

The impact of BBBEE on small and medium-sized businesses in the Sedibeng region

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ABSTRACT

Since the first democratic election in South Africa in 1994, there have been various policies aimed at empowering previous disadvantaged people. In an effort to become part of the global economy and develop the previous disadvantaged people created the need to restructure the economy of South Africa.

The first democratic election in 1994 was won by the African National Congress (ANC). The African National Congress made it very clear that their intention was to transform the economy of South Africa. The aim from the start was to develop the previous disadvantaged people of South Africa. In an effort to transform and address the imbalances of the past, Black Economic Empowerment (BEE) policies followed with the hope that sustainable development and prosperity for all would be achieved through the participation of the previously disadvantaged people of the country.

The Employment Equity Act was promulgated in 1998. The affirmative action measures aimed to address the discrimination experienced by designated groups. These actions must ensure to correct equitable representation in the workplace. The Legislation was passed with accompanying codes of good practice that provide clear and practical guidelines on how Employment Equity should be planned, implemented, monitored and reported on.

The primary objective of this study is twofold, firstly to investigate the impact of Broad-Based Black Economic Empowerment on Small- and Medium-Sized Businesses in the Chemical and Engineering Sector and secondly, to make practical recommendations to these Small- and Medium-Sized Enterprises on the management of these issues.

The research was conducted by means of a literature and empirical study. The study focus on Broad-Based Black Economic Empowerment and highlighted aspects such as: the history, policy, objectives and the policy instruments used to achieve Broad-Based Black Economic Empowerment. A major focus of the section on Broad-Based Black Economic Empowerment was the codes governing qualifying Small and Medium-Sized Enterprises.

The literature study formed the basis for the assessment of the impact of Broad-Based Black Economic Empowerment on qualifying Small- and Medium-Sized Enterprises in the Chemical and Engineering sector. Specific indicators were empirically tested in practice by means of a questionnaire where-after the results were assessed.

Based on the findings of the study, it was concluded that the majority of owner-managers of Small- and Medium-Sized Enterprises in the Chemical and Engineering sector do not believe that there are substantial advantages in the implementation of Broad-Based Black Economic Empowerment. Business owners are motivated to take part in entrepreneurship, but they do not get enough support from Government. There are many homogeneous obstacles that businesses face, such as financial support and business skills. The development of Small- and Medium-Sized can improve the economic status of the country.

Practical recommendations were also made to guide and support owner-managers through this highly emotional, but critical important issue that can ultimately ensure the future of the Small- and Medium-Sized businesses in South Africa.

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CHAPTER 1

Nature and scope of the study

1.1 Introduction

Since 1994, the South African government introduced and implemented a selection of policies initiatives and programmes designed at economic reform and in particular, those that give effect to the vision and objectives of addressing the economic imbalances and uneven development within South Africa.

As tools to address the imbalances in economic inequalities, the Government passed certain policies and promulgated a number of pieces of legislation. Among these pieces of legislation and policy frameworks are: the Preferential Procurement Policy Act, Act 5 of 2000; the Broad-Based Black Economic Empowerment Act, Act No. 53 of 2003; and the National Small Business Act, Act 102 of 1996. All these are based against the background and vision of the achievement of a democratic system, which cannot and will be short-lived. All these Acts and other related policies, underpin in some way both the bill of rights and the obligation of the Government to address and redress the socio-economic imbalances as enshrined in the Constitution of the Republic of South Africa, Act 108 of 1996 (Constitution).

The imperative for black economic empowerment as means of transforming the South African economy is not controversial in concept; however the means of achieving black economic empowerment is a subject of ongoing controversy and debate (Benjamin, Raditapole & Taylor, 2005: 3).

There are two parties occupied in the transformation of businesses, which in most instances still represent white people and black people who are trying to participate in mainstream economic activities (Jack, 2007: 1).

According to Biekpe (2008), about 95% of businesses in Australia are from the Small- and Medium-Sized Enterprise Sector. Currently, the United States of America has the leading Small- and Medium-Sized Enterprise sector in the world. After the Second World War the growth of both Japan and Germany were small and medium-sized enterprises led. Furthermore, more tax revenue is generated from Small- and Medium-Sized Enterprises in the developing countries compared to big businesses. The above implies that Small- and Medium-Sized Enterprises are truly the engine of economic growth. This is what South Africa strives to do, namely to increase the growth of the economy by utilising Small- and Medium-Sized Enterprises.

Biekpe (2008) further states that it is estimated that there are more than 2.5 million Small- and Medium-Sized Enterprises in South Africa. These Small- and Medium-Sized Enterprises have a big role to play in the South African economy in terms of employment creation, income generation and output growth. It is estimated that 91% of the formal business entities are Small- and Medium-Sized Enterprises and that they also contribute between 52% and 57% of the Gross Domestic Product and provide 61% of employment. Promotion of Small- and Medium-Sized Enterprises should therefore be a key element in the Governments strategy for employment creation and income generation. In an effort to transform and address the intolerances of the past, Black Economic Empowerment hopes that sustainable development and prosperity would be achieved through the participation of previously disadvantaged people in South Africa. Striving for equality and freedom, was set to chart to economic development (Lew & Whiteford, 2004: 29).

This study focuses on whether the implementation of Broad-Based Black Economic Empowerment in the Small- and Medium-Sized Enterprises is not in conflict with the goal of promoting the Small- and Medium-Sized Enterprises in order to create employment and generate income for many people. This study will further investigate whether the implementation of Broad-Based Economic Empowerment has had an impact on Small- and Medium-Sized Enterprises and consequently on the employment of black people who are beneficiaries of the initiative.

1.2 Problem statement

Small and medium-sized businesses play an integral and important role in the South African economy and also in the economy of the Sedibeng region. Small- and Medium-Sized businesses fulfil an important role in job creation, addressing unemployment and providing sustainable growth for the economy.

A large number of businesses have been established over the past decades in South Africa. Many of the businesses have contributed to the success of the economy. Due to various circumstances many South Africans have been forced to start their own businesses. The newly imposed legislation by Government led to new challenges and also other obstacles for many businesses.

Broad-Based Economic Empowerment refers to a small business as a qualifying small-enterprise and to micro-businesses as an exempted micro-enterprise (Jack, 2007: 91). An exempted micro enterprise is an entity with an annual turnover less than R5 million and a qualifying small enterprise is an annual turnover between R5 million and R35 million (Jack, 2007: 37).

The Broad-Based Economic Empowerment Act, 2003 (SA, 2004) regulates that organs of state and public entities, in exercising their discretion to award licenses, concessions or other authorisations, are required to review an applicant's Black Economic Empowerment compliances. The definitions of "organ of state" and "public entity" are wide, and include various government departments, ICASA, the Development Bank of South Africa, the Accounting Standards Board, the Compensation Commission, the Financial Service Board and the National Electricity Regulator. The high degree of significance lies in the fact that if a business is not able to demonstrate Black Economic Empowerment credentials and an acceptable Black Economic Empowerment scorecard, new business, tenders and contracts will not be awarded to the businesses. This is of critical interest for Small- and Medium-Sized Enterprises because it addresses the heart of the Small- and Medium-Sized Enterprises.

The study firstly focused on whether the burden of complying with Broad-Based Black Economic Empowerment legislation has an impact on the survival of Small- and Medium-Sized Enterprises. Secondly the study will make recommendations based on the analysis of the results from the questionnaire completed by owners of Small- and Medium-Sized Enterprises. The recommendations will aim to ease the impact and implementation of Broad-Based Black Economic Empowerment for these business owners.

1.3 Objective of the study

The objectives of the study have been set out as follows:

1.3.1 Primary objective

The primary objective of the study is to investigate the impact of Broad-Based Black Economic Empowerment on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector and secondly to make recommendations to the Small- and Medium-Sized Enterprises on the management of Black Economic Empowerment in their businesses.

1.3.2 Secondary objective

In order to achieve the primary objective, the following secondary objectives will be pursued:

- To define Broad-Based Black Economic Empowerment;
- To identify the objectives of Broad-Based Black Economic Empowerment;
- To obtain insight into the dynamics of Broad-Based Black Economic Empowerment by means of a literature study;
- To construct a questionnaire to assess what the impact of Broad-Based Black Economic Empowerment have on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector in the Sedibeng region;
- To assess the influence of Broad-Based Black Economic Empowerment on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector;
- To make conclusions and recommendations based on the literature study and empirical study.

1.4 Scope of the study

1.4.1 Field of study

This study will focus on the historical background of Broad-Based Black Economic Empowerment, its objectives, principles, components and elements. The study also focuses on what the impact Broad-Based Black Economic Empowerment have on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector.

1.4.2 Geographical Demarcation

This study focused on the qualifying Small- and Medium-Sized Enterprises in the Chemical and Engineering sector of the Sedibeng region. The study will focus on this specific area due to the large number of Chemical and Engineering businesses in the specific region. Refer to figure 1.1 for a map illustrating the geographical demarcation of the study. The Sedibeng region includes Sasolburg, Vanderbijlpark, Vereeniging and Meyerton. This region has many Small- and Medium-Sized Enterprises in the Chemical and Engineering sector and therefore can be seen as a good example of average businesses in South Africa.

According to Prinsloo (1994: 1), the Sedibeng region represents the area from Klipriver in the north, to Sasolburg in the south, from Loch Vaal in the west, to Villiers in the east. It occupies 3300 km² land area and is between the 26°30' and 26°49' South latitude, and 27°40' and 28°50' Eastern longitude.

Figure 1.1 below illustrates the geographical demarcation of the study.

Figure 1.1: Map illustrating the geographical demarcation of the study



Source: Gauteng Restaurant guide.htm

1.5 Research methodology

This study will be performed in two phases. The first phase will entail a literature review on Broad-Based Black Economic Empowerment and qualifying Small- and Medium-Sized Enterprises in the Chemical and Engineering sector and the second phase will deal with an empirical study on this topic.

1.5.1 Literature review

To ensure a literature review that reflects a broad spectrum of insights a wide range of sources were consulted. These sources include textbooks on the subjects, published articles, scientific journals and numerous electronic references including sources from websites and search engines.

The literature review will be dealt with the topic of Broad-Based Black Economic Empowerment and will include the following sub-topics:

- History of Black Economic Empowerment.
- Policy objectives of Black Economic Empowerment.
- Policy instruments to achieve Broad-Based Black Economic Empowerment.
- Qualifying Small- and Medium Enterprises.

1.5.2 Empirical study

The empirical study will be conducted by means of a self-developed questionnaire. The questionnaires will be distributed to qualifying Small- and Medium-Sized Enterprises in the Chemical and Engineering sector, which need to comply according to the act on Broad-Based Black Economic Empowerment for businesses.

The results of the questionnaire was statistically analysed and will be used to reach conclusions on the different perceptions of owners of Small- and Medium-Sized Enterprises and the impact of Broad-Based Black Economic Empowerment on their businesses.

1.5.3 Constructing the questionnaire

The questionnaire was designed to ensure the gathering of information in five sections.

- The first section dealt with demographic information. Questions in this section included owner's age, gender, whether they were qualified artisans and whether the business was white owned. This section also provided information regarding the business in terms of number of employees, annual turnover and the legal status of the enterprises.
- The second section of the questionnaire was constructed to ascertain the business owner's awareness of Broad-Based Black Economic Empowerment. This section focused on the knowledge of each business owner about Broad-Based Black Economic Empowerment.
- The third section focused on the degree to which the business owner believes that Broad-Based Black Economic Empowerment has any advantage to their business.
- The fourth section focused on the degree to which the business owner believes that Broad-Based Economic Empowerment has any disadvantage to their business.
- The last section focused on the aspects like Government support, the implementation process and financing.

1.5.4 Data collection

The questionnaire was taken in person to the identified qualifying Small- and Medium-Sized Enterprises, ensuring effective lead times and portraying an image of appreciation for their participation in the study. Each questionnaire was accompanied with a covering letter that guaranteed the confidentiality of their responses and by offering to personally collect the completed forms participants were further encouraged to participate.

1.5.5 Statistical analysis

The statistical Consultation Services at the North-West University used Statistical (Statsoft, 2008) and SPSS (2008) to do the analysis of the questionnaires. The main focus of the statistical analysis was based on the consistency between the different indicators of the questionnaire.

1.6 Limitations to the study

The following aspects have been identified as limitations to the study:

The study aimed at making a contribution towards the knowledge of Small- and Medium-Sized Enterprises in the Chemical and engineering sector in South Africa and particularly the impact of Broad-Based Black Economic Empowerment legislation on these businesses. This is a limitation because the findings of the study cannot be taken as a general representation of Small- and Medium-Sized Enterprises.

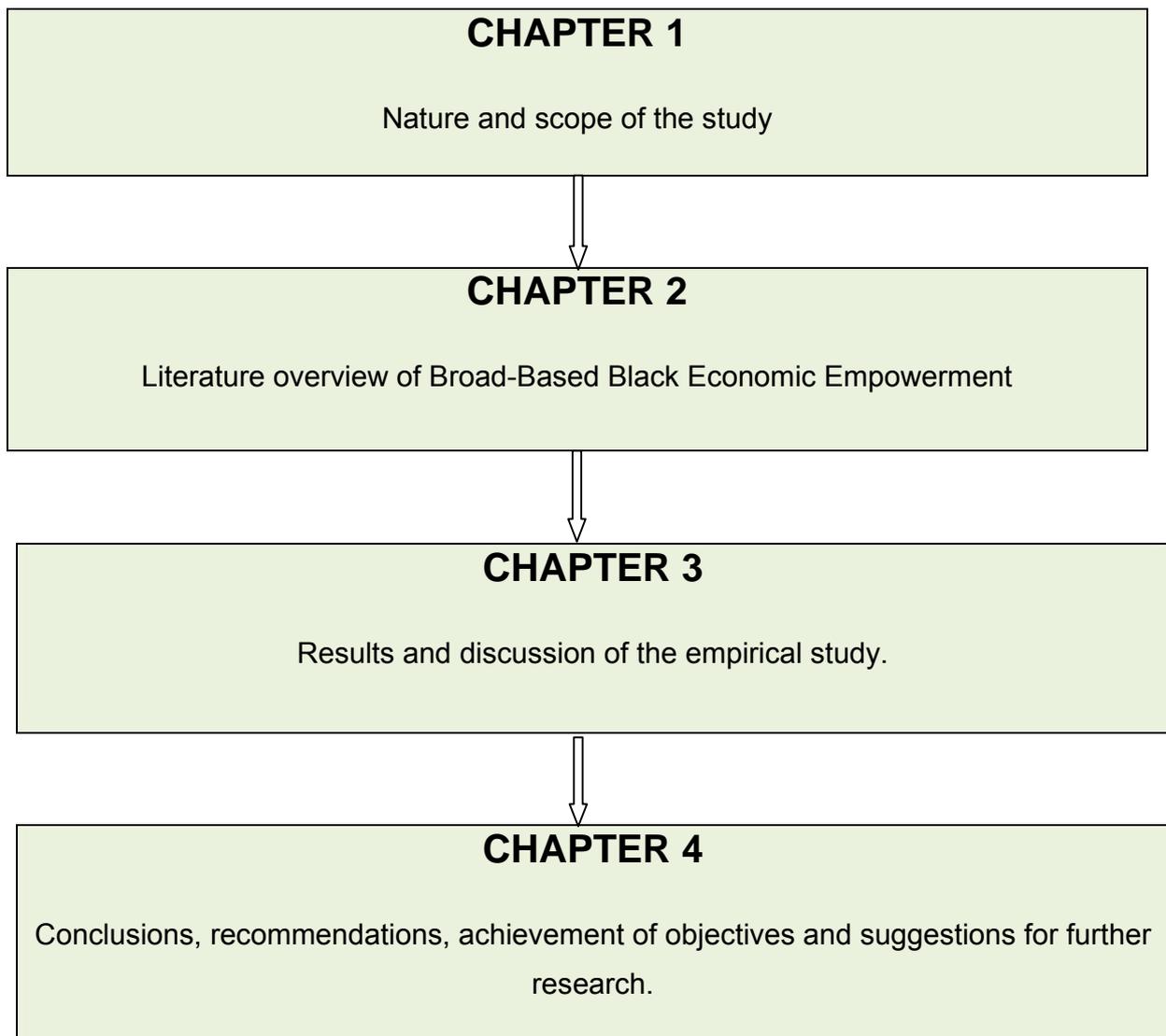
The geographical area on which this study focused was restricted to the Sedibeng region and therefore the sample cannot be considered representative of all Small- and Medium-Sized Enterprises in the Chemical and Engineering sector of South Africa.

Broad-Based Black Economic Empowerment covers a vast field of studies. For the purpose of this study only certain aspects which influence Small- and Medium-Sized Enterprises, formed part of this study. The interpretation of the results and outcomes of this study should be dealt with in the context of the limitations highlighted in the previous paragraphs.

1.7 Layout of the study

The study is divided into 4 chapters. Refer to figure 1.2 for a layout of the study.

Figure 1.2: Layout of the study



Chapter 1 dealt with the introduction, problem statement, objectives, scope, research methodology and limitations of the study.

In chapter 2 a literature review will be conducted that covers the definition of Broad-Based Black Economic Empowerment. This chapter will also outline the history, policy objectives, key principles, components and elements of Broad-Based Black Economic Empowerment. The chapter will include the definition of Small- and Medium-Sized Enterprises.

In chapter 3 the results of the empirical study will be presented and the findings will be discussed.

Chapter 4 will include the conclusions and recommendations to Small- and Medium-Sized Enterprises based on the literature study and the results of the empirical research. Recommendations will be made to qualifying Small- and Medium-Sized Enterprises on the best approach to manage and implement Broad-Based Black Economic Empowerment in their businesses. The achievement of the objectives and suggestions for future research will also be discussed.

CHAPTER 2

Literature review on Broad-Based Black Economic Empowerment

2.1 Introduction

Since 1994, the South African Government introduced and implemented a range of policies initiatives and programmes aimed at economic reform and in particular, those that give effect to the vision and objectives of addressing the economic imbalances and uneven development within and between South Africa's regions.

According to Woolley (2005: 16 - 17), there are three major cornerstones to the Black Economic Empowerment initiatives:

- Morally imperative due to racial exclusion from the economy.
- Socially imperative due to vast disparities in income distribution.
- Black Economic Empowerment is viewed as a financial and growth imperative due to high unemployment and attempts to create employment and opportunities.

Government is the key driving force and facilitator to ensure that the principles of empowerment objectives are met. Although originally Black Economic Empowerment was hardly focused on equity and ownership it has become clear that Government needed to extend the scope of influence in an endeavour to increase economic growth, create jobs and endeavour to reduce the poverty gap (Janisch, 2006: 3). These augmentation objectives gave rise to the Broad-Based Black Economic Empowerment Act 53 of 2003 and were enhanced by obtainable acts and further development of the Codes of Good Practice and Transformation Charters (Balshaw & Goldberg, 2005: 69 – 71).

The Preferential Procurement Policy Framework Act, which stemmed from the South Africa Constitution, has also been highly influential in driving Black Economic

Empowerment targets. The Act is designed to create rules of procurement and is a guide on how government will award contracts for goods and services (Janisch, 2006: 7). As Government is one of the largest purchasers of goods and services in South Africa, it is clear that this is a major force driving Black Economic Empowerment as it allots points via a scorecard. Although larger organisations still have a cost advantage that may secure the contract, the scorecard rating system forms the basis to allocating contracts by measuring the empowerment levels in an organisation (Janisch, 2006: 86).

According to Biekpe (2008), about 95% of businesses in Australia are from the Small- and Medium-Sized Enterprise sector. Currently the United States of America has the largest Small- and Medium-Sized Enterprise Sector in the world. After the Second World War the growth of both Japan and Germany were lead by Small- and Medium-Sized Enterprises. Furthermore, more tax revenue is generated from Small- and Medium-Sized Enterprises in the developing countries compared to big businesses. The above implies that Small- and Medium-Sized Enterprises are truly the engine of economic growth. This is what South Africa strives to do, namely to increase the growth of the economy by utilising Small- and Medium-Sized Enterprises.

Biekpe (2008) further states that it is estimated that there are more than 2.5 million Small- and Medium-Sized Enterprises in South Africa. These Small- and Medium-Sized Enterprises have a big role to play in the South African economy in terms of employment creation, income generation and output growth. It is estimated that 91% of the formal business entities are Small- and Medium-Sized Enterprises and that they also contribute between 52% and 57% of the Gross Domestic Product and provide 61% of employment. Promotion of Small- and Medium-Sized Enterprises should therefore be a key element in the Governments strategy for employment creation and income generation. In an effort to transform and address the intolerances of the past Black Economic Empowerment hopes that sustainable development and prosperity would be achieved through the participation of previously disadvantaged people in the history of South Africa. Striving for equality and freedom was set to chart to economic development (Lew & Whiteford, 2004: 29).

This study will determine if the implementation of Broad-Based Black Economic Empowerment in the Small- and Medium-Sized Enterprises is not in conflict with the goal

of promoting the Small- and Medium-Sized Enterprises. The other aspect will determine if this action creates employment and generate income for many people.

2.2 Definitions and Terms

It is very important that concepts used in the literature study be defined to clarify them, because one word or concept can have different meanings.

2.2.1 Black Economic Empowerment

The South African Government defines Black Economic Empowerment as an incorporated and coherent socio-economic method that directly contributes to the economic makeover of South Africa that should bring about significant increases in the numbers of black people that manage, own and control the economy of the country, and decreases income inequalities (Department of Trade and Industry, 2003: 12).

The Black Economic Empowerment Commission (BEECOM, 1998: 4) believes that this is an approach aimed to considerably increase black involvement at all levels in the economy of South Africa.

To get a better perception the following need to be clear:

- This measure is aimed to readdress the imbalances of the past by seeking to substantially and equitably transfer ownership, management and proportionate control of South Africa's financial and economic resources to the majority of its citizens; and
- To ensure a broader and meaningful participation in the economy by all black people.

According to the Economic and Foreign Affairs Select Committee (Tolo, 2003: 1), there need to be a clear description for Black Economic Empowerment. The committee adopted the explanation supplied by the Department of Trade and Industry, and this was created by a group of black people. Black Economic Empowerment is seen as a course of action that directly contributes to the economic change of South Africa and brings about

noteworthy decreases in income equalities. It is not basically a transferral of ownership from one person to another.

2.2.2 Black People

According to the Broad-Based Black Economic Empowerment Act (BBBEE Act) (Act No53 of 2003), “Black People” is a generic term that means Africans, Coloureds and Indians (South Africa CSIR Boutek, 2004: 17).

2.2.3 Empowerment

The Black Economic Empowerment Commission (BEECOM, 1998: 4) therefore view empowerment processes that include, amongst others; job creation, poverty alleviation, skills transfer and management development, specific measures to empower black women, rural development, education, meaningful ownership and access to finance to conduct a business.

Conger and Kanungo (1998: 23) define empowerment as a process of enhancing feelings for self efficacy among organisational members by identifying what foster powerlessness and removing them through formal organisational practices.

2.2.4 Small- and Medium-Sized Enterprises

The National Small Business Act of 1996 provided national definitions of various categories of the elements of the small business sector in South Africa. It notes that the enterprise must be a separate and distinct business entity, and must be managed by its owner or owners.

The Black Economic Empowerment survey defined Small- and Medium-Sized Enterprises as organisations with annual turnovers of less than R35 million, which are not JSE-listed entities, multinationals or parastatals. However, exposure to the banking sectors at Nedbank Corporate and Business Bank and ABSA Medium Business, the author of this report has noted banking institutions in general classifying Small- and Medium-Sized Enterprises as businesses with turnovers less than R100 million. The National Business

Act, 1996, has listed a more comprehensive Small- and Medium-Sized Enterprise definition based on different sectors or sub-sectors (Janisch, 2006: 83 – 84).

According to (Ntsika, 1997), four categories of enterprises are then distinguished according to employment, turnover and assets. Essentially these enterprises are as follows:

- a) **Micro-enterprises** - Annual turnover is less than the value added tax registration limit (R 150 000-00) and no more than five paid employees. These generally lack formally formality in terms of registration for tax, labour law, premises or accounting procedures. The category subsumes the survivalist group of enterprises, which generate income less than the poverty line, have no paid employees and minimal asset value.
- b) **Very small enterprises** - Fewer than 10 paid employees, enterprises operate on the formal market and have access to modern technology.
- c) **Small enterprises** - There must be less than 50 employees. These enterprises are generally more established than the very small class and with more complex business practices. They have often outgrown direct supervision by the entrepreneur and developed a secondary coordinating mechanism.
- d) **Medium enterprises** - Have a maximum of 100 employees, except in mining, electricity, manufacturing and construction, where the upper limit is 200. These enterprises are still owner-managed and controlled, but have a more complex structure, often an additional management layer and division of labour.

The Small- and Medium-Sized business sector is globally regarded as the driving force in economic growth and job creation (Jack, 2007: 71). The South African Department of Trade and Industry (DTI) estimates that Small- and Medium-Sized businesses employ almost half of formally employed persons, and contribute between 52% to 57% of the country's gross domestic product (Jack, 2007: 71).

2.2.5 Broad-Based

The meaning of “broad-based” is “women, workers, youth, people with disabilities and people living in rural areas” (Metcalf, 2004: Online).

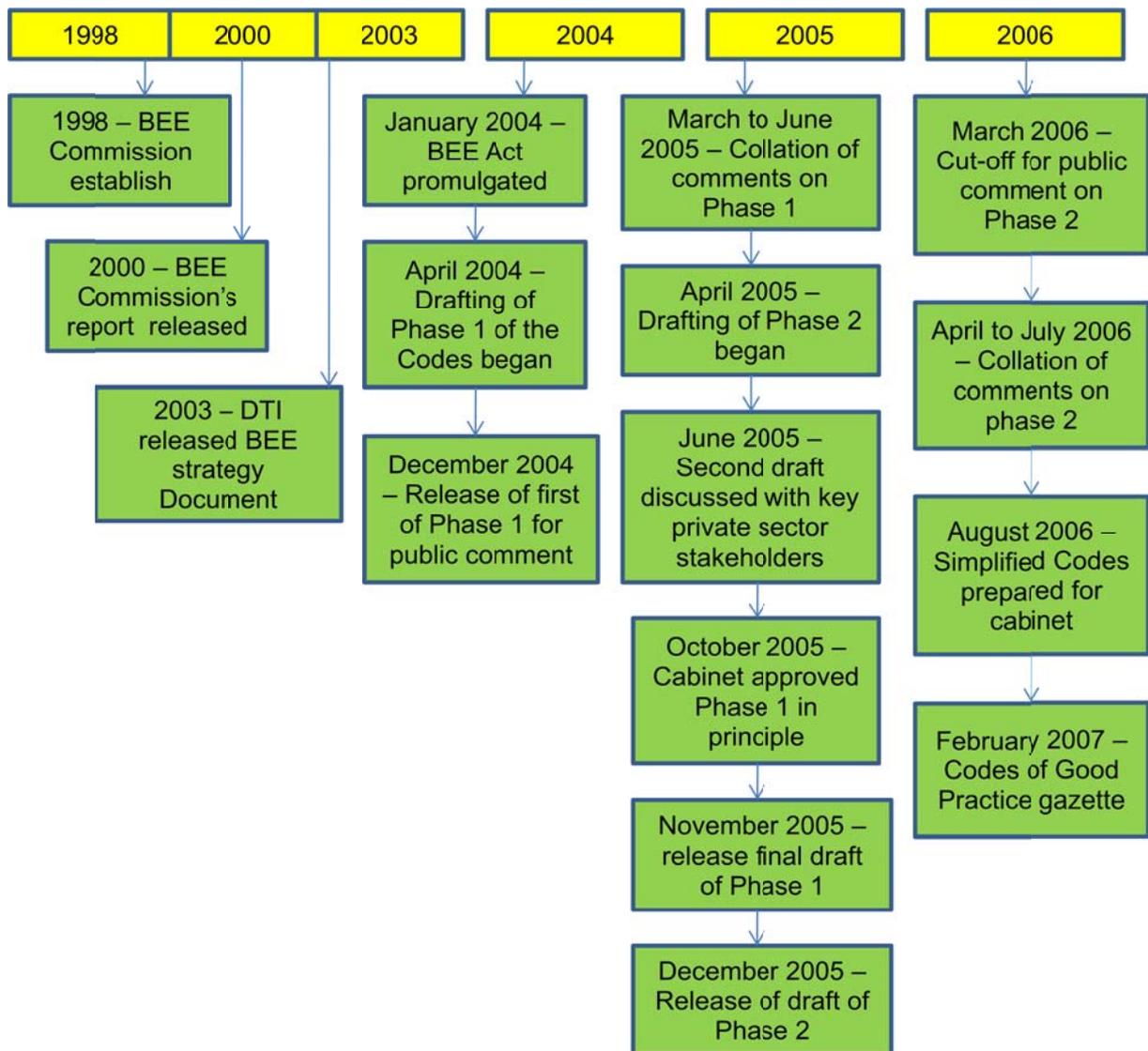
2.2.6 Qualifying small enterprise

Qualifying small enterprise means a business that qualifies for measurement under the qualifying small enterprise scorecard with a turnover of between R 5 million and R 35 million (Jack, 2007: 73).

2.3 The Broad-Based Black Economic Empowerment historical timeline in South Africa

Figure 2.1 below illustrates the historical timeline of Broad-Based Black Economic Empowerment.

Figure 2.1: Broad-Based Black Economic Enterprises historical timeline



Source: DTI's Code Interpretive Guide (as quoted by Jack & Harris, 2006: 37)

2.4 The history of Black Economic Empowerment

Hardly any phase in South Africa's history has had the international and local impact on the country and its citizens as that of apartheid. The apartheid years had seen millions of South Africans being excluded from the local economy, resulting in numerous disadvantages and negative implications, not only for those excluded from the economy, but the implications were a disadvantage for the entire country (Chabane, 2003: 2).

A number of different programmes and initiatives were launched to achieve Black Economic Empowerment. The programme included corporate and social responsibility programmes, which were aimed at creating a group of middle class blacks, which would have gained access to the formal economy, while the underlying structures of the economy would remain the same (Edigheli, 2000: 6 - 8).

The Department of Trade and Industry (2003: 8 - 10) identifies the foundation of Black Economic Empowerment since 1990 as:

- Since 1990 the Industrial Development Corporation, Ntsika and Khula have financed various empowerment deals.
- Since 1994 the Government introduced new legislation to provide new economic challenges to all the people in South Africa. This did include the following:
 - The promotion of Equality and prevention of Unfair Discrimination Act;
 - The Extension of Security of Tenure Act;
 - The Restitution of Land Rights Act;
 - The National Empowerment Act;
 - The Competition Act;
 - The Telecommunication Act;
 - The Preferential Procurement Policy Framework Act; and
 - The Minerals and Petroleum Development Act.

- **1994:** The narrow-based approach to Black Economic Empowerment came into existence in 1994, when South Africa elected its first democratic Government (Booyesen, 2007: 10).
- The newly elected Government focus to bring transformation in South Africa.
- **1995:** A new strategy to promote small businesses was tabled in Parliament. The Black Business Council was established as it became evident that a need for black voice in the economy was necessary, its main purpose was shaping the economic policies raging in the country (Van der Nest, 2004: 27).
- **1996:** The National Small Business Act was introduced to give the correct attention to the development for small and medium-sized enterprises.
- **1997:** The Green Paper on public sector procurement was published by Government to give effect to preferential procurement. The Broad-Based or the second phase of Black Economic Empowerment was introduced because the narrow based or the first phase approach was found to limit the set objectives (Kovacevic, 2007: 9).
- **1998:** The competition Act was implemented to make sure that a fair system is in place to make sure that the historically disadvantaged persons take part in the economy.
- **1998:** The National Empowerment Fund was created to hold equity stakes in state owned and private enterprises on behalf of historical disadvantaged persons. The Black Economic Empowerment Commission was establish (Jack & Harris, 2006: 37). The lack of common definitions, benchmarks and standards for Black Economic Empowerment had spurred the formation of the commission (Jack. 2007: 10).
- **2000:** The BEECOM released its affirming of the broad-based approach to Black Economic Empowerment, which included a change from the focus on ownership to other elements like skills, development and enterprise development.

- **2003:** According to Jack (2006: 7 - 8), the Black Economic Empowerment strategy document was released in 2003.
- **2004:** The Broad-Based Black Economic Empowerment Act was promulgated and the drafting and release of phase one of the codes of good practice was done (Jack & Harris, 2006: 37). Jack (2006: 28) further outlines that after the Department of Trade and Industry (DTI) Strategy document, the Minister of Trade and Industry appointed a team of specialists to advice on drawing up the Black Economic Empowerment Act. The Council of provinces accepted the Bill and the President signed it into law in January 2004 as the Broad-Based Black Economic Empowerment Act No. 53 of 2003.
- In February 2007 the Codes of Good Practice were gazetted (Jack & Harris, 2006: 37).

2.5 Initiating Black Economic Empowerment

There may be a variety of forces that instigate the need to comply to Broad-Based Black Economic Empowerment. Businesses would on average follow a seven step process to determine their own Broad-Based Black Economic Empowerment status or to drive transformation (Small Capital, 2006: 5). Those steps are:

- Understanding the codes by understanding the targets and frameworks as well as industry specific charters where applicable.
- Self assessment.
- Evaluating the environment and establishing the characteristics in the specific industry to determine the how, where and to what extent the business should empower.
- Review the scorecard to determine where the business can boost their rating in the most practical way.
- Develop the strategy by outlining specific actions to score points in each element.
- Set realistic targets and time frames.
- Take action and follow up on progress of targets set.

The above steps may present rise to the Black Economic Empowerment deal through the identification or need to attract a Black Economic Empowerment partner to add value to the business from a strategic perspective. It is likely that the deal would inevitably result in a leveraged business structure.

2.6 The myths behind Black Economic Empowerment

According to Janisch (2006: 2 – 3), there are four myths relating to Black Economic Empowerment.

2.6.1 Black shareholding is compulsory

It is implied that many small businesses would not find suitable Black Economic Empowerment shareholders. This is due to many businesses being regarded as not profitable enough to attract the interest of a Black Economic Empowerment partner or the business may be internationally owned with no option of regional equity in their policy. Black Economic Empowerment is therefore not exclusive to equity and it is noted from the scorecard and contributor level that there has been some relief to smaller firms.

2.6.2 100% Black owned means fully empowered

Businesses that are black-owned and managed will be regarded as having a sound foundation but would still need to focus on the other elements within the scorecard as these are the drivers to full empowerment. Ownership alone is the narrow perspective to Black Economic Empowerment.

2.6.3 Business need to be fully empowered within a year

The proposed targets as determined in the Black Economic Empowerment Codes of Good Practice are set for the next 10 years. Businesses which currently fall short of any noticeable participation therefore have ample time to assess their current shortfall and devise strategies to improve their rating over this period.

2.6.4 Nationality of black persons is irrelevant

The Broad Based Empowerment Act refers to those individuals born in South Africa or who were naturalised South African citizens before the interim constitution of 1994.

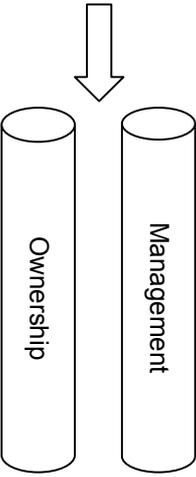
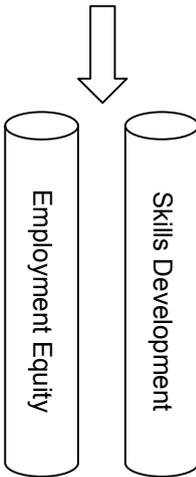
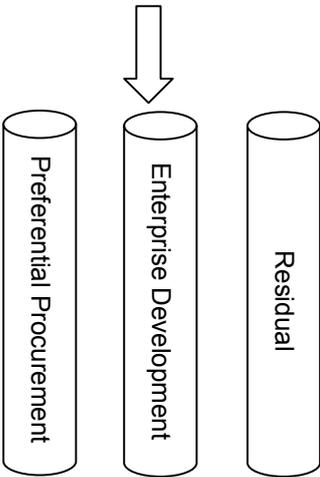
2.7 The background to the codes of good practice

The Codes of Good Practice forms a structure and guides organisations to ensure that the objectives of the Broad-Based Black Economic Empowerment Act are met (Balshaw & Goldberg, 2005: 72 – 82). This structure does not only apply to how state owned organisations will cooperate with each other but also how these organisations will act together with the private sector organisations and vice versa. The Codes provide clarity to the transformation targets and a balanced scorecard approach has been formulated to measure the success of Black Economic Empowerment.

According to an article by Victor Kgomoewana, a Black Economic Empowerment specialist, the strength of the Codes lies within the balanced scorecard as it does not have a narrow perspective of ownership but rather a more holistic approach to transformation. The formulation of the Codes of Good Broad-Based Black Economic Empowerment took place on December 2006 whereas the first draft of the Code was published in December 2004 (Kgomoewana, 2007: 16 – 19) and (Balshaw & Goldberg, 2005). The Broad-Based Black Economic Empowerment Codes of Good Practice passed into law on 09 February 2007 (Robinson, 2007). There are three core components to Broad-Based Black Economic Empowerment. Each of these components corresponds to a specific beneficiary and the components have been subdivided into seven elements.

These pillars are commonly known to be the pillars of Broad-Based Black Economic Empowerment. Figure 2.2 below illustrates the components and elements of the scorecard in detail.

Figure 2.2: Broad-Based Black Economic Empowerment Scorecard components and elements in detail

COMPONENTS:	Direct Empowerment	Human Recourse Development	Indirect Empowerment
BENEFICIARIES:	Equity holders, executives and other owners and managers of economic recourses.	Employees and job-seekers	Suppliers, communities and other relevant external stakeholders.
ELEMENTS:			
WEIGHTING:	20% 10%	15% 15%	20% 15% 5%

Source: Balshaw and Goldberg (2005)

Each element is noted to have a weighting attached thereto which is used to ultimately measure the business as a sum of its parts. These weightings have been adjusted as per December 2006 from the previous draft proposals.

The weightings however should not be confused with underlying targets. Each element will briefly be summarised on the specific targets they relate to (Kgomoeswana, 2007: 16 – 19).

Jack (2007: 72) describes the seven elements as follows:

- **Skills development:** measures the extent to which employers carry out initiatives designed to develop the competencies of black employees.
- **Management control:** measures the effective control of the enterprise by black people.
- **Preferential procurement:** measures the extent to which enterprises buy goods and services from suppliers with strong Broad-Based Black Economic Empowerment procurement recognition levels.
- **Enterprise development:** measures the extent to which enterprises carry out initiatives intended to assist and accelerate the development and sustainability of other enterprises.
- **Equity ownership:** measures the effective ownership of the enterprise by black people.
- **Employment equity:** measures initiatives intended to achieve employment equity in the workplace under the Employment Equity Act.
- **Socio Economic Development and other sector specific contributions:** measures the extent to which enterprises carry out initiatives that contribute towards socio-economic development or sector specific initiatives that promote access to the economy for black people.

2.8 Policy objectives and principles of Black Economic Empowerment

According to the Department of Trade and Industry (2003: 12 - 13), Black Economic Empowerment will be evaluated according to the following:

- A substantial increase in the number of black people having ownership and control in enterprises and especially in the priority sectors identified by government;
- A significant increase in the number of new black enterprises, black empowered enterprises and black engendered enterprises;

- A significant increase in the number of new black executives and senior management in enterprises;
- An increasing proportion of ownership and management of economic activities vested in community and broad-based enterprises;
- An increased ownership in land and other assets, access to infrastructure, increased acquisition of skills, and increased participation in productive activities in under develop areas;
- Accelerated and shared economic growth;
- Increased income levels and reduction in income inequalities;
- Black Economic Empowerment is Broad-Based;
- Black Economic Empowerment is an inclusive process;
- Black Economic Empowerment is associated with good governance; and
- Black Economic Empowerment is part of a growth strategy.

2.9 The Broad Based-Black Economic Empowerment score cards and codes of good conduct

Before the institution of the Broad-Based Black Economic Empowerment Act in 2003, there were no definite strategy from the ruling Government in measuring the levels of compliance to Broad-Based Black Economic Empowerment, hence the proposal to create an instrument to enable the measurement of the progress. In the event to get a measuring tool Government had to establish a method in which they can measure companies to evaluate if they comply according to the goals, this resulted in the creation of codes of good conduct (Maphisa, 2006: 80). The codes of good practice are, in part, a response by Government to the need to overhaul empowerment guidelines so as to ensure the benefits of the policy are spread more evenly (Anon, 2005/6: 13).

Since the proposal of the codes of good conduct in 2003 there were many different views regarding the codes. There believe were once the codes were finalised that they would become the most imperative development in the Broad-Based Black Economic Empowerment process (DTI, 2005: 37).

According to Chedza (2010: 1), the measurement across seven aspects of an enterprise distinguishes Broad-Based Black Economic Empowerment (i.e. the focus being on “broad based”) from BEE which had up till now, focused on the narrow concept of black “ownership in an enterprise”. According to the Department of Trade and Industry (DTI 2005: 32), Broad-Based Black Economic Empowerment is measured using seven elements, each with a relative weighting. Unlike Narrow Based Economic Empowerment, Ownership & Management account for only 30% of total contribution.

2.10 Broad-Based Black Economic Empowerment act 53 of 2003

The purpose of the Act is to facilitate Broad-Based Black Economic Empowerment by (Balshaw & Goldberg, 2005: 69 – 71):

- Promoting transformation: Black persons to have a meaningful participation in the economy.
- Deracialising of ownership and management structures and in the skilled occupations (existing and new enterprises).
- Increasing the extent to which black women, communities, workers, co-operatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training.
- Promoting investment programmes that lead to Broad-Based Black Economic Empowerment and meaningful participation by black persons in the economy.
- Empowering rural and local communities (provide access to economic activities, land, infrastructure, ownership and skills).
- Promoting access to Black Economic Empowerment finance.

According to the Department of Trade and Industry's Black Economic Empowerment Strategy Document, the Government has set strategies and structures to implement such investments through various agencies as well as other financial development institutions, including the Land Bank and the Development Bank of Southern Africa. The importance and roles of some funding sources is discussed in greater Department of Trade and Industry detail in the latter part of this research report.

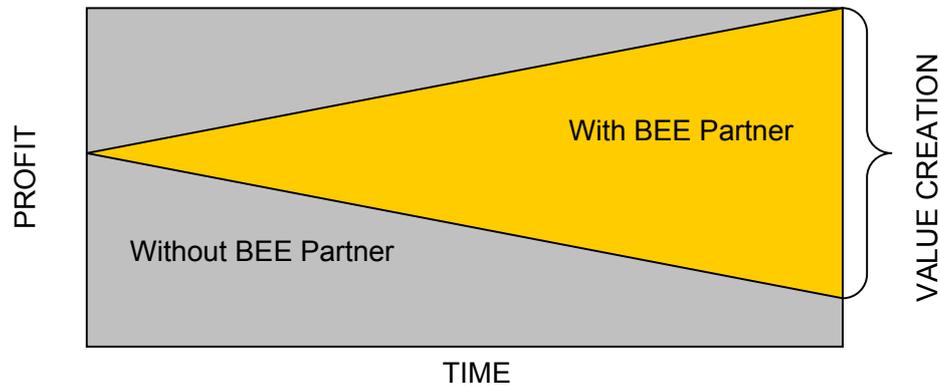
Besides the fact that Government has sources to funding, other financial assistance and mechanisms further promote Black Economic Empowerment and the author is of the opinion that these may be of more relevance to the small and medium-sized enterprises market.

2.11 Growth, sustainability and value creation

According to Balshaw and Goldberg (2005: 61 – 62), defining value creation is a vital part to ascertain the merits of the Black Economic Empowerment deal. Broad-Based Black Economic Empowerment fundamentally exerts pressure on the organisation to meet the terms or re-invent itself to meet the changing necessities of its macro- and micro environment. This is easily explained by the cascade effect mentioned earlier as well as organisations pursuing procurement in an attempt to improve their own Black Economic Empowerment score. Organisations should attempt to anticipate their profitability with and without the Black Economic Empowerment partner for a given period. This would put in perspective the economic value drivers for the Black Economic Empowerment deal (Balshaw & Goldberg, 2005: 61 – 62). The figure below illustrates.

Value creation of Black Economic Empowerment is presented in figure 2.3.

Figure 2.3: BEE value creation



Source: Balshaw and Goldberg (2005: 61 – 62)

Accordingly two questions should be asked in determining value creation. They are:

- Will business be lost if we do not comply? If yes, then the value creation should be defined as far as possible and the transaction be structured based thereon.
- Could additional business be secured by becoming compliant? If yes, then define the value creation and document a process to achieve these targets.

The questions refer to Broad-Based Black Economic Empowerment and therefore not solely on the ownership issue. If any of the above was no, then there are no encouraging factors for the business to consider Broad-Based Black Economic Empowerment besides the moral imperative concept. Here the alternatives to ownership will be more eye-catching.

According to Gamble (2005: 230 – 232) some other questions that could assist in matching the issues in a business:

- What kind of competitive edge can the organisation realistically gain? This would also link into the value creation factor.

- Does the organisation have the organisational capabilities and financial recourses to succeed? This would be relevant with the capabilities and skills the new partners could contribute to the organisation and the relative funding of such projects.
- Once built, how can we sustain the competitive edge? Organisations would need to be proactive and always pre-empt competitors' reactions. This is no less true in the Broad-Based Black Economic Empowerment Environment. The organisation could lose market share when a competitor gains a higher Broad-Based Black Economic Empowerment Environment rating and combined with other strategic efforts attract the organisation's customer base.
- Are any rivals particularly vulnerable? A proactive Broad-Based Black Economic Empowerment Environment strategy could be highly profitable move and would avoid the organisation being caught in a "catch-up" trap. It will be more advantageous to be a leader in Broad-Based Black Economic Empowerment Environment rather than a laggard.
- What additional strategic moves are required? Here emphasis is on Broad-Based Black Economic Empowerment Environment and the organisation's ability to leverage itself to benefit from their overall Broad-Based Black Economic Empowerment Environment strategy.

2.12 The economic rationale for Broad Based-Black Economic Empowerment

According to (Ravallion & Datt, 2002: 381 - 400), everybody needs to clearly understand the role of Broad-Based Black Economic Empowerment in South Africa. The Broad-Based Black Economic Empowerment intervention seeks to empower a critical mass of disempowered employees and communities, within and around the companies concerned. It is this form of empowerment that is submitted as potentially good for long run economic development and growth. Narrow-Based approaches or "deal-focused" Broad-Based Black Economic Empowerment where the same players continue to be recycling under different guises are not the ones espoused. There must be a correct approach followed regarding Broad-Based Black Economic Empowerment. (Ravallion & Datt G. 2002: 381 - 400), give the following reasons for the economic growth and development in South Africa;

- Huge wealth and economic disparities serve as a drag on the economic growth of nations. In South Africa there is a huge wealth gap and economic disparities, primarily between the black majority and the white minority. This did not really change over the past few years, various black people did enter the business world and did create wealth for themselves, but the gap is still there. The main purpose of Broad-Based Black Economic Empowerment is supposed make the gap smaller between the different groups.
- There must be a focus to create an equal distribution between the different groups. Special focus on the poorer groups and that will then constitute a push on economic development.
- It is much better to have a lower Gini Coefficient (for example 0.30). For South Africa's the Gini Coefficient is approximately 0.60. This has a direct impact on the extent to which economic growth positively impacts the household income. The effect of this "The lower the level of inequalities in a country the greater the elasticity of the headcount-index-to-mean-household income". The effect of this will then be the evenly spread of household income among the people in a country.

2.13 Policy instruments to achieve Black Economic Empowerment

According to the Department of Trade and Industry (2003: 15), Government will utilise several instruments to achieve its objectives in respect of Black Economic Empowerment. Government will use a "balance scorecard" to measure progress made in achieving Black Economic Empowerment by enterprises in all the sectors. The use of a common scorecard by different stakeholders provides a basic framework for benchmarking Black Economic Empowerment. It will align and facilitate measurable targets for Black Economic Empowerment.

According to the Department of Trade and Industry (2003: 29), the scorecard will measure three core elements of Black Economic Empowerment:

- Direct empowerment through ownership and control of enterprise and assets;

- Human resource development and employment equity; and
- Indirect empowerment through preferential procurement and enterprise development.

2.14 The DTI scoring system

The system of ranking enterprises (as published in the revised Codes of Good Practise) on their overall contribution to Broad-Based Black Economic Empowerment, for the purposes of listing service providers for preferential procurement purposes, is to assess the number of points obtained. This is presented in table 2.1.

Table 2.1 DTI scoring system

BEE Status	Qualification	BEE Procurement Recognition level
Level One contributor	100 or more	135%
Level Two contributor	85 - < 100	125%
Level Three contributor	75 - < 85	110%
Level Four contributor	65 - < 75	100%
Level Five contributor	55 - < 65	80%
Level Six contributor	45 - < 55	60%
Level Seven contributor	40 - < 45	50%
Level Eight contributor	30 - < 40	10%
Non Compliant contributor	< 30	0%

Source: DTI (2005: 47)

2.15 The Government procurement policy in South Africa

Section 217 of the Constitution provides that when an organ of state in the national, provincial or local sphere of Government, or any other institution identified in national legislation, contract for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive, and cost effective.

The objects of these Constitutional principles are to ensure maximum participation and competition that will result in value for money in the supply of goods and services to the Government, whilst also ensuring equal treatment of all through the use of mechanisms that are open and transparent.

However, the Constitution so recognises problems and socio-economic imbalance brought about by the past regime, and thus creates a platform for addressing them. Section 217(2) provides for the organs of state to implement a procurement policy providing for categories of preference in the allocation of contracts.

This however must be provided within a National framework. There have been debates in business, legal and other circles about Government procurement being used for any other purpose than 'doing business'. This debate has been intensified further by the debates around section 9 of the Constitution on equal treatment of all. As stated, the Constitution, through the provisions of sections 9(5) and 217(2) does oblige the Government to undo and rectify the imbalances and injustices due to previous unfair treatment and discrimination. It has also been universally accepted that Government procurement can be used as an instrument of Government policy to facilitate social and economic empowerment. Watermeyer and Rogerson (2004) state that "procurement provides business and employment opportunities, and, depending on how it is structured can be used as an instrument of Government policy to facilitate social and economic development. Morris (as cited by Bolton 2006, 195 - 196) states that "public procurement is an important item of public expenditure with far reaching social, economic and political implications. To argue that public procurement is a sacred cow which should be 'outside the political arena' is restrictive and unwarranted.

Purchasing policies pursued by public authorities should be open to modification in the light of pressing social and economic problems even if this requires procurement decisions not to be guided exclusively by commercial criteria". Bolton (2006: 195 - 196), further cites Craig stating that "the very power to grant contracts should be able to be utilised to advance socially desirable objectives, precisely because organs of state cannot be and should not be politically neutral towards such socially desirable objectives".

To effect the revisions of section 217 of the Constitution, the preferential procurement Act was promulgated in 2000. This Act provided the framework for the preferential procurement policy. The Act prescribes that, amongst others:

- A preference point system should be followed when awarding contracts;
- Bases on prescribed amounts, maximum 20 or 10 points may be allocated for specific goals provided the lowest price scores 80 or 90 points respectively;
- The contract is awarded to the bidder scoring highest points.

The intention of the Act with allocation of 20 or 10 points for specific goals is to address socio-economic issues through giving bidders qualifying for such a competitive advantage over others. These specific objectives may include small and medium-sized enterprises, local economic development and HDI. The Regulations under this Act defines HDI as including all blacks, people with disability and white women. The latter is the bone of contention as here is much scepticism around white women having been disenfranchised prior 1994, and also due to misuse of the status. The biggest criticism of the system is that it emphasises price as an overriding criterion and this is perceived as not adequate for empowerment by proponents of social and economic reforms.

2.16 Procurement as Government intervention to increase demand

According to Ntsika (1999a: 117), due to the lack of a consistent policy and regulatory environment, the problems experienced by Small- and Medium-Sized Enterprises and identified in the 1997 Green Paper remain and can be summarised as follows:

- Different tendering systems in South Africa create uncertainty and high information costs for Small- and Medium-Sized Enterprises without tender experience.
- The nature of contract documentation is discouraging for inexperienced Small- and Medium-Sized Enterprises that have problems in understanding the legal terminology used.

- Period contracts require quantities at a certain point of time, which are not specified in advance and might pose supply problems if awarded to Small- and Medium-Sized Enterprises.
- Contracts with low financial value, by contrast, are often those that Small- and Medium-Sized Enterprises could readily undertake, but are frequently declared “emerging contracts” to circumvent open tendering and instead, awarded on the basis of quotations from three approved suppliers. An official databank of approved Small- and Medium-Sized Enterprises suppliers does not exist.
- Delayed or no information about the awarding of contracts is given to Small- and Medium-Sized Enterprise applicants that have tendered, and there are no records kept to monitor how many Small- and Medium-Sized Enterprises have managed to win Government tenders.
- Payment cycles for Government contracts are prejudicial to Small- and Medium-Sized Enterprises, which are often required to supply onerous guarantees and sureties. Parastatals usually pay ninety days after completion of the order which might have taken a Small- and Medium-Sized Enterprise several months to carry out in the first place.
- Corruption is perceived as a major problem why Small- and Medium-Sized Enterprises do not receive tenders.

2.17 Small and Medium-Sized Enterprise Sector in the South African economy

In his February 2003 State of the Nation address Thabo Mbeki emphasised that the development and support of Small- and Medium-Sized Enterprises remains a priority for Government and that more financial and other resources would be committed to the development of this sector (Enterprise, 2003: 120).

A qualifying small enterprise overall score is used to determine its Black Economic Empowerment status. Generally the higher the Black Economic Empowerment score, the

higher the recognition to any person / enterprise interacting with that qualifying Small- and Medium-Sized Enterprise. Customers generally prefer to interact and procure from entities with higher Black Economic Empowerment status since this bolsters their own Broad-Based Black Economic Empowerment recognition (Empowerdex, 2007: 2).

Globally, the Small- and Medium-Sized Enterprise is becoming increasingly linked with the electronics sector and is placing more emphasis on innovation and globalisation of production (Department of Trade and Industry, 2006: 23).

The small business sector is subject to the same economic and management constraints as larger corporations. The small business sector is very important for the development aspirations of South Africa, to address the serious problems of unemployment, income inequality and low economic growth (Ntsika, 2000: 5).

The small business sector is globally regarded as the driving force in economic growth and job creation. The South African Department of Trade and Industry estimates that small businesses employ almost half of formally employed persons, and contribute between 52% and 57% of the country's gross domestic product (Sunter, 2000: 3).

It is furthermore estimated that Small- and Medium-Sized Enterprises comprises of 97.5 percent of all registered formal private sector businesses in the economy, contributing approximately between 52% and 57% percent of the GDP of South Africa (Ntsika, 2000: 12).

For the South African economy to survive in a dynamic and competitive international arena, the economy must move onto a growth path that is synonymous with increased investments (local and foreign), increased productivity and expanding employment opportunities. The Small Business sector will play a vital role in this process, because approximately eighty percent of the members of the South African Chamber of Business (SACOB) in South Africa are small businesses (SACOB, 1999: 3).

According to the White Paper (1995: 13 - 15), the National Small Business strategy has the following objectives, namely to:

- Establish an enabling environment for small business;

- Create greater education, in core and earning opportunities;
- Address the past disempowerment of black entrepreneurs in the economy;
- Actively support the advancement of women of all business sectors;
- Generate long term sustainable employment;
- Stimulate sector focused economic growth;
- Provide cohesion between small business entrepreneurs;
- Level the playing fields between larger and smaller role players in the economy;
and
- Prepare the small business sector to comply with challenges of international competitiveness.

According to the White Paper (1995: 15 - 21), the National Small Business strategy rests on ten key principles, namely:

- A joint venture approach between the big and small business sectors;
- All the segments of the small business sector, namely survivalist, micro, Small- and Medium Enterprises, need similar and equal attention;
- The business efficiency of the entire small sector must be developed based on the compliance with social and financial standards;
- The demand and supply side of the small business sector must be developed and supported;
- Black Economic Empowerment must be advanced by means of this sector;
- Governmental support programmes must be prioritised according to the availability of public funding;
- Government support programmes and policies will be sector-focused and targeted with the application of public funds;

- The institutional framework for small business support has to be restructured to take note of the provincial thrust of policy implementation amongst others;
- The Department of Trade and Industry will be the vital link and base for the national strategy; and
- Private enterprise, NGO's, business associations and foreign donors will all have a critical role to play in the establishment and development of sustainable and viable small business sector.

To address the issues as outlined above and also to simplify the regulatory procedures of the small business sector, the National Small Business Act was passed in 1996. The Transaction and Procurement Act and the Small Business Finance Act were also promulgated to assist small business.

According to Ntsika (1999a: 117), due to the lack of a consistent policy and regulatory environment, the problems experienced by small and medium-sized enterprises and identified in the 1997 Green Paper remain and can be summarised as follows:

- Different tendering systems in South Africa create uncertainty and high information costs for Small- and Medium-Sized Enterprises without tender experience.
- The nature of contract documentation is discouraging for inexperienced Small- and Medium-Sized Enterprises that have problems in understanding the legal terminology used.
- Period contracts require quantities at a certain point of time, which are not specified in advance and might pose supply problems if awarded to Small- and Medium-Sized Enterprises.
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- Delayed or no information about the awarding of contracts is given to Small- and Medium-Sized Enterprise applicants that have tendered, and there are no records kept to monitor how many Small- and Medium-Sized Enterprises have managed to win Government tenders.
- Payment cycles for Government contracts are prejudicial to Small- and Medium-Sized Enterprises, which are often required to supply onerous guarantees and sureties. Parastatals usually pay ninety days after completion of the order – which might have taken a Small- and Medium-Sized Enterprise several months to carry out in the first place.
- Corruption is perceived as a major problem why Small- and Medium-Sized Enterprises do not receive tenders.

2.18 Summary

Black Economic Empowerment is one of the most important strategic issues facing business in South Africa. Every business will need to demonstrate their empowerment credentials in relation to ownership, governance, human resource development, management and procurement. The Black Economic Empowerment scorecard and the applicable legislation is just one of the several new realities that face all businesses in South Africa. The businesses in South Africa cannot operate in isolation. To meet the criteria of Black Economic Empowerment such businesses tend to think they have to give away a part of this entity, a part of themselves.

It is important to take note of Black Economic Empowerment and to recognise the importance of reinventing business. This will be the difference between those who will survive and thrive successfully in to the future. The cascade effect of Black Economic Empowerment will be felt up and down the supply chain, so any business that ignores it would be ill-advised. The future strategic management planning of any business clearly needs to be focused around Black Economic Empowerment.

Small- and Medium-Sized Enterprises generally lack the resources necessary to overcome the constraints, and the South African Government has launched a series of

support measures to offset these market imperfections. The apparent problems of implementation make it difficult to assess the effectiveness of these policy measures.

Small- and Medium-Sized Enterprises in developing countries face challenges which are unique and immense and thus present many challenges. For the Small- and Medium-Sized Enterprises sector to realise its potential as a dynamic, innovative centre it must develop links with the rest of the business sector, because only in this way will its business become fully sustainable.

Government should define what it is trying to achieve through the Black Economic Empowerment policy. It should stipulate what success will look like and should set terms for business about when success will be declared and the policy reach its conclusions. Government should lead the way in some demonstration projects aimed at establishing vertical connections in key sectors.

All of us have the role to play in insuring the attainment of socio-economic objectives espoused in the various pieces of legislation aimed at addressing the imbalances created by the past unfair discrimination policies. We are also all faced with the challenge to facilitate the implementation of these policies in our own little arenas. All possible ways must be sought by all to ensure the achievement of the objectives and the spirit of the pieces of legislation addressing the past imbalances. The attainment of such is in the best interest of the whole of South Africa. All business will thrive in an environment where the majority of the people are economically content, and only stability reigns.

South Africa's Small- and Medium-Sized Enterprise sector is expected to fulfil a number of roles ranging from poverty alleviation and employment creation to international competitiveness. Not only are these very divergent policy objectives, but also the policy instruments introduced to meet these objectives can be equally different, ranging from literature training to technical advice.

It is clear that concerted efforts have been made to enforce and promote Black Economic Empowerment in the Small- and Medium-Sized Enterprise market via the various acts, policies and incentives, to name a view.

The DTI promotes access to finance through the establishment of the NEF and its other agencies, most noticeable being the Industrial Development Corporation (IDC). These are important considerations to note when determining the funding of the Black Economic Empowerment initiatives in question. The DTI acknowledges the importance of Small- and Medium-Sized Enterprises and their contribution to the economy and growth potential in terms of employment. However, this has indicated that incentives and schemes remains grossly underutilised. There may be a correlation between the Black Economic Empowerment complexities as identified and the research by Abrie and Doussy (2006: 1 – 13) which implies that too many compliance obstacles result in many Small- and Medium-Sized Enterprises being unaware or opt to avoid such incentives or schemes. Small- and Medium-Sized Enterprises are notorious for managing the simple tasks and outsourcing the complex tasks, resulting in higher compliance costs.

Small- and Medium-Sized Enterprises should have a fundamental understanding of the Black Economic Enterprises scorecard and contributor level. These entities would then need to map their own transformation goal, which is highly time-consuming and a cumbersome process. Many entrepreneurs may not have the luxury of time nor other resources to pursue Black Economic Enterprises. Outsourcing would result in higher costs and these obstacles result in failure of Black Economic Enterprises shortly after being considered.

CHAPTER 3

Results and discussions

3.1 Introduction

The empirical study focuses on Broad-Based Black Economic Empowerment and the impact on the Small- and Medium-Sized Enterprises in the Chemical and Engineering sector.

In this chapter the construction of the questionnaire, the study population and the process followed to gather the data will be discussed. The results of the empirical study will also be presented and discussed.

This chapter will thus analyse and interpret the data gathered, enabling the contextualisation of the results obtained. The researcher relied extensively on personal interviews with established business owners to construct a questionnaire that was structured in a way that could ensure feasible results, ensuring practical conclusions and recommendations.

3.2 Ethical aspects

The confidentiality of the participants is assured. There is also no other way of identifying individuals given the structure of the questionnaire. The individual findings of questionnaires will be treated confidentially and issues raised by individual respondents will only be discussed with that particular respondent, should a need for further discussion exist. Respondents were informed as to the purpose of the study, and the respondent's participation was voluntary.

3.3 Questionnaire design

The questionnaire was designed to address specific indicators relating to Broad-Based Black Economic Empowerment and its impact on the Small- and Medium-Sized Enterprises in the Chemical and Engineering sector. The questionnaire was divided into

five sections with each section addressing different aspects. The outlay of the questionnaire is presented in table 3.1.

Table 3.1: Questionnaire sections and purpose

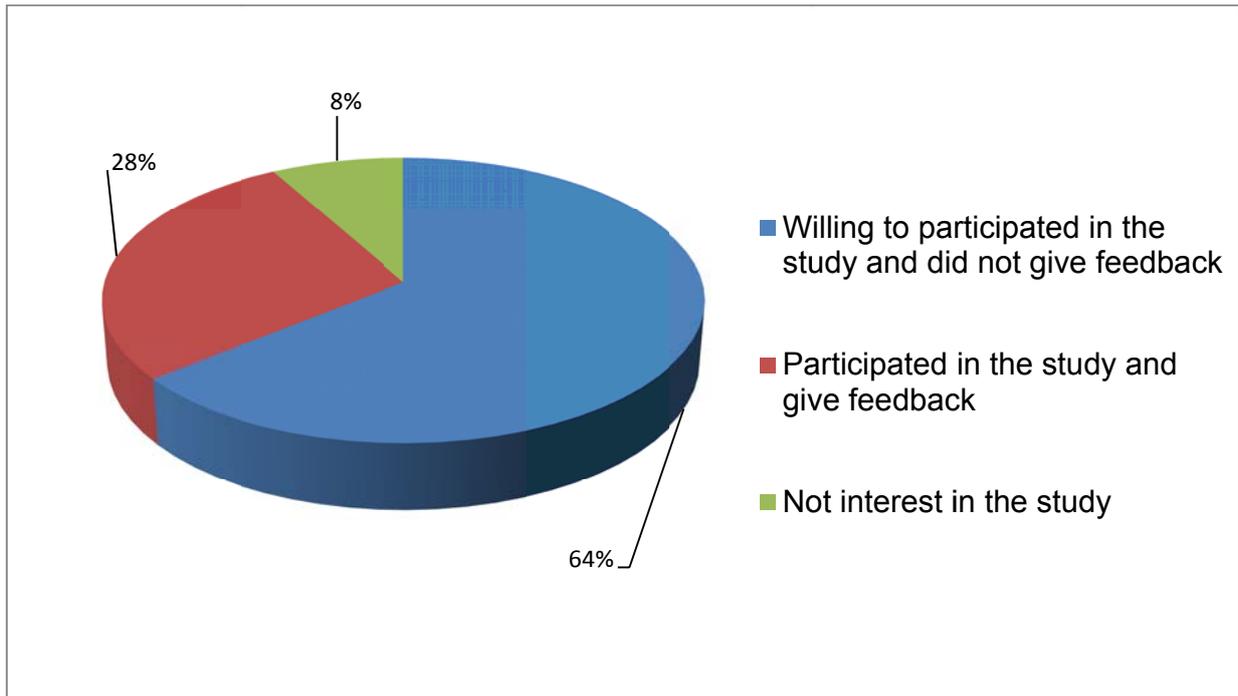
Section	Purpose of section
Section A	Demographic information: Section A gathered data regarding the demographics of the respondents. Questions in this section included owner's age, gender, whether they were qualified artisans and whether the business was white owned. This section also provided information regarding the structure of the participating businesses in terms of number of employees, annual turnover and the legal status of the enterprise.
Section B	Awareness of Broad-Based Black Economic Empowerment: This section focused on the knowledge of the participants owner managers regarding Broad-Based Black Economic Empowerment.
Section C	Advantages to the business: This section assessed the degree to which the business owner believes that Broad-Based Black Economic Empowerment has an advantage to their business.
Section D	Disadvantages to the business: This section assessed the degree to which the business owner believes that Broad-Based Black Economic Empowerment has a disadvantage to their business.
Section E	General: This section of the questionnaire assessed the aspects like Government support, the implementation process and financing.

3.4 Study population and sample

The target study population of this study was Small- and Medium-Sized Enterprises in the Chemical and Engineering sector in the Sedibeng region of South Africa. A list of 137 Small- and Medium-Sized Enterprises was identified and all these were contacted to gauge their willingness to participate in the study. The convenient or accidental sampling method was selected. As viewed by (De Vos & Strydom 2002: 207) the convenient sampling method is the oldest and perhaps most frequent used sampling technique. As the name implies, a person gathers data from anyone who is convenient in the field of

study. Main features are availability, convenience and accessibility (Adams & Schvaneveldt, 1985: 182). The outcome of the initial 137 Small- and Medium-Sized Enterprises identified is graphical presented in figure 3.1.

Figure 3.1: The outcome of qualifying Small- and Medium-Sized Enterprises contacted



Analysis of the results

Figure 3.1 indicate that of the 137 potential enterprises, 28 percent participated in the study. A total of 64 percent indicated that they were willing to participate in the study but fail to submit the questionnaire before the cut-off date, and only 8 percent indicated that they were not willing to participate in the study. All the enterprises that were approached were deliberately from the Chemical and Engineering sector.

3.5 Demographic information

The results are based on the responses obtained from the questionnaires given to the owners of the Small- and Medium-Sized Enterprises. This section represent the age, gender, artisan status and whether the business is white owned.

3.5.1 Age groups of the respondents

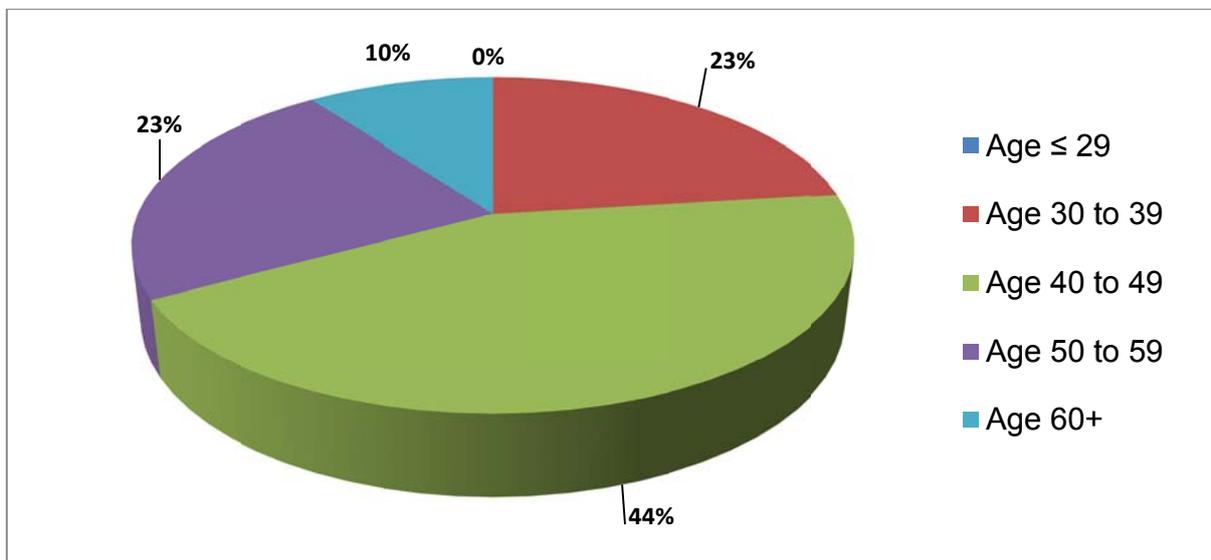
Purpose of the question

To investigate the age group of the people who own businesses in the sector and to determine if a relationship exists between the general perceptions of certain age groups on the impact of Broad-Based Black Economic Empowerment.

Results obtained

The age distribution of the owners of the Small- and Medium-Sized Enterprises in the Chemical and Engineering sector who participated in this study as per the predetermined age groups is displayed in figure 3.2.

Figure 3.2: Age distribution of the owners of Small- and Medium-Sized Enterprises in the sector who participated in the study



Analysis of the results

Figure 3.2 indicates that 23 percent of the owners of Small- and Medium-Sized Enterprises that participated in the study are between 30 to 39 years old, 44 percent are between 40 and 49 years old, 23 percent are between 50 and 59 years old and 10 percent are older than 60 years.

3.5.2 Gender of the respondents

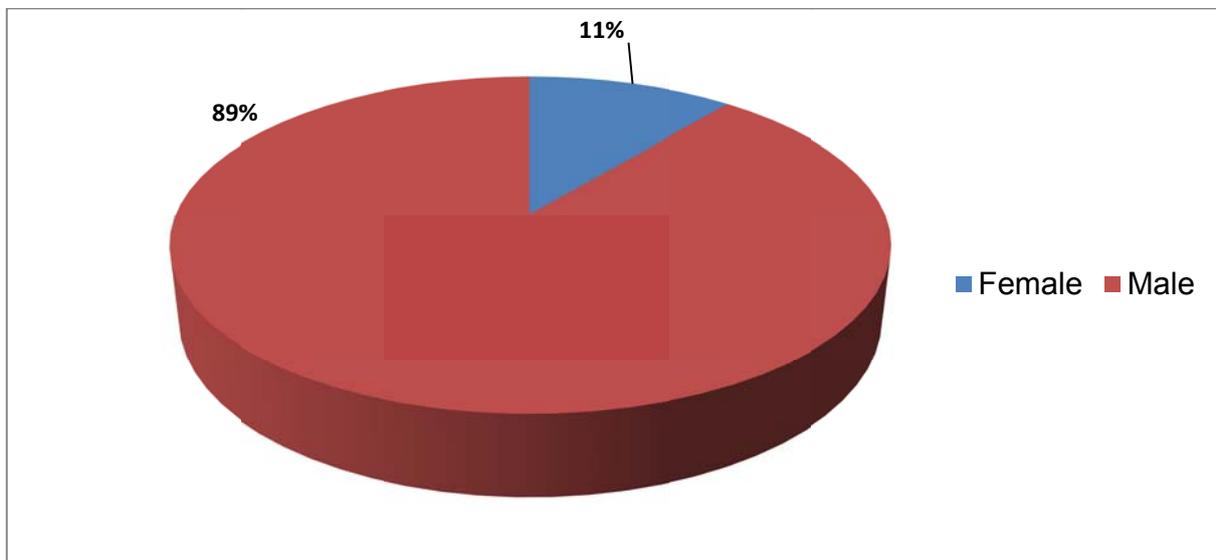
Purpose of the question

The purpose of the question was to determine the gender distribution of the respondents of the study.

Results obtained

The results obtained are presented in figure 3.3.

Figure 3.3 Gender distributions of the owners of the Small- and Medium-Sized Enterprises in the sector who participated in this study



Analysis of the results

It is evident from figure 3.3 that 89 percent of the owners of the Small- and Medium-Sized Enterprises who participated in this study are predominantly owned and manage by white males. The remaining 11 percent of the respondents are females.

3.5.3 Artisan status

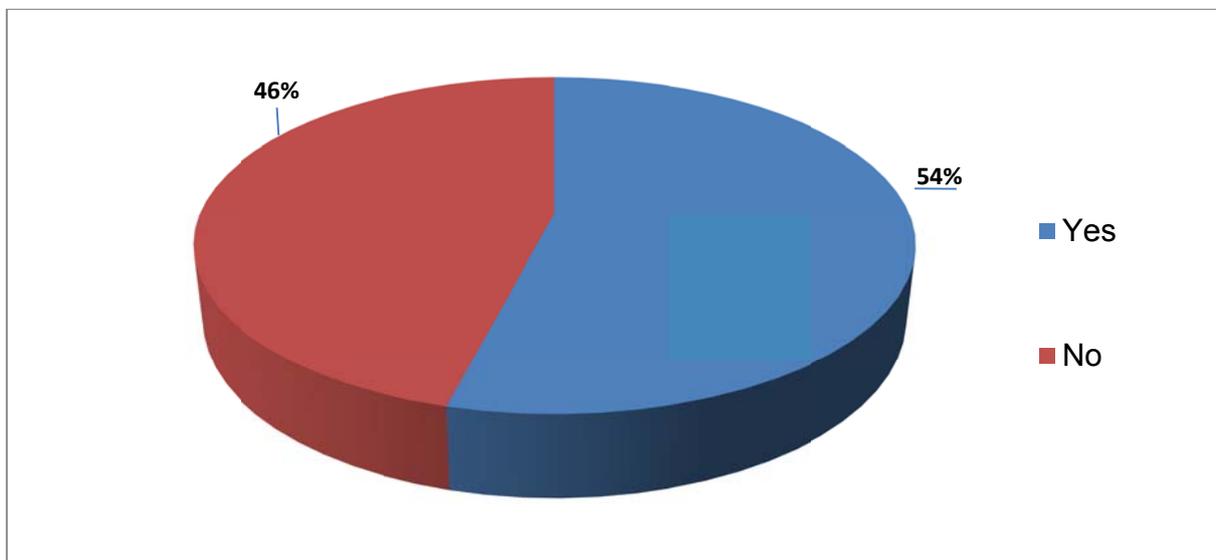
Purpose of the question

The purpose of the question was to determine which percentage of the business owners were qualified artisans of the Small- and Medium-Sized Enterprises who participated in the study.

Results obtained

The results obtained are presented in figure 3.4. The respondents simply had to mark yes or no to the question asking them whether they are qualified artisans.

Figure 3.4: Artisan status of the owners of Small- and Medium-Sized Enterprises in the sector who participated in this study.



Analysis of the results

A total of 54 percent of the participating owner managers are qualified artisans and 46 percent are not qualified artisans.

3.5.4 The race of the respondents

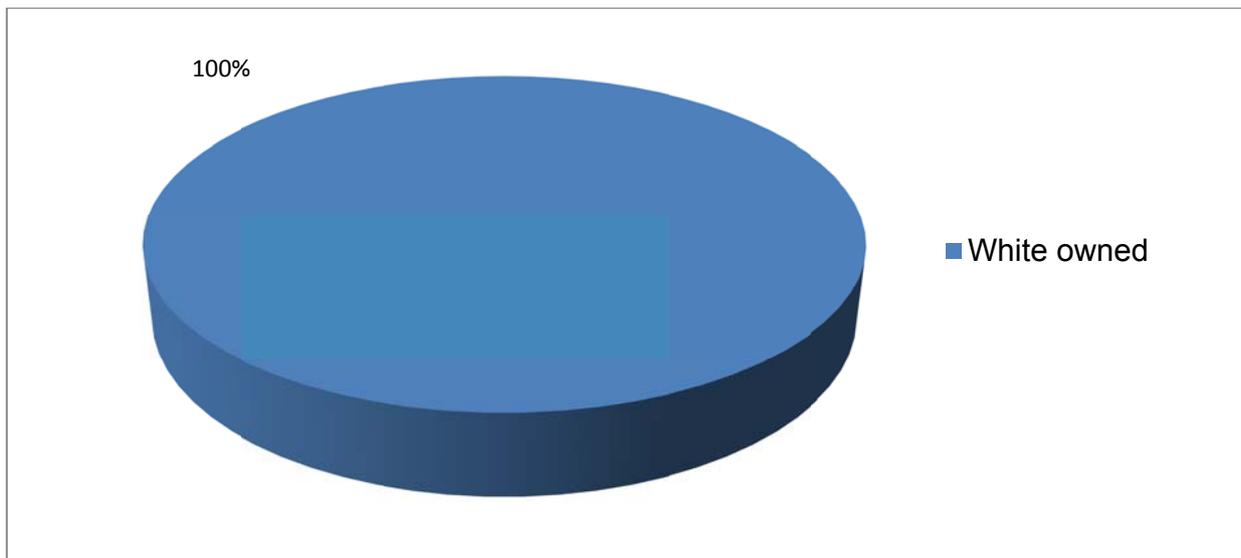
Purpose of the question

The purpose of this question was to determine the race classification according to the South African race classification among respondents.

Results obtained

The results obtained are presented in figure 3.5. The respondents simply had to mark yes or no to the question asking them whether the business is white owned.

Figure 3.5: White-owned status of the Small- and Medium-Sized Enterprises in the sector who participated in this study



Analysis of the results

A total of 100 percent of the Small- and Medium-Sized Enterprises that participated in the study were white owned as a result of the convenience sample. It must be noted that this should not be interpreted as 100% of Small- and Medium-Sized Enterprises in the Chemical and Engineering sector are white owned. The questionnaire was deliberately administered to only white owned enterprises.

3.6 Business information

The business information of the participating Small- and Medium-Sized Enterprises forms part of section A in the questionnaire. The variables included the number of employees employed by the business, the annual turnover of the business, the legal status of the businesses, and the length of time the business has been in operation. The information from the participating Small- and Medium-Sized Enterprises is presented in the following paragraphs.

3.6.1 Number of employees employed in the business

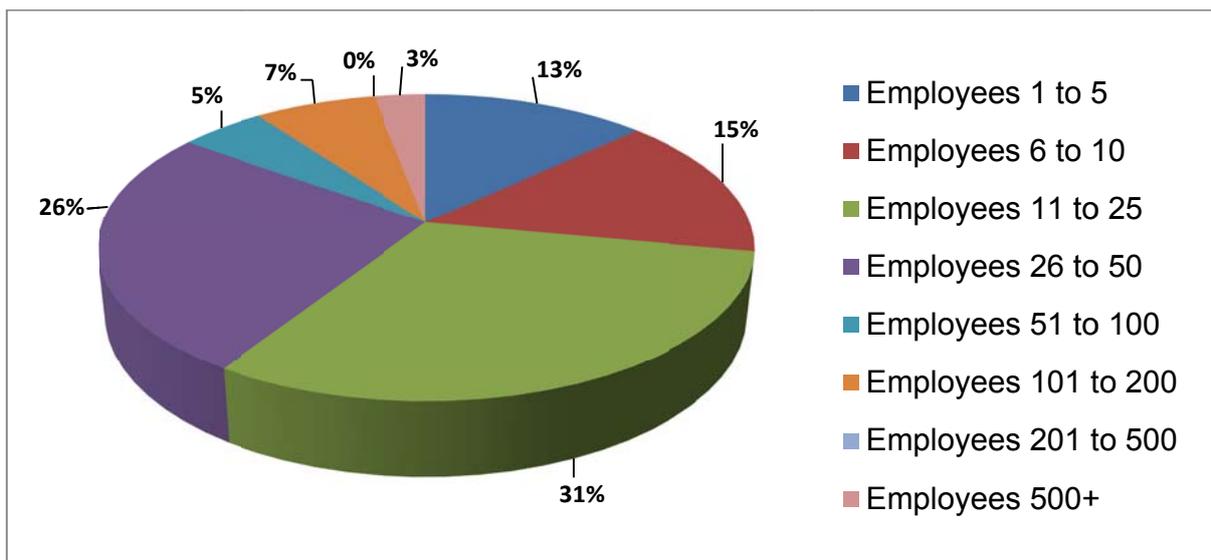
Purpose of the question

The purpose of this question was to evaluate if the business was indeed a Small- and Medium-Sized Enterprise and to prove or disapprove the assumption that businesses in the Chemical and Engineering sector can have a high turnover with a very small number of employees.

Results obtained

The results obtain for the numbers of employees employed in the participating Small- and Medium-Sized Enterprises are represented in figure 3.6.

Figure 3.6: Employees employed by the Small- and Medium-Sized business



Analysis of the results

Figure 3.6 indicates that a total of 28 percent of the businesses who participated in this study can be classified as very small businesses (up to 10 employees). A total of 57 percent can be classified as small businesses (between 11 and 50 employees) and the remaining can be classified as medium to large-sized businesses (between 51 and 200 employees).

3.6.2 Annual turnover

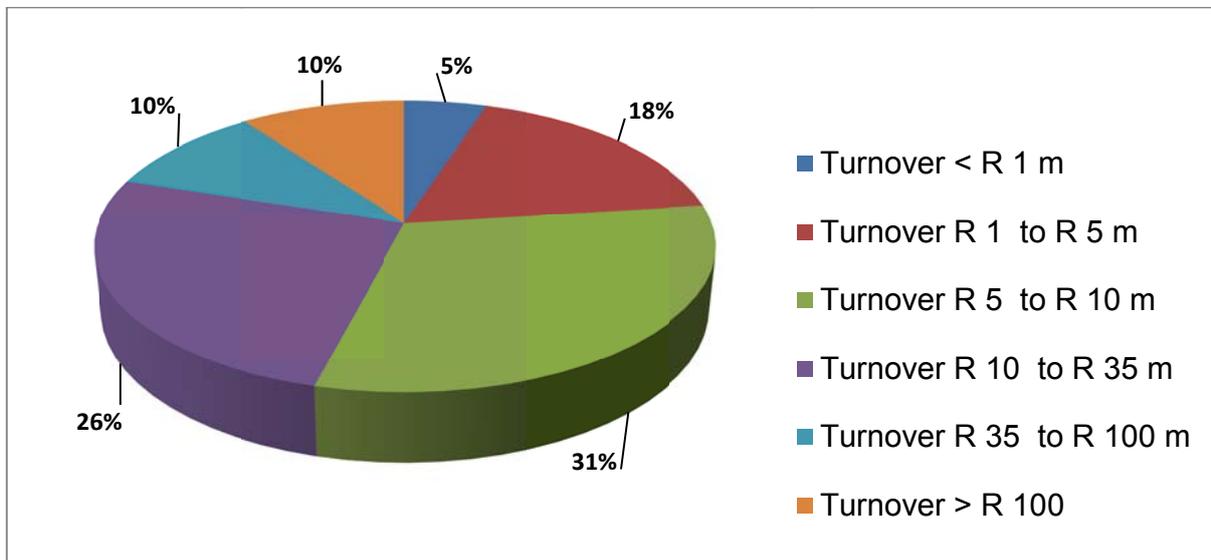
Purpose of the study

The purpose of the question was to ascertain whether the participating businesses are a qualifying small enterprise in terms of the Broad-Based Black Economic Empowerment Act.

Results obtained

The results obtained for each pre-determined category are presented in figure 3.7.

Figure 3.7: Annual turnover of the business



Analysis of the results

A total of 5 percent of the businesses have an annual turnover of less than R 1 million and therefore are not qualifying small enterprises. Fifty seven percent which are the majority of the businesses have an annual turnover of between R 10 million and R 35 million, followed by 31 percent of the businesses with an annual turnover of between R 5 million and R 10 million. The remaining 20 percent of businesses were the businesses with an annual turnover of more than R 35 million.

3.6.3 Legal Status

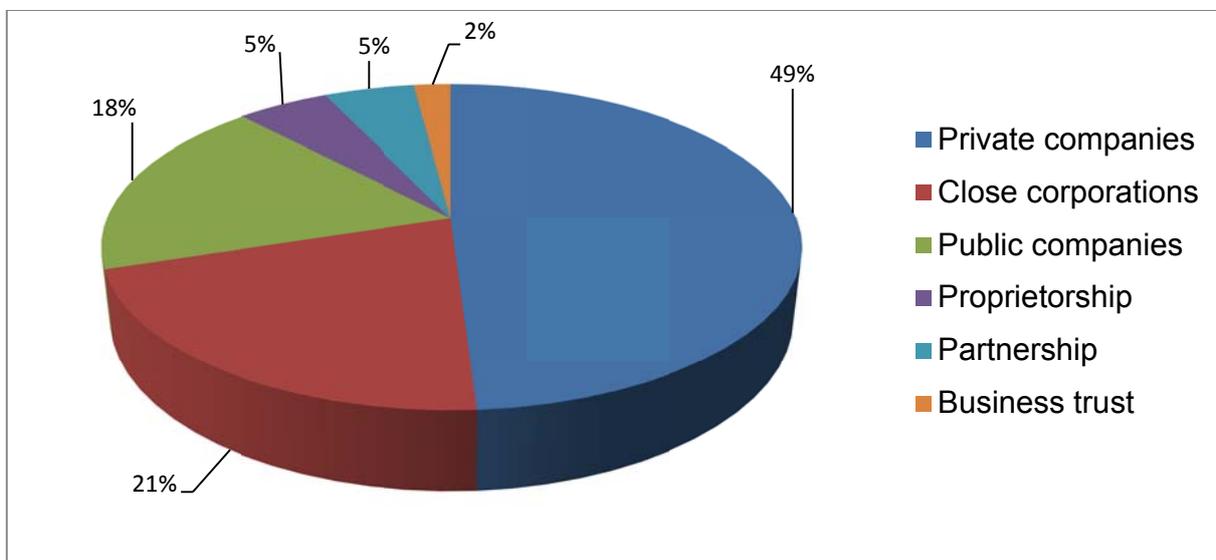
Purpose of the question

The purpose of the question was to determine the legal status of the businesses that participated in the study.

Results obtained

The results obtained for the participating businesses are presented in figure 3.8.

Figure 3.8: Legal status of the participating businesses.



Analysis of the results

Figure 3.8 shows that 49 percent of the participating businesses in the study operate as private companies, 21 percent operate as close corporations, 18 percent operate as public

companies, 5 percent operate as proprietorships, 5 percent operate as partnerships and 2 percent operate as a business trust.

3.6.4 Business association

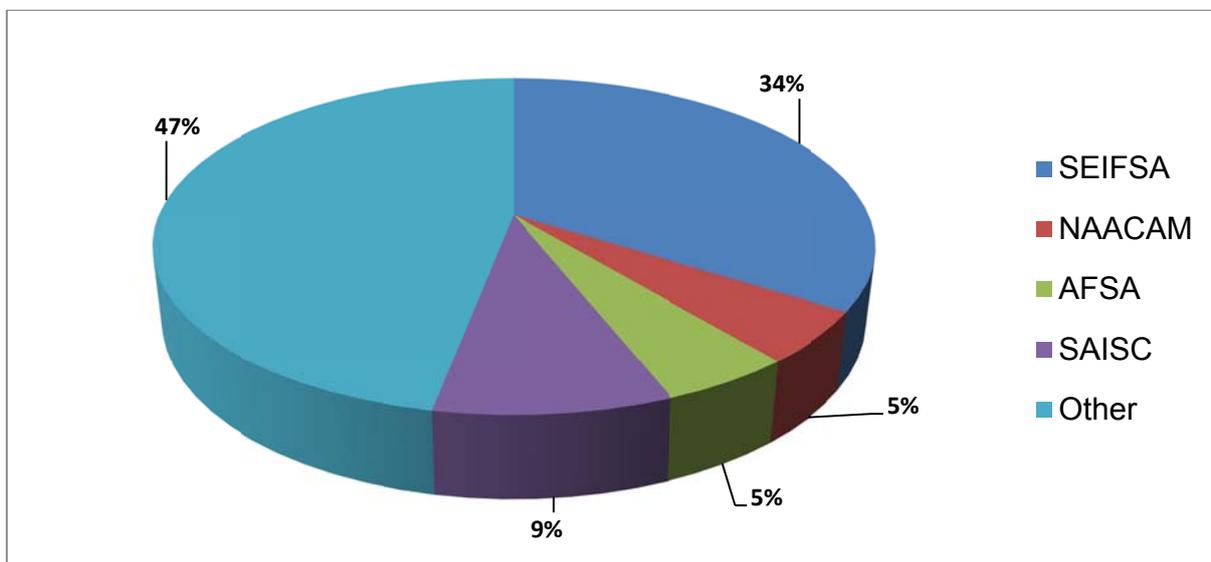
Purpose of the question

The purpose of the question was to determine the business association to which the Small- and Medium-Enterprises belongs to.

Results obtained

The results obtained for each pre-determine statuses are presented in figure 3.9.

Figure 3.9: Business association



Analysis of the results

A total of 34 percent of the participating businesses are affiliates to the Steel and Engineering Industries Federation of South Africa (SEIFSA), 9 percent of the businesses affiliates to the South African Institute of Steel Construction (SAISC), 5 percent of the businesses affiliates to the Aluminium Federation of South Africa, 5 percent affiliates to the National Association of Automotive Components and Allied Manufacturers (NAACAM) and the remaining businesses did not indicate which business associations they belong to.

3.7 Awareness of Broad Based-Black Economic Empowerment

The main aim of section B of the questionnaire was to determine the varying levels of awareness among the participating business owners on Broad-Based Black Economic Empowerment. The section was divided into seven questions to which the respondents had to answer yes or no. Table 3.2 shows the results of section B.

Table 3.2: Awareness of Broad-Based Economic Empowerment

No	Question	Number or Percentage Yes	Number or Percentage No
B1	I am familiar with the legislation pertaining to BBBEE	100%	0%
B2	I know about all the seven elements of the codes of good practice.	88%	12%
B3	I am aware of the fact that qualifying small enterprises consists of businesses with an annual turnover of R5 – R 35 million.	85%	15%
B4	The fact that qualifying small enterprises only have to adhere to four of the seven elements of codes of good practice is known to me.	92%	8%
B5	I am aware of the Contribution levels of BBBEE.	97%	3%
B6	The turnover of the enterprise falls within the R 5 million to R 35 million brackets.	77%	23%
B7	I am aware that businesses with less than R 5 million turnovers are exempted from complying with the codes.	97%	3%

Analysis of the results

All the participating owner-managers surveyed indicated that they are familiar with the legislation pertaining to Broad-Based Black Economic Empowerment. All the participating businesses are familiar with the legislation, only 88 percent know about the seven elements of the codes of good practice. The results furthermore show that 85 percent of the respondents are aware what qualifying small enterprises are, curiously only 92 percent

of them know that as a qualifying small enterprise they only have to comply with four of the seven elements.

The results show that 97 percent of the participants were familiar with the contribution levels of the Broad-Based Black Economic Empowerment legislation. The question asking whether the turnover of the enterprise was between R 5 million and R 35 million must be viewed in the context that only businesses with a turnover in this bracket were targeted for the study, but only 77 percent of respondents were aware that their turnover falls in this specific bracket. A total of 97 percent of the participants indicated that they knew that a business with less than R 5 million annual turnover is exempted from complying with the codes.

3.8 The impact of Broad-Based Black Economic Empowerment on Small- and Medium-Sized Enterprises

The impact of Broad-Based Black Economic Empowerment on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector was measured by using perceptions of the business owners about statements that were built into the questionnaire. The statements were separated into the advantages and the disadvantages to the enterprise as perceived by the owner.

The data collected were statistically analysed, using Statistica (Statsoft 2008) and SPSS (2008). An arithmetic mean is used to interpret the results.

The questionnaire is based on a seven point (Likert-style) scale (1 = strongly disagree; 7 = strongly agree). The relatively high numbers represent agreement with the statement and relatively low numbers represent disagreement with the statement. This means that a lower number representing disagreement with the statement suggests that the statement is perceived to be untrue, or not relevant to the business. Likewise, a high number representing agreement with the statement suggests that the statement is perceived to be true, applicable or relevant to the business.

Table 3.3: Statistical descriptive measures

Statistical Term	Description
Population	A population refers to the entire set of data or the complete set of measurements in a particular problem (Wiesniewski, 2002: 100).
Probability Sampling	Probability sampling involves the selection of a random sample containing all the names of the members in the population to be studied (Wiesniewski, 2002: 100).
Non-probability sampling	Non-probability sampling simply means sampling without using random selection methods (Wiesniewski, 2002: 100). Convenience sampling, which is used in this study, is a non-probability sampling technique.
Arithmetic Mean	An arithmetic mean is an mathematical representation of the typical value of a series of numbers, computed as the sum of all the numbers in the series divided by the count of all the numbers in the series; arithmetic mean is commonly known and referred to as average or mean (Welman, 2004: 33).
Standard Deviation	The standard deviation is an indication of how much the items in the dataset differ from the mean value. The standard deviation can be defined as a square root of the variance, where the variance is the average of the squared differences between each observation and the sample mean, divided by the number of observations minus one ((Wiesniewski, 2002: 100).

For the purpose of the interpretation of the results of this study, an arithmetic mean value of lower than 3.0 indicates a disagreement to the statement by participants, while a value between 3.0 and 4.0 indicate that participants slightly disagree with the statement made. A value between 4.0 and 5.0 indicate a slight agreement. A result between 5.0 and 6.0 is viewed as an indication that the participants agree with the statements and the results exceeding 6.0 indicates that the participants strongly agree with the statement made.

Strongly Disagree	Disagree	Slightly Disagree	Neutral View	Slightly Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

3.8.1 Advantages of Broad-Based Black Economic Empowerment

Section C of the questionnaire focused on the advantages of Broad-Based Black Economic Empowerment to the business as perceived by the participating business

owners. The results are presented in table 3.4 with arithmetic mean = \bar{x} and standard deviation = s.

Table 3.4: The results of the evaluation of the advantages of Broad-Based Black Economic Empowerment

No	Statement	\bar{x}	S
	<i>Average of all sub-indicators in this section</i>	3.89	1.61
C14	BBBEE makes it possible for the business to get access to contracts.	5.00	1.55
C11	BBBEE can help the business to achieve its social responsibility towards the community.	4.83	1.51
C13	BBBEE makes it possible for the business to compete in new unexplored markets.	4.53	1.69
C8	BBBEE has already been implemented in this business.	4.40	1.78
C2	We have been rated by an accreditation agency in this business and were found to be between the level one and level four contributors.	4.25	1.98
C15	Compliance to BBBEE makes it possible for the business to expand its operations (higher growth).	4.08	1.63
C7	BBBEE can result in the acquiring of new customers for the business.	4.05	1.66
C10	BBBEE can lead to new innovative ideas with the input of the empowering partner.	4.00	1.65
C18	Access to finance would be easier once the business comply with BBBEE requirements.	3.88	1.68
C9	BBBEE makes it possible for the business to invest in affordable skills development for employees.	3.85	1.64
C17	BBBEE can lead to more effective management styles within the business.	3.73	1.35
C19	BBBEE creates new jobs.	3.73	1.66
C12	BBBEE makes it possible for the business to be more competitive.	3.68	1.47
C1	BBBEE creates new possibilities for the business in terms of business networks and new associates.	3.63	1.81
C16	BBBEE can provide the business the opportunity to acquire materials cheaper as part of the preferential procurement process.	3.38	1.34
C3	Implementing BBBEE is a relatively easy process.	3.33	1.61
C5	Black employees are better in terms of skills and seniority in the business since we implement BBBEE.	3.30	1.57
C4	We have more success in this business after complying with the BBBEE.	3.28	1.53
C6	Our annual turnover has increased since the implementation of BBBEE.	3.05	1.53

Analysis of the results

An average score of $\bar{x} = 3.89$, for the construct **advantages of Broad-Based Black Economic Empowerment**, shows that the owners of the Small- and Medium-Sized Enterprises who participated in this study do not view Broad-Based Black Economic Empowerment to be an advantage to their businesses.

None of the mean values is lower than 3.0. This indicates that the participants in this study do not totally disagree that there is advantages with Broad-Based Black Economic Empowerment.

The statement, **Broad-Based Black Economic Empowerment makes it possible for the business to get access to contracts** $\bar{x} = 5.00$, obtained the highest score. This indicates that participants agree that there is an advantage with the implementation of Broad-Based Black Economic Empowerment to obtain more contracts. If there is the possibility for the businesses to obtain more contracts the industry can grow significant.

The statement, **annual turnover has increased since the implementation of Broad-Based Black Economic Empowerment in the business** $\bar{x} = 3.05$, has the lowest score. This indicates that the participants do not observe any advantages with the implementation of Broad-Based Black Economic Empowerment.

The subsequent eleven statements: **Access to finance would be easier once the business comply with Broad-Based Black Economic Empowerment requirements** $\bar{x} = 3.88$, **Broad-Based Black Economic Empowerment makes it possible for the business to invest in affordable skills development for employees** $\bar{x} = 3.85$, **Broad-Based Black Economic Empowerment can lead to more effective management styles within the business** $\bar{x} = 3.73$, **Access to finance would be easier once the business comply with Broad-Based Black Economic Empowerment requirements and Broad-Based Black Economic Empowerment creates new jobs** $\bar{x} = 3.73$, **Broad-Based Black Economic Empowerment makes it possible for the business to be more competitive** $\bar{x} = 3.68$, **Broad-Based Black Economic Empowerment creates new possibilities for the business in terms of business networks and new**

associates $\bar{x} = 3.63$, **Broad-Based Black Economic Empowerment can provide the business the opportunity to acquire materials cheaper as part of the preferential procurement process** $\bar{x} = 3.38$, **Implementing Broad-Based Black Economic Empowerment is a relatively easy process** $\bar{x} = 3.33$, **Black employees are better in terms of skills and seniority in the business since we implement Broad-Based Black Economic Empowerment** $\bar{x} = 3.30$, **We have more successful in this business after complying with the Broad-Based Black Economic Empowerment** $\bar{x} = 3.28$, and **Our annual turnover has increased since the implementation of Broad-Based Black Economic Empowerment** $\bar{x} = 3.05$, indicate that the participants slightly disagree with the statements that there are advantages with the implementation of Broad-Based Black Economic Empowerment.

The subsequent eight statements: **Broad-Based Black Economic Empowerment can help the business to achieve its social responsibility towards the community** $\bar{x} = 4.83$, **Broad-Based Black Economic Empowerment makes it possible for the business to compete in new unexplored markets** $\bar{x} = 4.53$, **Broad-Based Black Economic Empowerment has already been implemented in this business** $\bar{x} = 4.40$, **Have been rated by an accreditation agency in this business and were found to be between the level one and level four contributors** $\bar{x} = 4.25$, **Compliance to Broad-Based Black Economic Empowerment makes it possible for the business to expand its operations (higher growth)** $\bar{x} = 4.08$, **Broad-Based Black Economic Empowerment can result in the acquiring of new customers for the business** $\bar{x} = 4.05$, and **Broad-Based Black Economic Empowerment can lead to new innovative ideas with the input of the empowering partner** $\bar{x} = 4.00$, indicate that the participants are neutral with the statements that there are advantages with the implementation of Broad-Based Black Economic Empowerment. The variance in the different scores indicates that participants have widely different perceptions of the advantages that Broad-Based Black Economic Empowerment holds for their businesses. What is clear is that in general all the

participants disagreed that there are any specific advantages with the implementation of Broad-Based Black Economic Empowerment for their businesses.

3.8.2 Disadvantages of Broad-Based Black Economic Empowerment

Section D of the questionnaire focused on the disadvantages of Broad-Based Black Economic Empowerment to the business as perceived by the participating business owners. The results are presented in table 3.5. In this section a high mean score indicates that a statement indicates a disadvantage.

Strongly Disagree	Disagree	Slightly Disagree	Neutral View	Slightly Agree	Agree	Strongly Agree
1	2	3	4	5	6	7

An average score of $\bar{x} = 4.51$ indicate that the mean scores of between 4.0 and 5.0 indicating that the participants are neutral with the statements made in this section.

Table 3.5: The results of the evaluation of the disadvantages of Broad-Based Black Economic Empowerment

No	Statement	\bar{x}	s
	<i>Average of all sub-indicators in this section</i>	4.51	1.41
D12	BBBEE might lead to the deterioration of quality due to higher levels of authority being given to people that does not possess the necessary skills.	5.40	1.37
D13	Preferential procurement might force the business to buy from new suppliers, resulting in potential risks in terms of reliability.	5.33	1.17
D10	An empowering partner will change the culture of the business, resulting in conflict.	5.15	1.27
D14	Established relationships with current suppliers will be at risk once the business has to buy from empowered suppliers.	4.95	1.38
D11	BBBEE will result in the business employing incompetent people just for the sake of empowerment.	4.90	1.46
D5	Adhering to the BBBEE act and codes of conduct put a burden on the business.	4.80	1.42
D7	Implementing BBBEE will be time consuming and can result in the neglect of existing customers.	4.80	1.46
D8	The ownership requirements of BBBEE will be lead to the owner losing control over the business.	4.75	1.63
D9	The skills development aspect of BBBEE will lead to a loss in productivity as workers will need to attend courses.	4.73	1.65
D15	Quality control might deteriorate as new materials from new suppliers have to be used as part of the preferential procurement requirements.	4.73	1.25
D17	We can't comply fully because there are very few women in this industry.	4.73	1.35
D6	The BBBEE codes of good conduct are vague and complicated.	4.33	1.23
D4	Implementing the codes of good conduct on BBBEE could result in the loss of focus on business matters and therefore could have a hampering effect on our business.	3.95	1.36
D16	BBBEE has caused job losses in this business.	3.75	1.31
D1	Complying with BBBEE is not a priority of this business.	3.70	1.69
D2	BBBEE has caused us to lose lots of contracts.	3.40	1.52
D3	BBBEE has caused job losses of black people in this business.	3.28	1.49

Analysis of the results

The subsequent five statements: **Implementing the codes of good conduct on Broad-Based Black Economic Empowerment could result in the loss of focus on business matters and therefore could have a hampering effect on our business** $\bar{x} = 3.95$, **Complying with Broad-Based Black Economic Empowerment is not a priority of this business** $\bar{x} = 3.70$, **Broad-Based Black Economic Empowerment has caused us to lose lots of contracts** $\bar{x} = 3.40$, **Broad-Based Black Economic Empowerment has caused job losses of black people in this business** $\bar{x} = 3.28$, and **Broad-Based Black Economic Empowerment has caused job losses in this business** have mean scores of between 3.0 and 4.0 and indicate that the participants slightly disagree with the statements made.

The subsequent three statements: **Broad-Based Black Economic Empowerment might lead to the deterioration of quality due to higher levels of authority being given to people that does not possess the necessary skills** $\bar{x} = 5.40$, **preferential procurement might force the business to buy from new suppliers, resulting in potential risks in terms of reliability** $\bar{x} = 5.33$, and **an empowering partner will change the culture of the business, resulting in conflict** $\bar{x} = 5.15$, indicate that the participants also slightly agree with the statements indicating that they see the implementation of Broad-Based Black Economic Empowerment as a disadvantage.

The subsequent eight statements: **established relationships with current suppliers will be at risk once the business has to buy from empowered suppliers** $\bar{x} = 4.95$, **Broad-Based Black Economic Empowerment will result in the business employing incompetent people just for the sake of empowerment** $\bar{x} = 4.90$, **adhering to the Broad-Based Black Economic Empowerment act and codes of conduct put a burden on the business** $\bar{x} = 4.80$, **implementing Broad-Based Black Economic Empowerment will be time consuming and can result in the neglect of existing customers** $\bar{x} = 4.80$, **the ownership requirements of Broad-Based Black Economic Empowerment will be lead to the owner losing control over the business** $\bar{x} = 4.75$,

the skills development aspect of Broad-Based Black Economic Empowerment will lead to a loss in productivity as workers will need to attend courses $\bar{x} = 4.73$, quality control might deteriorate as new materials from new suppliers have to be used as part of the preferential procurement requirements $\bar{x} = 4.73$, and we can't comply fully because there are very few women in this industry $\bar{x} = 4.73$, and the Broad-Based Black Economic Empowerment codes of good conduct are vague and complicated $\bar{x} = 4.33$, have mean scores of between 4.0 and 5.0 indicating that the participants are neutral with the statements made.

3.8.2 Government support

Section E of the questionnaire contained general elements including Government support and suggestions. The results for Government support are presented in table 3.6.

Table 3.6: The results of the evaluation of Government support given to Small- and Medium-Sized businesses about Broad-Based Black Economic Empowerment

No	Statement	\bar{x}	s
	<i>Average of all sub-indicators in this section</i>	3.51	1.46
E1	Adequate information on this issue if BBBEE is available from the Government and its departments.	3.73	1.32
E3	Government has taken small and medium-sized businesses in consideration with the development of BBBEE legislation.	3.43	1.55
E2	Adequate assistance on this issue if BBBEE is available from the Government and its departments.	3.38	1.50

Analysis of the results

The average Government score of $\bar{x} = 3.51$, is low and indicate that owners of the Small- and Medium-Sized Enterprises that participated in this study view the support from Government as inadequate.

All the statements, **adequate information on This issue if Broad-Based Black Economic Empowerment is available from the Government and its departments** $\bar{x} = 3.73$, **adequate assistance on this issue if Broad-Based Black Economic Empowerment is available from the Government and its departments** $\bar{x} = 3.38$ and **Government has taken small and medium-sized businesses in consideration with the development of Broad-Based Black Economic Empowerment legislation** $\bar{x} = 3.43$ have mean scores of between 3.0 and 4.0 indicating that the participants slightly disagreed with the statements made.

3.8.4 Suggestions

The suggestions contained in section E of the questionnaire were either made by the author or a few business owners in the sector who spoke to the author prior to designing the questionnaire. The results of these questions are presented in table 3.7.

Table 3.7: Results of the evaluation of suggestions made

No	Statement	\bar{x}	s
	<i>Average of all sub-indicators in this section</i>	5.49	1.27
E9	The ownership aspect of BBBEE should be applicable to business where the empowerment partner can buy and pay for his own shares.	5.93	1.27
E6	Tax incentives should be given to business based on job creation rather than preferential procurement.	5.78	1.11
E8	The skills development aspect of BBBEE should weigh more on the score card than management participation.	5.58	1.21
E10	In this quest for the right empowerment partner it is more important to recruit someone with practical experience in the business as appose to someone with academic qualifications.	5.55	1.27
E4	BBBEE should place more emphasis on job creation.	5.5	1.21
E7	BBBEE should not be applicable to qualifying small enterprises (with an annual turnover of less than R 35 million)	5.25	1.32
E5	BBBEE qualifying criteria should be based on net income not on turnover.	5.23	1.29
E11	The targets of 2% skills development spend must be reducing for qualifying small enterprises.	5.15	1.5

Analysis of the results

The averages mean score of $\bar{x} = 5.49$, indicate that the owners of Small- and Medium-Sized Enterprises who participated in this study generally agree with the suggestion made in this section.

The most popular suggestion with a mean score of $\bar{x} = 5.93$, is the suggestion where the ownership aspect of **Broad-Based Black Economic Empowerment should be applicable to business where the empowerment partner can buy and pay for his own shares** and this indicate that participants who participated in this study agree with the statement made.

The statements, **the ownership aspect of Broad-Based Black Economic Empowerment should be applicable to business where the empowerment partner can buy and pay for his own shares** $\bar{x} = 5.93$, **tax incentives should be given to business based on job creation rather than preferential procurement** $\bar{x} = 5.78$, **the skills development aspect of Broad-Based Black Economic Empowerment should weigh more on the score card than management participation** $\bar{x} = 5.58$, **in this quest for the right empowerment partner it is more important to recruit someone with practical experience in the business as appose to someone with academic qualifications** $\bar{x} = 5.55$, **the ownership aspect of Broad-Based Black Economic Empowerment should be applicable to business where the empowerment partner can buy and pay for his own shares** $\bar{x} = 5.50$, **Broad-Based Black Economic Empowerment should not be applicable to qualifying small enterprises (with an annual turnover of less than R 35 million)** $\bar{x} = 5.25$, **Broad-Based Black Economic Empowerment qualifying criteria should be based on net income not on turnover** $\bar{x} = 5.23$, and **the targets of 2% skills development spend must be reducing for qualifying small enterprises** $\bar{x} = 5.15$, indicate that the owners of the small and meduim-sized enterprises who participated in this study slightly ageed with the statements made.

3.9 Summary

This chapter reported the results obtained from the statistical analysis done on the data from the empirical research. The study population of this study was the Small- and Medium-Sized Enterprises in the Chemical and Engineering sector in the Sedibeng region in South Africa.

The evaluation of the questionnaire revealed that owners of Small- and Medium-Sized Enterprises in the Chemical and Engineering sector that participated in the study do not see many advantages for their businesses. The other concerns to them were the involvement and assistance from Government.

The valuation methodologies covered have been from a holistic view and could probably be applied in the general business environment. Uncertainty may still exist with regards to Black Economic Empowerment deals that offer high growth potential to businesses.

From the perceptions of the participants involved in this research, is it evident that Black Economic Empowerment will have an impact on the majority of Small- and Medium-Sized Enterprises involved in this study. It confirms the problem statement that Broad-Based Black Economic Empowerment has an impact on Small- and Medium-Sized Enterprises in the Sedibeng region.

Based on the responses which were interpreted in this chapter, final conclusions and recommendations will be discussed in Chapter 4.

CHAPTER 4

Conclusions and recommendations

4.1 Introduction

The importance of Small- and Medium-Sized Enterprises in South Africa and in particular the Sedibeng region cannot be underestimated. It is an important instrument for job creation, addressing unemployment and providing sustainable growth for the economy of South Africa.

The disempowerment mechanisms used under apartheid and other economic imbalances of the past, excluded the majority of South African citizens from the economic mainstream. Black Economic Empowerment emerged as a central objective for transformation after 1994 to achieve the vision of an adaptive economy characterised growth, employment and equity by 2014. South Africa is providing massive opportunities currently for enterprising individuals, be it white or black, male or female. The Government has created a platform where all can participate in business and profit.

The policy of Black Economic Empowerment is of critical interest to Small- and Medium-Sized Enterprises because it impacts the heart and future of all businesses.

Based on the responses, which were interpreted in the preceding chapter, the final conclusions and recommendations are considered in this chapter.

4.2 Conclusions on the empirical study

According to Biekpe (2008) small and medium-sized enterprises create more employment than big businesses. It is accepted across the world that Small- and Medium-Sized Enterprises are very important to the development of an economy.

An empirical study was conducted and entailed participation of 39 small and medium-sized enterprises in the Chemical and Engineering sector in the Sedibeng region. The

results of the study are presented in chapter 3. The following conclusions were made after analysing the questionnaires completed by the participants of this study:

4.2.1 Conclusions Based on the demographical information

- **Age groups of the owners:** The results indicate that the majority of the business owner's ages are above 40 years. This may provide challenges for the sustainability of the industry. Younger owners should own more businesses in this sector of South Africa.
- **Gender of the business owners:** The owners of the Small- and Medium-Sized Enterprises who participated in this study are predominantly owned and managed by males. It is not surprising to see that a total of 89 percent of the respondents are male and only 11 percent are females. This is not surprising considering the cultures in South Africa where the male must provide the income for households.
- **Artisan's status:** The owners of the Small- and Medium-Sized Enterprises who participated in this study are 54 percent qualified artisans and 46 percent are not qualified artisans.
- **Race of the business owners:** A total of 100 percent of the Small- and Medium-Sized Enterprises that participated in the study were white owned. It is evident that a large percentage in the Small- and Medium-Sized Enterprises are still white owned. There must be a big focus to change the current ratio in ownership in this sector.

4.2.2 Conclusions based on the business information

- **Number of employees:** These findings prove that it is not necessary to employ a high number of employees to make a high turnover for the business. It is misleading in this sector, because a business can make a relatively high turnover with few employees. Businesses with few employees cannot always ensure that they comply with the very complicated codes of good practise.
- **Annual turnover:** The majority of the businesses have an annual turnover of between R 10 million and R 35 million, This means that 80 percent of the businesses are qualifying Small- and Medium-Sized Enterprises in terms of the

Broad-Based Black Economic Empowerment Act. The high capacity-intensity of businesses in the Chemical and Engineering sector mean that they have a relatively high turnover with relatively low levels of employees.

- **Legal status of business:** The results shows that the majority of business owners prefer any structure that is uncomplicated to operate. The majority of business owners do not normally have the skills and time to manage complicated structures.

4.2.3 Conclusions based on the awareness of Broad-Based Black Economic Empowerment

A total of 100 percent of the Small- and Medium-Sized Enterprises surveyed indicated that they are familiar with the legislation pertaining to Broad-Based Black Economic Empowerment. While 100 percent is familiar with the legislation, only 88 percent know about the seven elements of the codes of good practice. The results furthermore show that 85 percent of the respondents are aware what qualifying small enterprises are, and strangely only 92 percent of them know that as a qualifying small enterprise they only have to comply with four of the seven elements. This is a very important finding because it might mean that some owners have sold or wanted to sell shares to Black people in a desperate attempt to comply to the Broad-Based Black Economic Empowerment Act when they did not want to.

4.2.4 Conclusions based on the impact of Broad-Based Black Economic Empowerment

The participants of the Small- and Medium-Sized Enterprises in the Chemical and Engineering sector do not see sustainable advantages with Broad-Based Black Economic Empowerment. Although the majority of the owner-managers of the Small- and Medium-Sized Enterprises who participated in this study are familiar with the legislation pertaining to Broad-Based Black Economic Empowerment, a concern is that the majority of them are aware of the fact that qualifying small enterprises only have to comply to four of the seven elements of the codes of good conduct. They are also not familiar with the contribution levels of Broad-Based Black Economic Empowerment. The findings of this study indicated

that the participating businesses are not familiar with all the conditions of the Broad-Based Black Economic Empowerment Act, and the codes of good conduct.

The participating business owners rated the advantages of Broad-Based Black Economic Empowerment to their respected businesses very low. The general perception of the owner-managers is that Broad-Based Black Economic Empowerment does not have an enormous deal of advantages to present. However, participants indicated that Broad-Based Black Economic Empowerment can assist the business to achieve the possibility to obtain new contracts. This study confirms the findings of Orton (2008).

The Broad-Based Black Economic Empowerment Act and codes of conduct put an administrative burden on the businesses. The business owners agreed that their focus must be on the business and not on implementing Broad-Based Black Economic Empowerment Act and codes of conduct. This could result in the loss of focus on business matters and therefore could have a negative effect on their businesses.

The results obtained by assessing the perceptions of the participating business owners with regard to Government support given to Small- and Medium-Sized qualifying businesses indicated that owner-managers are highly frustrated with the existing Government support.

Business owners indicated that the fact that business owners might lose control of the business as part of Broad-Based Black Economic Empowerment as the biggest disadvantage of implementing Broad-Based Black Economic Empowerment. Furthermore, a big concern that came through from conversations with the business owners was selling shares to a stranger in a business that they have spend years building from nothing. Business owners want to focus on their core business and not spend a lot of time trying to comply with Broad-Based Black Economic Empowerment legislation. Several of the businesses are family owned businesses for many years which make the owners more unwilling to lose a share in the business.

4.3 Recommendations

The following recommendations are made with regard to the findings of the literature study, empirical study and conclusions. The recommendations are made to all the role players including Government as represented by the Department of Trade and Industry and the Small- and Medium-Sized Enterprises in the Chemical and Engineering sector.

4.3.1 Recommendations to the Small- and Medium-Sized Businesses

The following recommendations are made to the owner-managers of the Small- and Medium-Sized Enterprises in the Chemical and Engineering sector.

- Small- and Medium-Sized business owner-managers should familiarise themselves further with the Broad-Based Black Economic Empowerment requirements, particularly the codes that deal with qualifying Small- and Medium-Sized Enterprises.
- Small- and Medium-Sized Business owner-managers should not exclusively focus their energies on the ownership element of the scorecard; Small- and Medium-Sized Enterprises do not have to sell their shares in their business to comply with Broad-Based Black Economic Empowerment.
- Small- and Medium-Sized Enterprises must realize that Black Economic Empowerment is a fact, instituted by the current Government and will have a result on all businesses all the way through the entire South Africa.
- Small- and Medium-Sized Enterprise owners must understand the essence of the policy of Black Economic Empowerment.
- Small- and Medium-Sized Enterprise owners must become conscious that the initiative is not to dampen any business, but they must to a certain extent grasp the opportunity for growth in their business.
- Small- and Medium-Sized Enterprises must realise the impact of Black Economic Empowerment. The objective should be to make profit and to increase turnover, not to lose work, contracts or tenders. The business concept of sustainable growth should always be the ultimate goal of the business. Black Economic Empowerment should create new contracts and tenders to stay more competitive.

- When Small- and Medium-Sized Enterprises appoint Black Economic Empowerment employees, they must do it for the right reasons. Remember to also uplift internal employees through skills development plans, multi-skilling and give them the opportunities to develop.
- Use professional advice if necessary and understand the way that culture influences the efficiency of the business.

4.3.2 Recommendations to Government

The following recommendations are made to the Government as represented mainly by the Department of Trade and Industry.

- Government should investigate the possibility of tax incentives for businesses that create new jobs.
- Government must establish advisory services that will help Small- and Medium-Sized Enterprises to comply with Broad-Based Black Economic Empowerment.
- An extensive drive must be implemented to educate Small- and Medium-Sized Enterprises about the elements of Broad-Based Black Economic Empowerment scorecard.
- Labour legislation is very stringent and must be more flexible for the Small- and Medium-Sized Enterprises. Complying with tougher labour laws is a very costly exercise.
- Although South Africa has seen deregulation in the past decade, some felt that overregulation was still a issue and that licensing, health and safety laws and the like needed to be relaxed.
- The public sector tendering system is regarded as inaccessible to Small- and Medium-Sized Enterprises.
- The complexity of the tax system raised the cost of doing business because Small- and Medium-Sized Enterprises do not normally have the capacity to administer this area and found it difficult to afford accountants.

4.4 Evaluation of this study

The measurement of this study is based upon the achievement of the primary and secondary objectives, as indicated in section 1.3 of this study.

4.4.1 Primary objective

The primary objective of the study was to investigate the impact of Broad-Based Black Economic Empowerment on Small- and Medium-Sized businesses in the Chemical and Engineering sector and secondly to make recommendations to the Small- and Medium-Sized Enterprises on the management of Black Economic Empowerment in their businesses.

This objective was achieved by means of a questionnaire that was developed and administered to the Small- and Medium-Sized Enterprises in the sector. The results are presented in chapter 3 of this study and the recommendations made are in chapter 4 of this study.

4.4.2 Secondary objective

Section 1.3.2 specified the following objectives:

- To define Broad-Based Black Economic Empowerment;
- To identify the objectives of Broad-Based Black Economic Empowerment;
- To obtain insight into the dynamics of Broad-Based Black Economic Empowerment by means of a literature study;
- To establish what the influence of Broad-Based Black Economic Empowerment will be on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector;
- To construct a questionnaire to assess what the impact of Broad-Based Black Economic Empowerment have on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector in the Sedibeng region; and
- To make conclusions and recommendations based on the literature study and empirical study.

The first secondary objective was achieved through definitions of Broad-Based Black Economic Empowerment in section 2.2 of this study.

The second secondary objective of obtaining insight into the dynamics of Broad-Based Black Economic Empowerment was achieved by a literature study which is contained in section 2.3, 2.4 and 2.5 in this study focusing on aspects like time-line and history of Broad-Based Black Economic Empowerment.

The third secondary objective was to obtain insight into the dynamics of Broad-Based Black Economic Empowerment by means of a literature study which is contained in section 2.6, 2.7, 2.8, 2.9 and 2.10 in this study focusing on aspects like the myths behind Black Economic Empowerment, the background to the codes of good practice, policy objectives and principles of Black Economic Empowerment, the Broad-Based Black Economic Empowerment score cards and codes of good conduct and the Broad-Based Economic Empowerment Act.

The fourth secondary objective was to establish what the influence of Broad-Based Black Economic Empowerment will be on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector. This was done through questions in the questionnaire and subsequently through analysing the responses given by the respondents.

The fifth secondary objective was to construct a questionnaire to assess the impact of Broad-Based Black Economic Empowerment have on Small- and Medium-Sized Enterprises in the Chemical and Engineering sector in the Sedibeng region. The questionnaire was construct which is contained and describe in section 3.3 of this study.

The last and final secondary objective was to make conclusions and recommendations based on the literature study and empirical study. This has been achieved through section 4.3.1 and section 4.3.2.

4.5 Suggestions for future research

- A number of potential areas for future research have emerged as a result of this study. Black ownership of South African businesses remains very low. Many Small- and Medium-Sized Enterprises in the sample indicated low, but no black ownership. It would be valuable to be aware of the reasons for this and potential mechanisms that could be put in place to accelerate black ownership.
- As a result of the existence of Black Economic Empowerment in the South African economic environment for a number of years certain studies that were not possible previously may now be possible. A valuable study that can add value in the future will be; the purpose of both being to try and establish whether or not Black Economic Empowerment has added any value to businesses in South Africa. This study must involve a comparison of the financial performance of a chosen company prior to it being Black Economic Empowerment compliant with the view to establish the effect (positive or negative) of Black Economic Empowerment. This would be a time series study as a result of the company would be tracked over time.
- The second study, while similar would involve separate companies (likely in the same sector with the same product) where one is fully Black Economic Empowerment compliant and the other not. Comparisons could be drawn along a number of criteria (Example: Financial performance or growth of the businesses) to establish whether or not the Black Economic Empowerment compliant company has any benefits from Black Economic Empowerment status.
- The impact of Broad-Based Economic Empowerment on the culture of entrepreneurship.
- The Black Economic Empowerment policy and implementation is seen as a treat by most Small- and Medium-Sized Enterprises at this stage. It is therefore recommended that further studies should be considered in other areas of South Africa.

4.6 Summary

The South African Government has done well to encourage Small- and Medium-Sized Enterprise development since 1994. Most of the policies have taken Small and Medium-Sized Enterprises into consideration in an effort to reduce inequality in the country. Even though these policies have been in favour of Small- and Medium-Sized Enterprises, in some cases objectives set have not been achieved. However, some areas make the environment more conducive to Small- and Medium-Sized Enterprise market participation than others.

The degree of accomplishment achieved by Black Economic Empowerment policy and legislation has yet to be quantified. There are those who say that there can be little doubt that it has been favourable to South Africa while others are adamant that Black Economic Empowerment has only succeeded in making us less competitive as a country. To date neither argument can be substantiated with well-research, hard confirmation.

This study has revealed that not all businesses have made an effort to comply with the Broad-Based Black Economic Empowerment scorecard. It has also made known that businesses find certain aspects of the scorecard easier to comply with than others and there is therefore gravitation towards the accomplishment of only some of those aspects.

Black owned and white owned companies in South Africa face some similar challenges. Businesses fight to find suppliers of products and services that meet requisite levels. A concern for many businesses is that few or no suitable Black Economic Empowerment suppliers exist for them to deal with. This results in great challenges around fulfilling Black Economic Empowerment procurement needs.

Black Economic Empowerment and the related instruments such as sector charters and scorecards, needs to be seen as a developing certainty that demands uninterrupted testing and thought and policy refinement.

The emphasis is on value creation and no organisation should aspire to change its core strategy when there is no short-term or long-term benefit for the stakeholders. Broad-Based Black Economic Empowerment may be critical to customer retention or market

growth. Laggards to adopting transformation may find themselves disadvantaged and incapable of regaining market share. Organisations therefore need to think strategically and make Black Economic Empowerment work for them.

There is clearly a mutual trade-off for the Black Economic Empowerment partner and the organisation. The potential partner would seek to acquire a stake in the business that has a successful track record and that offers future growth prospects. The organisation on the other hand would seek a partner that can offer a valuable contribution to the organisation through skills and networking capabilities.

All promising ways must be sought by all to ensure the accomplishment of the objectives and the spirit of the pieces of legislation addressing the past imbalances. The accomplishment of such is in the best interest of the whole country. Businesses will thrive in an environment where the bulk of the people are economically satisfied and only stability reigns.

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Annexure 2

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Code number:

QUESTIONNAIRE:

**IMPACT OF BROAD BASED BLACK ECONOMIC
EMPOWERMENT ON WHITE-OWNED QUALIFYING
SMALL ENTERPRISES IN THE CHEMICAL AND
ENGINEERING SECTOR**

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BROAD-BASED BLACK ECONOMIC EMPOWERMENT QUESTIONNAIRE

All information will be treated as **STRICTLY CONFIDENTIAL** and will only be used for academic purposes.

GENERAL INSTRUCTIONS

1. This questionnaire must be completed by the **Owner/Director/Member** of the business.
2. Please answer the questions as objectively and honestly as possible.
3. Please answer all the questions, as this will provide sufficient information to the researcher so that an accurate analysis and interpretation of data can be made.

All the questions may be answered by making a cross in the relevant block. Use the following key: **1** = Strongly disagree; **2** = Disagree; **3** = Slightly disagree; **4** = Neutral view; **5** = Slightly agree; **6** = Agree; **7** = Strongly agree. **You must select the number which best describes how you feel about the item.** For example, should you be asked the extent to which you agree with the statement:

“BBBEE makes it possible for the business to be more competitive.”

and you feel that you slightly agree, you will mark the number 5 (**5 = Slightly agree**) as in the example:

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
B7	BBBEE makes it possible for the business to be more competitive.	1	2	3	4	5 X	6	7

It is essential you indicate your choice clearly with a **pen**.

SECTION A: DEMOGRAPHIC INFORMATION

The following information is needed to help us with the statistical analysis of the data for comparisons among different businesses. All your responses will be treated confidentially. We appreciate your help in providing this important information.

Mark the applicable block with a cross (X). Complete the applicable information.

A1	<i>In which age group do you fall?</i>	≤ 29	30 - 39	40 - 49	50 - 59	60+
-----------	--	------	---------	---------	---------	-----

A2	What is your gender?	Male	Female
-----------	----------------------	------	--------

A3	Are you a qualified Artisan?	Yes	No
If Yes; what is your trade:			

A4	Is your business white-owned?	Yes	No
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A5	Percentage shares that you own in the business?	%
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A6	How many permanent employees are employed by the business?							
	1-5	6-10	11-25	26-50	51-100	101-200	201-500	500+

A7	<i>What is the turnover of the business per year?</i>					
	< R 1 m	R 1 – R 5 m	R 5 – R 10 m	R 10 – R 35 m	R 35 – R 100 m	> R 100 m

A8	<i>What is the legal status of the business?</i>			
	Proprietorship	Partnership	Company (private)	Company (public)
	Close Corporation	Co-operative	Business Trust	Franchise
	Other or combination (specify):			

A9	How long have you been running this business (years)?
	Specify:

A10	<i>What does your business do?</i>				
	Basic iron and steel industries, except steel pipe and tube mills	Manufacture of machinery for mining, quarrying and construction	Steel pipe and tube mills	Refining of precious metals, e.g. gold, silver, platinum	Manufacture of primary non-ferrous metal products, excluding precious metals
	Manufacture and installation of pneumatic and hydraulic systems	Casting of non-ferrous metals	Manufacture of metal structures or parts thereof	Other structural metal products, e.g. metal doors, windows and gates	Manufacture of electric motors, generators and transformers
	Manufacture of tanks, reservoirs and similar containers of metal	Manufacture of steam generators, except central heating hot boilers	Manufacture of electricity distribution and control apparatus	Forging, pressing, stamping and roll-forming of metal: powder metallurgy	Precision Engineering
	Other: (Specify):				

A11	<i>Which association does your business belong to?</i>			
	Steel & Engineering Industries Federation of SA (SEIFSA)	National Association of Automotive Components and Allied Manufacturers (NAACAM)	Aluminium Federation of South Africa (AFSA)	South African Institute of Steel Construction (SAISC)
	Other: Specify:			

SECTION B: AWARENESS OF BBBEE

Indicate to what extents do you agree or disagree with the statements. Mark the applicable block with a cross (X).

B1	I am familiar with the legislation pertaining to BBBEE.	Yes (01)	No (02)
B2	I know about all the seven elements of the codes of good practice.	Yes (01)	No (02)
B3	I am aware of the fact that qualifying small enterprises consists of businesses with an annual turnover of R5 – R35 million.	Yes (01)	No (02)
B4	The fact that qualifying small enterprises only have to adhere to four of the seven elements of the codes of good practise is known to me.	Yes (01)	No (02)
B5	I am aware of the Contribution levels of the BBBEE.	Yes (01)	No (02)
B6	The turnover of the enterprise falls within the R5 million to R35 million bracket.	Yes (01)	No (02)
B7	I am aware that businesses with less than R5 million turnover are exempted from complying with the codes	Yes (01)	No (02)

SECTION C: ADVANTAGES TO THE BUSINESS

Indicate to what extent does you agree or disagree with the statements. Mark the applicable block with a cross (X).

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
ADVANTAGES TO THE BUSINESS								
C1	BBBEE creates new possibilities for the business in terms of business networks and new associates.	1	2	3	4	5	6	7
C2	We have been rated by an accreditation agency in this business and were found to be between level one and level four contributors.	1	2	3	4	5	6	7
C3	Implementing BBBEE is a relatively easy process.	1	2	3	4	5	6	7
C4	We have been more successful in this business after complying with the BBBEE legislation.	1	2	3	4	5	6	7
C5	Black employees are better off in terms of skills and	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
	seniority in the business since we implemented BBBEE.							
C6	Our annual turnover has increased since the implementation of BBBEE.	1	2	3	4	5	6	7
C7	BBBEE can result in the acquiring of new customers for the business.	1	2	3	4	5	6	7
C8	BBBEE has already been implemented in this business.	1	2	3	4	5	6	7
C9	BBBEE makes it possible for the business to invest in affordable skills development for employees.	1	2	3	4	5	6	7
C10	BBBEE can lead to new innovative ideas with the input of the empowering partner.	1	2	3	4	5	6	7
C11	BBBEE can help the business to achieve its social responsibility towards the community.	1	2	3	4	5	6	7
C12	BBBEE makes it possible for the business to be more competitive.	1	2	3	4	5	6	7
C13	BBBEE makes it possible for the business to compete in new unexplored markets.	1	2	3	4	5	6	7
C14	BBBEE makes it possible for the business to get access to contracts.	1	2	3	4	5	6	7
C15	Compliance to BBBEE makes it possible for the business to expand its business operations (higher growth).	1	2	3	4	5	6	7
C16	BBBEE can give the business the opportunity to acquire materials cheaper as part of the preferential procurement process.	1	2	3	4	5	6	7
C17	BBBEE can lead to more effective management styles within the business.	1	2	3	4	5	6	7
C18	Access to finance would be easier once the business comply with BBBEE requirements.	1	2	3	4	5	6	7
C19	BBBEE creates new jobs.	1	2	3	4	5	6	7

SECTION D: DISADVANTAGES TO THE BUSINESS

Indicate to what extent does you agree or disagree with the statements. Mark the applicable block with a cross (X).

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
DISADVANTAGES TO THE BUSINESS								
D1	Complying with BBBEE is not a priority of this business.	1	2	3	4	5	6	7
D2	BBBEE has caused us to lose a lot of contracts.	1	2	3	4	5	6	7
D3	BBBEE has caused job losses of black people in this business.	1	2	3	4	5	6	7
D4	Implementing the codes of good conduct on BBBEE could result in the loss of focus on business matters and therefore could have a hampering effect on our businesses.	1	2	3	4	5	6	7
D5	Adhering to the BBBEE act and codes of conduct put an administrative burden on the business.	1	2	3	4	5	6	7
D6	The BBBEE codes of good conduct are vague and complicated.	1	2	3	4	5	6	7
D7	Implementing BBBEE will be time consuming and can result in the neglect of existing customers.	1	2	3	4	5	6	7
D8	The ownership requirements of BBBEE will lead to the owner losing control over the business.	1	2	3	4	5	6	7
D9	The skills development aspect of BBBEE will lead to a loss in productivity as workers will need to attend courses.	1	2	3	4	5	6	7
D10	An empowering partner will change the culture of the business, resulting in conflict.	1	2	3	4	5	6	7
D11	BBBEE will result in the business employing incompetent people just for the sake of empowerment.	1	2	3	4	5	6	7
D12	BBBEE might lead to the deterioration of quality due to higher levels of authority being given to people that does not possess the necessary skills.	1	2	3	4	5	6	7
D13	Preferential procurement might force the business to buy from new suppliers, resulting in potential risks in terms of reliability.	1	2	3	4	5	6	7
D14	Established relationships with current suppliers will be at risk once the business has to buy from empowered suppliers.	1	2	3	4	5	6	7

		Strongly disagree	Disagree	Slightly disagree	Neutral view	Slightly agree	Agree	Strongly agree
D15	Quality control might deteriorate as new materials from new suppliers have to be used as part of the preferential procurement requirements.	1	2	3	4	5	6	7
D16	BBBEE has caused job losses in this business.	1	2	3	4	5	6	7
D17	We can't comply fully because there are very few women in this industry.	1	2	3	4	5	6	7

SECTION E: GENERAL

GOVERNMENT SUPPORT									
E1	Adequate information on the issue of BBBEE is available from Government and its departments.	1	2	3	4	5	6	7	
E2	Adequate assistance on the issue of BBBEE is available from Government and its departments.	1	2	3	4	5	6	7	
E3	Government has taken small and medium-sized businesses in consideration with the development of BBBEE legislation.	1	2	3	4	5	6	7	

SUGGESTIONS									
E4	BBBEE should place more emphasis on job creation.	1	2	3	4	5	6	7	
E5	BBBEE qualifying criteria should be based on net income not turnover.	1	2	3	4	5	6	7	
E6	Tax incentives should be given to businesses based on job creation rather than preferential procurement.	1	2	3	4	5	6	7	
E7	BBBEE should not be applicable to qualifying small enterprises (with an annual turnover of less than R35 million)	1	2	3	4	5	6	7	
E8	The skills development aspect of BBBEE should weigh more on the score card than management participation.	1	2	3	4	5	6	7	
E9	The ownership aspect of BBBEE should only be applicable to businesses where the empowerment partner can buy and pay for his own shares.	1	2	3	4	5	6	7	
E10	In the quest for the right empowering partner it is more important to recruit someone with practical experience in the business as appose to someone with academic qualifications.	1	2	3	4	5	6	7	
E11	The targets of 2 % skills development spend must be reduced for qualifying small enterprises	1	2	3	4	5	6	7	

THANK YOU FOR YOUR TIME.

Annexure 3

Glossary of abbreviations

BEE:	Black Economic Empowerment
DTI:	Department of Trade and Industry
IDC:	Industrial Development Corporation
NEPA:	Ntsika Enterprise Promotion Agency
NGO:	Non Government Organisation
PDI:	Previous Disadvantaged Individual
SARS:	South African Receiver of Revenue