BEE level in the food and beverage sector in 2012. The Oceana Group states that during their change process, there were certain areas that required prioritisation to improve and gain maximum points such as management control and skills development. Subsequently, Oceana elevated its black representation at a board and executive level and increased its expenditure with BEE suppliers elevating its preferential procurement level (2012). R17.5 million was also spent in training its black employees to improve skills development. The BEE strategy has also been prioritised through its "Africanisation" programme which prioritises to attract black talent, thereby, increasing representation at all management levels. The company enjoys the status of a black-owned and managed company leveraging highly credible empowerment credentials (Oceana 2018). Additional success factors that were prioritised for Oceana's BEE implementation included its black employee share scheme, titled the Khula Trust, which gave 2 439 employee beneficiaries, 14,2 million shares in Oceana. In addition, the CSI programme was reprioritised to draw attention to food security in the coastal fishing communities, education and further financial support was granted to Black owned or partners which also assisted in the high BEE scoring. In this organization, it is evident that Oceana has prioritised multiple BEE codes over time to align with their respective departments to meet their overall organizational strategy.

It is noted from the discussion above on the organisations mentioned, that some of the five BEE codes are prioritised differently varying across the sectors of industries and key departments affected as a result thereof. It is also evident that the prioritisation of BEE codes and tasks are further based on the alignment of the organisational strategy with the BEE implementation strategy. Having considered the priorities for management with regard to BEE implementation, numerous challenges have surfaced through the literature review.

The challenges identified for this study have been categorised into two types, viz. consisting of operational and departmental challenges, although there is to some extent an overlap between the two categories. The operational challenges have been addressed in the above discussion through the five BEE codes. The discussion that follows below is the internal challenges within the key departments of an organisation.

### **3.8 Departmental challenges associated with the implementation of BEE Codes/strategies**

This discussion looks at the challenges encountered by the finance, human resources and communication departments below. Each department has various challenges within specific departments which is discussed below.

#### **3.8.1 Finance Department**

Finance has been recognised as an essential department for effective BEE implementation. From the various departments involved in successful BEE implementation, finance is cited as one of the most important departments that BEE implementation relies upon for successful execution, and this is discussed below.

##### **3.8.1.1 Financial implementation challenges**

Various financial challenges related to BEE implementation at a micro-level (Fauconnier & Mathur 2008:12-14; Sartorius & Botha 2008; Acemoglu, Gelb & Robinson 2007:22) have been explored for this study. It is important to note that despite multiple challenges, this discussion focuses on commonly cited financial challenges that include the high costs of BEE compliance, dilution of cash flow as well as the misuse of funding which have been discussed below.

###### **3.8.1.1.1 High costs of compliance**

One of the organisational financial challenges negatively impacting BEE is the high costs associated with BEE compliance for both national and foreign investment (Kleynhans and Kruger 2014) which, as a result, hinders successful BEE implementation. The high cost of BEE compliance and implementation is further described as having an adverse impact on productivity and investment in conjunction with the dissolving of organizations as a result of inadequate structures and funding (Pike, Puchert & Chinyamurindi 2018:1-10; Sartorius & Botha 2008). It is further understood that obtaining BEE recognition is a complicated financial process, as time is one of the most critical challenges (Duffet et al. 2009:86-118) that has a negative financial businesses impact. The author states that time is especially critical when it can easily be consumed in an organisation utilising multiple suppliers, for example, when checking suppliers for BEE ratings to support the procurement strategies and ultimately the organisation's BEE score.



In addition, from a financial perspective, BEE implementation has further been recognised as a deterrent for foreign investment discouraging global organisations from investment with South African enterprises, as there is a reduced return on investment (Butler 2006:80–85). The above reasons therefore allude to the fact that BEE is perceived as a “high cost” of compliance for organisations. Another financial challenge is the dilution of cash flow addressed below.

#### **3.8.1.1.2 Dilution of cash flow**

The dilution of cash flow is a financial challenge that is also associated with BEE implementation at a micro-organisational level. De Klerk (2008:53) explains that various SME BEE compliant organisations are generally cash restricted through complicated financial structures leading to dilution in equity that defeats the true purpose of BEE. The author states that some SME’s have to outlay cash to secure supplies to carry out work and then have to wait long periods for payment, thereby, affecting their cash flow and restricting the SME from obtaining further business. Another financial challenge is the misuse of allocated finances which is discussed below.

#### **3.8.1.1.3 Misuse of allocated finances**

Some start-up companies are found guilty of misusing funding from receiving BEE tenders for personal use, as these funds are used on personal items such as luxury vehicles and holidays rather than outlaying capital for the project intended (Pike, Puchert & Chinyamurindi 2018:4). The authors maintain that this action results in incomplete work or the start-up company becoming incapable of executing the task awarded and the work is thereafter re-contracted to another organisation, incurring additional expenses on specific projects.

The financial intervention discussion below does not directly address every challenge cited above. However, it provides insight into the intervention strategies in relation to financial challenges and BEE implementation.

### **3.8.1.2 Intervention strategies addressing financial challenges**

One of the most commonly cited financial challenges was that of the high costs associated with BEE implementation. In response to this challenge, Jackson, Alessandri and Black (2005) recommend that BEE compliance must be aligned with the company strategy by performing the necessary cost/benefit calculations to quantify the economic outcomes of the transaction, as this should make business sense and sound business practise. The authors maintain that as a business activity, a planned forecast expense should be part of the organisational strategy as with any other business initiative which can be interpreted as one of the reasons why there is a perception of high costs attached to BEE implementation.

In addition, this high cost is recognised by many organisations as an operational cost of doing business in South Africa, as these organisations understand these costs to be a strategic one with long term benefits, specifically from an implementation and investment perspective (Duffet et al. 2009:86-118). The authors support the view that implementation of any BEE code is a financial undertaking with regards to resources, money and, in particular, time of personnel that need to ensure BEE compliancy. In response to the dilution of cash flow, it is understood that through the narrow BEE approach, the timeous settlement of debt was a concern, however, now with the broad-based BEE approach, entities procuring from black companies are required to settle their debt promptly with the intention to support cash flow of SMEs (De Klerk 2008:53).

In response to some of the funding challenges cited, Fauconnier and Mathur (2008:12-14) inform that various sources of finance for BEE ownership initiatives such as banks, third party financing, company provided funds as well as loans between shareholders and donations can now ease the financial BEE implementation process. Other financial intervention strategies consist of organisations heavily discounting share prices to sell to black parties, as black participants struggle to obtain credit or struggle with their existing cash flow and are thereby compelled to enter high risk settlements with financial institutions to provide guarantees and security (Cargill 2010:38). In relation to some of the financial challenges, financial best practices associated with finances are addressed below.

### **3.8.1.3 Best practice for Financial Departments**

Nedbank displays an example of best practise to support financial BEE strategies by promoting an increased number of black people to access equity in economic assets either in the form of direct or indirect equity, and also ensure control in the way these assets are used for the benefit of the country (Sustainability at Nedbank 2019). In 2005, Nedbank introduced their financial strategy for equitable ownership, titled The Nedbank Group BBBEE Eyethu Transaction, which allowed the direct broad-based ownership of this group consisting of partners, community groups, employees, clients, non-executive directors and others. After ten years had passed, by 2015, this scheme matured, allowing access to just over R8 billion to more than 500 000 shareholders. These funds could be utilised for whatever purposes required and, as a financial institution, the responsibility of the organisation went far beyond a cash donation to a PDI. Training and equipping black people with assets and equity ownership was key to the broad-based approach of this strategy and these skills are intended to be shared with other employees, clients, community members and more, with the greater intention to build education financial decision-making skills (Sustainability at Nedbank 2019).

The second departmental challenge for the implementation of a BEE strategy is that of human resources which is addressed below.

## **3.8.2 Human Resource Department**

Human Resources (HR) is cited as the most critical department to support successful BEE implementation in an organisation. Some of the challenges associated with this department are addressed below.

### **3.8.2.1 Human Resources implementation challenges**

Multiple HR challenges were recognised through the literature review (Ramphela 2008:35; Emuze & Adlam 2013:15; Jonck, Van der Walt & Sobayeni 2017:2-4). However, this study has identified a few commonly cited HR-related challenges that encumber effective BEE implementation at an organisational level. These HR challenges include racism, over-priced entitlement and job hopping among talented black employees, organisational culture and diversity, as well as inadequate HR

management skills. The previous operational challenges addressed through the five BEE codes cited skills development as one of the key challenges. This HR discussion touches on skills challenges specifically from an HR manager's skills perspective. The first HR departmental challenge hindering BEE implementation relates to racism in the organisation which is discussed below.

#### **3.8.2.1.1 Racism**

Despite efforts made to eradicate historic injustices, past patterns of racism, inequality and segregation continue within the organisation, hindering BEE implementation initiatives (Reuben & Bobat 2014:7). Racism has been highlighted through the literature as an organisational concern (Whitehead 2015 & Ramphele 2008:35 ) and, as a result, HR managers are faced with handling sensitive procedures like hate speech and discrimination in an organisation which compromise and defeat the true intention of transformational initiatives like BEE.

The concern of race and racism still continues despite apartheid ending over two decades ago, South Africa remains struggling with incidents of racism and racial discrimination with the South African Human Rights Commission confirming over the 2015/16 financial year, 505 race-related complaints were registered (The Eagle Online 2019). It is further noted that racism rests a complex and contentious issue in the country and such conduct should not be borne within any organization especially considering that any practise of racism, treatment, behaviour, comment, remark or even an asserted form enacted by a person or entity will not be taken lightly by the Commission for Conciliation, Mediation, and Arbitration (CCMA), Employment Tribunals and Labour Courts (Whitehead 2015).

Racial discrimination within an organisation can be described as people who are not granted the same treatment or opportunity based on perceived race, although this different treatment is not always expressed directly, and is often conducted through indirect means resulting in prejudice (Whitehead 2015). The author cautions that racism directly impacts a business as people have to work within an unpleasant environment, with resentment towards someone or the organisation and could lead to unproductivity.

An example of a racist challenge practised is when HR divisions of some BEE compliant organisations do not include the CVs of white male applicants for the consideration of job vacancies (Jack & Harris 2007:27). The authors maintain that such racist and unfair practices deprive white men of the opportunity to contribute their skills to the country and unfairly restrict their opportunities of securing a healthy livelihood. Similarly, this is a challenge for some HR departments, as they strive in efforts to improve their companies' BEE ratings and could be executing the implementation of HR practices incorrectly or unfairly (Ramphela 2008:35).

Businesstech Staff Writer (2019) states that most South African businesses have a zero tolerance towards racism within their organisations, as the organisations dismiss any employee who uses racist terms. The author relates a recent legal proceeding that involves racism whereby an employee alleged that his manager was racist, as he gave the employee a negative performance rating. The Labour Court initially found that the employee was entitled to raise his allegation, and it was then recognised as the organisation's responsibility to investigate the allegations, however, the mere accusation could not account as misconduct. Thereafter, the Labour Court found the employee's subjective feelings were insufficient to warrant a case of racism, with persuasive objective information that could lead to a convincing and legitimate action of racism for any further consideration. It was founded by the court that performance assessments must not be utilised by employees as a "race card" to manipulate scorings and undermine the manager, thereby, damaging a harmonious workspace environment or relationships which could also lead to an employee dismissal. It is therefore noted that false accusations are founded as demeaning, insulting dignity. As much as employees must be protected against racism, it is also unacceptable for innocent parties to be accused (Businesstech Staff Writer 2019).

In addition, HR departments are also faced with the challenge of PDIs entering the market- place through the process of racial classification, rather than appreciating one's skills and abilities (Ulrich *et al.* 2009). The author maintains that this is further compounded by some employees that disrespect the new entrants, adding to the HR and racism complexities associated with BEE implementation. The second HR departmental challenge is related to black skilled candidates that are overpricing their value and manipulating organisations into higher paid salaries.

### **3.8.2.1.2 Overpriced staff, entitlement and job hopping**

Additional HR-related challenges are encountered by management which include black professionals overpricing themselves within the industry, thereby, impacting the affordability of organisations compromising BEE implementation strategies that aim to appoint black skilled employees. Aside from organisations, it is also essential to identify that the government also finds it difficult to deliver services because the skills needed from black people are unaffordable and overpriced (Engdahl & Hauki 2001:56).

In conjunction with the overpricing HR challenge, the job-hopping epidemic by black professionals has resulted in increased headhunting practices due to the requirement of fully-trained black professionals claiming more affluent remuneration than their non-black counterparts (Warner & Witzel 1997:263). The authors maintain that this job hopping epidemic poses an HR challenge as a result of a “wage game” played by black professionals among different organisations who offer the highest salary. It is further noted that this action reduces the loyalty for an organisation or for someone to understand the non-monetary benefits, as they may not have been allowed adequate time to analyse the organisation (Warner & Witzel 1997:263).

In addition to the HR departmental challenges encountered with BEE implementation, Emuze and Adlam (2013:126) expand on the notion of entitlement, as some young black employees enter the workplace with the attitude of entitlement, demanding and expecting the best preferences and privileges, merely because they are black. It can therefore be interpreted that this action can further complicate the HR manager’s role and responsibilities within an organisational environment. The third HR departmental challenge is related to organisational culture and diversity which is discussed below.

### **3.8.2.1.3 Organisational culture and diversity**

Organisational culture and diversity have further been identified as a challenge encountered by HR teams that require support with regards to the implementation of BEE (Chitakornkijsil 2010:6; Mayer & Louw 2011:572 & Sacht 2007). Kamps and Engelbrecht (2011) explain that discrimination, as part of an apartheid legacy, is responsible for culture and diversity challenges in the workplace and, as a result,

organisations are required to reinforce diversity, as South African organisations are able to promote the cohesion interaction and team work that is required.

Since the introduction of organisational transformation initiatives, some organisational cultures are not clearly identified, understood or implemented for the organisation's new and existing employees as well as stakeholders (Jonck, Van der Walt & Sobayeni 2017:7). Jonck, Van der Walt and Sobayeni (2017:6) state that work values of different generations, together with the competitive environment, add to the complexities of clear work values, culture and diversity. It is further noted that many organisations claim that organisational culture and diversity is central to their activities. However, it is not treated with the same regulation and responsibility as other initiatives (Sacht 2007).

Chitakornkijasil (2010:6-8) cautions of the grave importance of organisational diversity, whereby, failure to manage this organisational culture and diversity may create challenges to achieve organisational objectives. Similarly, for BEE implementation, it is critical to manage organisational culture and diversity through the support of HR management which could improve the productivity of the organisation. From an international perspective, organisational culture and diversity is also recognised as increasingly challenging due to globalization demanding more engagement with employees of diverse backgrounds, beliefs, cultures and enhancing inclusiveness of underrepresented individuals (Mayer & Louw 2011:572). Similarly, within a South African context, this also presents a challenging role for HR managers, especially through BEE implementation.

Another commonly cited HR challenge is the skills challenges of HR managers which is discussed from a micro-operational perspective below. It is important to differentiate that the previous discussion, in Chapter Two, addressed the five BEE codes, where skills development challenges were addressed for employees in general. The discussion below differs, as it addresses the skills challenges of HR managers that hinder successful BEE implementation.

#### **3.8.2.1.4 HR Management skills and competencies**

With reference to South Africa's historical apartheid background, managing BEE implementation is noted as one of the challenges facing South African organisational managers, as these managers were themselves, untrained and faced with expectations of handling HR challenges such as racism and discrimination (Mallaby, Price & Hofmeyr 2017:4). These challenges encountered by HR managers play a challenging role for both the senior management and employees. Therefore, additional organisational assistance is sometimes required, as there are multiple layers of intricacy and sensitivity in managing BEE transformation in South African organisations (Seate, Pooe & Chinomona 2016:9).

Warner and Witzel (1997:267) further state that it is difficult for white managers in particular to performance manage black staff, stemming from a fear of these white managers being labelled racist themselves. It is therefore understood that HR managers' skills and capabilities for BEE implementation therefore demand extensive dedicated knowledge and training with regards to understanding the diversified backgrounds of employees (Schutte & Barkhuizen 2016:493). In addition, it is also concerning that HR managers face physical exhaustion and tension on a regular basis when dealing with transformation activities, as this demands more expectations of their skills. Sinha (2015:313) elaborates how, downsizing, restructuring, outsourcing, the development of staff and systems thinking during organizational transformation result in managers and employees emotionally scarred with emotions such as panic, tension, renunciation, distrust and confrontation to new ideas. Some managers are also guilty of relying on past behaviours, practices and experiences when faced with unknown organisational scenarios and, as a result, these managers are lacking the necessary skills for the current dynamic and diverse organisational challenges which may not be applicable from managers' past practices (Mallaby, Price & Hofmeyr 2017:13).

In addition to the HR management skills challenges, some organisations are also critiqued for their existing BEE strategies, as blame is directed towards HR managers to ensure more strategic and sustainable direction is undertaken for the organisation (Kazi & Karodia 2013:47). This further alludes to the concern that some HR managers' skills may be required to support BEE strategies based on the alignment of BEE and



organisational requirements, however, they are not equipped or trained to do so. To support BEE implementation, some organisations employ the services of BEE consultants as opposed to managing the BEE implementation process internally, however, this outsourcing practice compounds the challenging HR role if the entire BEE implementation is left to the consultants to manage (Jack & Harris: 2007:32). He maintains that the appointment of external services are for multiple reasons such as the fact that the organisation does not have adequate knowledge, resources, skills or time to implement BEE initiatives. However, these requirements should not replace the organisational HR role for supporting BEE implementation.

The above discussions re-iterate a clear demand for more skills and training of HR management at a micro-level to manage organisational transformation in a strategic and sustainable manner. Therefore, the role of HR management and senior management is critical through the transformation and BEE implementation processes. The above discussions have also addressed some of the HR departmental-related challenges that hinder effective BEE implementation. This included areas such as racism, overpriced staff, job hopping and employee entitlement, organisational diversity and HR managerial skills. Reviewing these HR-related challenges (Kazi & Karodia 2013:47; Mallaby, Price & Hofmeyr 2017:13; Jong & Hartog 2010:39) not only informs this study but also supports preventative measures to find the necessary solutions in overcoming the challenges encountered with BEE implementation from a micro-internal perspective. The HR intervention strategies have further been addressed below in response to some of the HR challenges associated with BEE implementation.

### **3.8.2.2 Intervention strategies addressing HR challenges**

Multiple HR challenges have been cited in association with BEE implementation through the previous discussion. Although various HR challenges have been discussed above, some intervention strategies are discussed in relation to these challenges and other HR strategies for BEE implementation are also suggested.

#### **3.8.2.2.1 Racism intervention strategies**

Racism is recognised to attract attention via claims, assessments, complaints and accusations in the organisation. However, the management of and response to racism

is most crucial yet also a daunting task as associating, agreeing or failing to challenge racism centralises around the morality of a person (Condor, Figgou, Abell, Gibson & Stevenson 2006:441). The authors therefore recommend that racism intervention strategies can be supported with honest and open communication which will avoid accusations and reputational damage, or threats possibly associated with the mitigator. It is further explained by the authors how some organisations choose to approach racism through an unequivocal racism whereby the guilty transgressors are required to amend, withdraw or pursue with necessary actions as a result thereof.

Whitehead (2015) is of the opinion that action must be undertaken against employees and employers that display or endorse any racist actions and the CCMA should be contacted for support as the concerns relating to racism in the organization could be drastic should an employee or employer be found guilty. Whitehead further cautions that racism may warrant a dismissal of an employee or cause for an employer to face a massive lawsuit. In support, Khumalo (2018:377) states that employers should adopt proactive racism strategies that ensures them organisation is rigid with an unconventional stance and ready approaches to handle racism in the organization, that is measurable to the legal and social repulsiveness, that encourages open conversation and roots out racism.

In support of racism intervention strategies, racist challenges encountered within organisations or communities can further be reinforced by the Anti-Racism Network of South Africa (ARNSA) which includes various organisations across the country with a network that intends to ensure that local organisations have the capacity to handle racism within communities with national and international programmes to eliminate the scourge of racism. The ARNSA's objectives are to support organisations or communities to combat racism and discrimination by sharing the best practices and undertaking public education or awareness programmes. The organisation promotes inclusivity by bringing South Africans together, sharing resources and collaborating with similar organisations to eliminate racism (Anti-Racism Network South Africa 2019).

In addition, Singh, Mcaciso and Hofmeyr (2018) maintain that the South African Labour Appeal Court (LAC) had issued a stringent warning to not tolerate any form of

racism within organisations and reflect on a legal proceeding. The authors reflect on one particular case whereby an employee was given a task to complete with the support of his co-workers, however, the employee accused his manager of being racist, comparing the manager to a historically aligned racist public figure and this eventually led to the employee's dismissal based on insubordination, gross misconduct, aggression, racist emails to his manager and insolence towards management. During the process of arbitration, the employee tried to justify his racist claims against his manager, as he was allegedly insulted in front of colleagues. At the end of the case, the employee was found guilty of hate speech and incapable of performing his duties with an additional message that racist conduct and unfounded allegations will be intolerable and unacceptable by the South African courts. The South African Labour Court therefore recommends that employers enact strategies and appropriate policies to identify and terminate racism within organisations.

In further response to some of the racism challenges Condor, Figgou, Abell, Gibson and Stevenson (2006:441) maintain that, globally, all multiracial countries experience racial prejudice, however, in a democracy, citizens do not necessarily have to like one another; they must at least be willing to tolerate each other which indicates the rationale for optimism. The author states that racial relations are gradually improving in South Africa where whites seem to reflect reduced racial prejudice than they did in the beginning of the apartheid era which indicates some form of optimism and positivity from a racial perspective, although this reduced racial prejudice is not always perceptible to blacks.

Although employee engagement was not cited as a common HR challenge above, the literature places great emphasis on employees, especially as a role for HR and BEE implementation, and is therefore addressed below in more detail.

#### **3.8.2.2.2 Employee Engagement**

Humans are recognised to transition through five phases of "grief" which consists of anger, bargaining, denial, depression and acceptance when faced with transformation (Barnard & Stoll 2010:2). Therefore, these considerations are similarly recognised for employees and are the responsibility of HR management when an initiative like BEE is implemented. Various HR tactics, strategies and challenges that have surfaced

through the literature review of this study are commonly related to employee perceptions or reactions which often hold the key to organisational adaptation considering that people are recognised as one of the most critical resources within the organisation (Barnard & Stoll 2010:4). This confirms the need for employee engagement as part of the intervention strategy to support the HR challenges.

It is also important to note that organisational transformation initiatives fail due to a lack of employee morale and engaged employees to suite the organisation aligning with BEE initiatives (Serfontein 2006:102) reiterating that employee engagement is essential. In support of employee engagement strategies for successful BEE implementation Ibrahim, Boerhannoeddin and Kayode (2017:104) highlight the importance of engagement during the transformation processes, as they tend to enhance their individual capabilities creating value for an organisation, as they possess positive attitudes, belief in the organisation, willingness to be a good team player and the ability to go the extra mile.

Nieuwoudt and Rudman (2015:40-41) further establish that, as part of the employee engagement focus, employees should undergo continuous programmes to understand transformation programmes for the organisations, as these programmes can support and identify early imbalances occurring through organisational transformation initiatives such as BEE. Lefakane (2017:75-76), an HR practitioner and coach, further recommends that employee assistance programmes can assist employees in identifying themselves through the organisational transformation process with adequate management, coaching, recognition and reward to improve employee morale and behaviour positively. Similarly, from a BEE implementation context, these recommendations can assist an organisation where there is employee resistance to engage with employees.

The implementation of BEE within South African organisations has faced various HR challenges, including merging various cultures' diversity into organisational culture and diversity programmes (Andrews 2008:33) which is required through positive employee engagement, behaviour, commitment and support during an organisational transformation addressed below in more detail.

### **3.8.2.2.3 Organisational culture and diversity intervention**

South Africa's population employed through the workplace is reflective of diverse individuals who enter an organisation with unique attributes, personalities, cultures and characteristics that eventually merge into the company culture (Neault & Mondair 2011). Managing this diversity is recognised as one of the employee retention and processes programme within HR departments, as these initiatives aim to vitalise workplace productivity, thereby, elevating the competitive edge, business performance and an inclusive culture (Ferreira & Coetzee 2010:22). Organisational culture and diversity is therefore recognised as an essential tool that can be utilised by HR to promote strategies for transformation including BEE implementation.

In preparation for improved organisational diversity and culture, Ledimo (2015:1747-1755) recommends that an organisational culture audit be carried out in advance to determine individual differences among employees. In addition, Klarner, By and Diefenbach (2011:332) highlight that examining the reaction of employee emotions during organisational transformation is important for organisational diversity, as this is a neglected view of employee emotions. This reiterates the need for employee engagement which was discussed above.

In support of diversity practices, Mazibuko and Govender (2017:8) state that some South African organisations consider transformation together with diversity management as critical operations within their workplace and is likewise important for global organisations operating in South Africa, as this diversity can be converted into advantages for the organisation. In agreeing with this view, Hana (2013:82-84) explains that these organisational advantages include creativity, innovation and enhancing competitive advantage in the marketplace, yet some organisations have not interpreted these advantages correctly. It is further recognised that organisational diversity should not be treated as an imposition by government and rather recognised as a priority that can aid in an organisation's long-term survival (Sacht 2007).

Another recommended strategy for diversity and organisational culture is awareness training programmes at an induction level to ensure that respect and value is granted to all employees as part of the organisation's DNA (Mazibuko & Govender 2017:7-9).

It is recommended that these programmes must consist of a culture to handle conflicts, yet reinforce the message of inclusivity, with clear objectives that are essential for the organisation rather than a compliance necessity.

In addition, Jonck, van der Walt, Sobayeni and Nthombi (2017:3), together with Chinomona, Popoola and Imuezerua (2017:27), recommend that South Africa's organisations must enhance cultures, fostering positivity within work environments and increasing productivity and employee job satisfaction, as the work values of different generations and diversities can further assist organisations to manage and retain human capital in the competitive workplace environment. Horwitz et al. (1996:134) further emphasise that successful individual and organisational transformation can only occur when HR and diversity management approaches occur simultaneously. Therefore, the role of positive employee morale for HR teams through the implementation of BEE is critical.

Most of the HR challenges cited in this study relate to the key interaction of employees in an organisation. Therefore, the focus on employees is critical to aid all HR challenges, especially through an organisational transformation such as BEE implementation. In addition, the skills of the HR Managers during BEE implementation is another important intervention strategy which follows below.

#### **3.8.2.2.4 HR Management skills intervention**

The skills of some HR managers have been frequently cited as challenges hindering BEE implementation in South African organisations (Seate, Pooe & Chinomona 2016:1-11; Mallaby, Price & Hofmeyr 2017:4-6). The required competencies and skills of HR managers through the BEE implementation process therefore demands professional HR interpersonal skills, communication, ethics and business acumen as key descriptors to ground a successful HR manager for BEE implementation (Reimer, Feuerstein, Meighan & Kelly 2017:14-18; Schultz 2010; Ulrich, Allen, Brockbank). In support of HR management intervention strategies, it is recommended that some HR manager skills may need to be refreshed with an active participative course or programme through an accredited facilitator or BEE agency that can prepare organisational management for the skills required. It is therefore recommended that HR management improve and elevate their own skills to win the support of employees

and be part of a planned cohesive strategy before organisational change is announced (Else 2004:3-4).

Mallaby, Price and Hofmeyr (2017:4) further maintain that managers across departments are required to obtain required experience to enable them for the larger role of BEE management developing necessary skills and characteristics. Engdahl and Hauki (2001) further maintain that BEE implementation should not be a task outsourced to consultants or company legal councillors, as BEE is vital and needs to be fully integrated within the company's policies and strategies for the future. Therefore, internal HR management is crucial as far as leading BEE implementation is concerned. In addition, Gule (2012:26) recommends that BEE committees should be arranged that comprise of both black and white representation, to create balance and credibility for a true and genuine transformation committee that reduces the intensity and pressure placed on HR managers during BEE implementation.

Schutte, Barkhuizen and Van der Sluis (2015:1-9) are of the opinion that senior management must assess the execution of HR processes in the workspace, especially the level to which HR managers are integrated and considered as business partners and do not operate in isolation as a department. These intervention strategies are recommended to assist HR managers in overcoming some of the challenges they have encountered with BEE implementation, especially when their own HR skills and competencies are questioned in relation to the scope of work required for BEE implementation. It is therefore noted how critically important the alignment of HR managers' skills and competencies are to an organisation's BEE implementation.

### **3.8.2.3 Best Practice for HR Departments**

An example of HR's best practice is recognised through that of Coca Cola South Africa, as this organisation depicts diversity implemented by HR management at all levels within the organisation (Schreuder and Coetzee 2011). Coca Cola's powerful international positioning as a business and brand, mimic actions that are governed by diversity that is part of the organisation's global mission to practise diversity on an ongoing basis (Kent 2012).

An example of Coca Cola South Africa's HR diversity practice is their talent strategy which is synched to the company's 2020 vision, as this strategy understands that the world is dynamic and constantly changing. Therefore, they have implemented a "total rewards strategy" that comprises of competitive salaries, platforms to develop and grow as well as an organisational climate that supports sustainability, diversity and basic human rights. These policies are revised by HR annually and utilised from the induction of employees to embed the guiding organisation's values, encouraging employees to treat one another fairly, respectfully and honestly, encouraging diversity, safety and health and actively seeking for employees to be the best person they can be (Ssegawa 2011). Diversity is therefore essential to how the Coca Cola organisation operates and envisages the future and this can also be adapted for other organisations' HR departments to similarly repeat and adapt for their aligned goals and requirements with regard to diversity, transformation or BEE implementation.

The third key department associated with BEE implementation is related to the communication department which is elaborated on below.

### **3.8.3 Communication Departments**

The role of management for communicating BEE change is critical for effective implementation. Battilana, Gilmartin, Sengul, Pache and Alexander (2010:422), together with Van Rensburg, Davis and Venter (2014:165), state that at the beginning of any organisational transformation process, management must communicate the need for the change, mobilise people to accept the change and evaluate the implementation all through effective communication. Various challenges have also been cited with BEE communication and implementation which is addressed below.

#### **3.8.3.1 Communication implementation challenges**

Implementing transformation in an organisation is extremely difficult, requiring extensive knowledge about what information needs to be communicated with the respective implementation tasks (Bel, Smirnov & Wait 2018:1-12). During the implementation of BEE in organisations, communication has been commonly cited as a challenging task for communications teams. The misaligned stakeholder communication includes the disjunction in the communication process from the strategy phase to the implementation phase, including the misalignment of employee



and employer communication which are addressed below followed by communication intervention strategies and best practices.

#### **3.8.3.1.1 Misaligned stakeholder communication**

Communication among various stakeholders has been cited as one of the common challenges for successful BEE implementation which has further resulted in misaligned communication and a lack of engagement with employees and the organisation's transformation strategy and objectives (Barnard & Stoll 2010: 8; Nieuwoudt & Rudman 2015:40-41 & Lefakane 2017:75-76).

Canavan (2007:31) states that successful communication to stakeholders is of grave importance. Therefore, misaligned communication and transformation are not just a management responsibility but rather a role for everyone to be involved in. As a result, these barriers for successful communication are areas of concern for effective organisational transformation initiatives like BEE implementation. In addition, Buck, Filatochev, Demina and Wright (2003) describe how management within a developing economy must transform organisational strategies to align and enable new guidelines set out by various transformational policies.

As a result, despite effective communication across all platforms being noted as important, communication with stakeholders remains a significant task to execute (Dlodlo 2017:13-19), considering that the communication strategy is required to support the larger organisational strategy (Newman 2016: 8). In agreement, Colombo and Delmastro (2002:13) support this view. The authors note that, although planning surrounds organisational transformation, the communication of the transformation strategy from inception through to the implementation phase, is not as effective as intended.

Manyi (2008:28) relates how low employee morale is also aligned with poor and misaligned stakeholder communication due to the misalignment between employer and employee interests in an organisation. Therefore, there is a need to elevate motivation levels, employee morale and employee commitment, performance and productivity. The author further states that poor communication can lead to messages being distorted and arise in confusion, complicating the communication intended. In

supporting this view, the BEE Baseline 2007 survey confirms that multiple suppliers and organisations indicated a lack of comprehending the BEE principles itself (Consulta Research 2007) and has further led to a lack of understanding of what true transformation represents. It can further be interpreted that if BEE in general is misunderstood, all five BEE codes could also be misinterpreted and misunderstood as a result of poor communication. As cited earlier, some business owners are of the opinion that BEE is merely giving away shares of their company (Kleynhans and Kruger 2014:8). This again reiterates that poor communication is one of the key factors that hinders effective BEE implementation from the strategy through to implementation phases.

Ntim and Soobaroyen (2013:121) support the view that BEE, as an organisational transformation initiative, has not been researched in detail with regards to how organisations communicate their participation and involvement at an implementation level. Therefore, there is limited communication and knowledge in this area of the study, reaffirming the need for this study. Some managers and organisations also do not realise that effective employee communication is directly aligned to the success of organisational transformation and this is noted by the extensive recent work of Arvidsson (2012:98-112); Washington, Okoro and Thomas (2012:217); Berros (2012:227); Keyton, Caputo, Ford, Fu, Leibowitz, Liu, Polasik, Ghosh and Wu (2013:152); Crawford and Nahmias (2010:405); Kingston (2007:8-10) and Mills (2009:911-913) who have all contributed to the communication discussion within this study. As a result of the various misaligned stakeholder communication challenges, it is noted that communication processes and strategies have additionally become perplexed for communication teams that are managing communication through BEE implementation within organisations (Kallier 2017:140-142) thereby emphasising the need for management's attention to communicate such challenges.

Similar to the financial and HR intervention strategies, the discussion below reviews communication intervention strategies, including digital communication intervention strategies with regards to BEE implementation.

### **3.8.3.1.2 Intervention strategies addressing communication challenges**

The grave importance of an organisation's communication plan is highlighted throughout the literature, as this plan can either create successful organisational transformation or destroy it (Colombo & Delmastro 2002:13).

As a recommendation, communication strategies are therefore required to align to organisational strategies through the various management departments (Raupp & Hoffjann 2012:146-161) and communication departments must be recognised as a crucial and integral part of managing transformation and the greater organisational strategy. Likewise, stakeholder communication must also play a key role in the communication manager's responsibility (Bull & Brown 2012:125) and, at the same time, communication effectiveness must ensure that organisations do not overwhelm stakeholders, especially employees, with elaborate detail, causing confusion and lack of attention to the strategic transformation plans. Similarly, from a BEE perspective, it is recommended that communication managers are required to fulfil a critical internal role in safeguarding that employees are not overcommunicated to (Brown 2013:461).

Throughout the BEE and communication-related literature, it is noted that open communication can significantly reduce conflict expenditures and challenges if the communication management is systematic including the revision, monitoring planning, and implementing of all the channels of communication within an organisation (Leibbrandt & Saaksvuori 2012:1136; Elving, Ruler van B, Goodman & Genest 2012:112). It is therefore imperative that management recognises the importance for communication teams and communication strategies to support organisational transformation initiatives such as BEE implementation, as there is a direct impact on organisational output (Ahmad, Areiqat & Abdelhadi 2010:519).

Further to the communication strategy recommendations, it is suggested that organisations are cognisant to present factual information to employees during a transformation process, weary of the discrepancies that can arise between people's perceptions and the realities of the transformation (Nutt 2004:9-33). Similarly, through the BEE implementation process, it is recommended that management present the transformational strategy transparently to ensure that staff are reassured and convinced about the changes to eliminate or reduce the potential of employee

challenges. In addition, to alleviate communication challenges encountered at an organisational level, Speculand (2012:353-355) suggests that management send out e-mails, disseminate posters at the office and hold briefings in town halls for employees, depending on the suitability, scale and magnitude. The authors maintain that communication is becoming easier, via various mediums. However, organisations are becoming worse at communicating, more specifically, relating to updates on the implementation of their strategy. Therefore, leaders must explain their strategies and the organisation must change both emotionally and logically from the heart and mind. The vital role of management is reiterated, as they are required to play a pivotal role in successful communication for BEE implementation to occur. It is therefore noted that organisations need to ensure adequate attention is granted to stakeholder communication during BEE implementation through the vital role of management. The discussion below reviews the role of digital communication in particular and that new digital mediums can be utilised effectively for communication through organisational transformation such as BEE implementation.

#### **3.8.3.1.3 Digital intervention communication**

In addition to the traditional communication channels, organisations are utilising various forms of social media and related digital technologies as a form of organisational communication which includes PR, sales, marketing, media and investor and crisis communication (Meredith 2012:75) for organisational purposes. The author maintains that organisations must interpret and understand the impact of the modern and technologically advanced “new age workforce” together with older employees and consumers who add to the complexities of organisational communication. It is therefore understood that in this digital age where multiple platforms for swift and regular communication exists for business purposes, organisations need to be reminded that the same digital platforms can be utilised for internal communication with various stakeholders, especially through organisational transformation initiatives like BEE.

Well-known digital platforms such as Twitter, Facebook, YouTube, e-mail, intranets and corporate websites allow flexibility in format and ease of accessibility for communication purposes (Baard & Nel 2016:7). In support, Decarie (2010:73-75) elaborates on the importance of responsive, digital savvy, connected and engaged

leaders who drive a culture of innovation within organisations. These digital applications present a change in behaviour that can be recognised as both an opportunity that can support communication for multiple purposes, especially through an organisational transformation like BEE implementation. The above digital applications can therefore be adapted as part of the modern communication strategy for effective communication and successful BEE implementation.

Digital communication must also be considered through organisational communication strategies for the supporting role such as assisting to alleviate communication challenges encountered with greater time, lower costs, efficiency and relevance to the various stakeholders (Beker, Lackovic & Pavelin 2019). In addition, consideration must be acknowledged by younger people who are more equipped with digital savvy skills and the potential to transform communication and further accommodate dynamically changing customer and employee communication platforms (Kim and Mauborgne 2010:9). The age of employees, together with digital technology, further provide a combined asset which is significantly important for communication through an organisational transformation such as BEE (Duffett 2017:19-20).

It is also important to note that the remarkable growth of collaborating digital technology has impacted every aspect of young patrons' daily lives over the past twenty years (García, Díaz & Durán 2012:285), thereby, impacting organisational transformation initiatives. In addition, it is important to understand that millennials determine their own expectancies and preferences for the manner in which communication occurs within the workplace which can further complicate communication strategies, especially during organisational transformation. However, being prepared for these challenges, the communication initiatives have a more likely chance of being successfully implemented through these digital platforms recommended (Sharma 2017:35).

Reviewing the role of communication, both traditional and digital, supports the role of communication for an organisation's overall transformational strategy (Duffett 2017:19; Arvidsson 2012:98 & Kallier 2017:140), especially in the context of this study for BEE implementation. Similar to previous departmental discussions, below is a review of the best practice for communication through BEE implementation practices.

#### **3.8.3.1.4 Best practice for Communication Departments**

A successful case of effective organisational communication was portrayed in the change process by ABSA bank, as they communicated their transformation interventions to respective stakeholders, including executives and employees, through a multi-pronged mix of TV broadcasts, an in-house magazine and discussion sessions (Steyn 2004:168-183). The external communications plan comprised of industry review surveys and the media (Arya, Bassi & Phiyega 2008:227-251).

In addition, ABSA's BEE implementation is executed through a social and ethics committee that governs the strategy, targets and performance according to execution, ensuring that compliance and responsibility at a board level is converted into the organization and transformation forums which operate as an engagement program between employees and leaders to communicate and provide feedback (Steyn 2004:168). Reflecting on ABSA's multi-pronged communication strategy can therefore be granted as a best practice due to their successful transformation initiatives and outstanding BEE scoring that other South African organisations can draw from.

With regards to the three departmental areas discussed above, management plays multiple roles and incurs numerous responsibilities for these departmental challenges which are discussed below.

### **3.9 Management roles and responsibilities for departmental implementation challenges**

This discussion reviews the roles and responsibilities of management in relation to the previously discussed challenges, strategies and best practices within the three key organisational departments. These departmental discussions include finance, HR and communication that affect management's role and responsibilities within an organisation, as this impedes effective BEE implementation (Battilana, Gilmartin, Sengul, Pache & Alexander 2010:422; Sartorius & Botha 2008; Emuze & Adlam 2013:126; Bel, Smirnov & Wait 2018:3-4; Mallaby, Price & Hofmeyr 2017:10-12).

From a financial departmental perspective, management must oversee as part of their roles and responsibilities, how the high costs of compliance, foreign investments,

dilution of cash flow and misuse of funds (Butler 2006:80–85, De Klerk 2008:53, Pike, Puchert & Chinyamurindi 2018:8; Fauconnier & Mathur 2008:12-14; Sartorius & Botha 2008; Acemoglu, Gelb & Robinson 2007:22) affect successful BEE implementation. Another key financial responsibility includes management conducting cost/benefit calculations to determine and validate the financial expenses incurred by BEE implementation. These financial roles demand that management plans and forecasts annual operational costs while aligning the company strategy with BEE compliancy.

Similarly, from an HR departmental perspective, management is also required to ensure that concerns of racism, employees job hopping, cultural diversity, management skills and employee focus are all addressed, resolved or prevented (Chitakornkijasil 2010:18; Ledimo 2015:1747; Thomas 2014:89; Kazi & Karodia 2013:47; Mallaby, Price & Hofmeyr 2017:1-4; Jong & Hartog 2010:39-41) as part of their ongoing role and responsibility. It is therefore argued that organisational behaviour should be managed through people with professional problem-solving abilities (Smit, Cronje, Brevis & Vrba 2010:7) that management should employ as required. In addition, from an HR perspective, Maheshwari, Gunesh, Lodorfos and Konstantopoulou (2017:742) maintain how a key responsibility for management is attracting and retaining a talented workforce for the organisation, especially since staff retention surfaces as a major concern for management during organisational transformation (Alhejji, Garavan, Carbery, O'Brien & McGuire 2016:95; Preissing & Loennies 2011:28; Russ 2007:13; Kallier 2017:140; Real & Poole 2005:63). Management is further required to recognise the behavioural trends of individuals and organisations whilst being able to utilise these predictions to ultimately achieve control (Nadler & Tushman 1980). Managers therefore play a vital role in BEE implementation with consideration to the changing and additional roles of which can be attributed to the execution and challenges encountered (Uppal 2014) from an HR departmental perspective.

In addition, the communication departments also demand key roles and responsibilities of management for effective BEE implementation. As discussed, misaligned stakeholder communication, together with traditional and digital communication strategies, require an active strategy, implementation and evaluation role by management (Bel, Smirnov & Wait 2018:8; Kleynhans & Kruger 2014:7; Kallier

2017:140; Ntim & Soobaroyen 2013:121). It is further recommended that managers must communicate constant feedback with employees and stakeholders (Hesketh 2006:122) to avoid misalignment in communication through an organisational transformation, thereby, reiterating the pivotal role of management during organisational transformation such as BEE implementation.

Aside from the three key departments addressed in this study, management in general is accountable at every departmental level of the organisation for all tasks associated with BEE implementation. Warner and Witzel (1997:263-264) further identify that managers' primary responsibility is to make organisations operate effectively, as their positions are capable of overseeing a complete organisation within multiple departments in order to motivate people through a vision to achieve the organisation's goals. In addition, Esser and Dekker (2008:157), Pooe (2016:1-12), Jack and Harris (2007:165-166), Bel, Smirnov and Wait (2018:1-12) also confirm that managers play a vital role in strategic direction, to obtain respective organisational objectives.

In some organisations, it is not easily recognisable as to who is responsible for change and transformation, especially when people respond that "everyone is in charge of change", as this generally means that no one in particular is responsible (Edgelow 2012:3). It is therefore crucial that all levels of management, including executives, project teams and first level supervisors, need to align their roles and responsibilities from an integrated approach to lead change and transformation for initiatives such as BEE implementation. In support, Hesketh (2006:122) promotes the idea of "real" responsibility which must stem from senior management's role to create discontent with the current organisational state and create a sense of urgency to build commitment to transform and create change among all levels. With reference to BEE implementation, this further indicates that management is required to highlight the challenges and discontent of their current organisational operations to support the need for BEE implementation, rather than merely adhering to compliancy for the BEE scoring.

In response to some of management's responsibilities inherited through BEE compliancy, Ganesh (2017) recommends that successful BEE implementation specifically rests with the Chief Executive Officer (CEO), as every South African



organisations should take direct accountability for the organisations BEE initiative. The author states that whilst the CEO is likely to delegate certain operational responsibility, overseeing ownership and management control code must remain the CEO's key task and the Chief Financial Officer should be responsible for preferential procurement and enterprise development, with the Employment Equity Committee responsible for the socio-economic development, skills development and employment equity. Ganesh further advises should the company be too miniscule for this structure, then accountability would be for the senior executive team, whereas in large organisations, it is recommended to appoint a Head of Transformation.

In addition, Kruger (2011) states that ten specific dimensions directly impact on organisational managers' roles and responsibilities which are essential for the positive impact of BEE implementation and to the performance of an organisation. These ten traditional and functional areas include strategy, productivity, marketing, operations, financial, HR, business ethics, entrepreneurial spirit, competitiveness, and innovation. Cognisant of these ten areas cited above, seven areas have surfaced already through the literature review for this study which include strategy, operations, finance, HR, entrepreneurial spirit through leadership, communication and ethics which remain key areas of responsibility for management, as they have been further elaborated on along with this study's challenges and intervention strategies associated with BEE implementation.

Aside from management, leadership of an organisation has been cited as an essential requirement to support successful BEE implementation. Therefore, this study reflects on leadership for BEE implementation below.

### **3.10 The role of leadership for BEE implementation**

Earlier discussions in this chapter examined the challenges associated with BEE implementation from an operational and departmental perspective. Intervention strategies and best practices have also been highlighted through this review of literature, indicating the essential need for adequate management skills to ensure effective BEE implementation. Together with the essential management roles and responsibilities for the challenges, strategies and best practices, the literature highlights a need for sound leadership through effective BEE implementation.

This discussion addresses the roles and responsibilities of the leader, the values and skills of a leader as well as the differentiation between a manager together with the associated values and ethics of good leadership to support, whilst contributing to, effective BEE implementation. This discussion also includes a theoretical contribution of the transformational leadership theory and commences below, with a brief discussion on the role and responsibilities of leadership for BEE implementation.

### **3.10.1 Roles and responsibilities of leaders for BEE implementation**

The role of leadership is understood to display key qualities including accountability, honesty, ethics, integrity and morals (Mintzberg 1987:11-24). Similarly, these qualities, together with leaders' perceptions and attitudes towards organisational transformation, is critical for genuinely enabling BEE transformation initiatives.

Through a turbulent business environment, organisational transformation initiatives such as BEE implementation, demand that leaders need to display genuine, impudent, flexible and action-orientated skills (Ranganathan 2017:12-16 & Al Daaja 2017). In addition, Brown and May (2012:533) maintain that organisational transformation must be honourably implemented by these leaders, as the associated transformational changes could impact the lives of people for the better, eliminating the social and economic injustices brought about by the legacy of apartheid.

In addition, Schlesinger and Kotter (1979:106-114) maintain that leaders should be recognised to meaningfully contribute towards change, and they will be more likely to commit to the success of the change, as their opinion and actions would be seen as valuable and required by the change plan. The direct association between organisational performance and leadership is also highlighted, considering that leaders are at the core focus of the enterprise (Birasnav, Rangnekar & Dalpati 2010:108).

Kotter (1996) is further recognised in this study for his work on leading change, cautioning that two thirds of organisations fail with their change plans, due to leadership inabilities, as some leaders do not foresee resistance or challenges. He explains that a well-considered change management plan is essential for leaders to

combat these challenges encountered during an organisational transformation such as BEE implementation. Kotter's three-step process, consisting of eight actions, is further anticipated to make an impact. Step one is titled, Create a Climate in Preparation for Change, which includes three actions; a sense of urgency, building teams and a change vision. Step two is described as "Engage and Enable the Organisation" which consists of three actions; communicating the above vision, empowering broad-based action and developing short term victories. The third stage is detailed as "Implement and Sustain the Change" which consists of two actions; not giving up and incorporating the change into all activities so that it remains active (Kotter 1996).

In addition, Lawler, Mohrman and Ledford (1982:23-36) explain that employee engagement augments productivity and improved communication which can be interpreted to support leaders through organisational transformation initiatives like BEE implementation. In agreement, Kotter (1996) maintains that employee participation cannot be underestimated, whereby staff, management and leadership is essential in their own capabilities to take accountability for the change required. Leadership values and skills are therefore necessary for true transformation which is essential for any BEE compliant organisation in order to enable transformation effectively which are discussed below (Birasnav, Rangnekar & Dalpati 2010:108).

### **3.10.2 Values and skills of an organisational leader**

The discussion looks at sound leadership values and skills for successful BEE implementation. It is understood that through the demise of apartheid, the process of transformation began in 1994, placing demands upon leaders of organisations, as they were necessary to balance the requirements originating from socio-political changes (Booyesen 2007). It is therefore noted that apartheid designed the life practices and characteristics of black and white leaders' skills in different ways.

A good leader is therefore described as one who possess values and skills that include listening well and the ability to communicate a vision when it is needed, in the form of morale, values, clear direction, advice, control, encouragement and support (Fraclix & Dixon 2012:2). Similarly, for effective BEE implementation, an organisational leader will be required to display such leadership values and skills for a diverse audience.

In addition, Nkomo and Kriek (2011:453–470) reflects on her past and personal experiences as a leader within the South African organisational environment, summarising the leadership values they displayed for organisational transformation and change. The author explain that, as a leader, her values embrace rather than resist the changes of transformation challenging their organisations which are indicative of their personal acceptance towards the changes taking place, despite being challenged as leaders to recreate their organisation's strategy, structure, people, process systems, core values and/or culture. This reiterates the importance for an organisational leader to possess a vision with values and skills that can inspire the premeditated direction of organisations and the engagement of employees during change and transformation initiatives like BEE.

In addition, Khanyile (2017:42) and Pulzone (2017:70-71) herald that good leadership values and skills can guard an organisation's mission and values, ensuring that the organisation does not deviate from its core values and can similarly be considered in the case of BEE implementation. The concept of Ubuntu is further encouraged as being part of the country's leadership values and skills, referring to the African spirit of "humanness that an individual displays" for others, encompassing care, harmony, community, hospitality, respect and responsiveness as values that define true leaders required for South Africa's economic transformation through successful BEE implementation (Smit, Cronje, Bevis, Vrba 2010: 8; Black & Geletkanycs 2006:94-114 & Mapasa 2017:48-49).

A good leader is further described as possessing values and skills with the ability to build trust in others, motivate, solve challenges and inspire the group to higher levels of achievement (Baldoni 2003:208 & Samosudova 2017), whilst being sensitive to the needs of diverse team members and possessing the ability to deal with conflict (Serfontein 2006:102). Leaders' skills further entail obtaining a positive employee commitment to an organisation's transformation, as this will minimise the effects of uncertainties and challenges brought about by a transformation process (Pavlou 2014:60; Dunn, Dastoor & Sims 2012:45; Coldwell, Joosub & Papageorgiou 2012:133; Ghasabeh 2017:54; Latham 2013:12; Magsaysay & Hechanova 2017:834) such as BEE implementation.

To further aid BEE implementation, through sound leadership values, Mallaby, Price and Hofmeyr (2017:12) recommend that South African leaders must possess values and skills such as resilience, adaptability, flexibility and be good at managing conflict through diverse and dynamic cultures. In support, Kruger (2011: 209) maintains that organisations must invest in leaders, as they align company goals together with people, specifically during an organisational transformation. Similarly, for BEE, it is noted that managers and leaders will both need to align for successful BEE implementation. The differences between managers and leaders are briefly discussed below to ensure clarity in roles and further establish the need for both roles through successful BEE implementation.

### **3.10.3 Differentiating between management and leadership**

Algahtani (2014: 71-82) states that both management and leadership terms are used differently whilst also synonymously and is further appreciated for the similarities as well as differences. Managers are recognised to ensure an efficient functioning work environment, whereas by contrast, leaders encourage new functions and seek long term visions (Yukl 1989: 251-253). Varying literature and opinions cited by multiple authors compare the differences between management and leadership (Lord & Hall 2005) throughout organisational studies. Grant and Borchers (2011) differentiate that managers do things right, whilst leaders do the right thing, and that managing is a task based on compliance and control, structures and systems whereas leadership is about empowerment, vision and understanding employees. This indicates that managers will carry out duties as required and demanded, whereas leaders play a much deeper role with strategic insight for long term organisational benefits, together with the support of people. It is therefore interpreted that organisations facing transformation utilise both managers and leaders to aid in supporting the BEE implementation process.

In addition, Jack and Harris (2007) differentiate that some managers merely implement BEE through coercion for government procurement; to gain maximum points on the scorecard with minimal effort, and this is not the essence of what BEE represents. By contrast, Jack and Harris (2007) highlight that a leader would envision the benefit and true BEE intention by aligning the BEE codes with the organisational transformation strategy where true transformation can be practised. It is therefore

comparable that leaders go beyond organisational requirements and, in this case, would aim to transform and ensure the development of the organisation, people and country at large, by understanding and foreseeing the future benefits of such initiatives like BEE.

It is further supported that, in the current organisational environment, both managers and leaders are required (Kotterman 2006:13-17). Managers are recognised to formalise, control and direct employees, resources, assistants and systems to achieve short term goals, improve efficiency and avoid risks. Leaders, by contrast, are driven by motivation, have a passion to follow a vision, think about the benefits of the followers, are supported by values of integrity, vision, sound communication and charisma and possess an influential ability to solve challenges. Although both management and leadership roles overlap, they are clearly distinctive roles (Kotterman 2006: 13-17).

Mintzberg (1987:11-24) identifies a set of key competencies among leaders in order for organisations to be successful. This entails strategic thinking that includes creativeness and intuition. He emphasises that organisational leaders need to understand why things operate in the manner that they do and accept organisational wisdom as an understanding of human emotions from formal and informal organisational values, cultures and relationships, rather than predicting and programming. The author is of the opinion that leaders must understand the detail of why social interactions occur the way they do in organisations, as this is of utmost importance in translating meaningful organisational behaviour into action plans. He states that leadership is therefore associated with strategic thinking in comparison to technology that is more aligned with management. To support the leadership discussion further, a theoretical overview of transformational leadership is addressed through this study below.

#### **3.10.4 Theoretical Contribution: Transformational Leadership**

Due to the important role of leadership for organisational transformation, this discussion provides another theoretical contribution for this study and briefly views transformational leadership for effective BEE implementation from a micro and organisational perspective. A reflection of this theory aims to assist in supporting the

final objective of this study which is to propose a framework for successful BEE implementation with the support of effective leadership. Considering that leadership is crucial for effective BEE implementation, this study will explore the application of the transformational leadership theory (Bass 1981; Epitropaki, Sy, Martin Tram-Quon & Topakas 2013:858; Chang C., Chang Y. & Chen 2017:812; Vito, Higgins & Denney 2014:809) in supporting this study which has similarly been utilised in various studies.

Islam (2013:11) states that visionary leadership is crucial for an organisation to effectively adapt to organisational transformation and is further dependent on relationships and leadership behavioural patterns. Transformational leadership, in comparison to transactional leadership, is recognized to be predominantly effective for organisational ownership (Afsar, Badir, Bin Saeed & Hafeez 2017:307; Bartram & Casimir 2007:4; Paulsen, Callan & Ayoko 2013:595). However, empirical evidence for this relationship is scarce and inconsistent (Smith 2015:228).

Groenewald and Ashfield (2008:56) also found that a transformational leadership approach reduces the effects of uncertainty and change to effectively guiding employees to attain their objectives. The authors describe transformational leaders as leaders that possess the ability to align individual work goals in order to improve employee engagement. However, many leaders may require to learn the required skills in order to lead in a transformational manner. Transformational leadership is further described as playing a pivotal role in organisational change where employees are seen as the “followers” and leaders drive followers’ motivation with a positive effect on followers’ work commitments and fulfilment (Colbert 2004: 219). This leadership style has a role in communicating how organisational changes will lead to better organisational performance and benefits for all stakeholders within the organisation, and is especially relevant for BEE implementation.

It is also highlighted that transformational leadership has evolved from research by Bass (1990:21) and Gibson, Ivancevich, Donnelly and Konopaske (2012:357). Bass (1990:21), in particular, identified key factors, namely, individual attention, charisma, intellectual stimulation, management by exception to better and contingent reward which describe transformational leaders’ characteristics and persona. In addition, Wang, Tsui and Xin (2011), together with George, Chiba and Scheepers (2017:4-5),

explain that transformational leadership predicts better contextual performance in relation to organisational behavior and performance beyond one's job requirements. Other scholars who have contributed to this area of leadership are Leonard and Grobler (2006:397) as well as McGregor (2008:13), who explain that transformational leadership styles can be similarly related as a leadership style for BEE implementation to assist in overcoming some challenges that have emerged from a lack of experience, skill and knowledge, the abuse of power and understanding genuine leadership responsibilities.

In addition, Iwowo (2015:408-412) highlights that leadership in African organisations, particularly, are underdeveloped, thereby, supporting the need for this study. In addition to the relevant leadership values and skills, ethical leadership, particularly, has been cited as imperative for BEE implementation which is addressed below.

### **3.10.5 Ethical leadership for BEE implementation**

Ethical leadership has been highlighted through the literature for effective BEE implementation, as there are concerns of unethical organisational practices and as such, organisational practices reaching unacceptable levels in South Africa (Van Zyl 2014:5-7). It is therefore important that ethical leadership positively influences organisational transformation initiatives for BEE implementation.

It is noted that in addition to management and leadership responsibilities, some black- and white-owned organisations are misusing and exploiting BEE transformation to their benefits, whereby guilty organisations pay black directors a fee of R25 000 per month for attending a board meeting but adding no value, whilst the black directors are content to receive remuneration without working fairly for it (Emuze & Adlam 2013:172). This "window dressing" does not make any real or valuable contribution to an organisation and black people are merely appointed to obtain a positive BEE status. This reiterates the unethical challenges encountered with regards to BEE implementation and remains a grave ethical responsibility for sound leaders to overcome. It is further recommended that by reinforcing full responsibility and accountability for actions, leader ethics can be advanced which will ultimately decrease corruption and other forms of counterproductive and unethical management behaviour in South African organisations (Hung 2010:153-157). As a result, leaders



are therefore ultimately accountable to resolve various unethical challenges (Terblanche 2012:7-8) that may arise within an organisational environment.

Ethical leadership is further identified as one of the most significant factors influencing the success and survival of BEE initiatives, specifically (Jonck, van der Walt, Sobayeni & Nthombi 2017:3), and therefore remains a key factor for responsible and effective transformation of organisations for swift BEE implementation. It is further explained that ethical leadership not only looks at outputs but also the sustainability of society, as the environment is taken into consideration (Matthews & Nieuwoudt 2014:40-41 and Colquhoun 2017:8). In support, Guern (2017:4) maintains that integrity serves as one of the key characteristics for ethical leadership, thereby, guiding successful BEE initiatives. Ethical leadership is further supported and enacted by self-leadership (Cabrales, Barrachina & Fernandez 2017:225; Caulfield & Senger 2017:927; Engelbrecht, Wolmarans & Mahembe 2017:6).

It is therefore understood that the role of leadership is important for ethical BEE implementation. In summary, this discussion has supported this chapter with both a manager and leader role for BEE implementation and organisational transformation within a South African context. The roles, responsibilities and priorities for management have been addressed, particularly, for effective BEE implementation. Similarly, the role of leadership with sound values, skills and ethics have also contributed above and concludes with a theoretical contribution of transformational leadership which is most suited for the purpose of this study.

### **3.11 Conclusion**

This chapter has reviewed the strategy for the five operational BEE codes and the associated challenges, intervention strategies and best practices. This discussion is followed by the role and responsibility of management for the five operational codes as well as a discussion on the prioritisation of these codes. Thereafter, the chapter proceeded to address the three key departmental challenges, focusing on finance, human resources and communication challenges. Intervention strategies and best practices were also addressed, including the role and responsibility of management for these three departmental challenges. The role of leadership is further addressed

comprising of leadership values and skills, roles and responsibilities as well as an ethical stance to leadership for successful BEE implementation.

This discussion also addressed three theories, including the entrepreneurship theory and organisational theory from a micro and internal organisational perspective. In addition, the third theory relating to leadership included transformational leadership to contextualise the grave significance of ethical and sound leadership for successful BEE implementation. The forthcoming chapter outlines the study's methodology.

## **Chapter Four: Research Methodology**

### **4.1. Introduction**

The previous chapters addressed the history of South Africa and that BEE originated as a result of the imbalances caused by apartheid. The study has also reviewed challenges, strategies and best practices from literature relating to BEE implementation together with multiple theoretical contributions to guide the study's approach.

This chapter provides details of the research methodology, specifically the combined quantitative and qualitative methodological approach for this study, including fieldwork, sampling procedures, data collection instruments, analysis and techniques utilised to achieve the study's research objectives. These objectives have also been considered together with the type of data, method of data collection, measurement unit and tools. In this study, primary data was collected via a questionnaire and interviews to understand the implementation of BEE amongst the Empowerdex most empowered 100 BEE compliant organisations (2018) together with the organisations' associated strategies, challenges and best practices. The discussion concludes with details relating to the data analysis and this is also framed by multiple theories which aid in the development of a proposed framework at the end of this study. The discussion commences with a restatement of the study's research problem and objectives.

### **4.2 Research problem**

This study's research problem addresses the fact that the BEE Act is legislation that is not directly binding on the private sector; therefore, businesses have no legal obligation to comply should they wish not to. Jack and Harris (2007:24) further states that organisations are too slow to embrace transformation, allowing room for directors to decide whether BEE will be profitable or not for a business; therefore, the success of BEE is dependent on private companies striving for transformation at their own pace.

Similarly, Johnson, Yip and Hensmans (2012: 25) explain that few companies have made a voluntary change for transformation from their existing model to a contemporary one as these organisations are often in denial or only start to seek new ways forward when required to. This statement further confirms this study's research problem as organisations that are apathetic towards BEE compliancy will ultimately impact the contribution towards transformation practices within corporate South Africa at large.

#### **4.3 Aim, objectives and context of research methodology approach**

The aim of this study was to explore the strategies, challenges and best practices in implementing BEE in selected South African companies.

##### **The objectives of this study are:**

- To explore strategies that have been implemented for the adoption of BEE practices;
- To examine the challenges encountered by management in the implementation of BEE;
- To determine the priorities and responsibilities of management in driving BEE implementation;
- To explore transformation operational factors that affect BEE implementation; and
- To develop a proposed framework based on best practice to assist South African businesses that wish to adopt BEE practices.

The choice of the research design can be determined by the research objectives (Larkin, Begley & Devane 2014: 8-12; Caruth 2013: 112-122) and applies to this study as also this study's research objectives which are recognised as key forces driving this study. The research design of a study describes the research process of data collection and analysis (Mofokeng, Giampiccoli & Jugmohan 2018:16) and is therefore critical in assisting the researcher to utilise applicable research methods that will exploit the validity of the research objectives. The research problem aims and objectives above have been carefully considered to support and reflect through the research methodology of this study.

It is further understood that research phenomena within the context of phenomenological research can be recognised as an existence from which information can be gathered and analysed in a systematic manner (Collis & Hussey 2003: 53). With reference to this study, BEE can be established as the research phenomenon within South African organisations. The study can also be described as following an interpretivist paradigm, which offers insights into the discussion by qualitatively analysing participants' perspectives, explanations, understanding better and exploration of the BEE implementation process (Maree 2007: 60).

The context of a combined methodological approach is further interpreted by the notion of research being progressively multifaceted and complex, highlighting the need for new practices to examine research problems, especially business data in academic research (Jogulu & Pansiri 2011: 687 & Jankowicz 2006: 14). It is further noted that traditional organisational research adopted either a quantitative or qualitative methodology and it is therefore encouraged that a transition to a more complex research design with numerous data sources and analysis results in conflicting views (Bryman 2012: 628; Sreevidya & Sunitha 2011: 17-19).

As a result, this study utilises both the quantitative approach and the qualitative approach, and the latter is used to explore further and enhance the findings of the quantitative study. This combined methodological approach therefore makes a much-needed contribution in the management sciences field and can be described as an insight study that is analytical and descriptive in nature. This study would have otherwise proven challenging to draw inferences between BEE implementation and strategies, challenges or best practices without both qualitative and quantitative data types for analysis. The methodological approach to this study is elaborated further below.

#### **4.4. Methodological approach to study**

This study uses both quantitative and qualitative methodological approaches, with a combination of both qualitative and quantitative designs to support the findings of both designs (Creswell 2012; Greenwood & Terry 2012: 98-108). As indicated by Creswell and Hirose (2019: 4), the "mixing" of methods in social research is also associated

with various terms, including blended research, integrative, multiple methods, multi-method and mixed research. The combined methodology approach for this study further ensured that the researcher had collected and analysed both quantitative and qualitative data by systematically integrating both data types to provide new insights, and this is supported by Frels and Onwuegbuzie (2013: 184-186) as it enhances insight into the study.

In addition, four key factors, namely: timing, weighting, theorizing and mixing help to shape and implement procedures for a combined quantitative and qualitative approach (McBride, MacMillan, George and Steiner (2019: 697). Creswell (2009: 242) explains that “timing” is a key factor whereby researchers must decide the effectiveness of timing on their quantitative qualitative and data collection, either sequentially, in phases or concurrently. Similarly, this study collected both types of data through the questionnaire and interview tools sequentially. The questionnaire served as the primary form of data collection, followed second by the interviews with key informant participants. The second key factor highlighted by Cresswell (2009) is that of “weighting” whereby priority is given to either qualitative or quantitative data, or sometimes equally. This study gave more weighting to the quantitative data as compared to the qualitative data.

The third key factor is listed as “theorizing” whereby a larger theoretical perspective generally guides the design. This study is guided by the entrepreneurship theory, organisational theory, transformational leadership theory, social justice theory and development theory which have all been discussed in the previous chapter. The fourth key factor to consider for a combined approach is that of “mixing” where mixing the two types of data may happen at multiple stages (the data analysis, the data collection or interpretation) or at all three phases (Cresswell 2009). This study has applied “mixing” at data collection stage only for this study. In agreement, Tashakkori and Teddlie (1998: 209-240) state that with the mixing of the quantitative and qualitative techniques, the latter technique assists in stating and interpreting the findings of the former technique.

The above discussion has defined the combined methodological design for this study which is followed by the rationale and relevance for this selected method.

#### **4.4.1. Rationale for the combined quantitative and qualitative approach**

This study adopts a combination of both quantitative and qualitative data which is supported by Murphy *et al.* (2014: 13-19) who state that for a study to herald meaningful conclusions, both quantitative and qualitative dichotomies must be included together. In this study the research design took into account the research objectives and established the most appropriate approach for this study's data collection and analysis. The combination of both methods is further acknowledged to strengthen the validity and thoroughness of a study when applied appropriately (Bazley 2004: 141) as this method possesses complementary strengths as compared to other methods. In addition, Parkhe (1993: 227-228) elaborates that an example of "hard" data formed through a questionnaire is improbable to gain "soft-core" experiences and views in social settings. This therefore led the researcher to use a combination of the quantitative and qualitative approaches in this study, which has integrated surveys and interviews, to expand and enhance the findings thereby further enabling them to respond to multifaceted research questions.

From a business research perspective, Wilson (2013: 13) further maintains that it is critical to classify threats and opportunities regularly, as a company's success or failure is dependent on the actions undertaken by conducting research. This study in particular is a form of business research; although it may not guarantee BEE success, it intends to identify opportunities, threats, successes or failures that are worthy of noting for BEE implementation within South African organisations. In addition, Malina, Norreklit and Selto (2011: 59-61) differentiate how qualitative research answers research questions that address "how" and "why", whereas quantitative research typically addresses "how often" and "how many". It is also recognised that a combined methodological approach allows for more "trustworthy" results than any single research paradigm, as the methods often offset each other in complimentary ways (Bahl & Milne 2006: 198-200 & Hammersley 2008: 22-26). Likewise, this study consists of both qualitative and quantitative data, supporting the exploratory and descriptive nature of some of the data.

The rationale for the combination of both methods in this study is further supported by a review of articles previously published between 1990 and 2010 in the *Journal of*

*Business Research*, which indicates that business scholars recognise and acknowledge the benefit of combining quantitative and qualitative research; nevertheless, as a discipline, business related studies depict inadequate usage of combined methodologies (Creswell & Clark 2011; Ngulube B. & Ngulube P. 2014; Johnson, Onwuegbuzie & Turner 2007: 37-39). Similarly, Jogulu & Pansiri (2011: 687) refer to an analysis of articles in the *South African Journal of Economics and Management Sciences (SAJEMS)* between 2004 and 2010 indicating that despite methodological advances made in the field of economic and management sciences, scholars employ either quantitative or qualitative methodologies as opposed to combining research methods.

Given the scarcity of combined research in the field, this study embraces a combined approach, offering a unique contribution to the discussion of BEE and transformation in the business sciences field within South African organisations (Jordaan, Wiese, Amade & Clercq 2013: 435-437) and therefore contributes to the limited knowledge available. It is further understood that combining research methods further grant researchers flexibility, integration, and holistic approaches in their research techniques, as they identify a range of difficult research questions (Powell, Mihalas, Onwuegbuzie, Suldo & Daley 2008: 306), integrating data through carefully planned priority and timing (Creswell & Plano Clark 2007).

In addition, Lund (2012: 155-156) further cautions that the amalgamation of diverse views provided by qualitative and quantitative methods generally conclude a holistic picture of a study. However, she also cautions that the result could also be conflicting or inconsistent, sometimes resulting in additional consideration, reviewed hypothesis, or further research generating new insights. The above insights that inform the combination of quantitative and qualitative approaches have therefore been carefully considered for this study from various perspectives, adding depth to understanding, while also informatively explaining and confirming quantitative methods with qualitative data. The proceeding discussion details the population of the study and how the actual sample design was created.



## **4.5 Population and sample selection**

This discussion reviews the research population and sample for this study. The sample design, sample techniques, sample size, response rate and profile of sample respondents are discussed below.

### **4.5.1 Population**

Sekaran and Bougie (2010: 241) state that all the items considered in any field make up a “universe” or “population” and these items are derived from the population of the respective study which is technically referred to as the sample. The author states further that in the circumstance where one cannot determine the total number of items this is described as an infinite population. Similarly, in this study the population comprised of all transformed BEE compliant organisations in South Africa which is undocumented and unknown. This infinite population therefore dictated that the researcher carefully selected the appropriate sample design and this is discussed below.

### **4.5.2 Sample design**

A sample design is described as a blueprint plan for drawing a sample from a given population by referring to the procedure or technique the researcher adopts in choosing the sample (Cooper & Schindler 2014: 84-85). Kumar (2011: 180-181) further describes sampling as obtaining information about an entire population by examining only part of it and being able to make generalisations or draw inferences about the population from which the sample is taken. Similarly, the sample design for this study comprises the sampling techniques, sample size, response rate and profile of sample respondents. The discussion below commences with the sampling techniques utilised in this study.

### **4.5.3 Sampling techniques**

Sampling is described as a complex technique considering the variations and overlapping types of sampling available. Wagner (2012: 92) and Coyne (1997: 623-625) explain that samples can be categorised as either probability samples or non-probability samples. Probability samples can be described as a sampling technique that applies a random selection method, whereby every item has a calculable chance

of selection, ensuring that sampling error is minimal and limits the researcher's judgement (Bryman 2012: 188). In addition, Graziano and Raulin (2013: 323) confirm that the probability sampling method elevates confidence of the sample being adequately representative of the population.

On the other hand, non-probability samples allow for a choice in determining who or what is selected in the sample. In addition, Argerich and Cázares (2017: 310-313) maintain that non-probability sampling designs are utilised when the quantity of parts in a population is either unidentified or cannot be independently recognised and is reliant upon other factors, also referred to as deliberate sampling, purposive sampling or judgement sampling. Judgemental sampling further describes how a researcher utilises their own judgement for selecting items which are considered representative of the population and to determine who can deliver the appropriate knowledge in achieving the objectives of a study by approaching participants and respondents who probably possess the required information and are keen to share it with the researcher (Patton 2002: 45). This type of sampling is useful when describing a phenomenon or creating information about which there is little known and is more commonly utilised in qualitative research. It is further understood that through non-probability sampling, the possibility for any individual to be included in the sample cannot be calculated (Wagner 2012: 92), implying that some units of the population are more likely for selection, allowing the researcher to ascertain the elements for inclusion in the sample.

The non-probability sampling technique was utilised in this study, as the sample was selected deliberately by the researcher, and is a purposive choice. This study also utilised the judgmental sampling approach to select the sample in order to identify the sample based on the availability of respondents to respond to the questionnaire or interviews, location of respondents, the magnitude of business, level of BEE compliancy, the respective companies from the Empowerdex listing and the representation of different sectors of industry. Through the application of judgemental sampling, twenty organisations were identified for interviews; as some respondents were conveniently located close to Durban and accepted or preferred an interview. In addition, factors such as the size of the business, the level of BEE rating and the location of the business were of utmost importance in the choice of the selected sample, while the researcher aimed to ensure that the sampling procedure of the

twenty organisations caused minimal sampling error. The twenty organisations were further selected due to their extensive knowledge and involvement in BEE initiatives which made them most relevant as the selected sample for this study. The researcher was aware that the sample was purposive and therefore could not always extrapolate from the sample to the population, although the sample was relatable to some extent of the whole population (i.e. other BEE compliant organisations in South Africa).

Biber (2010: 50) states that the importance of selecting an appropriate sample is that the respective sample must relate to the research question, suit the objective of the study, and be able to respond to the research question with an ethical sampling design. As a result, all of these factors have been considered for this study to ensure the most appropriate sampling design was applied to reach the study's overall objective. The sample size and response rate which supports the sample design is further addressed below.

#### **4.5.4 Sample size and response rate**

The sample size can be defined as the number of items selected from the population (Sreevidya and Sunitha 2011: 19), although wary that the size of sample should neither be excessively large nor too small, thereby fulfilling the requirements of efficiency, representativeness, reliability, flexibility and costs when determining factors to select the size of sample. Due to budget constraints for this study, when selecting the sample size, the researcher opted for an electronic questionnaire and digital interviews to alleviate as much of the travel cost as possible (as the majority of respondents were based in Gauteng) since the researcher is based in KwaZulu-Natal. This study was further informed by the fact that the sample should be genuinely reflective of the population features without bias so the study may outcome in reliable and valid conclusions.

In this study the Empowerdex Most Empowered 100 companies (2018) was used as the sample population to be representative of all BEE compliant organisations in South Africa. The reasons for utilising the Empowerdex listing are:

- The Empowerdex agency is one of the largest accredited agencies, and is recognised as one of the leading BEE verification and rating agencies in South Africa;
- Empowerdex compiles the annual Top Empowerment Company published by *Financial Mail* which studies and ranks the top 200 JSE companies in terms of BEE;
- The Empowerdex listing includes the various sectors within the South African economy which are BEE compliant; and
- Empowerdex as a verification agency adopts a policy that ensures impartiality in all of the company activities and relationships (Empowerdex Most Empowered 100 companies 2018)

In this study, the questionnaire was administered to a sample size of one hundred respondents that were listed. Sixty responses were received from the questionnaire and twenty responses were received via interviews, thereby generating a response rate of 80 percent. In addition, the profile of the respondent's further aids in understanding the sampling design for this study.

#### 4.5.5 Profile of sample respondents

A profile of the sample of respondents is described below for both the interviews and questionnaire methods adopted in this study.

**Table: 4.1 Profile of respondents**

<b>Data Collection Method</b>	<b>Number of companies</b>	<b>Profile of Participant</b>	<b>Industry/Sector</b>
Semi-structured interviews	Twenty companies	Directors, HR, CEO, Finance Directors, Operations, external consultants	All industries were represented through the data collection of both instruments, comprising: Financial, Alt X, retail, consumer goods,

			automotive, transport, mining, real estate, chemicals, hospitality, industrial, healthcare, food and beverage, ICT, basic resources,
Questionnaires	Eighty companies	Communications, marketing, transformation managers, secretaries, procurement managers, HR, IR, external consultants	Same as above

Table 4.1 above indicates the profile of respondents, tabulating the method of data collection, number of companies, profile of participants and the respective industry or sector they belong to.

The discussion below elaborates that the data was collected for this study through primary and secondary data as well as the instruments utilised in the data collection process.

#### **4.6 Data collection methods and instruments**

The secondary data collection method for this study is discussed first followed by the primary data collection methods and instruments.

##### **4.6.1. Secondary data collection method**

Secondary data can be described as data that is already available and passed through statistical processes which were previously analysed (Zikmund, Babin, Carr & Griffin 2010: 17-18). For this study in particular, the secondary data sources included: publications of the national government, international bodies and their subsidiary organisations, technical and trade journals, books, industry and corporate magazines,

newspapers, reports and publications of various associations connected with the respective businesses and reports prepared by research scholars and universities. Secondary data was further collected through an extensive survey of literature surrounding BEE implementation and transformation initiatives in South Africa as well as internationally. The literature review focused on the most reputable, relevant and updated findings in this field of study including books, journals, articles, websites and corporate literature encompassing various institutions and perspectives.

The literature collected aimed to improve and demonstrate knowledge as well as an understanding of the subject area, to gain new insights, identify sources of data, definitions, patterns, ideas, theories, best practice, approaches, trends, problems, changes, opinions, predictions, opportunities, phenomena, variables, relationships processes, roles, responsibilities and other related data which would enable the development of a proposed framework to assist South African organisations considering and implementing BEE. The literature review served as the first step in the data collection process, followed by primary data collection through electronic questionnaires and semi-structured key informant interviews which are discussed below.

#### **4.6.2 Primary data collection method: Questionnaire**

The researcher employed a primary data collection method utilising a survey method through an electronic questionnaire. To commence the data collection process a covering letter was attached to the online questionnaire which briefly introduced the institution represented, the main objectives and relevance of the study, general instructions indicating that participation in the study was voluntary, assuring respondents of anonymity, provided contact details in the event that they had any questions; a deadline and most importantly thanking them for their participation in the study. This was sent electronically to all respondents. The majority of data was collected via the online questionnaire instrument and the associated advantages and disadvantages of this instrument are elaborated on in detail below.

##### **4.6.2.1 Advantages and disadvantages of the questionnaire instrument**

Creswell and Hirose (2018: 3) differentiate between the various types of questionnaires, such as the longitudinal type which is administered over time;

however, this survey was a cross-sectional questionnaire which was conducted at one point in time. The cross-sectional questionnaire is also more commonly used in the combination of methods and is reputable for collating factual data to obtain valid responses especially through electronic mail (Bryman 2012: 658; Leung 2001:187-189). Kothari (2004:100) supports that the electronic mailing of questionnaires is the most extensively used method in various economic and business surveys; however, he also informs that one of the major challenges with this method is its low response rate.

In addition, Kumar (2011: 226-228) states that the advantages of a questionnaire allow convenience and greater anonymity as there is no face-to-face interaction between respondents and the interviewer; therefore, in some situations where sensitive questions were posed, this method aided in increasing the likelihood of obtaining accurate information which was relevant for this study. The benefits of the questionnaire further ensured low costs as the sample was widely spread geographically across the country and was free from the bias of the interviewer. According to Marshall and Rossman (2006:27) respondents react well to open-ended questionnaires as this method allows them freedom to apply their knowledge, experience and imagination; therefore, this study included both open- and closed-ended questions in the questionnaire.

The disadvantages of a questionnaire were also considered, including a low response rate as respondents fail to return them. Dillman (2007: 125) also state that questionnaires could restrict spontaneous responses, as this format allows respondents time to reflect on their responses before answering. The researcher implemented the questionnaire, wary of the possible challenges. The questionnaire design is elaborated on in detail below.

#### **4.6.2.2 Questionnaire design**

Martin, Childs, DeMaio, Hill, Reiser and Gerber (2007: 113-119) emphasise that the layout of a questionnaire should be simple to read, pleasant to the eye, with a well-planned sequence of questions. Similarly, this study has ensured clearly articulated questions through the aid of a pilot test study conducted with the questionnaire to test various elements of the design. In addition, Kumar (2011:226) maintains that the order

of questions is important as it affects the quality of information, interest and willingness of a respondent to participate in a study, therefore influencing the attitude of the respondents in terms of the required cooperation. Likewise, the design of the instrument in this study similarly ensured an easy to read and clear layout with the first few introductory questions seeking demographical data. This study's questionnaire therefore followed a logical progression based upon the objectives of the study as it gradually led respondents into the key sections of the study.

The questionnaire was divided into five sections, with the first section serving an introductory role, and obtaining demographic data such as the position held in the company and organisations' demographics. The second section addressed the implementation of BEE specifically in terms of the five BEE codes. The third section addressed departmental challenges and the fourth section focused on strategies for successful BEE implementation. The fifth section reviewed the role of management and leadership.

The questionnaire also applied a funnel technique with broader questions posed first, collecting generalised and biographical data, and thereafter a more focused approach contributing to both qualitative and quantitative data. From a total of forty-three questions, twenty-four closed-ended questions generated quantitative data, whereas nineteen open-ended questions generated qualitative data. The measurement technique applied to the questionnaire for closed-ended questions included nominal and ordinal measurement, whereby nominal or categorical measurement is a classification of responses. In addition, ordinal measurement is also utilised through this study's questionnaire whereby ordinal measurement is understood as ranking with the use of a Likert 1 to 5 rating scale from "strongly agree" to "strongly disagree" (Shaw *et al.* 2013: 1045-1047).

In addition, Creswell (2009: 179) states that the economy of the survey design and rapid turnaround time from respondents are the two key reasons why a questionnaire is most suitable. Questionnaires were therefore emailed to the respondents for ease of access and convenience. Follow-up semi-structured interviews were scheduled thereafter with key informants, considering the fast-paced corporate environment, where some managers were not willing to readily offer their time.



#### **4.6.2.3 Online questionnaire**

The online questionnaire utilised the software Google Forms, and the online capturing questionnaire platform was easily set up by visiting [www.forms.google.com](http://www.forms.google.com). Considering that this study had just over forty questions, sections were easily created on the Google form, allowing the researcher to break the discussion up into pieces, thereby allowing respondents to answer one set of questions at a time without being overwhelmed. The form (questionnaire) also provides a progression bar, which shows the respondent how far they are in responding or completing a section. Some questions were created as compulsory, therefore ensuring that respondents indicated a response. Some questions were optional, if a respondent wished to skip a question.

One of the only criticisms of the Google form (questionnaire) is the limited designs, as Google has restricted header colours and backgrounds. Although a colour palette is provided, only fifteen colours can be adapted for complimenting the questionnaire.

In addition, it is noted that numerous researchers are utilising online or Internet-based applications to conduct research studies – more especially surveys and questionnaires – as this trend is noted across various disciplines, including progressive organisations which understand the versatility of the Internet (Wright 2005). It is further understood that people are willing to share data with researchers which encourages the rationale for social science research through online platforms as the growing interest in using alternative sources of data continues (Revilla, Couper & Ochoa 2019: 29). Virtual communities are thriving online, as thousands of people often partake in conversations about various interests, thereby encouraging online surveys, as one of the key advantages is the access to unique populations considering the ability of the Internet to reach otherwise difficult to reach individuals.

Another key advantage is that of time, as thousands of people can be reached in a few seconds, despite geographic distances (Wright 2005). One of the challenges noted with online surveys is that researchers may know little about the respondents; for example, their characteristics, although some online survey applications offer unique populations (based on previous surveys) or provide a membership email list to establish a specific sampling frame. To avoid these challenges, the researcher

contacted the respondents, informing them in advance about the electronic questionnaires that would reach them via an email with an online link for completion.

In addition, Robertson (2017) highlights that survey and behavioural data collection methods have changed drastically over the past few years, with a decline in face-to-face and telephonic data, paired with an increase in digital data collection. With the use of mobile phones and smart devices, researchers can take this opportunity to collect data in more creative ways. It is further noted that digital data collection techniques allow for a larger sample to be collected, thereby improving the data reliability. For instance, Boitnott (2016) refers to one study whereby a paper survey contained 35 percent of errors, and in comparison, to a digital survey had a mere 3 percent of errors. In addition, the author states that when a digital data collection technique is compared to an interview, a digital survey eliminates the biased and leading body language from an interviewer, thereby allowing respondents a more natural reaction when presented with questions. Similarly, this study utilised a digital survey to minimise errors.

#### **4.6.2.4 Questionnaire dissemination and data collection**

The first step in the contact process with respondents commenced with a review of all companies' websites followed by a telephone enquiry to identify the correct person associated with the company's BEE implementation and management. A database was created, and contact details were captured of the most relevant person/people within respective organisations. Introductory messages and invitations were sent through electronic mail to complete the online questionnaire explaining the study and informing respondents that the researcher would be contacting them to follow up. This allowed respondents to have a basic understanding of the study. The respondents were informed to reply with their preferred method, as a face-to-face interview method was offered as well. The questionnaire link attached to the email allowed the respondent to complete the questionnaire and automatically return to the researcher with ease. A second email reminder was issued after two weeks of the initial email as minimal respondents had replied with a completed questionnaire on the first attempt. Thereafter telephonic calls were initiated to follow up on the questionnaires to be completed.

The typology of questions further supports this study's questionnaire design which is discussed in detail below.

#### **4.6.2.5 Typology of questions utilised in research instruments**

Kumar (2011: 226-228) states that open-ended questions provide in-depth information, allowing respondents an opportunity to express themselves freely, which can result in greater variety of information while also cautioning that analysis of open-ended questions is more difficult. In this study, both research instruments (the discussion guide for interviews and questionnaire for surveys) included the use of open- and closed-ended questions. These open-ended questions further allowed the researcher to probe for more data relating to the study.

Authors Skard and Thorbjornsen (2017: 1414) maintain that closed-ended questions help to ensure the information required by the researcher is obtained and the responses are also easier to analyse. A noted disadvantage with closed-ended questions is that the information received lacks depth and variety, with an increased chance of researcher bias (as the response list would be subject to researcher bias) that the researcher is interested in or that comes to mind; despite most questions having an option of "other" some respondents do not elaborate further. To counteract these negative associations this study therefore ensured that the interview method would allow probing for clarity after the data was collected.

In addition, Leung (2013: 187-189) and Harden (1995:27-31) compare how open-ended questions allow exploration of themes, whereas closed-ended formats, also known as the "forced choice format", are quick to fill in, easy to code, record, analyse and report results easily in a quantitative format. In this study the various types of open- and closed-ended questions complemented each other, as the variety reduced monotony and offset the advantages and disadvantages of each type as discussed. In this study, various types of questions were posed, such as open-ended, closed-ended and multiple choices to ensure a variety of options were offered, thereby avoiding a mundane approach to the layout and format for the feedback required. Having described the questionnaire in detail, the discussion now looks at the interview methods implemented and the associated challenges.

### **4.6.3 Primary data collection: Interview method**

Bryman (2012: 209) together with Irvine and Gaffikin (2006: 115) elaborate that interviews assist the researcher in better understanding the views of respondents. In particular, Kumar (2011: 47) elaborates that key informant interviews promote in-depth information which further accommodates sensitive and complex discussions to be probed by the researcher. In this study the interview platform allowed the researcher to understand the unique and relevant barriers and/or solutions that management encounter with regard to the five codes and BEE implementation. The interview structure, advantages and disadvantages follow in the discussion below.

#### **4.6.3.1 Interview structure, advantages and disadvantages**

Considering the aim of the study and the research problem, semi structured interviews were also administered as one of the data collection methods. Qu and Dumay (2011: 239) define semi-structured interviews as prepared questions from an interview guide combined with themes in systematic flow, including probes to elicit elaborated responses required, as this type of interview has strengths in flexibility, accessibility and capability of disclosing crucial and often undisclosed knowledge of organisational behaviour. In addition, Cooper and Schindler (2014: 84-85) together with Welman *et al* (2012: 167) agree that the advantages of semi-structured interviews allow the researcher the opportunity to uncover a deeper understanding of specific success factors which impact the overall organisational change.

Whilst there are various advantages and disadvantages to the interview method, Bryman (2012: 209) suggests that conducting semi-structured interviews requires a great deal of care and planning before, during and after the interviews with regard to the manner in which questions are asked and interpreted. This has also been taken into consideration for the researcher to plan and allocate appropriate time in preparing for the interview process. Another disadvantage of interviews which was considered for this study relates to the quality of data generated as this is dependent on the skills of the interviewer and could possibly introduce their bias in the interpretation of responses or even framing of questions (Opdenakker 2006). The researcher took care to ensure confidence during interviews. The interview guide is further elaborated on below.

#### **4.6.3.2 Interview guide**

The researcher utilised face-to-face as well as electronic formats to conduct the interviews. The interview guide was therefore designed simplistically with probing notes. The same interview guide was used for all types of interviews to ensure consistency and comparative data collected. Respondents were provided with the online questionnaire in advance which contained the questions to be explored during the interview process. The respondents were debriefed by communicating the purpose of the research which is expected to counteract negative effects; therefore, the researcher ensured that an appropriate debriefing procedure was carried out with all respondents. The discussion now elaborates on the different types of interview data collection methods applied in this study.

#### **4.6.3.3 Interview data collection methods**

A covering letter was submitted via email together with the questionnaire link for a brief introduction to the intended study. The interview process was the most crucial data collection method as setting up appointments and meeting with the management of organisations took a considerable amount of time and were planned post some of the questionnaire data received and a brief analysis being conducted. For this reason, questionnaires were concurrently emailed to the various managers, allowing the option of feedback via interviews which were suitable for the respondents' availability and also allowed the researcher to understand where data might be missing to complete this study and probe via interviews, as the survey may not have reached all questions.

Various types of interview methods are noted through the literature. For this study, interviews were conducted face-to-face, telephonically and via Skype. Data was collected from twenty of the respondents through in-depth interviews. These data collection methods are elaborated on individually below.

##### **4.6.3.3.1 Face-to-face interviews**

Zikmund *et al.* (2010) elaborate that in-depth interviews are designed to discover underlying motives, explore needs, desires as well as feelings of respondents and reveal important aspects of social situations, such as understanding the attitudes of people and was pursued for this reason in this study.

Face-to-face interviews were the least preferred method with data collected from four respondents as this proved to be the most challenging to secure. Through this study, the researcher aimed to ensure that these three principals were adhered to during the face-to-face interview process. The interviews were recorded electronically into an Excel sheet for integration with the questionnaire data. The researcher also considered the disadvantages of face-to-face interviews, as this form of data collection is generally cited as most time consuming and expensive, especially when respondents are located over a wide geographical area. An interview guide was prepared and used by the researcher through the interview process. This is discussed in more detail below.

#### **4.6.3.3.2 Skype interviews**

With consideration to our intense reliance on technology today, Internet interaction programmes such as Skype can aid in the speed and cost of communication (Cater 2011: 10-11). Skype is recognised as a communication platform which creates new possibilities, allowing researchers to contact respondents globally, efficiently; saving time and money for interview purposes (Lo Lacono *et al.* 2016). In addition, Bertrand and Bourdeau (2010: 7-9) state that research conducted through Skype offers the freedom of space to the interviewee who possesses the option to terminate the interview session as required, and at the same time requires the respondents' collaboration to a greater extent. Skype was the second most preferred interview method among respondents which saved the researcher time and money on travel as many respondents were based outside of KZN.

In addition, Janghorban, Roudsari and Taghipour (2014:9) advise that, as with all other data collection methods, data collection is time consuming. Therefore, Skype interviews were offered to save time for both the researcher and the interviewees. A total of six respondents opted for a Skype interview. The Skype interviews ranged between forty-five to sixty minutes in duration, during which the researcher found that participants were more willing to refer to internal company documents, and it provided greater ease to conduct the interview as opposed to the face-to-face interview method. The most popular interview method opted for by respondents was the telephonic method which is described below.

#### **4.6.3.3.3 Telephone interviews**

Due to availability and requests from respondents, the most convenient method was the telephone interview. The researcher was prompted to utilise this interview method as it proved to be most flexible and convenient. Most respondents opted for a telephonic interview which ranged between twenty to thirty minutes. The questionnaire was emailed in advance to prepare the respondent for the type of questions to be posed.

Lord, Bolton, Fleming and Anderson (2016: 786-788) are wary that despite telephone interviewing being a cost-effective data collection method, it is important to consider both the actual costs (i.e. time spent planning and conducting interviews) as well as the opportunity costs from the respondent's perspective, such as missed appointments. Despite these drawbacks, call-backs were manageable and economical, allowing the researcher access to respondents who could otherwise not be available for an interview. The telephonic interviews in this study were more efficient and prompter in obtaining information and more affordable than the personal interviewing method, which incurred expenses and travel. Having reviewed the various methods of primary and secondary data collection the study looks at the data analysis process below.

### **4.7 Data analysis**

The process of data analysis involves making sense out of data with advanced preparation, as a researcher moves into a deeper understanding of the data, continually reflecting and analysing (Creswell 2009: 188). A similar approach was encountered with the quantitative and qualitative data analysis of this study. The data from the questionnaire and interviews were captured through online Google forms and transferred into an Excel document for statistical analysis. This study's research process embarked on an analysis of literature data compared to the primary data obtained. The qualitative data was analysed by the researcher using thematic analysis, whereas the quantitative data captured was analysed with the support of a statistician. The first step of the data analysis process entailed analysing the quantitative data. Thereafter the qualitative data was analysed to support the

quantitative findings and triangulate them. The qualitative data analysis process is addressed below from a thematic perspective.

#### **4.7.1 Qualitative data analysis**

The qualitative data analysis included two main types which were thematic and content analysis, which are discussed further below for this study.

##### **4.7.1.1 Thematic analysis**

The literature review allowed the research to analyse the secondary data by utilising themes for this study. Thomas and Harden (2008: 42) together with Welman and Kruger (2011: 207-209) elaborate that the identification of themes is one of the most fundamental tasks in qualitative research, which are usually identified by the researcher before, after and during the data collection. This study identified various themes post the data collection.

According to Brawn and Clarke (2012: 57) thematic analysis is flexible and an increasingly popular method for qualitative data, which enables the researcher with foundation analytical skills. Theme construction is further recognised to aid qualitative analysis researchers in conjunction with the specific approach to the data analysis (Vaismoradi, Bondas & Turunen 2016: 398). The authors support the analytical importance of themes, categories, and content which can aid a researcher to enhance findings with credible and practical results within a specific field. In addition, Teruel *et al.* (2016: 17) and Mouton (2001: 124) explain that the interpretation of themes can be derived in a number of ways, such as respondents' direct feedback; the number of times a phenomenon occurred; or comparisons with other studies from different industries or countries. Spiers and Riley (2019: 276) together with Ritchie and Lewis (2003: 237-239) elaborate that themes are identified by reviewing the original field notes or word analysis, that is common word repetitions or key words. For this study in particular, themes were derived with consideration to data collated through the various literature discussions and secondary data collected.



#### **4.7.1.2 Content analysis**

Content analysis was further identified as one of the ideal qualitative data methods for this study's data analysis. Smith (2019) elaborates that analysing the contents of documentary materials such as books, magazines, newspapers and all other verbal materials contribute to the content analysis stage. On the other hand, Massey (2011: 21-22) explains that qualitative coding numbers are presented as counts of words, which support interpretations by merging quotes from the analysed texts and literature about the contexts of those texts into conclusions.

Similarly, this study adapted a content analysis approach for the qualitative data, analysing frequently occurring word counts. In addition, Ritchie and Lewis (2003: 199–200), Vaismoradi, Bondas & Turunen (2013: 398) elaborate that data which is analysed through content analysis can be recognised as communication from sender to receiver, such as content on a website conveys a meaning often in combination with various text and can be analysed by looking at the relationship between the two. Similarly, the content analysis approach was applied in this study to understand the communicated messages that came across through this study. White and Marsh (2006: 22) further describe content analysis as an extremely flexible research method which is widely used with varying research objectives, including utilising a range of investigative techniques and theory, thereby reaffirming the need for the content analysis approach to this study. Below is a brief description of the quantitative data analysis, which included various statistical processes which are also addressed.

#### **4.7.2 Quantitative data analysis**

This discussion reviews the approach to the data analysis. In this study the quantitative data was analysed with the support of an accredited statistician, while the qualitative data was analysed by the researcher, thereby eliminating the negative connotations associated with the combined methodological approach. Various statistical approaches were undertaken. The statistician “cleaned” the data for responses that were obvious errors and undertook a preliminary analysis of the data. The researcher commenced with descriptive and inferential analysis to gauge the relationships amongst the variables and to compare variable characteristics which are elaborated on in more detail below.

#### **4.7.2.1 Descriptive statistics**

One of the key quantitative analysis approaches is the application of descriptive statistics, which describes the organising and summarising of quantitative data. Descriptive statistics is useful as it summarises results for an experiment, thereby also allowing for research that is more constructive after analysis that is more detailed. Descriptive data analysis aims to describe the data by investigating the distribution of scores on each variable, and by determining whether the scores on different variables are related to each other.

Wagner (2012: 176) explains that univariate and bivariate analysis is the most appropriate for descriptive statistics with measures of central tendency and measures of dispersion enabling the researcher to describe the data using numbers and graphical representations. He further explains that the most appropriate measure of central tendency for interval data is the mean and the most appropriate measure of dispersion for interval data is the standard deviation. In addition, bivariate analysis concerns the measurement of two variables at a time.

#### **4.7.2.2 Inferential statistics**

Another quantitative statistical approach for this study included the use of inferential statistics which were also used to enable conclusions about the population based on the data collected from the sample (Wagner 2012: 203). Various types of inferential statistics include hypothesis tests, the Chi-square test, correlations, and cross tabulations which have all been applied to this study. Inferential analysis is used to correlate the variables in order to draw inferences from the sample of a population, which will then assist the researcher to formulate conclusions from the results (Omair 2012: 1255). Inferential statistics is also concerned with the testing of hypotheses, which is discussed below.

#### **4.7.2.3 Hypothesis tests**

In this study, two hypotheses were tested. It is interpreted that the most important application in the social sciences of the statistical theory around sampling distributions has been significance testing or statistical hypothesis testing (Imaizumi, Ota & Hamaguchi 2019: 18). Inferential statistical analysis is concerned with the testing of hypotheses with the application of the independent t-test which is the most appropriate

parametric test for a comparison of the means, testing any significant difference between two variables (Bowers & Chen 2019). The traditional approach to reporting a result requires a statement of statistical significance. A p-value is generated from a test statistic. A significant result is indicated with “ $p < 0.05$ ”. The choice of the value 0.05 as the level of significance is in fact totally arbitrary but has become enshrined as a standard in statistics.

#### **4.7.2.4 Factor analysis**

Factor analysis is a statistical technique utilised in research to gauge the construct validity in a study. Different variables could measure the same thing, and therefore combine to develop new variables (Moonsamy & Singh 2014: 271). This study also combined various variables using factor analysis to consider developing new themes for consideration through the study.

#### **4.7.2.5 KMO**

The Kaiser-Meyer-Olkin measure of sampling adequacy is a statistic that indicates the proportion of variance in variables that may be caused by principal factors. High values (close to 1.0) indicate that a factor analysis may be useful with data. On the contrary, if the value is less than 0.50 the result of the factor analysis is generally not useful.

#### **4.7.2.6 Bartlett test of sphericity**

Bartlett’s test of sphericity tests the hypothesis that a correlation matrix is an identity matrix which indicates that the variables are unrelated and therefore unsuitable for structure detection. Low values (less than 0.05) in significance levels indicate that a factor analysis may be useful for the data.

#### **4.7.2.7 Varimax and Kaiser Factor Analysis Rotation**

The Varimax and Kaiser Factor Analysis Rotation allows one to select the method of factor rotation. Available methods are varimax, direct oblimin, quartimax, equamax or promax. This study has adopted the varimax method which is an orthogonal rotation method that minimises the number of variables which have high loadings on each factor. This method simplifies the interpretation of the factors. The results of Bartlett’s test of Sphericity and the Kaiser-Meyer-Olkin Measurement indicate that the normality and homoscedasticity preconditions are satisfied.

#### 4.7.2.8 Cross tabulations

Cross tabulations can be described as data analysis which involves data resulting from observations made on two different related categorical variables (bivariate) which can be summarised using a table, known as a two-way frequency table or contingency table. The word “contingency” is used to determine whether there is an association between the variables.

#### 4.7.2.9 Chi-square test

In addition to the above statistical hypothesis, a Chi-square test (X squared) is a statistical hypothesis test between two variables. The test calculates the difference between the actual and anticipated values of the cells in a cross tabulation and then adds up the differences (Bryman 2012: 349). The test statistic has a Chi-square distribution when the null hypothesis is true, in which the probability distribution of the test statistic (assuming the null hypothesis is true) can be made to approximate a Chi-square distribution as closely as desired by making the sample size large enough (Barcelo 2018: 4). The Chi-square’s statistical significance is represented in this study as  $p < 0.0001$ , indicating that there is only one possibility among 10,000 of wrongly rejecting the null hypothesis (McHugh 2013: 143).

Chi-square test statistic:

$$\chi^2 = \frac{(f_o - f_e)^2}{f_e}$$

$$df = (r-1) (c-1)$$

Wagner (2012: 204) further explains that a null hypothesis indicates that the variables do not have a relationship between them.

#### 4.7.2.10 Correlations

This study’s analysis has also undergone correlation and regression which are two techniques that enable a researcher to determine the connection between the actual dimensions of two or more variables. In this study, only two variables were reviewed at one particular point in time, although some researchers utilise theories and formulae to assess the relationship between many variables. These techniques will be applied

through this study's analysis for prediction and decision-making to support the model of relationships between organisations and successful BEE implementation.

According to Bryman (2012: 354), Statistical Package for Social Sciences (SPSS) is possibly the most widely used computer software for the analysis of quantitative data for studies in the social sciences. The SPSS utilised for this study's data analysis included SPSS Statistics 26.0 (Release August 2018) and Stat Graphics Centurion 15.1 (2006). This study's validity is further discussed in more detail below.

#### **4.7.2.11 Validity**

The concept of validity refers to the extent to which the research findings accurately represent what is really happening in the situation and that a study could become invalid if poor research procedures, poor samples and inaccurate or misleading measurement undermines the validity of the study (Welman *et al.* 2012: 142; Saunders, Lewis & Thornhill 2009: 136). In addition, Bryman (2012:188) describes validity in research as the key focus for integrity of the concluded findings as this is an indication to evaluate that a concept in research actually measures what it set out to measure. Similarly, when a research tool is consistent, stable, predictable and accurate, it is recognised as reliable (Moser & Kalton 1989: 353), as the greater the degree of consistency and stability in an instrument, the greater its reliability. The authors therefore define reliability as the degree of accuracy or precision in the measurements made by a research instrument (where the lower the degree of error in an instrument, the higher its reliability).

It is also understood that validity is investigated by comparing the results obtained with another measuring instrument (Smith 1991: 106); therefore, in this study the validity and reliability were ensured through the pilot study to ensure the instruments achieved the intentions set out by the researcher through eliminating all challenges which occurred during the test. Harrison (2013) and Freshwater (2007: 134) confirm that having a combined methodological approach will improve an author's rhetoric and cross-validation of results. The combined methodology approach has also been informed from a design approach, noting that validity and reliability are predominantly derived from quantitative research, whereas qualitative studies provide meaningful, in-depth insights through subjective interpretations of experiences which are matched

with explanations in interviews (Keptner 2011: 593), as intended for this study. Therefore, mixing the data collection techniques will enhance the findings of this study so that the researcher can draw inferences with confidence and minimise an over-reliance on the statistical data to explore BEE implementation in the workplace. In addition to data validity, data reliability is also essential for this research project and is elaborated on in detail below.

#### **4.7.2.12 Reliability**

When a new measurement instrument is developed, it is often recommended that the instrument be tested before a study is undertaken (Mouton 2012: 100-102); therefore, this study's questionnaire and interview guide instruments were pilot tested for validity and reliability to detect any flaws, identify ambiguous terms and further gauge if there was any room for correction.

Data reliability is also considered through the application of various tests; therefore, this study applied Cronbach's alpha test. Wagner (2012: 273) describes reliability as the consistency of measurement of a concept whereby reliable data ensures that the evidence and conclusions obtained from the study can defend themselves against scrutiny.

#### **4.7.2.13 Cronbach's Alpha test**

Various methods are utilised to ensure reliability in a study, and this study adopted Cronbach's Alpha test which was used to measure the internal reliability of the research instrument. According to Bonett and Wright (2014: 13), Cronbach's Alpha test is one of the most broadly utilised measurements to determine reliability within the organisational and social sciences field. The authors further explain the test as the reliability of a sum (or average) of measurements where the measurement represents questionnaire test items. When there are multiple test items, Cronbach's Alpha is referred to as a measure of "internal consistency" or reliability. Bryman (2012: 107) states that a reliability coefficient of .70 or higher is considered acceptable.

In addition, Taber (2017:1273-1274) states that a researcher may be able to test reliability with numerous repeated measurements to determine consistency in readings; although a high reliability may not ensure accuracy, it does provide a basis

for drawing inferences. It is further noted that stability and internal reliability are also two factors which support reliability. Stability ensures that a measure is stable with no fluctuation over time whereas internal reliability relates to the consistency of the indicators that make up the scale (respondents relate to one another). Cronbach's reliability test therefore allows a researcher to determine how similar a set of items are as a group (Taber 2017:1273). In addition, three similarly related terms associated with this study include that of a studies ability to be described as transferable, credible and confirmable which are addressed below.

#### **4.7.2.14 Transferability, credibility, confirmability**

Trustworthiness in data can be determined by four indicators, namely: credibility; transferability; dependability; and confirmability, as these four indicators reflect validity and reliability in qualitative research (Denzin & Lincoln 1994). There are various terms that ensure a study is academically completed with sound ethics and principles. Below is an account of principles adhered to ensure this study was completed in a professional manner.

Denzin and Lincoln (1994) further define credibility as results that are believable from the respondent's perspective in the research, whereby the higher the outcome, the higher the validity of the study. This study will be shared with all respondents to reaffirm the credibility of the study, researcher ethics and representation of the academic institution. The term transferability is further identified as the degree to which the results of qualitative research can be generalised or transferred to other contexts or settings, despite the difficulty of establishing transferability due to the approach adopted in qualitative research (Trochim & Donnelly 2007: 149). This can be achieved if one extensively and thoroughly describes the process utilised for others to follow and replicate; therefore, the researcher has ensured this through the study. This study's data is transferable to some extent as a wide variety of industries were considered within the sample; however, it is not completely representative of all BEE compliant organisations in South Africa.

Likewise, the authors further define dependability as deriving the same results if the same process is implemented twice, as qualitative research pursues a flexible nature, with the possibility of posing a challenge to establish dependability unless a detailed

recording of the process is carried out for others to replicate. In addition, both survey and interview methods were employed to test the dependability of the data obtained, further allowing confirmability of the study. This study is also dependable, reliable and confirmable and will most probably yield similar results with the possibility of minor variances, or if respondents were to change their responses in any way over time. Strict ethical standards were ensured throughout this study which are discussed below.

#### **4.7.3 Triangulation**

Historically, management research strictly adopted either a quantitative or a qualitative methodology. However, contemporary research practise indicates that a combination of methods has gained researchers' confidence. In addition, Sreevidya and Sunitha (2011: 18-19) encourage the transition to a more sophisticated research design with multiple data sources and analysis that creates divergent views and findings, allowing triangulation to take place. This study also applied triangulation, which extended the findings from multiple methods of qualitative and quantitative data collection.

In addition, Guion, Diehl and Mcdonald (2015) explain that triangulation can be used to expand the researcher's understanding of the study and strengthen their confidence in the findings of quantitative studies. Therefore, triangulation is a valuable technique which expedites validation of data through cross verification from two or more sources and was very useful for this study's combined method approach. In addition, Hammersley (2008: 22-23) maintains that methodological triangulation involves collecting and analysing data concurrently, followed by a comparison of the results to derive a detailed understanding about the research under investigation. This study made use of both qualitative and quantitative methodologies; therefore, triangulation was used to confirm the validity of the data.

#### **4.8 Ethics, sensitivity, anonymity and confidentiality**

Ethical consideration is critically important within any field of human activity. Similarly, Welman, Kruger and Mitchell (2012: 181-182) state that the values of fundamental research ethics are universal and include honesty and respect for the rights of individuals. The code of ethics has been adhered to for this study to ensure that no offences were taken throughout the study, nor against the will of any respondents in



any form. No physical or emotional harm was encountered by the respondents as they were guarded against any form of manipulation or offence. The respondents were all equally treated, respected and valued for their contribution to this study and further informed of the ethical research standards for this study.

The study was cautioned by the sensitivity of BEE as an initiative of socio-economic transformation and was wary of the sensitive boundaries and professionalism which was required during and post the data collection and analysis process. To ensure complete compliance with the highest ethical considerations, and to ensure the interest and co-operation of all of the respondents involved in the research, anonymity and confidentiality were adhered to, as the names and details of the respondents were not captured to avoid any data leading to their identification. Respondents were reassured of their right to privacy and that their data would remain anonymous.

The researcher encouraged participants and respondents to be transparent and truthful with a tactful approach during interviews. To ensure voluntary participation, the respondents and participants were informed that they could stop the research process at any point in time. The respondents' participation was voluntary, and their organisations' identities were not disclosed. However, information drawn from websites and public spheres was cited accordingly, with mention of the respective organisations. The covering letter to the questionnaire further highlighted the confidentiality and anonymity of the respondent at all times.

The data analysed has been represented in the form of graphs including both bar charts and pie charts. Bar charts can be horizontal or vertical bars with the length corresponding to the frequency, as this type of graph allows for various levels of complexity. This study has found the use of pie charts to allow for various levels of complexity and is commonly used as divisions between particular data.

#### **4.9 Pilot testing the research instruments**

A pilot test was performed to test the instruments for this study. Churchill (1991) describes how a pilot test helps to discover faults and ensure the instrument will gather

information that it is intended before it is too late. In addition, Burgess (2003: 28-29), and Eiselen, Uys and Potgieter (2005: 21-22), also recommend a pilot test as this process consists of a critical examination and understanding of each question and its meaning as understood from a respondent perspective. The validity of this study was ensured by similarly having the questionnaire pilot tested by role players within the BEE industry. Paltridge and Starfield (2007: 131) support that a pilot test allows the researcher to trial the research instruments and evaluate the trial data should there be room for improvement.

The pilot test was carried out under actual field conditions on a distinct group of people similar to the study's population in order to identify problems and determine whether potential respondents encountered any difficulty in either understanding or interpreting questions that might be different to what the researcher was trying to convey.

The following pilot test steps were taken:

- Step one: during the pilot test a small sample of seven respondents were selected across different industries (two interviews and five questionnaires).
- Step two: the pilot test was performed with the introduction of a briefing session.
- Step three: once the interview was in place, the instruments were examined while respondents responded to the questions,
- Step four: the necessary changes required were implemented before the instrument was used in the research field.

The above steps were similarly followed for the questionnaire instrument. The pilot test ensured that changes were made to the instruments where some questions seemed unclear and unnecessary in the questionnaire, which the researcher ensured were removed or replaced accordingly. The questionnaire was edited after the pilot test for ease of navigation and considering the vital input received from respondents. The order of some questions was also rearranged, and questions rephrased or reworded for ease of understanding. The feedback from the test sample was consolidated and reviewed once again from the perspective of the study's objective. Below is a summary in detail.

**Table 4.2: Amendments from pilot- test**

The following amendments were undertaken after completing the pilot test of data instruments

<b>Key areas</b>	<b>FEEDBACK FROM RESPONDENTS</b>	<b>CHANGES APPLIED</b>
<b>Logic and flow of questions</b>	All test respondents agreed there was an understandable flow, with little feedback on improvement.	Minimal change, in layout and the phrasing the questions.
<b>Objective of the study</b>	Clearly understood from first interaction.	N/A
<b>Clarity of questions</b>	Some abbreviated terms were not clear, different respondents attached different meanings to term.	Acronyms were replaced with the full words, allowing ease of understanding; some words were placed into context, and notes updated to interview guide for points of elaboration during final interview stages.
<b>Relevancy</b>	Some questions were relevant for specific sectors only.	Ensured that general industry questions apply to all industries or response space allocated for N/A
<b>Sensitivity</b>	One question was regarded as sensitive, and was noted to require a greater response time.	This question has been reworded allowing respondents to feel at ease and respond.
<b>Time for completion</b>	An average time of 15 minutes was taken to complete the survey, and 20 minutes for an interview.	N/A

Table 4.2 above displays the feedback from respondents from the pilot test, as well as the amendments made to the questionnaire instrument thereafter.

#### **4.10 Data storage**

All manual field notes have been stored with the researcher. All electronic data were captured on a USB device and also filed away. The data will be available for review within a five-year period. Thereafter the manual notes will be shredded and recycled with only the electronic information available for review.

#### **4.11 Conclusion**

This chapter commenced with a discussion of the research design and proceeded to the sampling method, data collection process and tools, data analysis techniques and reporting process which constituted the design, providing the research logic that underpinned the study.

This discussion has provided an in-depth discussion of data collection and analysis with respect to the ethics, confidentiality, reliability and validity of the study, together with a pilot test. The next chapter presents the findings through a discussion of the analysed results in relation to the objectives set out at the beginning of this study.

# **CHAPTER FIVE: ANALYSIS OF RESULTS AND DISCUSSION OF FINDINGS**

## **5.1 Introduction**

The previous chapter discussed the methodology for this study. The quantitative and qualitative approaches were identified as most suitable and relevant to meet this study's objectives with both qualitative and quantitative data. This chapter presents an analysis and interpretation of the data collected, as well as a discussion of the findings based on the results from the questionnaire and interviews.

## **5.2 The research instrument**

The research instruments consisted of 43 items, with a level of measurement at a nominal or ordinal level. The questionnaire was divided into 5 sections as listed below:

1. Biographical data;
2. Implementation of the five BEE codes;
3. Departmental challenges associated with BEE implementation;
4. Strategies for BEE implementation; and
5. The role of management and leaders in BEE implementation.

## **5.4 The sample**

In total, 100 questionnaires were dispatched to the Empowerdex List of most empowered BEE organisations (2018) and eighty responses were returned which gave an 80 percent response rate. Twenty of the eighty respondents were further engaged through a semi-structured interview.

The questionnaire was the primary tool that was used to collect data and was distributed to 100 organisations. Both quantitative and qualitative data were compared, including literature and theoretical support where possible.

The data collected from the responses was analysed with SPSS version 26.0. The results present descriptive statistics in the form of graphs, cross tabulations and other

figures for the data collected. Inferential techniques included the use of correlations and Chi-square test values; which are interpreted using p-values.

The study also collected data through structured interviews with twenty participants. The target population consisted of the top 100 Empowerdex Listed companies of the most empowered BEE organisations (2018). The responses from the interviews were analysed and a narrative analysis of the findings is presented.

### 5.5 Reliability statistics

The two most imperative traits of precision are reliability and validity (Bryman 2012 169), whereby reliability is computed by taking several measurements on the same subjects. A reliability coefficient of 0.60 or higher is considered as “acceptable” for a newly developed construct. The table below reflects the Cronbach’s alpha score for all the items of which this study’s questionnaire was comprised.

**Table 5.1: Cronbach’s alpha score**

	<b>Section</b>	<b>Number of Items</b>	<b>Cronbach's Alpha</b>
2.1	Implementation of the five bee codes	5	0.638
3.3	The communication areas rated as critical focus areas	5	0.670
4.2	A new way forward	2	0.594

Table 5.1 indicates Cronbach’s alpha test for reliability scores of all sections which exceed or approximate the recommended Cronbach’s alpha value. The scoring above is indicative of the results being acceptable to a degree with consistent scoring and are in line with Cronbach’s alpha value as applied to the respective sections of the research.

### 5.6 Factor analysis

Factor analysis was also applied to this study’s data. Factor analysis was conducted only for the Likert scale items whereby certain components are divided into finer components.

### **5.6.1 Objective of factor analysis**

Factor analysis was important for this study's data analysis as this is a statistical technique with the main objective of data reduction. Common application of factor analysis is utilised in survey research, whereby a researcher wishes to represent a number of questions with a small number of hypothetical factors. This is explained further in the rotated component matrix below (Table 5.2.).

### **5.6.2 Rotated Component Matrix**

The application of factor analysis is used in survey research, where a researcher wishes to represent a number of questions with a small number of hypothetical factors. The rotated component matrix therefore represents three components as shown below.

Table 5.2 indicates how the principle component analysis was used as the extraction method, and the rotation method was Varimax with Kaiser Normalisation. This is an orthogonal rotation method that minimises the number of variables which have high loadings on each factor and simplifies the interpretation of the factors (Dilshani, Praveeni & Fernando 2019: 45-46). Factor analysis/loading shows inter-correlations between variables, such as items of questions which loaded similarly, implying measurement along a similar factor. An examination of the content of items loading at or above 0.5 (and using the higher or highest loading in instances where items cross-loaded at greater than this value) effectively measure along the various components.

**Table 5.2: Rotated Component Matrix**

	Component		
	1	2	3
Enterprise and supplier development	0.225	0.714	0.376
Ownership	0.034	0.253	0.685
Skills development	0.310	0.589	-0.158
Management control	0.401	0.530	0.117
Socio-economic development	0.796	0.086	0.138
Employee communication	-0.076	0.695	0.062
Public communication	0.571	0.034	0.605
Customer communication	-0.345	0.640	0.347
Stakeholder communication	0.610	0.217	0.290
Media communication	0.033	0.081	0.717
Few companies make the BEE transformation from their old model to a new one, willingly. Typically, they begin to search for a new way forward only when they are in dire need.	0.553	-0.033	-0.126
Do you agree or disagree with the “ripple effect” of organisations placing pressure on one another towards a strategy for BEE compliance?	0.560	0.098	-0.527

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalisation.

a. Rotation converged in 5 iterations.

The statements which related to the “ripple effect and placing pressure for the adoption of BEE practices” (peach colour) in this study loaded along a single component. This implies that the statements that constituted this section measured what it intended to measure. It is noted that the variables that constituted the other two sections loaded along 3 components (yellow and green colour). This means that respondents identified different sub-themes within these sections. Within the sections, the splits are colour coded.

An analysis of Section (Yellow – “Codes”) yields the following sub-themes:

- Component 1 relates to Socio-Economic Development
- Component 2 relates to Management and Skills
- Component 3 relates to Ownership.

In a similar manner, Section (Green- “Communication”) yields the following sub-themes:

- Component 1 relates to Public and Stakeholder Communication



- Component 2 relates to Employee and Customer Communication
- Component 3 relates to Media Communication

The matrix tables are preceded by a summarised table that reflects the results of KMO and Bartlett's Test.

### 5.6.3 KMO and Bartlett's Test

The requirement is that the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy should be greater than 0.50 and Bartlett's Test of Sphericity less than 0.05. The results of Bartlett's test of Sphericity and the Kaiser-Meyer-Olkin Measurement indicate that the normality and homoscedasticity preconditions are satisfied.

**Table 5.3: KMO and Bartlett's Test for factor analysis**

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.626
Bartlett's Test of Sphericity	Approx. Chi-Square	255.067
	Df	66
	Sig.	0.000

In Table 5.3 above, it is noted that all of the conditions are satisfied for factor analysis; that is, the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy value should be greater than 0.500 and the Bartlett's Test of Sphericity sig. value should be less than 0.05.

### 5.7 Cross-tabulations

In order to determine whether there was a relationship between different variables, cross-tabulations were performed. The traditional approach to reporting a result requires a statement of statistical significance. A p-value is generated from a test statistic whereby a significant result is indicated with " $p < 0.05$ ". All p-values more than 0.05 do not have a significant relationship.

For the purpose of determining whether there was a statistically significant relationship between the variables (rows vs columns), a second Chi square test was also

performed. The null hypothesis states that there is no association between the two. The alternate hypothesis indicates that there is an association.

As shown in Table 5.4 the p-value between “Enterprise and Supplier Development” and “Years of service at current organisation” is 0.000. The formulated hypothesis was:

H<sub>0</sub>: “Years of service at current organisation” does not play a significant role in “Enterprise and Supplier Development”.

H<sub>1</sub>: “Years of service at current organisation” does play a significant role in “Enterprise and Supplier Development”.

As the p-value is less than 0.05, this means that there is a significant relationship between the variables highlighted in yellow. That is, the number of years that the respondent was at the organisation did play a significant role in terms of how respondents viewed Enterprise and Supplier Development.

**Table 5.4 Enterprise and Supplier Development – Years of service cross tabulations**

**Chi-Square Tests**

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	39.005 <sup>a</sup>	15	0.001	0.007		
Likelihood Ratio	38.807	15	0.001	0.000		
Fisher's Exact Test	33.423			0.000		
Linear-by-Linear Association	1.741 <sup>b</sup>	1	0.187	0.193	0.108	0.023
N of Valid Cases	80					

As shown in Table 5.5 the cross-tabulation between “Socio-Economic Development” and “Age” showed a p-value of 0.004. In terms of hypothesis testing:

H<sub>0</sub>: The age of the respondent did not play a significant role in how the respondents viewed “Enterprise and supplier development”.

H<sub>1</sub>: The age of the respondent did play a significant role in how the respondents viewed “Enterprise and supplier development”.

As the p-value is less than 0.05, this implies that there is a significant relationship between these variables. Hence, it shows that the age of the respondent did play a significant role in how the respondents viewed “Enterprise and supplier development”.

**Table 5.5 Socio-Economic Development – Age cross-tabulations**

**Chi-Square Tests**

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2- sided)	(2-Exact Sig. (2- sided)	(1-Point Probability
Pearson Chi- Square	28.762 <sup>a</sup>	12	0.004	0.075		
Likelihood Ratio	10.084	12	0.609	0.556		
Fisher's Exact Test	13.457			0.407		
Linear-by- Linear Association	2.961 <sup>b</sup>	1	0.085	0.095	0.051	0.016
N of Valid Cases	80					

The cross-tabulation shown in Table 5.6 shows that there is a significant relationship between “Employee communication” and “Age of the respondent”. The hypothesis tested was:

H<sub>0</sub>: Age of the employees does not play a significant role in recognising the value of employee communication.

H<sub>1</sub>: Age of the employees does play a significant role in recognising the value of employee communication.

As the p-value for these variables is 0.000, this means that the age of the employees does play a significant role in recognising the value of employee communication. Hence, the older an employee is, the more employee communication is appreciated as an organisational strategy.

**Table 5.6 Employee communication – Age cross-tabulations**  
**Chi-Square Tests**

	Value	Df	Asymptotic Significance (2- sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	82.123 <sup>a</sup>	9	0.000	0.008		
Likelihood Ratio	12.865	9	0.169	0.066		
Fisher's Exact Test	18.101			0.047		
Linear-by-Linear Association	2.283 <sup>b</sup>	1	0.131	0.166	0.090	0.041
N of Valid Cases	80					

A further cross-tabulation was conducted between “Employee communication” and “industry/sector that the organisation belonged to”. The hypothesis tested was:

H<sub>0</sub>: The industry/sector that the organisation belonged to did not play a significant role with regard to how the respondent viewed employee communication.

H<sub>1</sub>: The industry/sector that the organisation belonged to did play a significant role with regard to how the respondent viewed employee communication.

As the p-value is 0.011, this shows that there was a significant relationship between the relevant industries/sector and employee communication.

**Table 5.7 Employee communication – industry/sector cross-tabulation  
Chi-Square Tests**

	Value	df	Asymptotic Significance (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)	Point Probability
Pearson Chi-Square	76.806 <sup>a</sup>	51	0.011	0.084		
Likelihood Ratio	29.545	51	0.993	0.636		
Fisher's Exact Test	68.521			0.482		
Linear-by-Linear Association	2.640 <sup>b</sup>	1	0.104	0.106	0.060	0.005
N of Valid Cases	80					

## 5.8 Correlations

Bivariate correlation was also performed on the ordinal data. The results are found in Appendix III at the end of this study. The bivariate correlation results indicate the following patterns. Positive values indicate a directly proportional relationship between the variables and a negative value indicates an inverse relationship. All significant relationships are indicated by a “\*” or “\*\*\*”.

The key variables in the study show significant intercorrelations. Positive values show a direct proportional relationship between the variables, while negative values mean that there is an inverse relationship between the variables. For example, the correlation value between “Enterprise and Supplier Development” and “Employee Communication” is 0.384. This is directly related proportionality. Respondents indicated that the more enterprise and supplier development is emphasised, the more critical employee communication would be, and vice versa. Similarly, positive scores are noted for the following comparing variables:

### **Hypothesis 1**

A significant intercorrelation exists among the different variables such as (Ownership” and “Enterprise and Supplier Development”; “Ownership” and “Management Control; “Skills Development” and “Management Control”; “Socio-Economic Development” and “Management Control” including various other intercorrelations listed below) as these factors contribute to successful transformation and BEE implementation (Appendix III). All correlations are listed below with the analysis of results showing positive scores noted for the following variables. Hence, there is a direct proportional relationship between the variables below:

- “Ownership” and “Enterprise and Supplier Development” is 0.366. This shows a significant correlation between the variables. Hence, more effective ownership will contribute to more effective Enterprise and Supplier development scoring.
- “Ownership” and “Management Control” is 0.250. This indicates a substantial correlation between the variables. Hence, more effective ownership will contribute to more effective scoring within the Management Control Code.
- “Skills Development” and “Management Control” is 0.228. This shows an important correlation between the variables. Hence, the more effective the Skills Development the more effective the Management control code will also be.
- “Socio-Economic Development” and “Management Control” is 0.366. This indicates a significant correlation between the variables. Hence, more effective

Socio-Economic Development initiatives become, the more effective Management Control initiatives also become.

- “Managers are required to evaluate execute, strategise, mentor and train, while also displaying ethical behaviour against fraud and corruption for successful BEE implementation” and “Enterprise and Supplier Development” is 0.459. This shows a direct proportional relationship. Hence, with improved or increased execution, strategizing, mentoring and training by managers, as well as steps against fraud and corruption, will contribute positively to enterprise and supplier development.
- “Enterprise and Supplier Development” and “Fronting and window dressing is seen as a barrier to successful transformation and BEE implementation” is 0.268 indicating a substantial relationship between the two variables. Hence, organisations driving Enterprise and Supplier development initiatives would also deter from fronting and window dressing practices.
- “Skills Development” and “Fronting and window dressing is seen as a barrier to successful transformation and BEE implementation” is 0.249 showing a significant correlation between the variables. Hence, the more effective Skills Development strategies are driven, similarly, the practices of fronting and window dressing are opposed within organisations.
- “Ownership” and “Fronting and window dressing is seen as a barrier to successful transformation and BEE implementation” is 0.272 indicating a substantial correlation between the variables. Hence, the more effective ownership initiatives are implemented, the dubious practices of fronting and window dressing will be opposed.
- “Managers are required to evaluate execute, strategise, mentor and train, while also displaying ethical behaviour against fraud and corruption for successful BEE implementation” and “Ownership” is 0.413 identifying an important correlation between the variables. Hence, the more effective implementation of the Ownership Code, will similarly relate to more managers executing strategies, mentoring, training and displaying ethical behaviour for BEE implementation.

- “Socio Economic Development” and the “ripple effect of organisations placing pressure on one another towards a strategy for BEE compliance” is 0.37. This shows a significant correlation between the two variables. Hence, the more Socio – Economic activities carried results in organisations demanding compliancy through the ripple effect from other organisations or suppliers.
- The “ripple effect of organisations placing pressure on one another towards a strategy for BEE compliance” and “Few companies make the BEE transformation from their old model to a new one, willingly. Typically, they begin to search for a new way forward only when they are in dire need” is 0.329. Hence, the view of placing pressure for a ripple effect of compliancy is directly related to similar views that organisations only making a transformational change when they need to. This indicates that organisations who are compliant require non-compliant organisations to support BEE implementation.
- “Fronting and window dressing is seen as a barrier to successful transformation and BEE implementation” and “Managers are required to evaluate execute, strategise, mentor and train, while also displaying ethical behaviour against fraud and corruption for successful BEE implementation” is 0.295. Hence, organisation that understand fronting as barriers also understand that managers must display sound ethical practices, through strategies and mentoring.
- “Management Control” and “Managers are required to evaluate execute, strategise, mentor and train, while also displaying ethical behaviour against fraud and corruption for successful BEE implementation” is 0.237. Hence, organisations driving the Management Control code simultaneously align with organisations that also believe management must be accountable for strategies, training and other key management related responsibilities.

The above correlations indicate that the respective variables are associated with one another; as one increases the other will as well. Therefore, hypothesis 1 may be accepted at the level of significance indicated. These results are tabulated in Appendix III at the end of this study.



## 5.9 Analysis and discussion: Quantitative data from questionnaire

This discussion presents the analysis for five sections of the questionnaire which consisted of: biographical data; the implementation of the five BEE codes; departmental challenges; strategies for compliancy; and the role of management together with leaders.

### 5.9.1 Section one- Biographical data

This section summarises the biographical characteristics of the respondents such as the industry respondents belong to, their positions at organisations, their years of service and their age.

#### 5.9.1.1 The industry/sector of respondents

The respondents were asked to indicate which sector they belonged to. Table 5.8 indicates the results.

**Table 5.8: Industry sector**

	Frequency	Percent
Construction	12	15.0
Financial services (banks, insurance)	11	13.8
Basic resources	6	7.5
Chemicals/pharmaceuticals	6	7.5
Hospitality	6	7.5
ICT (hardware and software)	6	7.5
Paper & Paper Packaging	5	6.3
Consumer goods	4	5.0
Mining	4	5.0
Retail	4	5.0
Automotive	3	3.8
Food and beverages	3	3.8
AltX	2	2.5
Healthcare	2	2.5
Logistics and Manufacturing	2	2.5

Real Estate	2	2.5
Fleet and mobile asset management solutions	1	1.3
Services	1	1.3
Total	80	100.0

Table 5.8 indicates the sector to which the respondents belong. The highest contributing sectors were Construction (15.0 percent) and Financial Services (13.8 percent), with most of the other respondents contributing less than 8 percent per category ( $p=0.004$ ). For basic resources; chemicals; hospitality; and ICT, 7.5 percent was recorded for each category; for paper and paper packaging, 6.3 percent was recorded; for consumer goods; and mining and retail, 5.0 percent was recorded; for automotive; and food and beverages, 3.8 percent was recorded; and with healthcare; logistics and real estate, 2.5 percent was recorded for each category. Hence, the majority of respondents emerged from the Construction sector.

#### 5.9.1.2 Position of respondents

The respondents were asked to indicate their position within the organisation. Table 5.9 below presents the results.

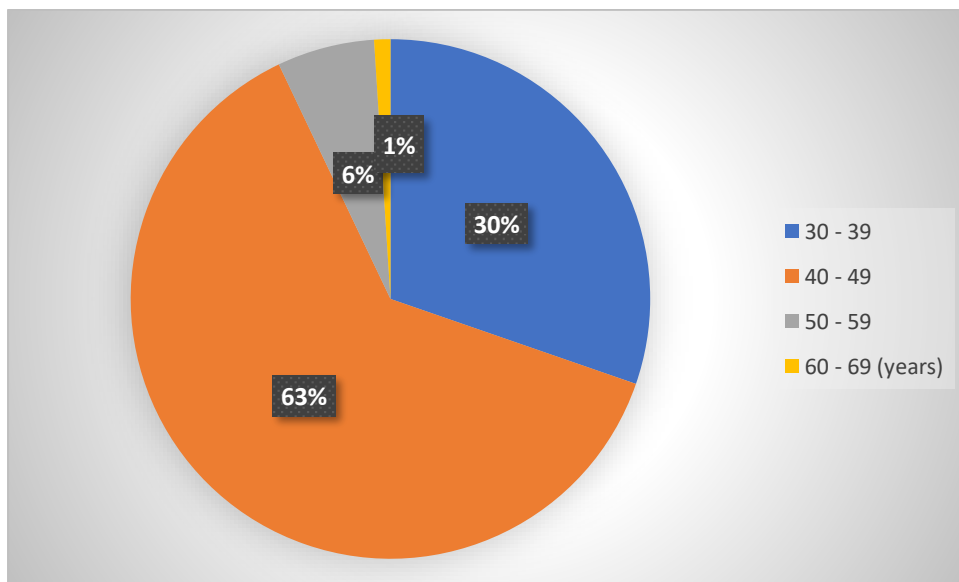
**Table 5.9: Position at organisation**

	Frequency	Percent
CEO	3	3.8
Communications manager	4	5.0
Human resources	7	8.8
Transformation manager	8	10.0
Finance	8	10.0
Administration	9	11.3
Legal	19	23.8
Company secretary	22	27.5
TOTAL	80	100.0

Table 5.9 summarises the various positions which respondents hold within their respective organisations. The most commonly held position was related to HR. Various positions were noted; however, to simplify an understanding of the positions, the researcher has grouped responses. The results indicated that obtaining responses for this study from senior management positions proved challenging, whereas company secretaries were better able to support the research with responses to the questionnaire. Table 5.9 above indicates that 27.5 percent of the respondents were company secretaries; 23.8 percent occupied legal positions; 11.3 percent were from an administrative background; 10.0 percent of respondents were from finance, and another 10.0 percent were transformation managers; 8.8 percent were from human resources; 5.0 percent were communications managers; and 3.8 percent of the respondents were CEOs. This indicates that the results were complete for this study and that relevant people were approached and willing to avail themselves in sharing organisational insights for research purposes.

### 5.9.1.3 Age of respondents

Respondents were asked to indicate their age. Figure 5.1 provides the results.



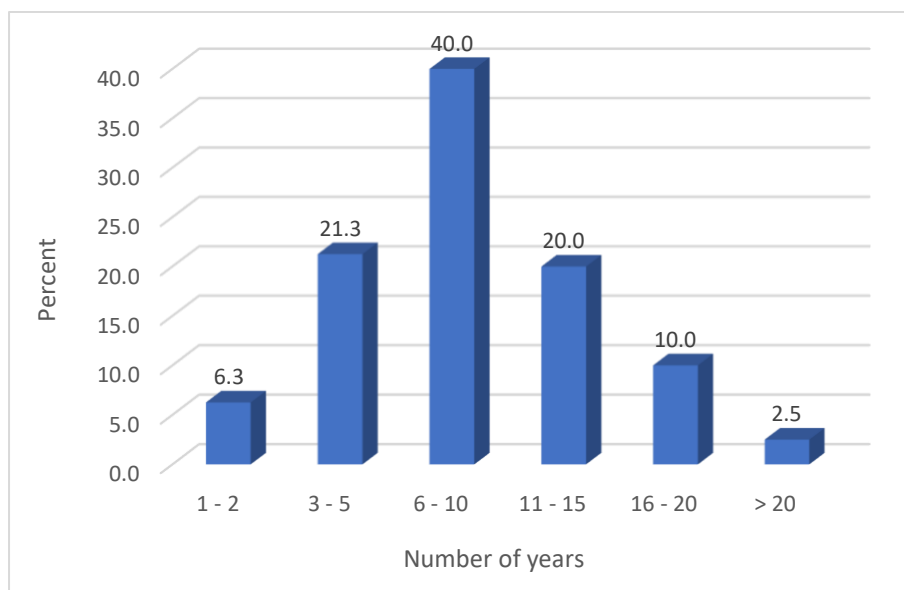
**Figure 5.1: Age of respondents**

Figure 5.1 depicts the overall distribution by age. A little less than two-thirds of the respondents (62.5 percent) were between the ages of 40 to 49 years, with approximately a third (30.0 percent) being between 30 to 39 years ( $p < 0.001$ ). The

majority of the staff (92.5 percent) were younger than 50 years of age. The age of the respondents, further support in contextualising the years of experience that can be attached to the respondent's knowledge in combination with the years of service below.

#### 5.9.1.4 Respondents' length of service

The respondents were asked to indicate their length of service with the organisation. Figure 5.2 below shows the results.



**Figure 5.2: Respondents length of service**

Figure 5.2 indicates the length of service of the respondents. More than 93 percent of the respondents had been employed for at least 3 years ( $p < 0.001$ ). This implies that respondents had been in employ for a while, which indicates that responses were received from experienced workers. From the data presented above, it was noted that 6.3 percent have been with their current organisations between 1-2 years, 21.3 percent are employed between 3-5 years within their current organisation, with the highest indication being 40 percent employed between 6-10 years. It was also noted that 20 percent of respondents are employed between 11-15 years, 10 percent are employed between 16-20 years, and 2.5 percent are with their current organisations for longer than 20 years.

Section one has reviewed and analysed the demographical data of respondents whereas the next section analysed the implementation of the five BEE codes.

### 5.9.2 Section two: Implementation of the five BEE Codes

This section reviews the five BEE codes, viz., Enterprise and Supplier Development; Ownership; Skills Development; Management Control; and Socio-Economic Development. This part of the questionnaire aimed to understand the priorities, importance and strategies for the five codes with regard to BEE implementation within each organisation.

The discussion that follows analyses the scoring patterns of the respondents per variable per section. The results are first presented using summarised percentages for the variables that constitute each section. Results are then further analysed according to the importance of the statements.

#### 5.9.2.1 Importance and prioritisation of the five BEE codes

This section of the analysis presents the prioritisation and ranking of the five BEE codes by levels of importance. The frequency and p-value from the Chi-square test are also reviewed.

The hypothesis formulated was;

H<sub>0</sub>: There is no significant difference in the respondent's perceptions of the importance of the five BEE codes.

H<sub>1</sub>: There is a significant difference in the respondent's perceptions of the importance of the five BEE codes.

The results are shown in the table below. As the p-values are less than 0.05 (level of significance), it implies that there is a significant difference in the respondent's perceptions of the importance of the BEE codes.

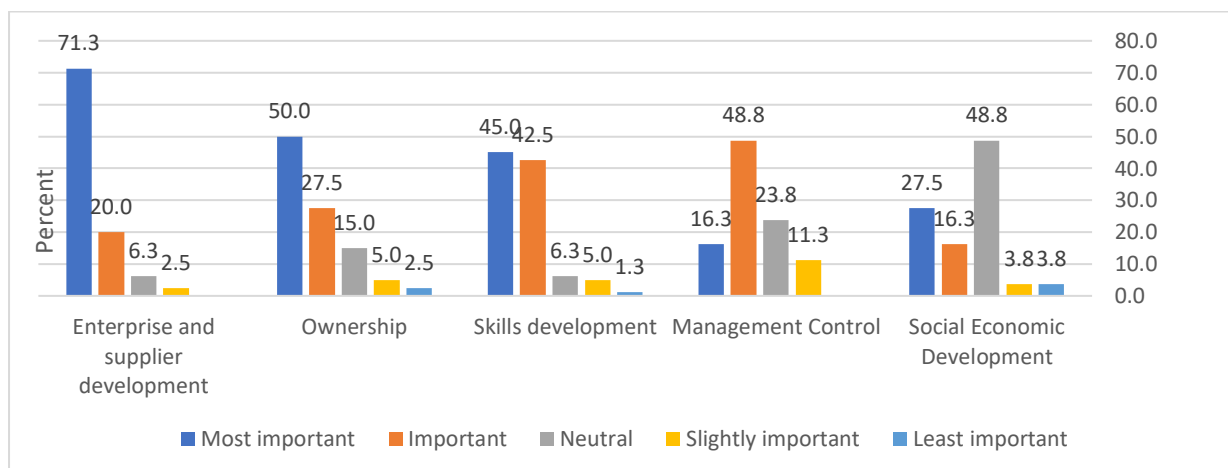
**Table 5.10: Prioritising the five BEE codes**

	Most important		Important		Neutral		Slightly important		Least important		Chi Square
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	p-value
Enterprise and supplier	57	71.3	16	20.0	5	6.3	2	2.5	0	0.0	0.000

development											
Ownership	40	50.0	22	27.5	12	15.0	4	5.0	2	2.5	0.000
Skills development	36	45.0	34	42.5	5	6.3	4	5.0	1	1.3	0.000
Management control	13	16.3	39	48.8	19	23.8	9	11.3	0	0.0	0.000
Socio-economic development	22	27.5	13	16.3	39	48.8	3	3.8	3	3.8	0.000

Table 5.10 above summarises the scoring patterns relating to how the organisations prioritised the following BEE objectives: Enterprise and Supplier Development; Ownership; Skills Development; Management Control; and Socio-Economic Development. From interpreting the hypothesis above,  $H_1$  can be accepted that there is a significant difference in the respondent's perceptions of the importance of the five BEE codes. In addition, the alternate hypothesis is rejected namely,  $H_0$ : which states that there is no significant difference in the respondent's perceptions of the importance of the five BEE codes.

**Figure 5.3: Importance of five BEE codes**



In Figure 5.3 above, the five BEE codes are ranked by levels of importance. The following patterns were observed:

All statements show (significantly) higher levels of higher importance whilst other levels of importance are lower (but still greater than levels of lower importance). The Enterprise and Supplier Development Code ranked the highest by level of importance

with a 71.3 percent score, followed by Ownership at 50 percent. Skills Development, Management Control and Socio-economic Development follow with scores of highest importance at 45 percent, 48.8 percent and 48.8 percent respectively. Hence, it shows that the ranking of the various BEE codes were not similar.

- There are no statements that indicate higher levels of low importance;
- The last statement shows a significantly higher level of having a neutral score; and
- The significance of the differences is tested and shown in the table.

Factor analysis indicates that “Enterprise and Supplier Development”, “Skills Development” and “Management Control” could form a sub-theme. Respondents have an understanding of what these are and what they need to do so that these are achieved or improved. Note that the other two have very distinct focus points. It is also valid to identify the two codes “Enterprise and Supplier Development” and “Ownership” that ranked as priorities with highest levels of importance which is aligned with the allocation of the highest BEE points on the generic scorecard.

To determine whether the scoring patterns per statement were significantly different per option, a Chi-square test was performed. The null hypothesis claims that similar numbers of respondents scored across each option for each statement (one statement at a time). The alternate states that there is a significant difference between the levels of high and low importance. The results are shown in Table 5.10 above. The highlighted sig. values (p-values) are less than 0.05 (the level of significance), implying that the distributions were not similar. That is, the differences between the way respondents scored (high importance, uncertain, low importance) were significant.

Through interpreting the data of least important codes, it was noted that there were no responses for “Enterprise and Supplier Development” together with “Management Control” codes. This therefore indicates that these two BEE codes are recognised as important; however, when compared to the most important scale, only the Enterprise and Supplier Development Code ranked as most important. Similarly, it was noted from the BEE scorecard (DTI: Amended Broad Based Black Economic Empowerment Code of Good Practice 2012) that the Enterprise and Supplier Development code is prioritised as highest amongst the five BEE codes, with the maximum allocation of

points being 40 out of 105 (with 4 bonus points). The findings therefore relate to the same prioritisation of points on the BEE scorecard.

**Table 5.11: Management’s role in respect of the ESD code**

Comment	Frequency	Percent
Build connections between small enterprises with your organisation	47	58.8
Support suppliers financially	46	57.5
Support suppliers’ skills and performance	45	56.3
Access to market support	4	5.0

**Table 5.12: Management roles and responsibilities for the Ownership Code**

	Frequency	Percent
Finding appropriate skilled partners	35	47.3
Finding appropriate skilled partners; support partners with capital, access to funding	22	29.7
Support partners with capital, access to funding	17	23.0
Total	74	100.0

**Table 5.13: Management roles and responsibilities for the SD Code**

	Frequency	Percent
Create opportunities	10	13
Portal of talented youth	14	18
Training and development	15	19
Skills programmes for staff	41	51
Total	80	100

**Table 5.14: Management roles for the MC Code**

	Frequency	Percent
Restructuring management constitution;	22	27.5
Finding appropriate Black management employees	25	31.3
Upskilling existing Black employees	33	41.3
Total	80	100



### **5.9.2.2 Roles and responsibilities of Management for the Enterprise and Supplier Development (ESD) Code**

The respondents were asked to indicate the roles and responsibilities for management with regard to the ESD Code, together with the associated challenges encountered through implementation of this code.

Table 5.11 tabulates the organisations' key roles and responsibilities for the Enterprise and Supplier Development code. The totals add up to more than 100 as multiple responses were allowed. Similar numbers of respondents chose the first 3 statements as being some of the key roles and responsibilities for management during implementation of the ESD code. Hence, the results indicate that 58.8 percent of the respondents indicated that relationship building with smaller enterprises will support BEE scoring through the ESD code. In addition, 57.5 percent indicated support suppliers financially and 56.3 percent indicated support for suppliers' skills and performance is also required by smaller enterprises, while 5.0 percent indicated support in terms of access to the market. The findings show that the majority of the respondents indicated that building connections with smaller organisations, financial support and providing support for skills and performance support BEE scoring through the ESD Code.

The findings are consistent with the views expressed by Schoonbee (2013: 24-25) who maintains that Enterprise Development is intended to ensure larger organisations procure from small Black-owned SMEs and assist them to grow. The findings are also in agreement with the views of Mondal (2015) who explains that larger organisations can score points through this code by offering smaller organisations advice and allowing them access to knowledge in areas where they may be lacking, such as sales, procurement and legal.

### **5.9.2.3 Roles and responsibilities of Management for the Ownership Code**

The respondents were asked to indicate the roles and responsibilities for management with regards to the Ownership Code, together with the associated challenges encountered through implementation of this code. Table 5.12 illustrates the results.

Table 5.12 above indicates a total frequency count of 74. The results indicated that 47.3 percent of respondents viewed “finding appropriate skilled partners” as a management role, while 23.0 percent indicated “support partners with capital ranks, access to funding”, and 29.7 percent selected both. Hence, the majority of the respondents indicated that management’s role was to find appropriate skilled partners. The above finding is consistent with the views of Guern (2017: 4) who maintains that the implementation of the Ownership Code is challenged with regard to finding the appropriate candidates and partners, maintaining and utilizing candidates appropriately and according to skill sets that will benefit the organisation.

#### **5.9.2.4 Roles and responsibilities of Management for the Skills Development (SD) Code**

The respondents were asked to indicate the roles and responsibilities for management with regard to the SD Code. As indicated in Table 5.13, 51 percent of respondents indicated skills programmes for staff, 19 percent indicated training and development and 18 percent selected portal of talented youth, while 13 percent indicated create opportunities. Hence, the majority of respondents indicated that skills programmes for staff is the most important role for management to execute through the SD code for BEE. The findings from above are consistent with the views of Baloyi (2012), who explains that staff skills challenges deny some organisations from obtaining work as a result of their BEE status and thereafter the work is outsourced with a smaller profit. Therefore, the lack of appropriate employee skills is defeating the true purpose of what BEE represents and, as a result, hinders successful BEE implementation within organisations.

#### **5.9.2.5 Roles and responsibilities of Management for the Management Control (MC) Code**

The respondents were asked to identify the roles and responsibilities for management with regards to the MC Code. Table 5.14 highlights the results relating to the roles and responsibilities for the MC code. Table 5.14 indicates that three key responses were received with similar percentages. It was established that the most common response to the role of Management for the MC code is that of upskilling Black employees (41.3 percent) followed by finding the appropriate Black employees (31.3 percent) and restructuring of the organisations’ management constitution (27.5 percent). Hence, the

majority of the respondents indicated that upskilling existing Black employees is the most important role for management to execute through the MC code for BEE. The findings from the above are in agreement with the views of Emuze and Adlam (2013: 154) who maintain that challenges associated with the implementation of the Management Control Code include the struggle to source experienced and skilled Black candidates, as prospective candidates are limited and prohibitively expensive, as well as attaining and retaining these candidates.

### 5.9.2.6 Roles and responsibilities of Management for the Socio-Economic Development (SED) Code

The respondents were asked to identify the roles and responsibilities for management with regard to the SED Code which are presented below.

**Table 5.15: Management roles for the SED Code**

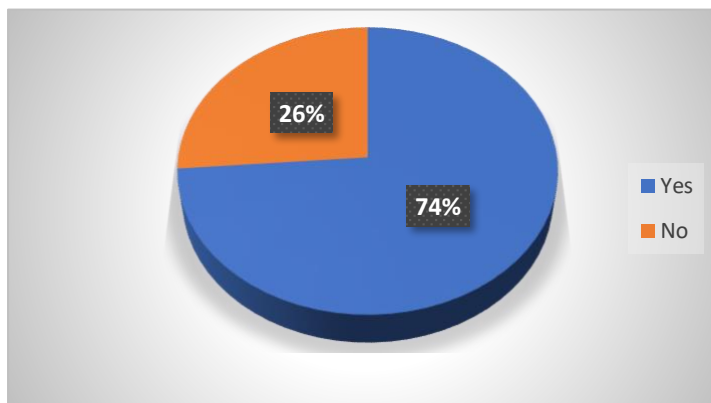
	Frequency	Percent
Other	9	11.3
Timelines for effective PDI reallocation	15	18.8
Essential sustainability	19	23.8
Additional time and resources	37	46.3
Total	80	100.0

In Table 5.15 reveals that the most important role for Management with regards to the SED code is additional time and resources (46.3 percent) required for successful implementation of this code. This score is followed by essential sustainability (23.8 percent) and is closely followed by the challenge of timelines for effective PDI reallocation (18.8 percent). These responses indicate that, in order for the SED code to be successfully implemented, management must be responsible to allocate more time and resources to ensuring this code operates successfully. Some responses were also grouped as “Other” (11.3 percent). The findings show that most respondents (almost half) agreed that additional time and resources were the most important for management with regards to implementation of the SED code. The key finding from above is consistent with the view of Emuze and Adlam (2013: 176-154) who confirm

that larger BEE compliant organisations fail to follow up on their SED investments and these contributions result in misuse of funds, as these larger organisations do not possess the time or resources to ensure that the contributions reach the intended PDI beneficiaries.

### 5.9.2.7 BEE consultants and their supporting role

The respondents were asked if their organisation employed the services of BEE consultants through BEE implementation and the following results were noted.



**Figure 5.4: BEE consultants and their supporting role**

Figure 5.4 indicates that 74 percent of all respondents used the assistance of a BEE consultant to support their BEE implementation process, whereas 26 percent indicated that they did not use the services of BEE consultants. Hence, the majority of the respondents indicated that the role of BEE consultants is recognised as an important one to support organisations with the implementation of the five BEE codes. It is further understood that various monitoring agencies have been appointed since the introduction of BEE in order to assist with implementation and evaluation, ensuring a supportive and informative role for organisations and is consistent with the intended role of BEE agencies (Acemoglu, Gelb & Robinson 2007: 35) and with the findings above which illustrate that the majority of respondents found BEE agencies to play a supportive role in their organisations' BEE implementation process.

### 5.9.3 Section three: Departmental Challenges

The previous section presented the role of management for the implementation of the five BEE codes. This section reviews the challenges within three key organisational departments, including Finance, Human Resources and Communication.

#### 5.9.3.1 Departments driving BEE compliancy

The respondents were asked to identify the departments within their organisations that drive successful BEE compliancy. The findings are discussed below.

**Table 5.16: Departments driving BEE compliancy**

	Frequency	Percent
Finance	8	10.0
Legal	8	10.0
Commercial and sales	9	11.3
Operations	10	12.5
Communications	17	21.3
Human resources	28	35.0
Total	80	100.0

In Table 5.16 it is noted that the Human Resources department is ranked with the highest percentage of 35 percent, followed by the Communications (21.3 percent), Operations (12.5 percent), Commercial (11.3 percent), Legal (10 percent) and Finance (10 percent) departments respectively. The data presented indicates that the Human Resources department is most commonly associated with driving BEE compliancy within the majority of organisations.

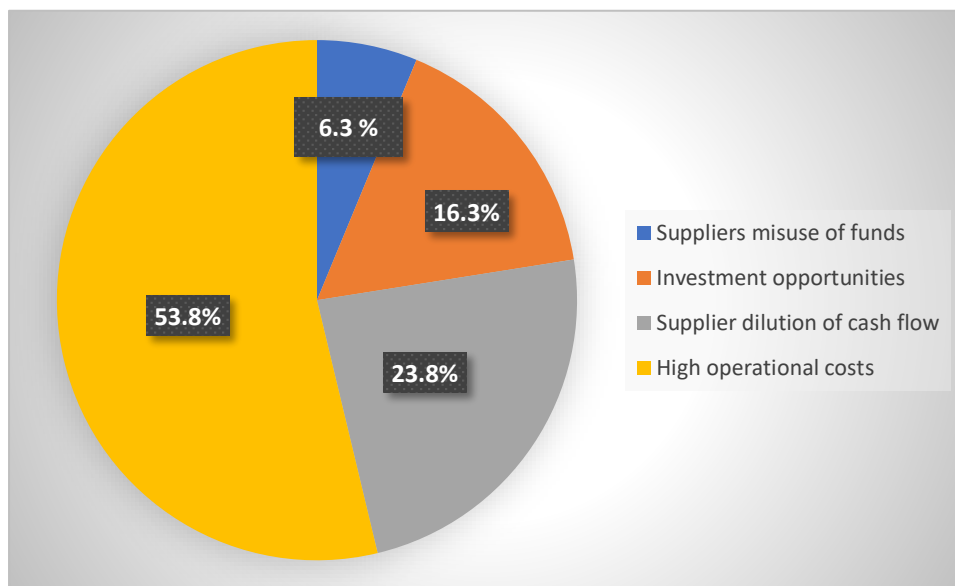
The finding above is somewhat consistent with the literature as similar departments were also identified as key departments accountable for BEE implementation. The findings differ in that the finance department was identified as one of the top three departments, whereas this study identified Operations within the top three departments.

Mills' (2013) transformation strategy indicates that the BEE codes were prioritised for meaningful change which could affect some organisational departments more than

others. In addition, it was also noted that Oceana (2012) prioritises multiple BEE codes over time to align with their respective departments to meet their overall organisational strategy. These statements are consistent with the findings above.

### 5.9.3.2 Financial Challenges

The respondents were asked to identify the financial challenges associated with BEE implementation.

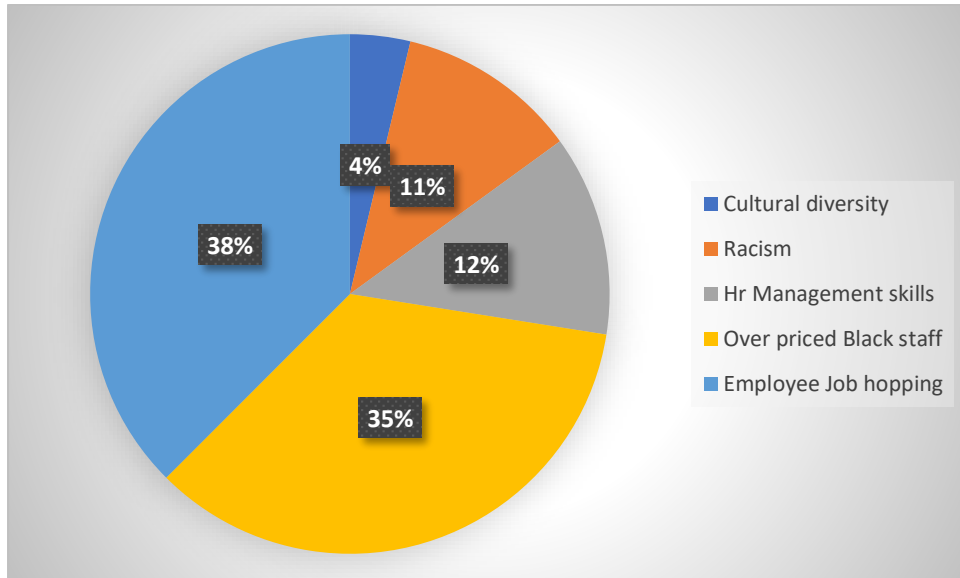


**Figure 5.5: Financial challenges**

The results shown in Figure 5.5 revealed that 53.8 percent of the respondents indicated that high operational costs are the most critical challenge hindering BEE implementation from a financial perspective, 23.8 percent indicated supplier dilution of cash flow, 16.3 percent indicated investment opportunities and 6.3 percent indicated supplier misuse of funds. Hence, the majority indicated that the most common financial challenge hindering BEE implementation is that of high operational costs, which is in agreement with Sartorius and Botha (2008) who state that the high cost of BEE compliance and implementation has an adverse impact on the productivity of organisations.

### 5.9.3.3 Human Resource Challenges

The respondents were asked to identify the Human Resources departmental challenges that hinder BEE implementation and the findings are presented below.



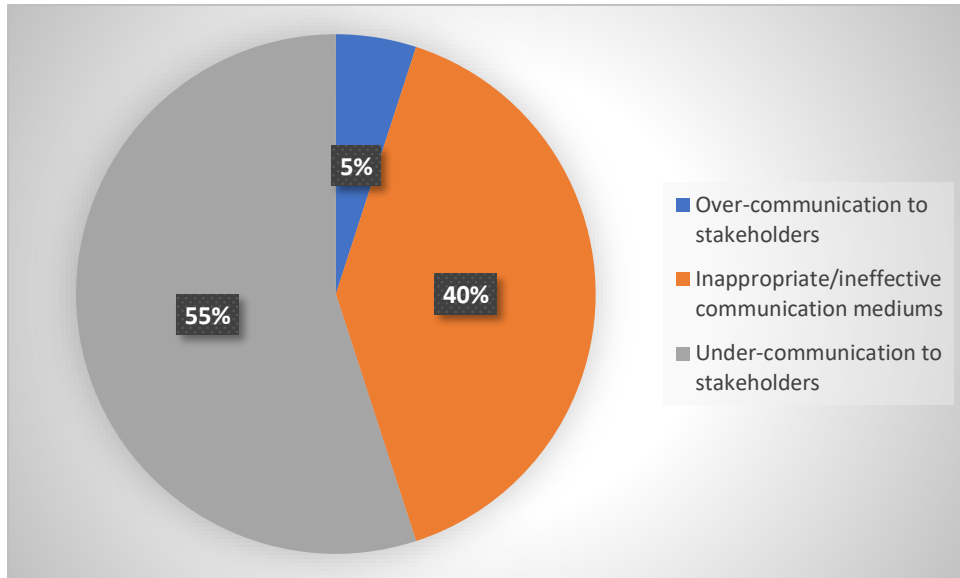
**Figure 5.6: Human Resource challenges**

Figure 5.6 indicates that employee job hopping is the most common challenge among Human Resources departments (38 percent), followed by overpriced Black staff (35 percent) as another major Human Resources challenge. Human Resources management skills (12 percent), racism (11 percent) and cultural diversity (4 percent) also appeared as challenges. Hence, the most common Human Resources challenges relate to employee job hopping and overpriced Black staff.

These findings are consistent with the views of Warner and Witzel (1997:263) who explain that the job hopping epidemic by Black professionals has resulted in increased headhunting practices, due to the demand of fully trained Black professionals claiming more expensive remuneration than their White counterparts and demanding more time and resources from Human Resources managers.

### 5.9.3.4 Communication challenges

The respondents were asked to identify the communication challenges which hinder BEE implementation within their organisation. The following data was noted.



**Figure 5.7: Communication challenges**

Figure 5.7 reveals that there are two key communication challenges, viz. under-communication to stakeholders (55 percent), followed by the challenge of inappropriate/ineffective communication mediums at 40 percent. A minority of 5 percent found that over-communication was also a challenge related to the Communication department during BEE implementation. Hence, under communication and inadequate communication to stakeholders were the most significant communication challenges indicated by the respondents.

These findings are consistent with the views of Barnard and Stoll (2010: 2), Nieuwoudt and Rudman (2015: 40-41) and Lefakane (2017: 75-76) who all agree that communication amongst various stakeholders has been cited as one of the most common challenges for successful BEE implementation.



#### 5.9.4 Section Four: Strategies for compliancy

This section analyses the willingness for transformation, compliancy with applied pressure, the pace of compliancy and CSI in relation to BEE implementation.

##### 5.9.4.1 Willing BEE transformation vs dire need

The respondents were asked to indicate the extent to which they agreed or disagreed with the statement that “few companies see the BEE transformation through, from their old model to a new one, willingly. Typically, they begin to search for a new way forward only when they are in dire need”. The following responses were received.

**Table 5.17: Willing BEE transformation vs dire need**

	Frequency	Percent
Disagree	2	2.5
Neutral	6	7.5
Strongly agree	29	36.3
Agree	43	53.8
Total	80	100.0

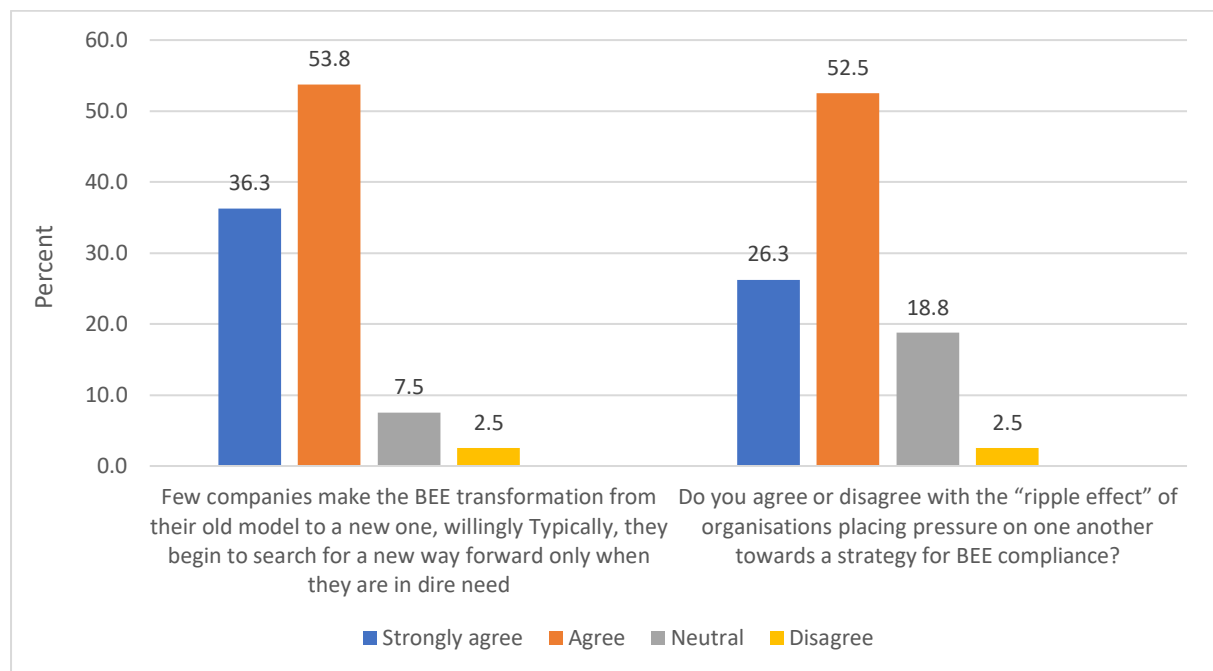
Table 5.17 indicates that 53.8 percent of the respondents were in agreement with the statement above, that few organisations were willing move to a state of transformation until there was a dire need of it. In addition, 36.3 percent strongly agreed and 7.5 percent of respondents were neutral, while 2.5 percent disagreed with this statement. Hence, the majority of respondents strongly agreed that few companies make the BEE transformation from their old model to a new one willingly. These findings directly relate to the problem statement of this study, in that BEE compliance is not legally binding, therefore there is a slow pace of compliancy.

These findings are in agreement with the views of Johnson, Yip and Hensmans (2012: 25) who explain that few companies have made a voluntary change for transformation from their old model to a new one as these organisations are often in denial or only begin to search for a new way forward when they are pushed. This statement clearly supports the view that, while the private sector at large has committed to the

implementation of BEE, companies are still hesitant towards the BEE transformation initiative, as confirmed in the findings above.

#### 5.9.4.2 Placing pressure for ripple effect of compliancy

The respondents were asked about the extent to which they agreed or disagreed with the “ripple effect” of organisations placing pressure on one another towards a strategy for BEE compliance. The following results were observed.



**Figure 5.8: Placing pressure for ripple effect of compliancy**

Figure 5.8 indicates a comparison of results from two questions posed to respondents. The findings have been combined in Figure 5.8. The graph shown on the right of Figure 5.8 indicates that 52.5 percent of the respondents were in agreement that the “ripple effect” placed pressure on organisations to comply. Further, 26.3 percent strongly agreed with the statement, 18.8 percent were neutral, and 2.5 percent disagreed. Hence, the majority of respondents agree with the ripple effect of organisations placing pressure on one another for BEE compliancy. In addition, it is noted that the combined score in “agreement” (strongly agree and agree) equated to 78.8 percent which strongly indicates that, for BEE compliance to be successful, pressure has to also be applied from compliant organisations to ensure the ripple effect of compliance.

The findings above are consistent with the views of Nattrass (2014: 12) who maintains that the impact of preferential procurement by South African organisations is reliant on government business, as these organisations note a ripple effect of other organisations who directly or indirectly deal with government and, in return, require licenses from the state or positive BEE scores from their suppliers.

A reflection on the combined results for both statements above, indicates that organisations are not willing to transform until required to.

#### 5.9.4.3 BEE and CSI

The respondents were asked if they related their BEE and CSI initiatives together within their strategies for transformation. The following feedback is noted.

**Table 5.18: BEE and CSI**

	Frequency	Percent
Yes	73	91.3
No	7	8.8
Total	80	100.0

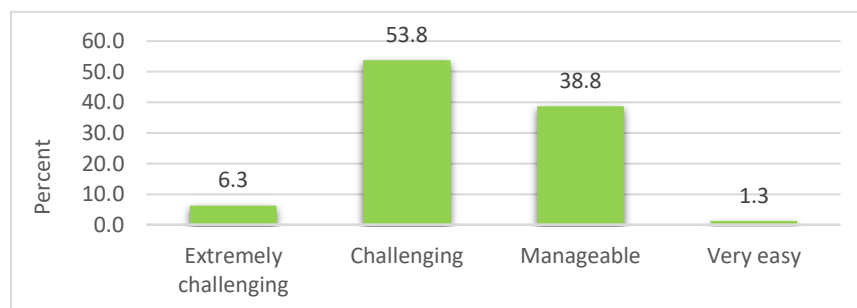
Table 5.18 aimed to determine whether organisations associate their BEE initiatives with CSI. The majority of respondents (91.3 percent) agreed that there is an association between the two initiatives while the remaining 8.8 percent responded that there is no association. The findings are consistent with Rockey and Smith (2014: 5) view that CSI and BEE strategies or activities can be combined as societal imperatives which have a memorable impact on reputation and are intuitively the kinds of indicators people use to inform their trust in companies; therefore, BEE and CSI related activities. In addition, it is noted globally how companies that are successful in the twenty-first century also drive CSI and good corporate governance to focus on people, planet and profit (England 2011). This in turn, can also be related to the objectives which BEE similarly aligns with; hence supporting the integration of both BEE and CSI, which is consistent with the findings above.

### 5.9.5 Section Five: The role of management and leaders

This section presents the findings from the fifth section of the questionnaire, which looks at management challenges prior and post BEE implementation, transformation, leadership traits, comparison of managers and leaders, managers characteristics for successful BEE, training for managers before transformation initiatives, fronting and window dressing, leadership skills for employee commitment and the organisational benefits from BEE implementation.

#### 5.9.5.1 Management's current transformation challenges vs prior situation

The respondents were asked to rate the level of challenges that best describe management when comparing the beginning to current organisational transformation. The responses are illustrated in Figure 5.9 below.



**Figure 5.9: Management's current transformation challenges vs prior**

The results obtained above in Figure 5.9 indicate that the majority of the respondents (53.8 percent) agreed that management was challenged by transformation when comparing current organisational transformation to the past, while 6.3 percent found it extremely challenging. Further, 38.8 percent found the management challenges manageable, while 1.3 percent responded that challenges were easy for management. The findings indicated that the majority of respondents found management to be challenged with transformation when comparing the initial transformation to the current transformation.

The finding was consistent with the views of Mayle (2006: 170), who explains that managers sometimes encounter inertia when implementing any form of organisational transformation (despite the organisation consisting of smart and intelligent managers), and that organisational transformation remains a difficult and accountable

responsibility for even the most successful managers. The evolving role and responsibilities of management is therefore crucial for business organisations as these roles encompass the most prevalent business decisions (Coldwell, Joosub & Papageorgiou 2012: 133; Brown & Bourke 2017: 212). The finding is further consistent with the views expressed in *Mercer Delta Consulting* (2012) which indicates management’s role and responsibility for BEE requires that management initially reacts to the symptoms of challenges without diagnosing the cause of the problem and preventative measures to be put into place, as compared to post transformation, when many challenges are then alleviated.

### 5.9.5.2 Leadership traits for effective BEE implementation

The respondents were asked to identify the leadership traits that can support effective BEE implementation and the results are illustrated in Table 5.19.

**Table 5.19: Leadership traits for effective BEE implementation**

	Frequency	Percent
Morals	16	20.0
Ethics	30	37.5
Genuine transformation	34	42.5
Total	80	100.0

Table 5.19 presents the results showing the leadership traits that are most effective for BEE implementation, which revealed that 42.5 percent of the respondents indicated that genuine transformation is most important for a leader, followed by an ethical approach (37.5 percent) and leaders possessing morals (20 percent). Hence, most of the respondents found that the leadership trait which is effective for BEE implementation requires the leader to possess a genuine approach towards transformation.

The findings are in agreement with the views of Van Zyl (2014: 5) who confirms that genuine transformation demands ethical leadership for effective BEE implementation as there are concerns of unethical organisational practices reaching unacceptable levels in South Africa.

### 5.9.5.3 Manager vs. leader for organisational transformation

The respondents were asked to compare a manager to a leader as far as effective organisational transformation was concerned. The results are displayed in Table 5.20 below.

**Table 5.20: Manager vs. leader for organisational transformation**

	Frequency	Percent
Manager	2	2.5
Other	2	2.5
Leader	15	18.8
Both Manager and Leader	61	76.3
Total	80	100.0

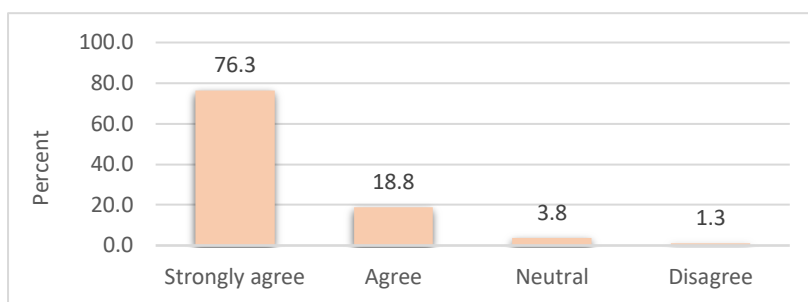
Table 5.20 reveals the results relating to the comparison between a manager and leader for successful BEE implementation. The majority of the respondents (76.3 percent) indicated that both managers and leaders are required in combination, while 18.8 percent indicated that a leader is most essential as compared to a manager for successful BEE implementation. Further, 2.5 percent of respondents indicated that a manager is more important than a leader while a further 2.5 percent opted for “other.” Hence, the majority of respondents found that both a leader and manager are required in combination for effective BEE implementation within an organisation.

These findings are consistent with the views expressed by Yukl (1989: 251) who maintains that managers are recognised to ensure an efficient, functioning work environment, whereas leaders encourage new functions and seek long-term visions. Both roles of managers and leaders are therefore essential within an organisation. In addition, Grant and Borchers (2011) differentiate that managers do things right, while leaders do the right thing and that “managing” as a task is based on control and compliance, systems and structures; whereas “leadership” is about vision, empowerment and understanding people. This indicates that managers will carry out duties as required and demanded, whereas leaders play a much deeper role with strategic insight for long term organisational benefit together with the support of people. Hence, the findings above are consistent with organisational transformation

processes requiring both managers and leaders with their different roles to aid and support the BEE implementation process.

#### **5.9.5.4 Management characteristics required for successful BEE implementation**

The respondents were asked to identify the extent to which they agreed with the statement that “Managers are required to evaluate, execute, strategise, mentor and train, while also displaying ethical behaviour against fraud and corruption for successful BEE implementation.” The findings are presented below.



**Figure 5.10: Managers required for successful BEE implementation**

Figure 5.10 reveals that the majority (76.3 percent) of respondents agreed with the statement that “Managers are required to evaluate, execute, strategise, mentor and train, while also displaying ethical behaviour against fraud and corruption for successful BEE implementation”. Some (18.8 percent) of respondents indicated they strongly agree with this statement and 3.8 percent were neutral, while 1.3 percent disagreed with the statement.

#### **5.9.5.5 Training required for Management before transforming the organisation**

The respondents were asked if they believe that management should be trained before organisational transformation initiatives are executed.

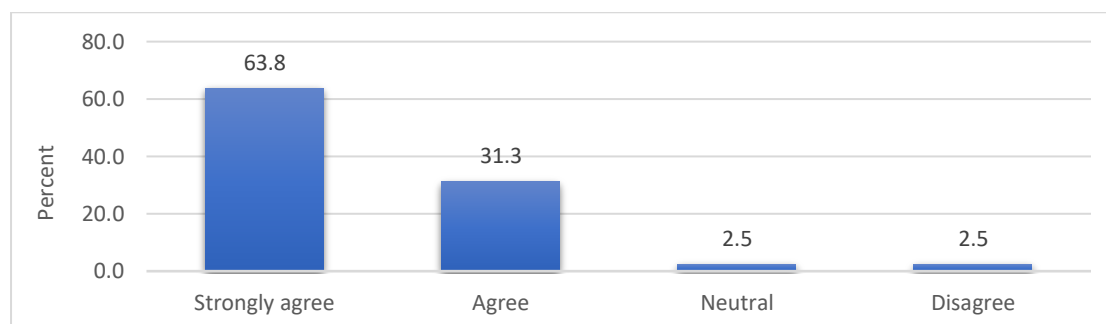
A 100 percent response rate was received in agreement with the statement that management requires training before organisational transformational initiatives are executed. These findings are in agreement with the views of Mallaby, Price and Hofmeyr (2017: 11) who reflect on South Africa’s historical apartheid background

explaining that the management of BEE implementation is one of the greatest challenges facing South African organisational managers, considering these managers themselves were untrained and faced with expectations of handling Human Resources challenges, such as racism and discrimination. The lack of management skills to manage transformation sometimes require additional organisational assistance as there are multiple layers of intricacy and sensitivity in managing BEE transformation in South African organisations (Seate, Pooe & Chinomona 2016: 9).

In addition, the findings also relate with the views of Mallaby, Price and Hofmeyr (2017: 14), who state that some managers are guilty of relying on past behaviours, practices and experiences when faced with unknown organisational scenarios and as a result these managers lack the necessary skills for the current dynamic and diverse organisational challenges which may not be applicable from managers' past practices.

#### **5.9.5.6 Fronting and window dressing is seen as a barrier to successful transformation and BEE implementation**

The respondents were asked to indicate the extent to which they agreed/disagreed with the statement that fronting, and window dressing are seen as barriers to successful transformation and BEE implementation. The data obtained follows.



**Figure 5.11: Fronting and window dressing as a barrier to transformation**

The results illustrated in Figure 5.11 indicate that 63.8 percent of the respondents strongly agreed that fronting and window dressing are seen as barriers to successful transformation and BEE implementation. Further, 31.3 percent agreed with the statement and 2.5 percent were neutral, while 2.5 percent disagreed with the statement. Hence, majority of respondents agreed that fronting and window dressing



are seen as barriers to successful transformation and BEE implementation. The findings are consistent with the views of Emuze and Adlam (2013: 176) who are of the opinion that “window dressing” does not make any real or valuable contribution to an organisation as Black people are merely appointed to obtain a positive BEE status with no real value, therefore defeating the purpose of true transformation.

### 5.9.5.7 Leadership skills for employee engagement

The respondents were asked to identify the leadership skills that are necessary for effective employee engagement during organisational transformation. The following responses were obtained.

**Table 5.21: Leadership skills for employee engagement**

	Frequency	Percent
Commitment	8	10.0
Inspire others	8	10.0
Good communicator	10	12.5
Decision maker	10	12.5
Accountability	12	15.0
Honesty and integrity	32	40.0
Total	80	100.0

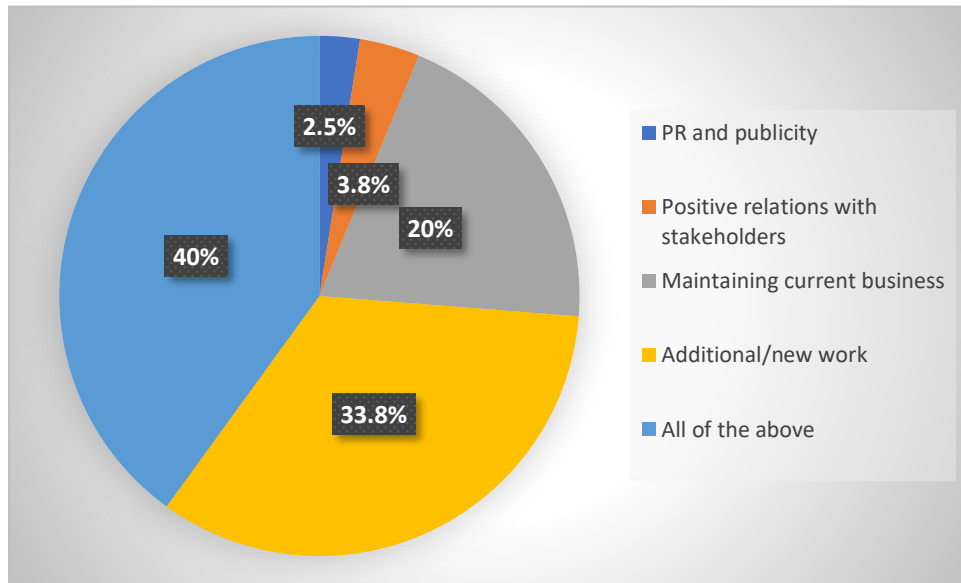
Table 5.21 illustrates key leadership skills which can support employee engagement during a transformation. The results show that 40 percent of the respondents indicated that honesty and integrity are characteristics that are most important for a leader, 15 percent indicated accountability and 12.5 percent decision making. In addition, 12.5 percent indicated good communication, 10 percent inspiration to others and 10 percent commitment. Hence, the majority of respondents found that the most important leadership trait for employee engagement was honesty and integrity.

Similarly, the findings above are consistent with Mintzberg (1987:11-24) who defines the role of leadership as being to display accountability, honesty, ethics, integrity and morals. It is further recommended that by reinforcing full responsibility and accountability for actions, leader ethics can be advanced, which will ultimately

decrease corruption and other forms of counterproductive and unethical management behaviour in South African organisations (Hung 2010: 153).

### 5.9.5.8 Organisational advantages gained from BEE implementation

The respondents were asked to select the organisational advantages gained since their BEE implementation and the following feedback is noted.



**Figure 5.12: Organisational benefits from BEE implementation**

Figure 5.12 reveals that 40 percent of the respondents believe that their organisations have seen various benefits from BEE implementation, including new work, maintaining current business, positive relations with stakeholders and PR/publicity. Further, 33.8 percent of the respondents indicated that the key benefit is additional or new work, 20 percent maintaining current business and a further 3.8 percent indicated that positive relations with stakeholders is the key benefit, while 2.5 percent indicated that PR and publicity have been the key benefit from BEE implementation. Hence, the data indicated that most of the respondents have noted the above advantages. The findings are similar to Pooe (2016:7) who finds that there are various benefits associated with the implementation of BEE, such as opening up new sources of innovation through suppliers and increasing supplier performance or capabilities aligning with an organisation's requirements and benefit.

The discussion above has presented the analysis of results and findings based on the quantitative data from the questionnaire instrument. The discussion below presents the results and findings relating to the qualitative data.

### **5.9.6 Section six: Qualitative data from questionnaires**

The respondents were required to answer open-ended questions through the questionnaire on the various themes mentioned below.

#### **5.9.6.1 Recommendations for government**

Respondents were asked to elaborate on their recommendations with regard to the role of government in supporting organisational BEE implementation. The feedback showed particular themes as noted below:

- Assistance through financial support and funding, especially SMEs;
- Training and development programmes;
- Government to take the lead;
- Rewarding good practice as opposed to penalising non-compliance of impossible legislation;
- Hosting seminars about the new codes; and
- Skills programmes.

The responses above indicate that organisations hold the government accountable for BEE support, including support in terms of finance; training and development; and skills programmes, hosting seminars, as well as providing rewards for compliance with BEE. The responses relating to accountability are consistent with the views of Mattes (2015: 665) who identifies the ANC government as responsible for transformation of the economy, and which as a key role player, must consistently strive towards building the Black middle class and supporting the private sector to set BEE targets within a timeframe. It is also noted that South Africa ranks 95<sup>th</sup> in labour market efficiency as the quality of workforce still requires investing in people skills (Dawson 2012: 59), thereby confirming the finding relating to the need for skills programmes. The finding related to the requirement for training is also confirmed by Aldridge (2014: 58) who

identifies that there is a demand from employers which necessitates improved education and training amongst Black employees.

#### **5.9.6.2 Role of BEE consultants and recommendations**

Respondents were asked to elaborate on the role of BEE consultants with regard to organisational BEE implementation. The responses indicated the following themes:

- Consultants are insightful and knowledgeable;
- Services are okay;
- Agencies are good; however, they could elevate their service offering; and
- Agencies are average.

The respondents' feedback indicated mixed reactions with respect to BEE consultants. Some responses were positive and described consultants as knowledgeable and services as okay or good. Some responses also described BEE consultants as average with room for improvement. The findings above are consistent with Burger (2009: 16) who explains that BEE consultants or verification agencies must possess adequate knowledge to assist potential BEE compliant companies to obtain their BEE scores by verifying and certifying companies' BEE status objectively and independently.

#### **5.9.6.3 Management versus leadership**

Respondents were asked to elaborate on "who and why" they would choose between a manager or leader or both for successful BEE implementation. The feedback received indicated that:

- Both managers and leaders are essential, as both are different in approaches and are needed.

The findings above indicated that both managers and leader are necessary within an organisation especially for transformation which supports the various approaches and management styles that may be required. The above finding is further confirmed by Northouse (2007) who affirms that both managers and leaders have similarities and

yet also have differences. Therefore, both are essential in an organisational environment. This finding is further supported by the views of Kotterman (2006: 13) who maintains that, in the current organisational environment, both managers and leaders are required for successful operation.

#### **5.9.6.4 Employee reactions: pre- and post-transformation processes**

The respondents were asked to explain the comparison of employee reactions to BEE from before and after the organisational transformation processes.

- All respondents indicated that, initially, in the pre-transformation, stage, employee reactions could be described as being concerned, reluctant, unhappy or negative; and
- By comparison, in the post-transformation stage, employee reactions were different and could be described as interested or informed with no resistance.

It was noted from the responses that a transition occurred amongst employees whereby their response to BEE changed from an initially negative one to a positive one. The findings above are similar to those of Lefakane (2017: 75-76), who states that employees go through changes during an organisational transformation process and assistance in advance can support employees and assist in improving employee morale and behaviour positively as compared to the pre-transformation period.

#### **5.9.6.5 PDI strategy**

The respondents were asked to explain how their organisation identified the most appropriate PDIs in their BEE strategy. The responses pointed to the following:

- Learnerships and training for PDIs; and
- PDI programmes

The findings show that specific PDI programmes or learnerships and training are the current forms of PDI strategies. These findings are consistent with the views of Rosli, Boerhannoeddin and Kayode (2017: 104) who are of the opinion that some organisations offer learnerships or bursaries to university students. However, the

authors further criticise that these programmes are executed in an isolated form rather than developing, mentoring and investing in skills or training for PDIs.

#### **5.9.6.6 Employee engagement strategy**

Respondents were asked to explain their employee engagement strategy. The feedback centred around the following:

- Ongoing and open communication is critical;
- Regular feedback between all stakeholders;
- Employee focus;
- Transparency; and
- Regular meetings.

The respondents indicated that the inclusion of stakeholders on an ongoing basis leads to successful BEE implementation. Communication and regular meetings are emphasised. In addition, transparency and employee focus strategies are also encouraged. These findings are consistent with those of Ibrahim, Boerhannoeddin and Kayode (2017: 104) who state that a focus on employees tends to yield positive employee attitudes through transparent communication and meetings, with belief in the organisation and willingness to be a team player and go the extra mile during transformation processes.

#### **5.9.6.7 Gender and disabled persons empowerment strategy**

Respondents were asked to elaborate on their organisations gender and disabled persons strategy or initiatives. The feedback indicated the following areas:

- Gender diversity is more of a priority;
- Both initiatives are a priority;
- Female empowerment programmes; and
- Room for improvement with both strategies.

The findings indicated that gender diversity strategies are prioritised when compared to initiatives for disabled persons. Some respondents indicated that both strategies

are important, whereas some also indicated room for improvement with regard to both strategies. It was also noted that female empowerment programmes resonate with gender empowerment strategies.

#### **5.9.6.8 Ideal BEE strategy**

Respondents were requested to explain their ideal BEE strategy. The themes from the responses are set out below:

- Communication is key;
- Staff involvement;
- Strategic vision and clearly defined objectives;
- Sound guidance can direct a solid strategy for execution;
- Scan PESTEL environment/SWOT analysis to identify what is needed;  
and
- Top management must possess genuine commitment for the strategy.

The feedback noted that an ideal BEE strategy is mostly associated with general organisational strategies and not particularly with BEE implementation. Communication is noted again as a common response, staff involvement is also cited, together with management's focus. The role of management is highlighted as respondents mentioned strategic vision and objectives, guidance for a solid strategy, and commitment from top management. The factors listed above can be applied to any general organisational transformation process. These findings concur with the views of Raupp and Hoffjann (2012: 146) who explain that communication departments must be recognised as a crucial and integral part of managing transformation and the greater organisational strategy. The findings are also consistent with Nutt's (2004: 9) view that organisations must be cognisant of employees' focus during a transformation process, wary of the discrepancies which can arise between people's perceptions and the realities of transformation.

#### **5.9.6.9 Challenges with the implementation of the Enterprise and Supplier Development (ESD) Code**

The respondents were asked to elaborate on any challenges encountered during their organisational BEE implementation with regard to the ESD code. The various themes identified from the feedback are noted below:

- Building effective, long-term partnerships with suppliers is challenging;
- There is a lack of suppliers' finance and skills;
- The screening process to identify the appropriately skilled suppliers;
- Shortage of Black owned skilled suppliers;
- Suppliers struggle to meet targets set; and
- Did not encounter any challenges.

The majority of the respondents encountered challenges with implementation of the ESD code, while some did not encounter any challenges. Challenges included building sustainable relationships, a lack of supplier's financial skills and identifying appropriate suppliers to partner with. The findings are consistent with the views of Pooe (2016: 9) that numerous South African organisations do not possess the skills or capacity to support effective partnerships with SMEs. In addition, the findings concur with Emuze and Adlam's (2013: 154) view that ESD challenges are evident from the Black enterprises that struggle to stay afloat due to cash-flow and other financially related problems.

#### **5.9.6.10 Challenges with implementation of the Ownership Code**

The respondents were asked to elaborate on any challenges encountered during their organisational BEE implementation with regard to the Ownership code. The responses received indicated the following themes:

- Lack of skilled partners to consider ownership with;
- Limited access to finance;
- Contractual terms;
- Auditing and shareholder equity concerns;



- Tax consequences; and
- No major challenges.

Most of the respondents encountered some challenges with the implementation of this code, while a few respondents indicating that there were no major challenges. The related challenges are the lack of skilled partners, partners having limited access to finance, contractual terms, shareholder equity concerns, and tax consequences. The findings from above are consistent with the views of Kleynhans and Kruger (2014: 9) who maintain that associated challenges are encountered when Black entrepreneurs have restricted access to capital and funding to participate in BEE ownership initiatives.

#### **5.9.6.11 Challenges with implementation of the Skills Development (SD) code**

The respondents were asked to elaborate on any challenges with regards to the SD code during their organisational BEE implementation. The challenges posited by the respondents indicated the following themes:

- Employee skills need improvement;
- Inappropriate management skills;
- Lack of continuity;
- Too many entrants or PDIs;
- Inadequate leadership;
- Funding and dealing with SED expenses; and
- Must be conducted properly.

The majority of the challenges indicated with respect to implementation of the SD code related to a lack of skills. This skills challenge relates to employees' skills that need to be improved, as well as management skills that require improvement. A lack of continuity in SD strategies is noted, together with the challenge of having too many PDIs to benefit from the SD strategy. Leadership also has room for improvement, which can also relate to the fact that SD strategies need to be executed appropriately. The financial challenge is also noted under the SD discussion above. This key challenge is consistent with Strauss and du Toit (2010: 302) who state that an

inadequately educated workforce is ranked as the most problematic factor and continues to be a major challenge each year.

#### **5.9.6.12 Challenges with implementation of the MC Code**

The respondents were asked to elaborate on any challenges with regard to the MC Code during their organisational BEE implementation. The feedback relating to the challenges indicated the themes shown below:

- Finding the right PDIs for management positions;
- Skilled Black employees at management level are extremely expensive;
- Human Resources processes are time consuming; and
- Staff are not always positive to new management brought into the business; therefore, employee communication is critical.

The most common challenge noted is finding the correct PDI with skills for consideration of the MC code. In addition, it is also noted that the skilled Black employees who are found cost a lot, therefore elevating remuneration packages and company expenses. Human Resources processes are also reflected as time consuming, indicating room for improvement. The focus on employees is again identified, indicating that employee focus is not always given the appropriate attention it deserves. The findings are further related to the views of Emuze and Adlam (2013: 154) who explain the struggle to source experienced and skilled Black candidates, as prospective candidates are limited and are expensive, thereby increasing the cost of remuneration expenses as well as obtaining and retaining these candidates.

#### **5.9.6.13 Challenges with implementation of the SED code**

Respondents were asked to explain any challenges encountered with regard to the SED Code during their organisational BEE implementation. The challenges are summarised below:

- The majority of the respondents indicated that the timeframes allocated to the SED strategy and initiatives were too little. Other respondents found that there was a lack of resources within their organisations to execute some of the tasks.

It was found by most respondents that more time must be allocated to SED strategies, together with additional resources to ensure the SED tasks are completed accordingly. The above findings are consistent with the views of Emuze and Adlam (2013: 176) who explain that BEE compliant organisations fail to follow up on their investments and these contributions end up misused as a result of these organisations not possessing the time or resources to ensure that the contributions reach the intended beneficiaries.

#### **5.9.6.14 Reactions to fraud and corruption**

The respondents were asked for their opinion about fraud and corruption associated with BEE implementation. The following responses were noted:

- Unacceptable;
- A zero-tolerance approach is taken in the organisation;
- Penalties must be put in place;
- Illegal;
- Senior management must be held accountable; and
- Fronting is a huge risk.

From the findings above, it is understood that reactions to fraud and corruption can be described as unacceptable with zero room for tolerance. It is understood that there is no room for fraud, fronting, corruption and window dressing and Naidu (2008: 19) similarly agrees, holding management, BEE agencies and/or procurement officers to meritoriously deal with fronting and obtain a signed affirmation from organisations to verify services provided.

#### **5.9.6.15 Slow pace or hesitancy toward BEE compliance**

Respondents were asked to explain their opinion about why some organisations are slow in their pace or hesitant towards BEE compliancy. The feedback showed the following themes:

- Lack of resources;

- Funding is always a challenge;
- No benefits for organisations;
- Lack of organisational planning;
- BEE is complex and could be misunderstood; and
- Lack of funding/accessibility.

Various reasons were suggested for the slow pace of BEE compliancy. The lack of resources and funding, lack of planning and complexity in understanding BEE are further noted. In addition, some respondents believe that there should be perks or benefits for compliancy as opposed to penalties. The findings are also consistent with the views expressed by Reg (2007: 7); Esser and Dekker (2008: 157); Natrass (2014: 12) and Andrews (2008: 75) who explain that the slow pace of implementation is as a result of challenges with regard to the entry of Black people into management control and structures that is criticised for being slow, and for not creating an enabling environment for the motivation and continuance of BEE implementation.

### **5.10 Discussion of qualitative findings from interviews**

This discussion applies content analysis as well as thematic analysis to the qualitative data received via the interview process. The identified themes were based on the following process. Data were analysed by identifying patterns and number of times specific concepts or words occurred in respondents' feedback and the literature review; thereafter each data item was categorised into smaller subcategories and linked to an overarching theme.

The questions identified for this qualitative format of data collection required data responses to support the study with more in-depth and rich data. The questions associated with the qualitative discussion related to:

- The challenges related to the five BEE codes;
- Employee reactions and employee engagement strategies;
- The ideal BEE strategy;
- PDI strategies;
- A reflection on the slow pace towards BEE compliancy;

- Fraud and corruption;
- Management vs leadership for organisational transformation;
- Gender and disabled persons empowerment initiatives;
- Recommendations for the government role; and
- Recommendations for BEE consultants.

This study has reviewed the strategies, challenges and best practice in implementing BEE within selected South African companies. The discussion commenced with a macro socio-economic perspective and then a micro-organisational perspective. Similarly, the three major themes that were identified for this study's qualitative data (questionnaire and interview open-ended) were:

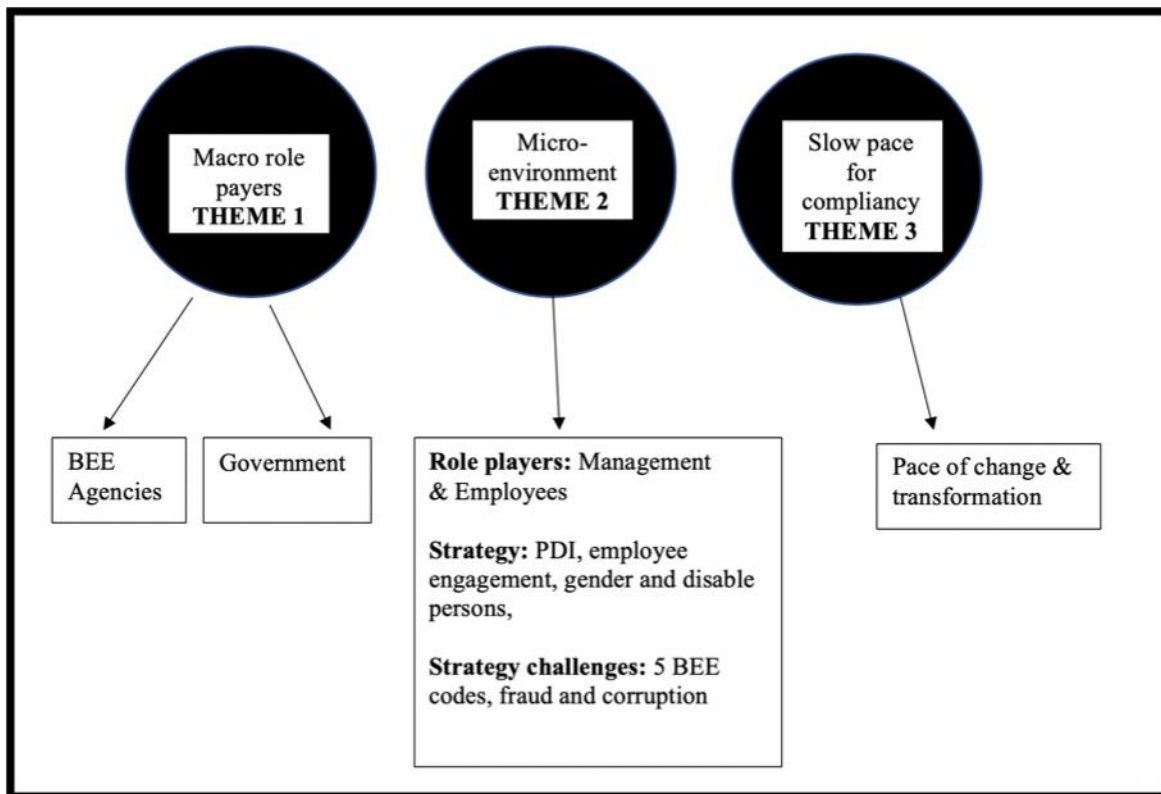
- **Theme One: The macro role players for BEE implementation;**
- **Theme Two: The micro-environment for BEE implementation; and**
- **Theme Three: The pace of change and transformation.**

Within the macro theme, there was one key discussion relating to the role players consisting of government and BEE agencies. Considering that the BBBEE Act cannot be changed or dictated by an organisation, the study aimed at addressing the supportive function that the identified role players could perform to ensure that successful BEE implementation occurs at the organisational level.

Within the micro organisational theme, there were various subthemes relating to the micro- environment for BEE implementation.

- **Sub-theme one:                   The role players within the organisational environment;**
- **Sub-theme two:                 Strategies for BEE implementation; and**
- **Sub-theme three:               Strategy challenges encountered within the organisation.**

Theme three consisted of one key discussion which addressed the slow pace of BEE implementation and hesitancy amongst non-compliant organisations.



**Figure 5.13 Thematic analysis process**

## 5.11 Themes

Three themes including subthemes were identified within this study, which follow below in detail.

Figure 5.13 above summarises the three main themes identified for this study. The sub-themes are also listed below with an indication of the focus areas for questions posed to interview respondents in this study.

### 5.11.1 Theme One: Macro-role players for BEE implementation

The participants were asked to describe their views about how the government and BEE agencies as role players, from a macro/external perspective, could support organisations with their BEE implementation. The government and BEE consultants were identified as the two key macro role players in this context. The responses are detailed below:

### **5.11.1.1 Recommendations for Government**

The participants were asked to elaborate on their recommendations with regard to the role of government in supporting organisational BEE implementation, and the feedback is noted below:

- Financial support and funding of especially SMEs;
- More assistance from government with organisational BEE implementation;
- More support at an operational level;
- Government should take the lead in being an example through State Owned Enterprises for private organisations to follow;
- The BEE Codes should be set up in a manner which rewards good behaviour rather than penalising non-compliance of impossible legislation, we would see much more impactful transformation occurring;
- Support companies by hosting seminars about the new Codes;
- Funding assistance;
- Do not only delegate, get involved; and
- Skills programmes.

The South African government was identified as one of the macro key role players for BEE implementation in this study. The data above indicates that the recommendations for government include support for BEE implementation at the organisational level. Clearly, there is evidence for support from government in the form of finance, seminars, skills development as well as rewards for compliance. It is understood from the responses above that financial support is the most common recommendation for government to consider. Another recommendation is that government leads by example with BEE implementation through State Owned Enterprises so that private organisations can follow suit. Rewards for good compliance were also recommended rather than penalties for non-compliance as this indicates negativity from organisations towards BEE implementation.

The responses related to financial support required are also confirmed by Kleynhans and Kruger (2014) who relate financial challenges to the high costs associated with

BEE compliance which hinders successful BEE implementation and therefore requires support from the government.

The high cost of BEE compliance and implementation is further supported by Pike, Puchert and Chinyamurindi (2018: 8), as well as Sartorius and Botha (2008), who describe BEE costs as having an adverse impact on investment, thereby leading to the dissipation of some firms due to improper frameworks and funding structures.

#### **5.11.1.2 The role of BEE consultants and recommendations**

The participants were asked to elaborate on the role of BEE consultants with regard to organisational BEE implementation and the following responses were noted:

- These agencies were insightful and knowledgeable, with no recommendations for improvement;
- BEE agencies are good but could also elevate their offering by spending more time at an operational level in organisations as this would speed up the consultation process and time;
- Agencies are average, there is still some room for improvement as the agencies have not perfected the process;
- Agencies are good, consultant agencies should share positive news as they are recognised as custodians in the BEE field, as this continually motivates other industry related organisations;
- Services were adequate, more practical training and involvement within organisation is required, also indicative of room for improvement; and
- Agencies delivered services that were average in value, we will consider changing agencies again next year, recommendation to ensure unbiased views is important for consultant agencies.

BEE consultants formed part of the theme relating to macro role players. The responses above indicate that the role of BEE consultants is adequately met with most respondents having received good service. Some respondents rated the service of BEE consultants as being average with obvious room for improvement. The participants' responses above are consistent with Shava (2016: 161) who also



describes BEE agencies as serving a supportive and critical role in the successful implementation and verification of BEE compliancy.

### **5.11.2 Theme Two: The micro-environment for BEE implementation**

Theme two consists of three sub-themes with questions within each theme. Sub-theme one relates to the role players within the micro/organisational environment; sub-theme two reviews strategies for BEE implementation; and sub-theme three looks at strategy challenges encountered within the organisation.

#### ***5.11.2.1 Sub-theme one: The role players within the micro/organisational environment***

Sub-theme one reflected on two questions which explored the role of management and employees from the micro organisational perspective. The first question looks at a management versus leadership role, and the second question looks as the reaction of employees as role players from a pre- and post-transformation process perspective.

##### **5.11.2.1.1 Management versus leadership**

Participants were asked to elaborate on “who and why” they would choose between a manager or leader, or both, for successful BEE implementation. The feedback received is indicated below:

- Both managers and leaders are essential, teamwork is critical between both managers and leaders for effective BEE implementation. They are needed to reach the organisational goals; and
- Both are needed, as both leaders and managers allow for different traits within the workplace and ensure diversity amongst employees.

The responses above indicate that when comparing management roles to leadership roles, both are required for effective and successful BEE implementation within an organisation.

The findings resonate with the views of Grant and Borchers (2011) who similarly differentiate that managers do things right, while leaders do the right thing and that “managing” as a task is based on control and compliance, systems and structures whereas “leadership” is about vision, empowerment and understanding people.

#### **5.11.2.1.2 Employee reactions: pre- and post-transformation processes**

Participants were asked to explain the comparison of employee reactions to BEE before and after the organisational transformation process.

- All participants indicated that initially employee reactions could be described as: “concerning, reluctant, unhappy, negative, non-responsive, non-Blacks specifically were unhappy, uncertain and hesitant”. By comparison to post-transformation/ current employee reactions, feedback was described as: “accepted, interested, informed, no resistance, manageable, sense of cohesion, improved and relieved”.

Employees and their reactions were identified as an important focus from an internal/micro role player perspective. The responses above indicate that the employee reactions: pre- and post- the transformation process were different. It is clearly evident that the negativity/apprehension shown by employees at the initial stages had been replaced by acceptance and a sense of cohesion or relief.

These findings are further confirmed by Barnard and Stoll (2010: 7) who maintain that humans are characterised in transition through five stages of “grief” which include denial, anger, bargaining, depression and acceptance when faced with transformation, and is therefore acceptable at the initial implementation stages.

#### **5.11.2.2 Sub-theme two: Strategies for BEE implementation**

Sub-theme two consists of four questions which pertain to organisational strategies. The first question looks at PDI strategies; the second question looks at employee engagement strategies; the third question reflects on gender and disabled persons empowerment strategies; and the fourth question reflects on the ideal BEE strategy. The results are discussed in detail below.

#### **5.11.2.2.1 PDI strategy**

The participants were asked to explain how their organisation identified the most appropriate PDIs in their BEE strategy. The participants responses are indicated below:

- Learnerships and training for PDIs help us spend time and get to know the most deserving, who can continue and how to learn from past practices in sourcing the correct PDIs;
- Through a specific PDI programme designed by the organisation and
- transformation programme;
- Careful monitoring of PDI programmes, deliverables, key performance
- indicators;
- Auditing, screening processes and accountability within management team;&
- Extensive research.

The respondents' feedback indicated that research and resources must be considered for the identification of appropriate PDIs within their organisational BEE strategies. The responses above indicate that the PDI strategies employed by the participants also comprised of specific programmes and learnerships which supported placement of the most appropriate PDIs. These strategies have allowed time for organisations to engage and understand PDIs, thereby enabling the organisation to position them appropriately within the required or relevant roles. The responses above are consistent with Groener (2013: 723) who maintains that skills, training and development initiatives, such as learnerships have provided access to employment. The findings also concur with the views of Rambe (2018: 12), who endorses work integrated learning programmes which can extend academic and workplace competencies to teach and advance students who adapt to organisational work demands, bridging the gap between employees and PDIs.

#### **5.11.2.2.2 Employee engagement strategy**

The participants were asked to explain the engagement of employees through their transformation strategies and processes. The following responses were received:

- Ongoing and open communication with staff is critical, can make or break the process;
- Regular feedback between all stakeholders, especially employees and management;
- Employee focus, all things related to employees, Human Resources must play a stringent role in this process;
- Transparency, regular meetings between management and employees;
- Continually addressing the full employee base;
- Educate employees about BEE and the resonance to transformation in the organisation and obligation to the country; and
- Show employees alignment between BEE and business objectives, benefits, business growth and opportunities.

The responses above indicate that the employee engagement strategies executed amongst the participants comprised of educating and informing employees as a responsibility of management. The findings relating to communication further resonate with the views expressed by Lawler, Mohrman and Ledford (1982: 23) who maintain that employee engagement through regular communication can enhance productivity and support leaders through organisational transformation initiatives like BEE implementation.

#### **5.11.2.2.3 Gender and disabled persons' empowerment strategy**

The participants were asked to elaborate on their strategies or initiatives relating to "gender and disabled persons". The feedback received indicated:

- Gender diversity is more of a priority with a gender diversity policy;
- Both initiatives are a priority with learnerships as the key strategy offering;
- Gender diversity is more important, with female empowerment programmes;
- Still room for improvement with regards to gender and disabled persons strategies, both initiatives are a priority in their organisation;
- Female empowerment programmes, to drive females at senior management /director level;
- More visibility of such initiatives is needed to stimulate enthusiasm and

- encouragement amongst similar industries;
- Women to take the lead and drive it, women need to help other women, female support programmes within the organisation to drive gender empowerment; and
- Both need to be prioritised better within the organisation to earn BEE points allocated – no current strategy.

The responses above indicated that gender and disabled persons' empowerment strategies are considered through organisations' BEE implementation processes. There are policies and learnerships which also support these strategies. These findings are consistent with the views of Scholtz (2012) and Groener (2013: 723) who explain that the SD code also focuses on growing the skills of Black employees, especially females, through programmes such as mentorships, training and bursaries.

The findings also indicate that there is clear evidence for gender diversity as compared to the disabled persons strategies. The BBBEE Act 2013 explains that through the MC Code, points are awarded for Black people through: board participation; directors; executive management; senior middle and junior management; females and those with disabilities and can therefore be related to the participants' feedback above.

#### **5.11.2.2.4 Ideal BEE strategy**

Participants were requested to explain their ideal BEE strategy. The responses are explained below:

- Strategic vision and clearly defined objectives will aid a BEE strategy;
- Sound guidance can direct a solid strategy for execution;
- Scan PESTEL environment/SWOT analysis to identify what is needed, and how to adapt business requirements and objectives;
- Top management must possess genuine commitment to the strategy;
- Communication is key at every step, as most firm strategies fail without adequate communication;
- Leadership with sound practices and true intention for transformation are also important within the ideal BEE strategy;

- Management must be clear and direct, no mixing of words, or façade;
- Strategic planning and direction; and
- Staff involvement, community involvement, government involvement.

The responses above indicated that the ideal BEE strategy requires that management and leaders play a critical role for genuine transformation. It shows that the ideal BEE strategy is described as having strategic vision, objectives and guidance from management who must also possess a genuine need for transformation.

Communication is identified as key for an ideal BEE strategy, together with sound leadership practices. These findings are consistent with Raupp and Hoffjann (2012: 146) who confirm that communication strategies are required to align to organisational strategies through the various management departments.

The findings also related to stakeholder involvement and this is in agreement with the views of Barnard and Stoll (2010: 8), Nieuwoudt and Rudman (2015: 40-41) and Lefakane (2017: 75-76) who state that stakeholder engagement is one of the common challenges for successful BEE implementation resulting in a lack of engagement with employees and the organisations' transformation strategy and objectives. Dlodlo (2017: 13) also states that, despite effective communication across all platforms being noted as important, communication with stakeholders remain a significant task to execute.

### **5.11.2.3 Sub-theme three: Strategy challenges encountered within the organisation**

Sub-theme three identified all the challenges associated with the implementation of BEE at a micro-organisational level. Six questions were explored here which consist of challenges related to each BEE code individually, as well as fraud and corruption challenges by which organisations are hindered. The feedback and findings are presented in detail below.

### **5.11.2.3.1 Challenges with the implementation of the Enterprise and Supplier Development (ESD) Code**

The participants were asked to elaborate on any challenges encountered during their organisational BEE implementation with regards to the ESD Code. The feedback is noted below:

- Building effective, long-term partnerships with suppliers is challenging;
- There is a lack of supplier finance and skills to continue any relationships, we can only support to a certain extent for a limited time;
- There is complexity with multiple issues, such as finance, righting the correct person and lack of time;
- We are faced with our own organisational day to day challenges, there is no time to assist other companies;
- The screening process to identify the appropriately skilled suppliers;
- There is a shortage of Black-owned skilled suppliers;
- Suppliers struggle to meet targets set by partners like us; and
- Did not encounter any challenges.

The responses above indicated that the challenges with the implementation of the ESD Code include building sustainable supplier relationships, and some of these suppliers further challenge larger organisations with their limited skills. The challenge of limited skills for successful ESD implementation is confirmed by Osode (2004: 107) who maintains that too many tenders are outsourced to winning SMEs/ organisations that do not have qualified skills.

Identifying the appropriately aligned enterprises or SMEs is also noted as a challenge for organisations which are implementing the ESD Code. In addition, it is noted that the majority of participants also found that there is a lack of finances/funding or skilled enterprises/SMEs. These findings are consistent with the views of Morales (2008:6-8) who confirms that there is poor support and connection between the small enterprise sector and formal, larger industries.

The responses above also indicated that a few of the interview participants did not encounter any challenges with the implementation of the ESD Code.

#### **5.11.2.3.2. Challenges with implementation of the Ownership code**

The interview participants were asked to elaborate on any challenges encountered during their organisational BEE implementation with regard to the Ownership Code. The responses received are indicated below:

- Tax consequences of the different ownership structures was a major challenge with regard to implementation of the Ownership Code;
- There is a lack of skilled partners to consider ownership with;
- There were contractual terms with owners that hindered the successful implementation of the Ownership Code;
- Potential partners or owners did not have access to finance, and this became a challenge;
- Challenges included time wasted on finding the appropriate partner with experience, knowledge and value to contribute to the organisations;
- Auditing and shareholder equity concerns were two areas impacting their organisations' BEE Ownership Code; and
- There were no major challenges with regards to the Ownership Code.

Challenges with implementation of the Ownership Code are to some extent similar to the challenges associated with the implementation of the ESD Code and include financial and skills challenges. The financial capital or liquidity theory states that the opening of new organisations is more common amongst entrepreneurs who have access to financial capital, suggesting that these entrepreneurs are able to obtain resources and undertake entrepreneurial opportunities (Blanchflower, Oswald & Stutzer 2001: 680).

Tax consequences and shareholder concerns were also identified. It was likewise noted that contractual terms challenged implementation of the Ownership Code in conjunction with time wasted on identifying appropriately skilled partners which could assume ownership roles within the organisation. These findings are in agreement with



the views of Guern (2017: 4), who confirms that implementation of the Ownership Code is challenged by organisations trying to find the appropriate candidates and partners, according to skill sets that will benefit these organisations.

#### **5.11.2.3.3. Challenges with implementation of the Skills Development (SD) Code**

The interview participants were asked to elaborate on any challenges with regard to the SD Code during their organisational BEE implementation. The major challenges as indicated by the respondents are summarised below:

- Lack of continuity in SD strategies;
- Inadequate leadership within the organisation for SD strategy;
- Inappropriate management skills to execute and evaluate the correct SD strategy required and which is essential for the organisation;
- Funding and dealing with SED expenses from senior management;
- Requires analysis and initiatives that are scalable for different PDIs;
- SD is too costly to execute continuously – needs a clear cut off time frame;
- Skills development needs analysis and must be conducted properly before the execution of any programmes; and
- Too many entrants or PDIs associated with the SD programmes, leading to a lack of attention and adequate focus on the PDIs.

The responses above indicated that the challenges with implementation of the SD Code relate to the lack of continuity with regard to SD strategies.

The costs associated with the SD Code are also noted as a challenge, together with a lack of support from managers. This finding is confirmed by Leibbrandt and Botha (2015: 15), who maintain that organisational transformation demands great management skill in executing a BEE strategy. The need for sound leadership is further supported by Ranganathan (2017: 12) and Al Daaja (2017) who state that through a turbulent business environment, organisational transformation initiatives such as BEE implementation demand that leaders need to display genuinely innovative, flexible and action-orientated skills. In addition, Brown and May (2012: 533) confirm that organisational transformation must be honourably implemented by

these leaders as the associated transformational changes could impact the lives of people for the better.

The findings are further consistent with the views of Emuze and Adlam (2013: 176) who maintain that the additional employment of PDIs attracts additional expenses with regard to skills training and development.

#### **5.11.2.3.4 Challenges with implementation of the MC Code**

The interview participants were asked to elaborate on any challenges with regard to the MC Code during BEE implementation. The feedback relating to the challenges were summarised as indicated by the respondents below:

- Finding the right PDIs for management positions is very challenging and time consuming;
- Skilled Black employees at management level are extremely expensive and overpriced in the market that businesses cannot afford or justify the new business or opportunities the new PDI may bring into the business;
- Human Resources processes were too time consuming – must be executed better with professional BEE agency support for anyone considering the process; and
- Staff are not always positive to new management brought into the business; therefore, employee communication is critical.

The responses above indicated that the challenges with implementation of the MC code mostly relate to finding the appropriate PDI with skills to fulfil the required management positions. This PDI- and skills-related challenge is also noted as a pattern amongst all the BEE Code implementations addressed thus far. The challenge is further described as time consuming and extremely expensive. These responses are further consistent with Manyi's (2008: 7) views that there is a poor representation of Black people at senior and top management level positions, indicative of one of the challenges which relates to sourcing experienced and skilled Black candidates who are often limited and very costly.

In addition, Human Resources processes were found to demand too much organisational time, highlighting a need for different methods or processes to ensure swift and prompt execution with the support of BEE consultants. This challenge is consistent with the views of Jack and Harris (2007: 28) who maintain that the appointment of external services supports organisations which do not have adequate knowledge, resources, skills or time to implement BEE initiatives.

#### **5.11.2.3.5 Challenges with implementation of SED**

Participants were asked to explain any challenges encountered with regard to the SED Code during their organisational BEE implementation. The challenges are summarised below:

- Timeframes allocated to SED strategy and initiatives were too small. It was insufficient to be impactful or complete some tasks where more work was still required. Assessments were inadequately completed due to timeframes not extended, and identifying the evaluation of SED for PDIs were unfounded; and
- Lack of appropriate resources/support within their organisations to execute some the tasks required (within the organisation or supporting community initiatives). There was a misalignment between community requirements and what the organisation assumed was best for them at that time.

The responses above indicated that the challenges with implementation of the SED Code most commonly relate to the lack of timeframes, lack of or inappropriate resources and misalignment with communities. Pooe (2016: 7) explains that the allocation of time and resources dedicated to PDIs cannot be clearly quantified in order to understand at what point in time PDIs no longer require support through a SED Code strategy.

#### **5.11.2.3.6 Responses associated with fraud and corruption**

Participants were asked for their opinions on fraud and corruption associated with BEE implementation. The following responses were noted:

- Unacceptable no matter how it can be explained or defended;

- A zero-tolerance approach is taken in the organisation;
- Penalties must be put in place – to teach a lesson to those deserving, licenses should be revoked and unable to participate in future work for a few years;
- Fraud and corruption are illegal;
- Senior management must be held accountable;
- Fronting is a huge risk;
- Management must combat this;
- It is baseless and wrong;
- Penalties must be imposed;
- This is not an acceptable practice;
- Fronting and window dressing must end, this could have been a trend only at the beginning;
- Defeats the purpose of true transformation;
- Embarrassing to even consider people like this; and
- It is not genuine, i.e. for the sake of compliance only.

The responses above indicated that fraud and corruption are described as incorrect or unacceptable practices that should not be tolerated, as this defeats the true purpose of transformation. This view is consistent with that of Balshaw and Goldberg (2005: 42-43) who state that some organisations were found guilty of fronting and window dressing during the time when the narrow BEE approach prevailed, where BEE agencies were challenged to utilise their discretion in resolving fronting practices amongst guilty offenders.

The responses above indicated that penalties should be issued to those found guilty of fraud and corruption or fronting/window dressing practices. These views are similar to those of Jain and Horwitz (2011:14) who is of the opinion that South African Labour Inspectors need to be given greater flexibility and responsibility for BEE auditing purposes, as this process is currently still a challenge which needs to be addressed.

Emuze and Adlam (2013:154) believe that management should be accountable for the alarming levels of fraud, fronting and corruption as this is reaching an irreversible point that seriously needs to be addressed.

### **5.11.3 Theme Three: The pace of change and transformation**

Theme three consisted of one question which looked at the problem statement of this study. This study's focus was based on the key problem relating to the slow pace and hesitancy for BEE compliancy. Similarly, the last question looked at the opinions of participants in relation to the slow pace of compliance. The feedback is detailed below.

Participants were asked to explain their opinion about why some organisations are slow in their pace or hesitant towards BEE compliancy. The following feedback was noted:

- Resources such as time;
- Funding is always a challenge;
- No benefits for compliant organisations;
- Assume no interest;
- Lack of government business;
- Lack of organisational planning;
- BEE is complex and could be misunderstood;
- No rewards or incentives to motivate;
- No commitment or dedication to transformation;
- Lack of communication and information about BEE;
- Limited opportunities to implement, even if an organisation may be considering it; and
- Lack of funding/accessibility.

The responses above indicated that the pace of change and transformation is related to various challenges which could hinder BEE compliancy amongst some organisations. These challenges include a lack of resources, such as time or people, a lack of opportunities, lack of planning, a need for compliancy rewards, lack of information about BEE, lack of communication, and lack of responsibility from an organisational perspective. It is clearly evident that BEE is not directly binding legislature. These findings are consistent with the views of Davies (2013) and Thornley, Wood, Grace and Sullivant (2011: 4-6) who maintain that the challenges arising at organisational implementation level are due to the fact that BEE is not

directly binding upon the private sector, and businesses have no legal obligation to comply. In addition Esser and Dekker (2008: 157) explain that the lack of legislative support further allows room for organisations to decide whether BEE will be profitable or beneficial for the business or not and therefore some organisations are hesitant and/or too slow to implement BEE.

A common response noted as a challenge through all five BEE Codes is related to the financial cost of BEE implementation.

### **5.12 Triangulation**

Triangulation is used to aid the researcher with the converging of data from multiple methods to augment the integrity of the research findings (Fusch and Ness 2015: 1411). Similarly, this study has also implemented the triangulation process to enrich the conclusions.

Eighty questionnaires were administered to the Empowerdex listing of the top 100 most empowered companies. Twenty semi-structured interviews were further conducted with the same sample group. This combination of data collection methods allowed the combining of quantitative and qualitative data in a single study. The questionnaire consisted of both open-ended and closed-ended questions, whereas the interview consisted of only open-ended questions. Selected findings for some of the key themes in this study are triangulated using both instruments (the questionnaire and interviews) as well as literature. The key themes and selected sub-themes with associated findings are presented to demonstrate the triangulation analysis administered in this study which is summarised below.

The themes below were utilised in this study, and were applied to the triangulation below:

- **Theme One:** Macro-role players for BEE implementation
- **Theme two:** The micro-environment for BEE implementation
- **Theme three:** The pace of change and transformation

### **5.12.1 Theme One: Macro- role players for BEE implementation**

This theme consisted of two sub-themes relating to the role of government and role of BEE consultants which are triangulated below.

#### **5.12.1.1 Sub-theme one: The role of Government**

The data from the questionnaire indicated that organisations hold the government accountable for BEE support, including support in terms of financial aid, training and development, and skills programmes, as well as providing rewards for compliance with BEE. The responses relating to accountability are consistent with the views of Mattes (2015: 665) who identifies the ANC government as responsible for transformation of the economy which, as a key role player, must consistently strive at building the Black middle class and supporting the private sector to set BEE targets within a timeframe. The data from the interviews similarly indicated that there is evidence for support from government in the form of finance, seminars, skills development as well as rewards for compliance.

#### **5.12.1.2 Sub-theme theme two: The role of BEE consultants**

The data from the questionnaire indicated that respondents indicated mixed reactions with respect to BEE consultants. The majority of respondents were positive about BEE consultants and described their roles as average, with room for improvement.

The data from the interviews indicated that the role of BEE consultants is adequately met with most respondents having received good service. Some participants also rated the services of BEE consultants as being average with obvious room for improvement. This average rating is related to an unbiased view which is expected from consultants, as this is indicative of a challenge that relates to BEE consultants. The positively “good” rating of BEE consultants also reaffirms that these consultants need to possess adequate knowledge of implementation processes.

It was also noted that the findings relating to the role of BEE consultants from the questionnaire differed to an extent with those obtained from the interviews.

### **5.12.2 Theme two: The micro-environment for BEE implementation**

Two of the sub-themes and the associated questions and respective data were triangulated below for comparison.

### **5.12.2.1 Sub-theme one: The role players within the micro/organisational environment**

This subtheme identified that the role players within the organisations were also of grave importance for successful BEE implementation. The internal role players include employees and management or leadership.

#### **5.12.2.1.1 Employee reactions**

The data from the questionnaire indicated that a transition occurred amongst employees whereby their response to BEE changed from an initial negative one to a positive one. The findings agreed with the views of Lefakane (2017: 75-76), who states that employees go through changes during an organisational transformation process and assistance in advance can support employees and improve employee morale and behaviour positively, as compared to the pre-transformation period.

The data from the interviews indicated that employees and their reactions were identified as an important focus from an internal/micro role player perspective. The data above indicated that employee reactions pre- and post-transformation processes were different in comparison to the two timeframes. It is clearly evident that the negativity/apprehension shown by employees at the initial stages had later been replaced by acceptance and a sense of cohesion or relief. It was noted that the findings related to employee reactions with both the interviews and questionnaires were in agreement.

#### **5.12.2.1.2 Managers versus leaders**

The findings from the questionnaire indicated by all respondents is that both managers and leaders are required for BEE transformation. This finding is further confirmed by Northouse (2007) who affirms that both managers and leaders have similarities and yet also have differences.

The findings from all the interviews indicated that when comparing management roles to leadership roles, both are required for effective and successful BEE implementation within an organisation. It was a common response noted that indicated both managers and leaders are essential. Both roles are required to reach organisational goals as



they also ensure there is diversity amongst employees within a transformational organisational environment.

There is also evidence that managers and leaders possess different traits and ways in which to manage or lead an organisation. The findings resonate with the views of Grant and Borchers (2011) who similarly differentiate that managers and leaders do have different organisational approaches which are both essential.

It was noted that the findings from both questionnaires and interviews with respect to this sub-theme were in agreement.

#### **5.12.2.2 Sub-theme 2: *Strategies for BEE implementation***

Sub-theme two consisted of four questions. The comparison of the findings is set out below.

##### **5.12.2.2.1 PDI strategies**

The findings from the questionnaire indicated that specific PDI programmes or learnerships and training are the current forms of PDI strategies. These findings are consistent with the views of Rosli, Boerhannoeddin and Kayode (2017: 104) who are of the opinion that some organisations offer learnerships or bursaries to university students.

The findings from the interviews indicated that research and resources must be considered for the identification of appropriate PDIs within organisational BEE strategies. The findings above indicated that the PDI strategies employed by the participants also consisted of specific programmes and learnerships which supported placement of the most appropriate PDIs. These strategies have allowed time for organisations to engage and understand PDIs, thereby enabling the organisations to position them appropriately within required or relevant roles. It is noted that the findings from both instruments (questionnaire and interviews) with respect to this sub-theme are in agreement.

#### **5.12.2.2.2. Employee engagement**

The findings from the questionnaire indicated that stakeholder inclusion is critical in an organisation. It is understood that focus on employees tends to yield positive employee attitudes through transparent communication and meetings, with belief in the organisation, willingness to be a team player and go the extra mile during transformation processes.

The findings from the interviews indicated that employee engagement strategies executed amongst the participants consisted of educating and informing employees as a responsibility of management. This communication includes a strategic vision of the organisation's benefits, reasoning for transformation and also includes the benefits for the organisation and employees that can be associated with BEE implementation. The findings relating to communication further resonate with the views of Lawler, Mohrman and Ledford (1982: 23) who maintain that employee engagement through regular communication can enhance productivity and support leaders through organisational transformation initiatives like BEE implementation.

It was noted that the findings from the questionnaire were aligned with those from the interviews, although the interviews did provide more in-depth data to better inform the study.

#### **5.12.3 Theme-three: The pace of change and transformation**

The findings from the questionnaire indicated that various reasons are suggested for the slow pace of BEE compliancy. The findings are also consistent with the views expressed by Esser and Dekker (2008: 157), Nattrass (2014: 18) and Andrews (2008: 75) who explain that the slow pace of implementation is as a result of challenges experienced with regard to the entry of Black people into management control and structures, and which is criticised for being slow, and for not creating an enabling environment for the motivation and continuance of BEE implementation.

The findings from the interviews indicated that the pace of change and transformation is related to various challenges which could hinder BEE compliancy amongst some organisations. These challenges include a lack of resources, such as time or people. Other challenges associated with the slow pace of BEE implementation relate to an

organisational leader possessing a genuine need for transformation. Challenges further include: a lack of opportunities; lack of planning; a need for compliancy rewards; lack of information about BEE; lack of communication; and lack of responsibility from an organisational perspective. It is clearly evident that BEE is not directly binding legislature; therefore, the various responses above are tolerated.

It was noted that the findings from the questionnaire were, to some extent, different to the findings from the interviews. In addition, the interviews provided more rich data, elaborating on the questionnaire findings.

## **5.12 Conclusions**

This chapter presented the findings and analysed the results of the quantitative and qualitative data collected from the questionnaire, and qualitative data collected from the semi-structured interviews. The quantitative data were categorised into six sections and the results and findings were discussed accordingly. The findings were then compared to literature to ascertain if the findings were consistent or not with this source.

The qualitative data were analysed and categorised into three key themes, including sub-themes. Various questions which required richer data were explored through this data collection process and analysis. The findings from both the questionnaire and interviews were then triangulated.

The next chapter (Chapter Six) will outline the achievements of the study in line with the aims and objectives which the study set out to achieve. The summary of findings is presented, conclusions are drawn based on the findings and recommendations are made. Limitations to the study are also set out. Furthermore, a proposed framework for BEE and organisational transformation implementation is proposed.

## **CHAPTER SIX: CONCLUSIONS AND RECOMMENDATIONS**

### **6.1. Introduction**

The previous chapter addressed the analysis, findings and interpretation of the data based on the sample conducted with the Empowerdex Top 100 Most Empowered Companies (2018). This chapter provides a summary of the complete study and findings in relation to the research objectives set out. Final conclusions and recommendations are also addressed for future research. In addition a framework for BEE implementation at organisational level is also proposed to aid in overcoming challenges encountered.

### **6.2 Research aim and objectives**

This study sought to explore the strategies, challenges and best practices in implementing BEE in selected South African companies.

#### **The objectives of the study:**

- To explore strategies which have been implemented for BEE compliancy;
- To examine the challenges encountered by management in the implementation of the BEE policy;
- To determine the priority and responsibility of management in driving BEE compliancy; and
- To develop a framework based on best practices to assist South African businesses that wish to become BEE compliant.

### **6.3 Summary of findings**

The findings from both the questionnaire and interview instruments are provided below.

#### **6.3.1 Summary of findings from the questionnaires**

The findings are summarised under subheadings below.

### 6.3.1.1 Management roles and responsibilities for the BEE codes

- **Management's role for the ESD code** is mostly associated with building connections between small enterprises and an organisation, supporting suppliers financially, supporting suppliers' skills and performance.
- **Management roles and responsibilities for the Ownership Code** is mostly associated with finding appropriate skilled partners and support partners with capital or access to funding.
- **Management roles and responsibilities for the SD Code** is mostly associated with creating opportunities, developing a portal for talented youth, training and development and skills programmes for staff.
- **Management roles for the MC Code** is mostly associated with restructuring the management constitution; finding appropriate Black management employees and upskilling existing Black employees.
- **Management roles for the SED Code** is mostly associated with creating timelines for effective PDI reallocation, ensuring organisational sustainability and allocating additional time and resources.

### 6.3.1.2 Challenges encountered by management in the implementation of the BEE policy

- The majority of the respondents strongly agreed that **few companies make the BEE transformation from their old model to a new one willingly.**
- The majority of the respondents agree that **the "ripple effect" of organisations does result in placing pressure on one another for BEE compliancy.**

- The majority of the respondents agreed that **management was “challenged” by transformation** when comparing recent organisational transformation to the past.
- All respondents agreed that **management requires training** before organisational transformational initiatives are executed.
- **Responses to fraud and corruption can be described as:** unacceptable, a zero- tolerance approach is taken in the organisation, penalties must be put in place; senior management must be held accountable, and fronting is a huge risk.
- The **reasons for the slow pace or hesitancy toward BEE compliance** include: lack of resources; funding is always a challenge; no benefits for organisations; lack of organisational planning; BEE is complex and could be misunderstood; and lack of funding/accessibility.

#### 6.3.1.3 Key role players for BEE implementation

- **Government accountability:** All respondents hold the government accountable to some extent for BEE support.
- **BEE consultants:** Most respondents found that BEE consultants were insightful and knowledgeable, rating their services as good.
- **Employee reactions:** All respondents indicated that, initially, in the pre-transformation stage, employee reactions could be described as being concerned, reluctant, unhappy or negative; by comparison to the post-transformation stage where employee reactions were different and could be described as interested or informed with no resistance.

- **Departments** associated with BEE implementation include: the HR department, which is ranked the highest, followed by the Communications, Operations, Commercial, Legal and Finance departments respectively.

#### 6.3.1.4 Management and leadership required for BEE implementation

- The majority of the respondents indicated that **“both a manager and leader” are required in combination.**
- The majority of respondents found that the **most important leadership trait** for employee engagement was “honesty and integrity” followed by characteristics such as accountability, decision making, good communication, and being an inspiration to others; an ethical approach and leaders possessing morals.

#### 6.3.1.5 Strategies that have been implemented for BEE compliancy

- The **key benefit of BEE implementation** within their organisations was identified by some respondents as additional or new work, maintaining current business, maintaining positive relations with stakeholders and PR and publicity.
- The majority of respondents agreed with the statement that **some managers are required to evaluate execute, strategize, mentor and train**, while also displaying ethical behaviour against fraud and corruption for successful BEE implementation.
- **Specific PDI programmes or learnerships and training** are the current forms of PDI strategies.
- **Current employee engagement strategies** are centred around: ongoing and open communication is critical; regular feedback between all stakeholders; employee focus; transparency; and regular meetings.
- **Gender diversity strategies are prioritised** when compared to initiatives for disabled persons.

- An “**ideal BEE strategy**” is mostly associated with general organisational strategies and not particularly with the BEE codes. This includes communication; staff involvement; strategic vision and clearly defined objectives; sound guidance can direct a solid strategy for execution; and top management must possess genuine commitment for the strategy.

#### 6.3.1.6 Departmental challenges associated with BEE implementation

- **Financially related** BEE challenges include high operational costs; supplier dilution of cash flow; investment opportunities; and supplier misuse of funds.
- **HR-related** BEE challenges include employee job hopping; overpriced Black staff; lack of HR management skills; racism and cultural diversity.
- **Communications-related** BEE challenges include under-communication to stakeholders, inappropriate/ineffective communication mediums and over-communication.

#### 6.3.1.7 Challenges associated with the implementation of the BEE Codes

- **ESD Code:** building effective, long-term partnerships with suppliers is challenging; a lack of suppliers’ finance and skills; a shortage of Black-owned skilled suppliers.
- **Ownership Code:** lack of skilled partners to consider ownership with; limited access to finance; contractual terms and auditing; and shareholder equity concerns.
- **SD Code:** employee skills need improvement; inappropriate management skills; lack of continuity; too many entrants or PDIs; inadequate leadership, funding and dealing with SED expenses.
- **MC Code:** finding the right PDIs for management positions, skilled Black employees at management level are extremely expensive and HR processes are time consuming.



- **SED:** the timeframes allocated to the SED strategy and initiatives were too small. Some respondents also found that there was a lack of resources within their organisations to execute some of the tasks.

### 6.3.2 Summary of findings from the interviews

Below is a summary of the findings from data collected, from the interview .

#### 6.3.2.1 Role players involved in BEE implementation

- **The role of government** in particular is recognised as important. There is also additional support required for SMEs with regard to funding, skills development, and to serve as a leading example for BEE implementation within the state-owned enterprises sector.
- **The role of BEE consultants** has been received positively, and these agencies have added value, by supporting organisations with their implementation and evaluation processes.

#### 6.3.2.2 Management versus leaders

It was found that **both managers and leaders are essential** for effective BEE implementation as they display different characteristic, and teamwork between the two is needed to ensure the most effective implementation of a BEE strategy.

#### 6.3.2.3 Strategies for BEE implementation

- **Employee engagement strategies** are needed to ensure that the employee is considered at all stages of the transformation process, with transparent communication as a critical necessity for effective BEE implementation.
- **Gender and disabled persons' strategies** offer bonus BEE points. The drive for female empowerment is more visible on the priority agenda.

- **PDI strategies include** individuals becoming part of the organisation through programmes which monitor and evaluate progress, to determine the success of the programme and appropriate candidates.
- **The ideal BEE strategy** requires that management and leaders play a critical role for genuine transformation, having strategic vision, objectives and guidance from management who must also possess a genuine need for transformation.

#### 6.3.2.4 Challenges associated with BEE implementation

- **Challenges related to the ESD code** relate to finding the appropriate partners, SMEs or enterprises that have sound capital or financial support to transact with larger BEE compliant organisations.
- **Challenges related to the Ownership Code** are similar to the ESD challenges above. Finding the appropriate business partner with capital and skills sets proves challenging.
- **Challenges related to the SD Code** entail the volume of PDIs who require skills development; inadequate leadership within the organisation to drive SD; approval or expenses related to SD programmes; training staff.
- **Challenges related to the MC Code** relate to finding an appropriate management constituency with the required skills sets, with an affordable market related remuneration package for the business.
- **Challenges related to the SED Code** relate to identifying community needs versus the organisation offering a donation; limits the sustainability of projects and beneficiaries of PDI initiatives.
- **Fraud and corruption** is described as unacceptable, untrue to the purpose of transformation and it is indicated that such behaviour should attract penalties;

for instance, the revocation of licenses and repercussions to ward off such behaviour.

- **The slow pace of BEE compliancy** within South African organisations; it was found that there were various reasons for this, such as: resources; time; money; non-beneficial to some organisations (only for government business or related); implementation challenges, lack of planning and the BEE requirements being complicated to understand.

## **6.4 Conclusions**

This discussion addresses two phases of the conclusions for this study. The first phase concludes on the literature review and the second phase concludes with the empirical study.

### **6.4.1 Conclusions from the literature review**

The key objectives of this study are summarised below from the literature.

#### **6.4.1.1 Strategies that have been implemented for BEE compliancy**

- **Employee engagement strategies** can support employees and assist in improving employee morale and behaviour positively.
- **Strategies specifically for PDI's** include learnerships, bursaries or specific programmes, which affords the opportunity for PDIs to be evaluated.
- **The cohesion of BEE and CSI strategies** is encouraged as these activities can be combined.
- **Organisational advantages** have been noted since the implementation of BEE strategies, such as opening up new sources of innovation through suppliers, increasing supplier performance and capabilities aligning with the organisation's requirements.

- **BEE consultants** were found to play a vital role in supporting BEE implementation.
- **The role of government is also essential for effective BEE implementation** which must consistently strive to build the Black middle class and support the private sector by setting BEE targets within a timeframe.

#### **6.4.1.2 Challenges encountered by management in the implementation of the BEE policy**

The challenges that were experienced with implementation of the five BEE codes (ESD Code, Ownership Code, SD Code, MC Code, SED Code) by organisations, are noted below. In addition, departmental challenges and other management challenges are also summarised.

##### **6.4.1.2.1 The challenges experienced with implementation of the BEE Codes**

- **Challenges encountered by management in relation to the ESD Code include:** Black enterprises that struggle to stay afloat due to cash-flow and other financial related problems.
- **Challenges encountered by management in relation to the Ownership Code include:** Black entrepreneurs possessing restricted access to capital and funding to participate in BEE ownership initiatives.
- **Challenges encountered by management in relation to the SD Code include:** an inadequately educated workforce was ranked as the most problematic factor and continues to be a major challenge each year.
- **Challenges encountered by management in relation to the MC Code include:** the struggle to source experienced and skilled Black candidates, as prospective candidates are limited and are expensive.

- **Challenges encountered by management in relation to the SED Code include:** BEE compliant organisations failing to follow up on their investments and these contributions end up misused as a result of these organisations not possessing the time or resources to ensure that the contributions reach the intended beneficiaries.

#### 6.4.1.2.2 Departmental challenges

Three key departmental challenges are summarised below, including financial HR and communication challenges.

- **Financial challenges hindering BEE implementation** can be described as BEE costs which have an adverse impact on investment, thereby leading to the dissipation of some firms due to improper frameworks and funding structures.
- **HR challenges hindering BEE implementation** include the job-hopping epidemic by Black professionals which has increased headhunting practices due to the demand of fully trained Black professionals claiming more costly remuneration.
- **Communication challenges hindering BEE implementation** can be described as misaligned stakeholder communication.

#### 6.4.1.2.3 Other challenges

- **Management's level of transformation challenges currently as compared to challenges prior to BEE implementation:** The situation has improved, yet it has been challenging.
- **Challenges such as fronting and window dressing** do not add any real or valuable contribution to an organisation as Black people are merely appointed to obtain a positive BEE status with no real value, therefore defeating the purpose of true transformation.

### **6.4.1.3 The priority and responsibility of management in driving BEE compliancy**

The priority and responsibility in driving BEE compliancy included the roles and responsibilities of management for the various codes, leadership traits for effective implementation and best practices which is addressed below.

**6.4.1.3.1 The importance and prioritisation of five BEE codes:** Some organisations prioritise selected objectives and Codes according to their organisational transformation strategy, resources and budget.

#### **6.4.1.3.2 The role and responsibilities of management for the various BEE Codes**

- **Management's role and responsibility for the ESD Code** is to support suppliers with financial and skills training; administration development and any form of assistance which can enable an increase of performance amongst suppliers' capabilities.
- **Management's role and responsibility for the Ownership Code** requires management to align their roles and responsibilities with the management constitution, restructuring, transformation, partnership and ownership.
- **Management's role and responsibility for the SD Code** requires youth talent and development as a key role for management to ensure a pipeline of skilled talent.
- **Management's role and responsibility for the MC Code** entails management promoting more Black people to senior management positions, as well as Black board members, to allow exercisable voting rights on the board.
- **Management's role and responsibility for the SED Code** requires management to determine the selection of PDI candidates and create a timeframe for PDIs to be moved off the list of beneficiaries.

#### 6.4.1.3.3 Leadership traits and requirements for effective BEE implementation

- **Managers and leaders are both needed for BEE transformation.**
- **Management training is required for BEE implementation:** Managers implementing BEE are themselves untrained and faced with expectations of handling HR challenges, such as racism and discrimination.
- **Implementation of BEE transformation as a voluntary measure:** few companies have made a voluntary change for transformation from their old model to a new one and only begin to search for a new way forward when they are pushed.

#### 6.4.1.3.4 Best practices for BEE implementation

- Tongaat Hullett displays an example of best practise in relation to the Ownership Code as they established an employee **ownership** scheme for the benefit of all Black employees and senior Black management respectively, offering seven percent stake into the hands of employees to retain and attract high calibre Black employees at every level of the business, which created a sense of ownership amongst employees.
- DSTV is an indication of best practice with regard to **skills development**, as they create new generations of filmmakers emerging out of the Film Skills Development Programme of young and dynamic participants in the industry, to fast-track the development of talent for previously disadvantaged individuals.
- Massmart can also be recognised as an organisation displaying best practices in relation to **socio-economic development** implementation considering that the organisation prioritises long term involvement in communities, underpinned by the need to make a sustainable difference in the lives of those less fortunate. Massmart's approach is governed by a balance between the society's needs while deriving value for the business.

## 6.4.2 Conclusions from the empirical study

The following conclusions were summarised from the empirical data of the study.

### 6.4.2.1 Strategies which have been implemented for BEE compliancy

- **The importance and prioritisation of five BEE codes:** The ESD Code ranks highest by level of importance followed by Ownership, SD, MC and SED Codes respectively.
- **Employee engagement strategies must** include stakeholders on an ongoing basis, in order to attain successful BEE implementation, as well as transparent communication with regular meetings.
- **Factors which contribute to an ideal BEE strategy include:** communication; staff involvement; management's focus on strategic vision and objectives; guidance for a solid strategy; and commitment from top management.
- **Strategies specifically for PDIs** consist of research and resources considered for the identification of appropriate PDIs within organisational BEE strategies in order to engage and understand PDIs, enabling appropriate appointment.
- **The cohesion of BEE and CSI strategies** can be related and combined as there is an association between the two initiatives.
- **Organisational advantages from BEE** include new work; maintaining current business; positive relations with stakeholders; and PR/Publicity.
- **Gender and disabled person's empowerment strategies** are both recognised as important for BEE scoring; however. gender diversity strategies are prioritised when compared to initiatives for disabled persons.
- **BEE consultants play a vital role** in offering good and well-informed services.



## **6.4.2.2 Challenges encountered by management in the implementation of the BEE policy**

### **6.4.2.2.1 Challenges associated with implementation of BEE codes**

- **Challenges associated with implementation of the ESD code** include: building sustainable relationships; a lack of supplier's financial skills; and identifying appropriate suppliers to partner with.
- **Challenges associated with implementation of the Ownership code** include: a lack of skilled partners; partners having limited access to finance; contractual terms; shareholder equity concerns; and tax consequences.
- **Challenges associated with implementation of the SD code** relate to a lack of employee skills as well as management skills which require improvement.
- **Challenges associated with implementation of the MC code** are related to finding the correct PDIs with skills for consideration of the MC code as skilled Black employees who are identified are expensive, therefore elevating remuneration packages and company expenses.
- **Challenges associated with implementation of the SED code** indicate that the timeframes allocated to the SED strategy and initiatives were too small; a lack of resources within organisations occurs to execute some of the tasks.

### **6.4.2.2.2 Departmental challenges included in the discussion surrounded financial HR and communication challenges**

- **Financial challenges** relate to the high operational costs hindering BEE implementation; supplier dilution of cash flow and misuse of funds are also noted.
- **HR challenges** include employee job hopping as the most common challenge amongst HR departments, followed by overpriced Black staff, HR management skills, racism and cultural diversity.

- **Communication challenges** comprise of two key challenges, namely: under-communication to stakeholders followed by inappropriate/ineffective communication mediums.
- **Managements recent transformation challenges vs prior BEE implementation** indicate that management was challenged by transformation when comparing recent organisational transformation to the past.

#### 6.4.2.3 The responsibility of management in driving BEE compliancy

- **Management responsibility for the ESD code** indicates that relationship building with smaller enterprises will support BEE scoring through the ESD code. Supporting suppliers financially, support for suppliers' skills and performance and access to the market are also required.
- **Management responsibility for the Ownership Code** indicates that finding appropriate skilled partners is a management role, supporting partners with capital and finding appropriately skilled partners.
- **Management responsibility for the SD Code** indicates skills programmes for staff; training and development creating a portal for talented youth were important.
- **Management responsibility for the MC Code** is that of upskilling Black employees followed by finding appropriate Black employees and restructuring of the organisation's management constitution.
- **Management responsibility for the SED code** relates to creating additional time and resources for successful implementation of this code.
- **Training management before transforming an organisation** was further identified as essential.

- **Managers and leaders for organisational transformation:** both managers and leaders are required in combination.
- **Leadership skills required to support employee engagement through an organisational transformation** include genuine transformation, an ethical approach and leaders possessing morals.
- **The willingness of organisations to implement BEE transformation vs the dire need for it is explored.** Few organisations are willing move to a state of transformation until there is a dire need for it, which also directly relates to the problem statement of this study, in that BEE compliance is not legally binding, therefore there is a slow pace of compliancy.

## 6.5 Recommendations

### 6.5.1 Strategies that will assist in BEE compliancy

- According to the organisational sustainability, CSI and corporate governance strategies, the BEE strategy must be aligned with regard to prioritisation of the five BEE codes.
- Employees and employee engagement strategies must be a central focus and employees should be prioritised above all other stakeholders, especially with regard to communication plans determined at the very beginning of BEE implementation which has been integrated into the proposed framework for this study.
- PDI strategies should also be identified as a priority whereby organisations plan for skills upliftment, learnerships and training. PDI focus is further included in the framework which follows.

### **6.5.2 Steps to address challenges in the implementation of BEE**

- Steps to addressing challenges in the implementation of BEE should include:
- Management possessing a clear understanding of the BEE scorecard and codes (industry related) and deliverables thereof. Management should therefore be trained prior to BEE implementation to better deal with challenges which may arise. This training is valuable for information sharing and skills development through organisational transformation.
- All organisational departments should be accountable to drive BEE transformation and forecast associated expenses associated with the proposed strategy at conceptualisation stage (prior to implementation).
- Organisational benefits should be established and classified as a deliverable expected prior to the transformation process (Return on Investment calculated).
- BEE consultants must support the organisation through BEE implementation with operational understanding and time spent “at ground level”. The role of these consultants is essential to ensure swift and prompt execution for organisational transformation. This has been included in the framework below;
- Government can enhance the role it plays by bridging the gap between SMEs and larger private organisations. Regular meeting platforms for networking and relationship building would be ideal.
- Government needs to communicate and ensure more projects are able to finance sound SMEs with capital for start-up businesses.
- The government and larger organisations can both contribute to the skills challenges by developing industry specific trade and skills workshops for PDIs, thereby building the “pool of youthful talent” and enabling placement with market related salaries.

- Fronting and window dressing should attract penalties and severe consequences for such fraudulent actions.

### **6.5.3 Suggestions on Best Practice**

- Ensure a dedicated transformational leader is accountable for execution, evaluation, strategy, role players and communication involved in BEE implementation. This leader must be a sound ethical leader who is dedicated, since genuine transformation is important to identify traits and requirements for effective BEE implementation. This micro/internal role player is critical for effective BEE implementation and has also been considered with regard to the proposed framework below.
- The transformational leader should also hold the BEE consultancy accountable to support each of the BEE codes with realistic strategies. For example, the leader would hold the consultant accountable to find appropriate SMEs to align with the larger organisation where both could benefit from the relationship, ensuring genuine transformation is achieved.
- It was also noted that pressure has to be applied through government legislation and supported by the organisational “ripple effect” demanding BEE compliance from suppliers during their procurement processes.
- Best practice for the Ownership Code can enhance scoring of points through employee ownership schemes which could benefit Black employees.
- SD and MC Codes can earn points through industry specific training programmes for PDI participation.
- Best practices for SED Code points can be achieved through organisations prioritising long term involvement in communities, with a genuine need to make a sustainable difference in the lives of those less fortunate.

- Best practices for ESC Code points could include building relationships with suppliers and SMEs, and training them to uplift skills and address financial challenges, such as cash flow management.

## **6.6 A proposed framework based on best practice to assist South African businesses that wish to become BEE compliant**

The final objective of this study indicated the development of a proposed framework based on best practice to assist South African businesses that wish to become BEE compliant. This objective is addressed in detail with the adaptation of Nadler and Tushman's Congruence Model for organisational transformation (1980).

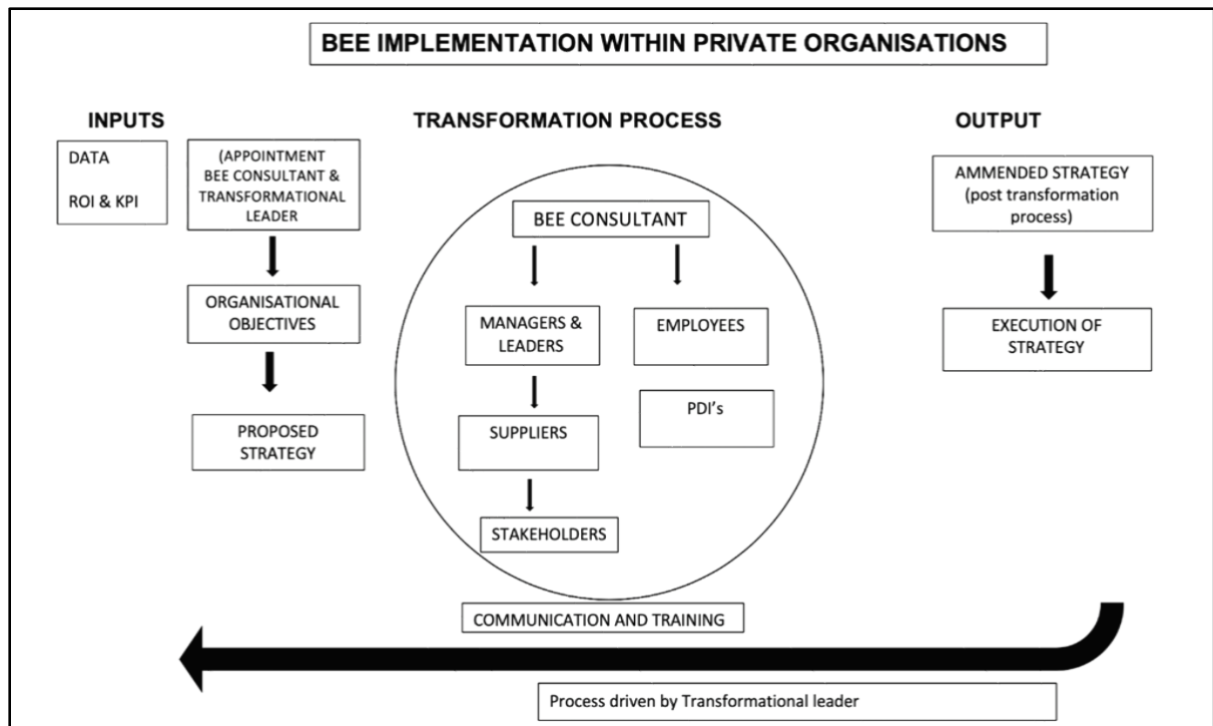
### **6.6.1 Adaptation of Nadler and Tushman's Congruence Model**

Nadler and Tushman's (1980) Congruence Model for organisational transformation is considered most appropriate to support this study's proposed framework. Nadler and Tushman's Congruence Model is divided into three parts. Firstly, there is the input phase which includes the environment, history, resources and information. The second phase is the transformation process of the model which focuses on four elements, namely: work; people; structure; and culture, as well as the concept of congruence amongst these elements for effective transformation. The final output phase of the model addresses sustaining the ideal organisational balance post the transformation process.

The adaptation of Nadler and Tushman's model is motivated by Bezboruah (2008: 129) who also utilises the Congruence Model, relating his study to the socio-economic and political reform of India's transition and describing the model as a roadmap to understanding organisational behaviour. In another study, Battilana, Gilmartin, Model, Sengul, Pache and Alexander (2010: 422) also reflect on Nadler and Tushman's model to look at future leadership in their organisations by executing planned organisational change which can change the functioning of such entities towards a more favourable outcome. Similarly, this study adapted Nadler's model to develop a graphical representation of a proposed framework for BEE implementation.

## 6.6.2 Graphical representation of proposed framework for BEE implementation

A graphical representation is presented and discussed below in accordance with the fourth key objective of this study.



**Figure 6.1 Proposed framework for BEE implementation within organisations**

This framework which is adapted from Nadler and Tushman's (1980) model has been designed for organisational change, and more specifically for BEE implementation, as an outcome of this study. This framework has an input process which includes data gathering (the environment, history, resources and information). It differs from the framework of Nadler and Tushman's (1980) in that it requires a clear expectation of Return on Investment and alignment to Key Performance Indicators to ensure viability of the initiative. The history of apartheid supports the need for change, as well as post-apartheid inequality, poverty and the need for socio-economic development (seen as the environment). In addition, the transformation process is informed by BEE legislation, which is supported by the various codes and BEE scorecard.

Post completion of the input phase, this framework proposes the appointment of a BEE consultant and an internal transformational leader to carry out the implementation and evaluation of BEE processes. Thereafter a strategy can be conceptualised between management and the consultant. Weiner (2009: 7) explains that when

change is introduced into an organisation the workplace must ensure that the organisation is prepared for change, which entails a change readiness review to ascertain whether the organisation is ready to embark on such a journey. Similarly, the proposed strategy will form part of the change readiness stage whereby employee, supplier and stakeholder readiness can be observed prior to execution of the BEE strategy.

This study's proposed framework focuses on communication and training with various stakeholders. The final output phase of this framework looks at the re-evaluation, execution and implementation of the BEE strategy. The entire process is driven by the transformational leader whereby corrections can be made to rectify the process at any point and needs to be followed from step one again to ensure that all factors are considered the next time. This proposed framework also emphasises that by changing one or two components, it cannot be assumed all challenges will be resolved, as the entire model will require reworking for any changes made allowing for a feedback process.

The proposed framework in this study allows management to understand the key challenges or drivers of organisational change (BEE implementation) therefore serving as a powerful tool to reflect on how to resolve challenges (such as skills and financial challenges, or selection of appropriate PDIs).

This framework therefore serves as an investigative tool, reaffirming the relevance of its application to BEE implementation within the workplace. With reference to the various challenges cited in respect of BEE implementation and the slow pace of BEE transformation in particular, this framework is considered the most appropriate to investigate and understand BEE as a transformation process within an organisation, so that the various obstacles can be prevented when companies are considering implementation. The proposed framework is most suited to this study, bearing in mind that BEE implementation is part of a deliberate transformational process proposed by government and can similarly be applied within various industries considering BEE implementation.



It is noted that the initial driving force to bring about the most recent organisational change and transformation in South African organisations was when organisations were awakened by the introduction of the government's BEE initiative. This gave rise to new legislation, new competitors with higher quality at competitive prices and new customer demands as a result of changes in acquisitions, production and delivery of products and services. There were also economic and social conditions which created long-term changes in the composition of the labour force and skills levels, particularly at technical and managerial level (Torppa and Smith 2011: 62).

It is also understood that despite the knowledge on how best to manage change, the concept of change is still often unclear and ill-defined (Staren and Eckes 2013). The concept of organisational change has been researched in depth over the years by academic scholars; therefore, more insights and information are available on this concept versus that of BEE. The recent work of Magano and Thomas (2017: 8), Ashurst and Hodges (2010: 217), Bhatnagar, Budhwar, Srivastava and Saini (2010: 485), Milling and Zimmermann (2010: 1452), Rees and Hassard (2010: 480) have all been considered as part of this study's investigation.

### **6.7 Suggestions for future research**

The following are suggested as future research initiatives:

- Further studies need to be conducted amongst all BEE compliant organisations in South Africa. This could be undertaken for a particular industry sector or a particular type of business.
- Further studies could also be conducted from the government perspective, and could include state owned enterprises.
- A study on similar themes could be undertaken from an employees' perspective.
- A study which reflects on organisations that attempted BEE implementation and did not succeed would also contribute to the body of knowledge on this topic.

### **6.8 Contribution to the body of knowledge**

This study has reviewed various pieces of academic literature for BEE-related studies (Andrews 2008: 49-51; De Klerk 2008: 50; Engdahl and Hauki 2001: 9; Mathura 2009: 23; Meyer 2010: 17; Kim 2010: 60-62; Sixaba, Rogerson 2019: 8;; Mofokeng, Giampiccoli, Jugmohan 2018: 13; Makgoba 2019: 12; van Schalkwyk and Krüger 2019: 45; Kruger 2014: 442) with the purpose of making a contribution to the field of management sciences.

This study makes a unique contribution with a combined quantitative and qualitative methodological approach, inclusive of strategies, challenges and best practices in implementing BEE in selected South African companies within 80 South African organisations representing various industries. Literature cited below have been compared to this study's unique contribution to the existing body of knowledge. In Andrews (2008: 49-51) study, the researcher looked at BEE as a South African growth catalyst with a methodological approach consisting of snowball sampling and analysing twenty-five firms with sufficient public sources. This however allowed for one-sided information; therefore, he recommended structured interviews and triangulation to improve the rigidity of his study. By comparison to Andrews study, this study includes public data and an employer's perspective with a larger sample size. The second BEE related study is that of De Klerk (2008: 50-55) which examined the impact of BEE in the mining sector, through a case study approach which included participant observation and semi-structured interviews with the aid of an interview guide consisting of predominantly open-ended questions. The data was analysed through a combination of cognitive mapping and general inductive processes. Similar to her study, this study also consisted of semi-structured interviews and utilised an interview guide together with a questionnaire instrument.

The third methodological comparison is that of Meyer's (2010:17) study, which reviewed the relationship between BEE and entrepreneurship in South Africa, with a qualitative focus on lived experiences. She further triangulates her data and uses open-ended questions, as well as face-to-face interviews with Black business leaders. Similarly, this study also addressed the organisational implementation of BEE. The fourth methodological comparison is that of Kim's (2010: 60-62) study where she adapted an ethnographic account of BEE in South Africa using an anthropological approach from a qualitative stance. Her work includes participant observation and

collected various ethnographic data. Kim's sample was selected through random sampling and she conducted non-structured interviews, life stories and participant observation to gather the data which yielded significant information on the general current BEE response within South Africa. Her study also provided various insights in support of this study, including participant observation and non-structured interviews discussion.

The fifth most recent research relating to BEE was conducted by Mofokeng , Giampiccoli and Jugmohan (2018:16), who reviewed BEE and local economic development within the accommodation sector, specifically within the Clarens area of KwaZulu-Natal. He conducted a qualitative and quantitative purposive sampling in the Clarens district for tourism. Mofokeng's study has also aided in informing this study from a methodological perspective of similarly using qualitative and quantitative data approaches. A further differentiation between the studies is that Mofokeng's BEE study was restricted to one sector only, whereas this study includes multiple sectors.

### **6.9 Limitations of the study**

- The first limitation of this study relates to the sample for the study. The intended sample size was 100 respondents; however, only 80 responded.
- The second limitation is that this study was conducted with the Empowerdex list of empowered companies, therefore limiting data from other best practice organisations.
- The third limitation is that this study cannot be generalised to all types of industries as various organisations have developed their own unique regulatory transformation frameworks to adopt transformation charters and voluntary codes of conduct to self-regulate their social conduct.

### **6.10 Concluding remarks**

BEE has been identified as an initiative which will support the redress initiatives that have challenged South Africa since apartheid ended. The South African government is challenged by time and resources to facilitate this redress alone; therefore, organisations can lend support through BEE initiatives (which are relevant for their organisations and will be meaningful for business objectives, as well as socio-

economic redress). The researcher firmly believes that, despite organisational challenges (such as skills and training challenges, lack of capital from partners or SMEs, finding appropriately skilled Black PDI's and corruption) which have all been considered in this study, the alignment with best practices and recommendations for BEE implementation has substantiated and indicated the concluding recommendations to alleviate such challenges. Due to the fact that BEE is not directly binding legislation on the private sector and businesses have no legal obligation for compliance, it is also understood that through the support of organisations' skilled managers and transformational leaders, BEE implementation can be meaningful and contribute to the sustainability of an organisation. What remains to be understood by more non-compliant South African organisations is that their lack of urgency hinders and stagnates a broader form of transformation which can benefit the South African economy at large. There is a dire need for the spirit of Ubuntu to be recognised whereby all organisations, despite the nature of the industry, can execute some form of BEE transformation within their organisational strategies.

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## APPENDIX I

### **Strategies, challenges and best practices in implementing Black Economic Empowerment (BEE) in selected South African companies**

This questionnaire is separated into six discussion areas.

- The first section comprises of **demographical data**.
- The second section aims to find out more about the **implementation of the five BEE codes**.
- The third section intends to learn more about the various **departmental challenges** experienced through BEE implementation.
- The fourth section looks at the **strategies** or intervention strategies which can be utilised as advice for non-compliant companies considering BEE implementation.
- The fifth section looks at the **role of management and leadership** for successful BEE implementation.
- The sixth section looks at BEE implementation in **general**

## **QUESTIONNAIRE**

### **SECTION ONE: DEMOGRAPHICAL DATA**

1.1 Please indicate which industry/sector your organisation belongs to?

<b>INDUSTRY</b>	<b>PLEASE SELECT RELEVANT OPTIONS</b>
AltX	
Basic resources	
Chemicals/pharmaceuticals	
Consumer goods	
Financial services (banks, insurance)	
Food and beverages	
Hospitality	
ICT (hardware and software)	
Industrial, construction	
Media	
Mining	
Real estate	
Retail	
Travel and leisure	
General	
OTHER ( Pls specify)	

1.2 Please indicate your current position within the organisation you represent:

CEO/Managing Director/Share holder/Director	
Transformation Manager	
Finance Manager	
Human Resources Manager	
Communications/Marketing Manager	
Change agent/service provider	
OTHER: ( Pls specify)	

1.3 Kindly complete the demographic details below for yourself, so that the researcher can place your responses within context for this study.

<b>1.3.1 AGE</b>	<b>PLEASE SELECT MOST RELEVANT</b>
20-29 years	
30-39 years	
40-49 years	
50-59 years	
60-69 years	
69+ years	

<b>1.3.2 YEARS OF SERVICE AT CURRENT ORG</b>	<b>PLEASE SELECT MOST RELEVANT</b>
1-2 years	
3-5 years	

5-10 years	
10-15 years	
15-20 years	
20+years	

## SECTION TWO: IMPLEMENTATION OF THE FIVE BEE CODES

2.1 How did your organisation prioritise the following BEE objectives (*From number 1 to 5, kindly list only one number next to each code*). If any BEE code is non-applicable to your organisations immediate strategy- please select N/A

BEE CODE	IMPORTANCE <i>1= most important &amp; 5 = least important</i>
Enterprise and supplier development	
Ownership	
Skills development	
Management control	
Socio economic development	

2.2 How would you describe some of your organisations key roles and responsibilities for the **Enterprise and Supplier Development code**? Please select from the table below and elaborate.

RESPONSIBILITIES FOR ESD CODE	Please tick relevant options or indicate N/A
Support suppliers financially	
Support suppliers skills and performance	
Build connections between small enterprises with your organisation	
Other: (Pls elaborate)	

2.3 Please elaborate on any challenges encountered with the implementation of the **enterprise and supplier development code**

2.4 How would you describe some of your organisations key roles and responsibilities for the **Ownership** code? Please select from the table below and elaborate.

<b>RESPONSIBILITIES FOR OWNERSHIP CODE</b>	<b>Please tick relevant options or indicate N/A</b>
Finding appropriate skilled partners	
Support partners with capital, access to funding	
Other: (Pls elaborate)	

2.5 Please elaborate on any challenges encountered with the implementation of the **ownership code**

2.6 How would you describe some of your organisations key roles and responsibilities for the **Skills Development** code? Please select from the table below and elaborate.

<b>RESPONSIBILITIES FOR SKILLS DEVELOPMENT CODE</b>	<b>Please tick relevant options or indicate N/A</b>
Creating portal of talented youth	
Skills programmes for staff	
Mentorship	
Other: (Please elaborate)	

2.7 Please elaborate on any challenges encountered with the implementation of the **skills development code**

2.8 How would you describe some of your organisations key roles and responsibilities for the **Management control** code? Please select from the table below and elaborate.

<b>RESPONSIBILITIES FOR MANAGEMENT CONTROL CODE</b>	<b>Please tick relevant options or indicate N/A</b>
Restructuring management constitution	
Upskilling existing Black employees	
Other: (Pls elaborate)	

2.9 Please elaborate on any challenges encountered with the implementation of the **management control code**

2. 10 How would you describe some of your organisations key roles and responsibilities for the **Socio Economic Development** code? Please select from the table below and elaborate.

<b>RESPONSIBILITIES FOR SOCIO ECONOMIC DEVELOPMENT CODE</b>	<b>Please tick relevant options or indicate N/A</b>
Additional time and resources	
Essential sustainability criteria (with measurement)	
Timelines for effective PDI reallocation	
Other: (Pls elaborate)	

2.11 Please elaborate on any challenges encountered with the implementation of the **socio economic development code**

2.12 Did your organisation employ the services of any BEE consultants, if so what where their roles in supporting your organisations BEE implementation?

### **SECTION THREE: CHALLENGES WITH DEPARTMENTS**

3.1 Please select the relevant key departments to drive BEE compliancy within your organisation?

<b>DEPARTMENTS RELEVANT</b>	<b>PLS TICK or select N/A</b>
Finance	
HR	
Communication	
Legal	
Manufacturing and production	
Commercial and sales	
Operations	
Auditing	
CSI	

Other:	
--------	--

3.2 Please indicate the challenges that may have been associated with BEE implementation among the following departments within your organisation. Kindly select from the relevant options provided.

<b>3.2.1 FINANCIAL CHALLENGES</b>	<b>PLEASE TICK OR STATE N/A</b>
High operational costs	
Investment opportunities	
Suppliers dilution cash flow	
Suppliers misuse of funds	

<b>3.2.2 HR CHALLENGES</b>	<b>PLEASE TICK OR STATE N/A</b>
racism	
Employee job hopping	
Over-priced black staff (experienced, skilled)	
Hr management requires upskilling and preparation for BEE implementation	
Cultural diversity conflict	

<b>3.2.3 COMMUNICATION CHALLENGES</b>	<b>PLEASE TICK OR STATE N/A</b>
Over-communicating to stakeholders	
Under-communicating to stakeholders	
In appropriate/in affective comm mediums	

3.3.1 How would you describe employee reactions to BEE **INITIALLY**

--

3.3.2 How would you describe the difference in employee reactions to BEE at **PRESENT**

--

3.4 Please elaborate on any employee engagement strategies you may have

--

## **SECTION FOUR: STRATEGIES FOR COMPLIANCY**

4.1 In your opinion, what is the ideal BEE strategy and associated factors for consideration?



--

4.2.1 Few companies make the BEE transformation from their old model to a new one willingly. Typically, they begin to search for a new way forward only when they are in dire need. Do you agree or disagree with the method of placing pressure on organisations towards BEE compliance?

<b>RESPONSE</b>	<b>PLEASE SELECT RELEVANT RESPONSES</b>
AGREE	
DISAGREE	
OTHER (Pls elaborate)	
Pls elaborate:	

4.2.2 Do you agree with the “ripple effect” of organisations placing pressure on one another towards a strategy for BEE compliance

<b>RESPONSE</b>	<b>PLEASE SELECT RELEVANT RESPONSES</b>
AGREE	
DISAGREE	
OTHER (Pls elaborate)	
Pls elaborate:	

4.3 in your opinion, what are the reasons why some organisations are slow or hesitant towards BEE strategy or compliance?

--

4.4 It is often expressed that BEE has become politically aligned with large business tycoons as the middle class Black South Africans did not benefit from BEE (as intended). What strategy did your organisation use to ensure that the correct PDI’s (previously disadvantaged individuals) are allowed to become part of your BEE strategy?

--

4.5 Has BEE been implemented in relation to your organisations CSI policy (please indicate with an “X”)

<b>RESPONSE</b>	<b>PLEASE SELECT RELEVANT RESPONSES</b>
YES	

NO	
OTHER	

## SECTION FIVE: THE ROLE OF MANAGEMENT AND LEADERS

5.1 How would you rate the challenges encountered by management (in recent transformational years as compared to the previous years. Please indicate with an "X" below.

RESPONSE	PLEASE SELECT RELEVANT RESPONSES
Extremely challenging	
Challenging	
Manageable	
Easy	
Very Easy	

5.2 What is your organisations/management stance towards fraud and corruption as far as BEE is concerned?

--

5.3 Which of the following leadership traits do you believe is most important to support effective BEE implementation?

LEADERSHIP TRAITS	PLEASE TICK OR STATE N/A
morals	
ethics	
personal values	
genuinely passionate for transformation	
respect	
experience	
effective listening	

5.4 In your organisation, which roles are considered most important for implementing any form of organisational transformation

<b>OPTION</b>	<b>PLEASE TICK</b>
Manager	
Leader	
Both manager and leader	
Other:	

5.5 Kindly elaborate on your response above

--

5.6 “Managers are required to evaluate execute, strategise, mentor and train, while also displaying ethical behaviour against fraud and corruption for successful BEE implementation.” To what extent do you agree with this statement?

<b>RESPONSE</b>	<b>PLEASE SELECT RELEVANT RESPONSES</b>
AGREE	
DISAGREE	
OTHER (Pls elaborate)	
Pls elaborate:	

5.7 Do you believe that a manager should be well trained in this respect before transforming the organisation and what should this training entail?

<b>RESPONSE</b>	<b>PLEASE SELECT RELEVANT RESPONSES</b>
YES	
NO	
OTHER	

5.8 Fronting and window dressing is seen as a barrier to successful transformation and BEE implementation. Please indicate the extent to which you agree with this statement.

<b>RESPONSE</b>	<b>PLEASE SELECT RELEVANT RESPONSES</b>

AGREE	
DISAGREE	
OTHER (Pls elaborate)	

5.9 Pls elaborate on your response above

--

5.10 What leadership skills do you believe is critical to support positive employee commitment for successful organisational transformation? Kindly select all relevant options below.

<b>RESPONSE</b>	<b>PLEASE SELECT RELEVANT RESPONSES</b>
Inspire others	
Commitment & Passion	
Decision making capabilities	
Good communicator	
Honesty and integrity	
Strategic insight	
Creativity and innovation	
Accountability	
Delegation and empowerment	

## **SECTION SIX: GENERAL**

6.1 There are various advantages cited from transformed organisations since their BEE implementation. What are some of the key advantages that your organisation has benefitted from?

<b>ADVANTAGES</b>	<b>PLS TICK RELEVANT RESPONSES</b>
Additional/new work/business	
Maintaining current business	
PR and publicity, positive sentiment	
Positive relations with stakeholders	

Community support	
Director/Senior management support	
Staff engagement	
All of the above	
None of the above	
OTHER (Pls elaborate)	

6.2 Please elaborate on gender and disabled persons empowerment initiatives in relation to your BEE strategy.

6.3 Do you have any recommendations for the government to assist in organisational BEE implementation?

6.4 What is your opinion of verification agencies that support BEE implementation?

6.5 Do you have any recommendations for verification agencies to improve organisational BEE implementation?

## **APPENDIX II**

### **INTERVIEW GUIDELINES**

**NOTE TO SELF:** SILENCE is powerful. PAUSE FOR 5 SECONDS after posing a question, or using below:

#### **PROBES/CONVERSATION CONTINUER**

- Can you give me an example of what you mean?
- Please tell me more about that.
- What you are sharing (or have said) is important. Can you say more?
- How does your experience before that time compare to your experience now?
- Tell me more about that experience (or that time)?
- How do you see that (or yourself) in the future?
- If you could change anything about that experience, what would it be?

## **INTERVIEW GUIDE: SEMI STRUCTURED**

### **RESEARCH OBJECTIVE:**

Explore strategies, challenges and best practices in implementing Black Economic Empowerment (BEE) in selected South African companies

### **Introduction**

- Personal
- Academic objective
- DUT letterhead
- Reassure confidentiality

### **Explain discussion areas**

1. Role players
2. Strategies
3. Challenges associated with the BEE strategy
4. Management and leadership
5. Slow pace

## **1.ROLE PLAYERS**

1.1 Did your organisation employ any BEE consultants, what were their roles in supporting implementation?

1.2 Do you have any recommendations for the government as a key role player within the BEE process?

1.3 What is your opinion of verification agencies, and do you have any recommendations for intervention that can be improve BEE through these role players? Do you have any recommendations for verification agencies to improve organisational BEE implementation?

---

## **2. STRATEGIES**

2.1 How would you describe employee reactions to BEE **INITIALLY** and by comparison how would you describe the difference in employee reactions to BEE at **PRESENT**

2.2 Please elaborate on any employee engagement strategies you may have

2.3 What is the ideal BEE strategy and associated factors for consideration?

2.4 It is often expressed that BEE has become politically aligned with large business tycoons as the middle class Black South Africans did not benefit from BEE (as intended). What strategy did your organisation use to ensure that the correct PDI's (previously disadvantaged individuals) are allowed to become part of your BEE strategy?

---

## **3. CHALLENGES ASSOCIATED WITH THE BEE STRATEGY**

3.1 Please elaborate on any challenges encountered with the implementation of the **ESD code**



3.2 Please elaborate on any challenges encountered with the implementation of the **Ownership code**

3.3 Please elaborate on any challenges encountered with the implementation of the **SD code**

3.4 Please elaborate on any challenges encountered with the implementation of the **MC code**

3.5 Please elaborate on any challenges encountered with the implementation of the **SED code**

3.6 What is your organisations/management stance towards fraud and corruption as far as BEE is concerned?

---

#### **4. MANAGEMENT AND LEADERSHIP**

4.1 In your organisation, which roles between a manager or leader are considered most important for implementing any form of organisational transformation (elaborate)

4.2 Please elaborate on gender and disabled persons empowerment initiatives in relation to your BEE strategy.

---

#### **5. SLOW PACE**

5.1 In your opinion, what are the reasons why some organisations are slow or hesitant towards BEE strategy or compliance?

---

**END**

***Thank respondent for time, reassure of confidentiality and sharing of completed study with respondent. Leave business card for contact details.***

## **APPENDIX II**

### **INTERVIEW GUIDELINES**

**NOTE TO SELF:** SILENCE is powerful. PAUSE FOR 5 SECONDS after posing a question, or using below:

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### **Introduction**

- Personal
- Academic objective
- DUT letterhead
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### **Explain discussion areas**

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---

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3.3 Please elaborate on any challenges encountered with the implementation of the **SD code**

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3.5 Please elaborate on any challenges encountered with the implementation of the **SED code**

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---

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---

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5.1 In your opinion, what are the reasons why some organisations are slow or hesitant towards BEE strategy or compliance?

---

**END**

***Thank respondent for time, reassure of confidentiality and sharing of completed study with respondent. Leave business card for contact details.***





## APPENDIX IV



June 2019

**To: The Senior Management team**

**RE: Request for participation in research study**

DEAR SIR/MADAM

I am studying towards my PHD: Business Administration at DUT titled: **Strategies, challenges and best practices in implementing Black Economic Empowerment in selected South African companies**. The study will examine the various Management perspectives relating to BEE implementation, organisational change and transformation among the Top 100 BEE compliant Companies (2018) on the Empowerdex listing. The reason for selecting these organisations to be a part of this study is due to the strengths and successful implementation which will serve as a guideline of "best practise" for non-BEE compliant organisations who are considering BEE implementation.

The research **aims to explore the challenges and success of Black Economic Empowerment (BEE) as an initiative of change and transformation** within South African organisations. Various studies have confirmed that the growth of an economy can only occur if businesses are geared towards alleviating the catastrophe caused by the apartheid era by implementing change and transformational strategies such as the BEE policy in the workplace. Therefore the growing need for South African organisations to understand this importance, benefits and failure to comply with the BEE Policy is critical.

Your assistance and expertise in the completion of this questionnaire will be highly appreciated, and will also allow me to complete the study. Your feedback is critical to the completion of this study as the feedback will contribute towards this study and assisting academics organisations at large in better understand BEE compliancy as a form of Organizational change and transformation.

This questionnaire will take about fifteen minutes of your time and **all answers will be confidential and anonymous**. The feedback obtained will be themed and coded for evaluation and comparison with other organisations, as well as the literature relating to these themes. Your responses will be treated with confidentiality and at all times **data will be presented in such a way that your identity cannot be connected with specific published data**.



Please feel free to respond honestly. There are no right and wrong answers. A summary of this study will be published and you can be assured that a copy will be forwarded to you for your perusal.

The questionnaire can be filled in electronically on this document or hand written and scanned emailed to [swastika.juggernath@bata.com](mailto:swastika.juggernath@bata.com) before 30 August 2019.

Thanking you for your cooperation

**Kind Regards**

**Researcher : Swastika Juggernath**  
**Student Number: 20354422**  
**Durban University of Technology**  
**Email : [sjuggernath@batasa.co.za](mailto:sjuggernath@batasa.co.za)**  
**Cell: 072 123 5116**

**NOTE:**

- Data shall be processed fairly and lawfully.
- Information gathered will not be processed in any manner incompatible with that purpose or those purposes.
- Data processed for any purpose/s shall not be kept longer than is necessary for that purpose or those purposes.
- Information shall not be transferred to any other person or institution.

**Persons to Contact in the Event of Any Problems or Queries:**

1. Researcher- details provided above
2. Supervisor- Professor Renitha Rampersad (031 – 3736876) or the Institutional Research Ethics administrator on 031 373 2900. Complaints can be reported to the DVC: TIP, Prof F. Otiemo on 031 373 2382 or [dyctip@dut.ac.za](mailto:dyctip@dut.ac.za).

## LETTER OF INFORMATION

**Title of the Research Study:** Strategies, challenges and best practices in implementing Black Economic Empowerment in selected South African companies.

**Principal researcher:** Swastika Juggernath (M-Tech PR Management)

**Co- supervisor/s:** Prof R Rampersad and Prof T Reddy

### Dear Participant

**This study aims to** explore the challenges and success of Black Economic Empowerment (BEE) as an initiative/driver of change and transformation within South African organisations. Various studies have confirmed that the growth of an economy can only occur if businesses are geared towards alleviating the catastrophe caused by the apartheid era by implementing change and transformational strategies such as the BEE policy in the workplace. There is a growing need for South African organisations to understand the importance, the benefits and failure to comply with the BEE Policy. ***The purpose of this study is to explore how BEE can contribute towards South Africa's economic transformation at large.***

### Outline of the Procedures:

As a participant, your cooperation is extremely important but also voluntary and confidential therefore your details will remain anonymous throughout the study. No one will have access to your details or be able to trace your feedback to you, except for the researcher who is personally administering the questionnaires and interviews (electronically & face to face).

You are required to fill out the attached questionnaire and kindly return it via email to the researcher, at the email address provided. You may be contacted for a follow up interview or should you prefer an interview at the very outset- the researcher will be most willing to arrange for this. A total of 100 questionnaires have been disseminated with the aim to complete twenty interviews.

The timeline allocated for this project data collection is until August 2019 and therefore your feedback is most appreciated as soon as possible.

### Risks or Discomforts to the Participant:

If at any point when completing the survey or interview, you feel uncomfortable with any questions, we can omit those questions and move to more suitable questions. Alternatively, if you wish to conclude



## APPENDIX VI



### INSTITUTIONAL RESEARCH ETHICS COMMITTEE (IREC) LETTER OF INFORMATION

#### Title of the Research Study:

Strategies, Challenges and best practise in implementing Black Economic Empowerment in selected South African Organisations

**Researcher:** Swastika Juggernath **Co-Investigators/s/supervisors/s:** Prof R Rampersad/  
Prof K Reddy

#### • Brief Introduction and Purpose of the Study:

This study aims to explore the strategies, challenges and best practise in implementing BEE in South African organisations. A macro and micro view is considered as BEE is considered a socio economic redress initiative that is aimed to rectify the injustice since apartheid. This study's purpose is to support future organisations with recommendations on swift and well planned BEE strategies with minimum challenges. BEE implementation must be considered as part of organisations larger transformation strategies that can support good governance and CSI initiatives. The role of managers and transformational leaders together with BEE consultants and the government is critical for successful implementation.

#### Outline of the Procedures:

##### 1. Questionnaires to HR/Transformation Managers and Directors.

Questionnaires will be emailed to HR, Transformation, Finance managers, or senior executives.

##### 2. Semi-structure interviews

Semi-structured interviews will be conducted with general managers, CEO's, directors or senior executives of companies.

**Sample Size:** One hundred questionnaires will be sent out to the Most Empowered 2018 Top 100 companies listed on the Empowerdex List.

**Risk or Discomfort to the Participants:** There are no risks to participants.

**Benefits:** Not Applicable to this research.

**Reason/s why the Participants May Be Withdrawn from the Study:** participation is

voluntary and the participants may withdraw at any time.

**Remuneration:** Research participants will not be paid.

**Cost of Study:** R 15 000

**Confidentiality:** The identity will not be required on the questionnaires.

**Research related Injury:** Not Applicable.

**Persons to Contact in the event of any Problems or Queries:**

---

Complaints can be reported to the DVC: TIP, Prof F. Otieno on 0313732382 or

[dvctip@dut.ac.za](mailto:dvctip@dut.ac.za)

## **INSTITUTIONAL RESEARCH ETHICS COMMITTEE (IREC) CONSENT**

### **Statement of Agreement to Participate in the Research Study:**

- I hereby confirm that I have been informed by the researcher, Ms Swastika Juggernath about the nature, conduct, benefits and risk of this study – Research Ethics Clearance Number: \_\_\_\_\_,
- I have also received, read and understood the above written information (Participant Letter of Information) regarding the study.
- I am aware that the results of the study, including personal details regarding my sex, age, date of birth, initials and diagnosis will be anonymously processed into a study report.
- In view of the requirements of research, I agree that the data collected during this study can be processed in a computerised system by the researcher.
- I may, at any stage, without prejudice, withdraw my consent and participation in the study.
- I have had sufficient opportunity to ask questions and (of my own free will) declare myself prepared to participate in the study.
- I understand that significant new findings developed during the course of this research which may relate to my participation will be made available to me.

\_\_\_\_\_ **Full Name**

### **of Participant Date Time Signature/Right Thumb print**

I, Swastika Juggernath herewith confirm that the above participant has been fully informed about the nature, conduct and risk of the above study.

\_\_\_\_\_ **Full Name of Researcher Date**

\_\_\_\_\_ **Full Name of Witness (If applicable) Date**

\_\_\_\_\_ **Full Name of Legal Guardian (If applicable) Date**

### ***Please note the following:***

Research details must be provided in a clear, simple and culturally appropriate manner and prospective participants should be helped to arrive at an informed decision by use of appropriate language (grade 10 level – use Flesh Reading Ease Scores on Microsoft Word), selecting of a non – threatening environment for interaction and the availability of peer counselling (Department of Health, 2004).

If the potential participant is unable to read/illiterate, then a right thumb print is required and an impartial witness, who is literate and knows the participant e.g. parent, sibling, friend, pastor, etc should verify in writing, duly signed that informed verbal consent was obtained

(Department of Health, 2004).

If anyone makes a mistake completing this document e.g. wrong date or spelling mistake a new document has to be completed. The incomplete original document has to be kept in the participants file and not thrown away and copies thereof must be issued to the participants.

\_\_\_\_\_ **Signature** \_\_\_\_\_ **Signature** \_\_\_\_\_ **Signature**

References:

Department of Health: 2004. Ethics in Health Research: Principles, Structures and Processes

<http://www.doh.gov.za/doc/factsheets/guidelines/ethics/>

Department of Health: 2006. South African Good Clinical Practice Guidelines. 2<sup>nd</sup> Ed.

Available at: [http://www.nhrec.org.za/?page\\_id=14](http://www.nhrec.org.za/?page_id=14)