

South African managers' perceptions of black economic empowerment (BEE): A 'sunset' clause may be necessary to ensure future sustainable growth

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ABSTRACT

Transformational policies in South Africa, such as black economic empowerment (BEE), have increasingly and inextricably become part of the everyday political, economic and social life of all South Africans since the founding of the new democracy in April 1994. In this regard, South African businesses are subject to a whole array of mandatory regulations which specifically influence their operational capabilities and competitiveness to compete effectively and efficiently in both national and global markets. In a survey among 500 individual managers in South African businesses ranging from small, medium to large multinationals companies, it was found that BEE is well integrated into most of these organisations. However, the mounting resistance to and rejection of BEE that exists at management level can also increasingly be seen at the intellectual level of the population through public discourse in the daily newspapers, in which BEE is essentially viewed as a perpetuation of past injustices. The African National Congress (ANC) government must take cognisance of the negative influence that BEE has had on South Africa over the last more or less ten years and accept that a 'sunset' or termination clause needs to be set before too much further damage is done to the economy of the country and its world competitiveness ranking.

Key words: transformation, black economic empowerment (BEE), broad-based black economic empowerment (B-BBEE), African National Congress (ANC), competitiveness, sustainable growth, South Africa

Introduction

“BEE is flawed and should be scrapped,” writes Anthea Jeffery in the business headline of the *Mail & Guardian* on 18 January 2013. Black economic empowerment (BEE), or its extended version known as broad-based black economic empowerment (B-BBEE), was implemented by the South African government under the ruling party, the African National Congress (ANC) during the second term of the second president, President Thabo Mbeki, in 2003. To recall, the first president of South Africa under the new political dispensation following the abolition of apartheid was the famous and international icon, Nelson Mandela, who was elected after the first historic non-racial, all-democratic elections in April 1994. BEE in terms of the Broad-Based Black Economic Empowerment Act 53 of 2003 is one of the many new pieces of legislation enacted by the ANC over the last 18 years in the bid to transform South Africa into a non-racist, non-sexist, peaceful and prosperous society. According to the South African Department of Trade and Industry (DTI), “Our country requires an economy that can meet the needs of all economic citizens – our people and their enterprises – in a sustainable manner. This will only be possible if our economy builds on the full potential of all persons and communities across the length and breadth of this country” (DTI 2007b: 4). In the business world, BEE has become controversial and receives much newspaper coverage as indicated above, because it has a dramatic impact on the daily political, economic and social lives of all the country’s 50 million plus population. A full array of policies, procedures, legal requirements, codes of good practice, and scorecards including punitive measures, such as hefty fines and even the possibility of imprisonment for non- or partial compliance, accompany the legislation. The exploratory empirical research on which this article is based comprised 20 propositions derived from a literature review. These propositions were incorporated into an online questionnaire that was sent to 500 managers employed in South African companies in various industries in 2010 (see the acknowledgements at the end). The purpose was to gain an understanding of their perceptions regarding the nature and origin of BEE in general, but also specifically the potential impact or influence that BEE could have on their business operations and competitiveness.

Background and literature review

Introduction

BEE and B-BBEE are unique concepts found mainly in South Africa. This inherently limits the available academic literature on the particular topic. Given the scarcity of such literature, it was difficult to find a suitable foundation or platform on which to

anchor the research. The question which inevitably arises in an academic context is: ‘Does BEE relate to business, management, ethics, philosophy, or some or all of these?’

Given that one of the primary objectives of the research was to investigate managers’ perceptions regarding the effects of BEE on South African businesses, the link to the academic field of business management was believed to be appropriate. Since all the current legislation governing BEE is administered by the DTI by reason of its economic impact on the country as a whole and individual businesses in particular, this selection also seems appropriate. This government department is not only one of the main drivers of BEE, but in a macro strategic perspective, it is also responsible for the country’s economic growth.

South Africa’s economic transformation agenda

According to the DTI’s strategy for broad-based black economic empowerment, “South Africa needs a focussed BEE strategy to achieve the broad-based economic empowerment of black persons – a generic term, which means indigenous Africans, Coloureds and Indians – in our country. This will facilitate growth, development and stability in our economy” (DTI 2007b: 12).

The DTI (2007b: 12) defines BEE as “an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the numbers of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities”. Considering the amount of information in terms of the rationale, codes of practice and similar characteristics that are available on the DTI’s website, it is apparent that BEE has grown rapidly and become increasingly complex. It has also become an integral part of South Africa’s everyday business life. For example, the DTI’s B-BBEE strategy document, referred to earlier, provides details of the transformation rationale, its purpose in terms of overcoming the economic legacy of apartheid, and the B-BBEE strategy itself, including its definitions, policy objectives, key principles, policy instruments, financing arrangements and various appendices which contain, for example, a ‘balanced scorecard’ (containing multiple categories of focus with different weightings), definitions and draft regulations. B-BBEE is measured by a balanced scorecard (also referred to as the generic scorecard in the Codes of Good Practice on Black Economic Empowerment, Government Notice 112 of 2007) and includes scores for direct empowerment, human resource development and indirect empowerment.

South African managers' perceptions of black economic empowerment (BEE)

Officially, in terms of article 1 of the Broad-Based Black Economic Empowerment Act 53 of 2003, B-BBEE means “the economic empowerment of all black people including women, workers, [the] youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies”. The objectives of article 2 of the Act are to facilitate B-BBEE by means of the following:

- (a) promoting economic transformation in order to enable participation of black people in the economy;
- (b) achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises;
- (c) increasing the extent to which communities, workers, cooperatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training;
- (d) increasing the extent to which black women own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training;
- (e) promoting investment programmes that lead to broad-based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity;
- (f) empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
- (g) promoting access to finance for black economic empowerment.

The most comprehensive and elaborate official B-BBEE publication, however, is found in Government Notice 112 of 2007 legislated by the Department of Trade and Industry and issued under the Broad-Based Black Economic Empowerment Act 53 of 2003, where certain codes of good practice are included. The codes apply to the following entities in South Africa (DTI 2007a: 9):

- all public entities (defined under schedule 2 of the Public Finance Management Act 1 of 1999) including the Airports Company South Africa, Denel (national arms and weapons manufacturer), the Development Bank of Southern Africa (DBSA), Eskom (national electricity utility), the SABC (national public broadcaster), the SAPO (national post office) and Transnet (national road, shipping, railway and pipeline operator) (Auditor General of South Africa, Public Finance Management Act 1 of 1999: 45)
- any public entity (defined under schedule 3 of the Public Finance Management Act 1 of 1999) that undertakes any business with any organ of state, public

entity or any other enterprise (Auditor General of South Africa, Public Finance Management Act 1 of 1999: 45–47)

- any enterprise that undertakes any business with any organ of state or public entity
- any other enterprise that undertakes any business (directly or indirectly) that is subject to measurement as specified above and is seeking to establish its own level of B-BBEE compliance.

For all practical purposes, the codes in South Africa thus apply to all government departments, non-governmental organisations (NGOs), public and private companies (both those listed on the JSE – Johannesburg Stock Exchange – and those that are AltX-listed), close corporations, Article 21 (non-profit) companies, incorporated companies, external companies, sole proprietors and partnerships.

The Codes of Good Practice for BEE cover 96 pages and include detailed explanations of the framework and measurement of ownership, including numerous mathematical formulae for the calculation of the seven individual elements (Table 1).

Table 1: Elements and weightings of generic B-BBEE scorecard

Element	Weighting	Code series reference
Ownership	20 points	100
Management control	10 points	200
Employment equity	15 points	300
Skills development	15 points	400
Preferential procurement	20 points	500
Enterprise development	15 points	600
Socio-economic development initiatives	5 points	700

Source: DTI (2007a: 5)

A distinction is made between an exempted micro-enterprise (EME) with a total revenue of R5 million or less, a qualifying small enterprise (QSE) with total revenue of between R5 million and R35 million, and a start-up enterprise, which is measured as an EME for the first year of formation or incorporation. An EME is deemed to have a B-BBEE status of level 4 or level 5 in instances where more than 50% is owned by black people. A QSE must select any four of the seven elements of the scorecard for measurement to determine its compliance. Measurement of an enterprise as a ‘contributor’ in terms of the generic scorecard determines its B-BBEE status on the basis of the qualification with respect to points scored, including its B-BBEE recognition level (Table 2).

Table 2: B-BBEE status, qualification and recognition level

B-BBEE status	Qualification	B-BBEE recognition level (%)
Level One Contributor	≥100 points on the Generic Scorecard	135
Level Two Contributor	≥85 but <100 points on the Generic Scorecard	125
Level Three Contributor	≥75 but <85 points on the Generic Scorecard	110
Level Four Contributor	≥65 but <75 points on the Generic Scorecard	100
Level Five Contributor	≥55 but <65 points on the Generic Scorecard	80
Level Six Contributor	≥45 but <55 points on the Generic Scorecard	60
Level Seven Contributor	≥40 but <45 points on the Generic Scorecard	50
Level Eight Contributor	≥30 but <40 points on the Generic Scorecard	10
Non-compliant Contributor	<30 points on the Generic Scorecard	0

Source: DTI (2007a: 5)

Rationale for the study

Given the scope and array of interventions that are legally sanctioned under the B-BBEE Act referred to earlier, the Codes of Good Practice for BEE and their widespread application to almost all entities in South Africa both in the public and private sectors, it is important to determine the potential impact or influence of BEE on the performance of business in order to understand the perceptions of managers regarding this policy. As part of the original 2010 study, this determination was done where the same managers indicated that the impact of BEE on South African businesses was mainly negative on all ten of the identified dimensions of business performance (Du Toit, Erasmus & Strydom 2011): (1) overall domestic and global competitiveness; (2) service excellence and client satisfaction; (3) quality and acceptance of products and services; (4) productivity; (5) entrepreneurial spirit; (6) production performance; (7) human development and staff morale; (8) business ethics; (9) sales and access to markets; and (10) financial performance (Krüger 2011). The majority of the respondents further disagreed with the notion that the adoption of BEE practices would improve the performance of their company in any of the ten above-mentioned dimensions of business performance.

Study approach

Moving on to determine managers' perceptions of BEE in South Africa, a broad range of available literature from articles and books as well as newspaper clippings was studied and 20 statements or propositions were generated, half of which were formulated and hypothesised as true (normal text) and the other half as false (the latter presented in italics in Table 3). The statements were randomly placed in the table. Seven of the propositions were derived from Mbeki's (2009) critical assertions. Five were formulated based on documentation from the DTI (2007a, b) and the formal B-BEE legislation (Republic of South Africa, Act 53 of 2003), and eight were based on some of the researcher's own observations and perceptions derived from discussions with business people. For ethical reasons and purposes of anonymity, the specific statement and its corresponding source is not disclosed, but can be cross-referenced by the researcher if required.

As previously pointed out by Krüger (2011: 212), the academic literature on the topic of BEE and transformation in South Africa is relatively limited in depth. However, it appears that the scope is broadening as more multidisciplinary research takes place that includes a juristic or legal focus (Chigara 2011; Wythes 2010), an accountancy interest (Gobodo 2010; Rabie 2010; Schreuder 2010) and a social responsibility perspective (Horwitz & Jain 2011; Ramlall 2012). In the next section, details of the research design and methodology of the 2010 project are described.

Research design and methodology

The sample of 500 participants was derived from the following business entity sizes (in accordance with the DTI codes of good practice) and, where possible, companies from all nine provinces in South Africa:

- Small and micro-enterprises earning less than R5 million per annum (also named EMEs – exempted micro-enterprises): The focus was to establish how they believed BEE would affect them should they need to comply with the codes in the future.
- Medium businesses earning between R5 million and R35 million per annum (also termed QSEs – qualifying small enterprises): These businesses are given some relief in terms of the codes but must comply with any four of the seven elements, and the focus was thus to establish the impact of 'limited' BEE compliance on their business performance.
- Large multinational companies earning more than R35 million per annum: These companies must demonstrate full compliance with the codes, and the focus was thus to establish the impact of 'full' BEE compliance on their business performance.

South African managers' perceptions of black economic empowerment (BEE)

Table 3: Managers' perceptions of BEE: 20 true or false hypotheses or propositions

No.	Hypotheses / propositions
1	<i>BEE is a post-1994 ANC government policy aimed at broadening the economic base of the country</i>
2	BEE is a 'distributive' policy specifically aimed at sharing the wealth of the country with the so-called PDIs (previously disadvantaged individuals)
3	<i>BEE and affirmative action have become acceptable core black ideologies for transformation in South Africa</i>
4	BEE essentially targets inequality in the workplace by giving black people a first advantage in employment
5	BEE is nothing more than a process of reverse discrimination to correct the wrongs and imbalances of the past caused by apartheid and white minority rule
6	<i>BEE is a fair and equitable way of dispossessing white-owned business and ensuring black ownership</i>
7	BEE can be disastrous for a company because it limits its ability to freely compete in the South African market
8	<i>BEE stimulates economic growth, creates more employment and reduces poverty</i>
9	Critics of BEE maintain that it has created a very small number of extremely wealthy black 'businessmen' and does nothing for the masses still living in poverty
10	<i>The requirements of the BEE Act are reasonable and easy to comply with in practice</i>
11	<i>BEE ensures meaningful participation by black people in the mainstream economy which is essential for sustaining South Africa's economy and maintaining democratic structures</i>
12	BEE has directly contributed towards South Africa's de-industrialisation because it opened up the economy to fierce competition from Asian countries like China
13	BEE will be harmful to the country over the long term as it leads to complacency, self-enrichment, ill favour, division, increased prices and poor service delivery
14	<i>Small businesses with an annual turnover of R5 million or less must also complete a BEE scorecard</i>
15	<i>Start-up companies (those with less than one year in businesses) are not exempted from BEE regulations</i>
16	BEE legally forces the redistribution of existing wealth held by the white minority to the black majority
17	BEE was developed by South Africa's large mining, energy and financial companies as a compromise against outright government nationalisation and ownership
18	BEE is very harmful to black entrepreneurship as it discourages them from starting new business ventures
19	<i>A legal way to deal with BEE is to set up a front company in order to continue with business as usual</i>
20	<i>Most businesses in South Africa fully adhere to and are BEE compliant</i>

Key: Statements in normal font are postulated as true, while those in italics are postulated as false or not true.

Businesses and companies were randomly selected from a business-related database (De Boer 2010). Respondents were first contacted telephonically to inform them of the nature and purpose of the survey and request their participation in an on-line version of the survey. A link to the survey was then emailed to each respondent who agreed to participate.

The research questionnaire consisted of the 20 propositions described earlier, which had to be rated on a 5+1 Likert-point scale, ranging from 'strongly agree', 'agree', 'neutral', 'disagree', 'strongly disagree' to an additional option 'don't know'.

The final research questionnaire was compiled after a pre-test which was conducted among ten respondents, and changes and/or improvements were made on the basis of their comments and feedback.

In the following section, the demographics of the businesses in which the respondents were employed, their employer's provincial location, the type of enterprise, the type of industry in which it is involved, as well as whether the individual believed he or she would benefit from BEE and whether he or she was regarded as a previously disadvantaged individual (PDI), are presented.

Research results

Demographics

As shown in Table 4, the majority (89%) of respondents were employed in companies located in Gauteng, followed by the Western Cape (5%), KwaZulu-Natal (KZN) (5%) and the Eastern Cape (1%).

Table 4: Provincial location of respondents' employer

	Frequency	Percentage
Gauteng	445	89
Western Cape	26	5.2
Eastern Cape	6	1.2
KZN	23	4.6
Total	500	100
Mean	1.260	
Std deviation	0.877	
Variance	0.770	

The majority (67%) of the respondents worked in small and micro-enterprises, followed by medium enterprises (20%) and large multinational companies (13%) (Table 5).

Table 5: BEE classification of enterprise in which respondents are employed

	Frequency	Percentage
Large multinational	65	13
Medium enterprise	99	19.8
Small and micro-enterprise	336	67.2
Total	500	100
Mean	2.542	
Std deviation	0.714	
Variance	0.509	

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Table 6: Employment of respondents in industry types according to the standard industry classification (SIC)

SIC code	SIC description		Fre- quency	Per- centage
0	Private households, extritorial organisational representatives of foreign governments and other activities not adequately defined		9	1.8
1	Agriculture, hunting, forestry and fisheries			0.0
2	Mining & quarrying			0.0
3	Manufacturing		221	44.2
	30	Food beverage and tobacco	54	
	31	Textiles, clothing and footwear	23	
	32	Wood and wood products, furniture, paper and paper products, printing	34	
	33	Chemicals and petroleum products	12	
	34	Non-metallic minerals	10	
	35	Basic metal products, fabricated metal products, other machinery and equipment	39	
	36	Electronics and electrical equipment	20	
	38	Transport equipment	20	
4	Electricity, gas, steam & hot water supply		13	2.6
5	Construction			0.0
6	Wholesale & retail trade; repair of motor vehicles, motor cycles and personal & household goods; hotels and restaurants		57	11.4
	61	Trading, warehousing, wholesale	14	
	62	Pharmaceuticals	24	
	64	Hotel, catering and restaurants	19	
7	Transport, storage & communication		68	13.6
	70	Transport, storage & communication	18	
	75	Communication and telephone	50	
8	Financial intermediation except insurance and pension funding; financial intermediation, except insurance and pension funding.		84	16.8
	81	Banking, finance	9	
	85	Property	1	
	88	Professional services	74	
9	Community, social and personal services.		48	9.6
	91	Security services, armed responses	16	
	93	Medical services, hospitals and clinics	17	
	96	Entertainment, media, including sport, theatre, plant, animal parks and zoos	15	
TOTAL			500	100.0

A wide variety of industries were included in the sample (Table 6).

A large proportion of the respondents (26%) were the human resource managers of their companies, followed by operations directors (13%) and production/operations managers (10%). Twelve per cent were the production foremen of their companies, while 29% held ‘other’ positions, which included the sales and marketing manager, financial directors and managers, business owners and other executive positions (Table 7). Finally, although the gender and race demographics were not included in the online research questionnaire per se, these classifications were noted during the telephonic interviews with the respondents. The majority of the respondents (65%) were female and 35% were male, while 61% were black, 30% white and the remaining 9% were coloured, Indian or Asian.

Table 7: Position held in company/business by respondents

	Frequency	Percentage
Operations director	67	13.4
First-line supervisor	49	9.8
Production/operations manager	52	10.4
Human resource manager	128	25.6
Production foreman	60	12
Other	144	28.8
Total	500	100
Mean	3.994	
Std deviation	1.726	
Variance	2.980	

The respondents were further asked to indicate whether they would benefit or gain anything from BEE in general. The results are shown in Table 8.

Table 8: Extent to which respondents will benefit from BEE

	Frequency	Percentage
Yes	349	69.8
No	112	22.4
Not sure	39	7.8
Total	500	100.0
Mean	1.38	
Std deviation	0.62641	
Variance	0.392	

Finally, the respondents were asked to indicate whether they believed they could be regarded as a so-called 'PDI' – previously disadvantaged individual. The results for this question are shown in Table 9.

Table 9: Respondents' qualification as a previously disadvantaged individual (PDI)

	Frequency	Percentage
Yes	359	71.8
No	102	20.4
Not sure	39	7.8
Total	500	100.0
Mean	1.38	
Std deviation	0.62641	
Variance	0.392	

The basic descriptive statistical results for the 20 research propositions that were formulated and to which the 500 respondents were asked to respond are indicated in Tables 10a and 10b. In Table 10a, H_0 refers to the so-called null hypothesis (which in this case says the proposition is either correct or incorrect as originally formulated) (Kerlinger 1986: 190), while H_a refers to the actual outcome based on the majority count and largest percentage of the respondents (in this case either to agree or disagree or to be neutral towards the proposition), and H_f is the final hypothesised proposition based on the majority outcome of respondents' perceptions. In Table 10b, the Z statistic for a significance level of 95% (where $z > 1.645$) and alternative (the opposite of the null hypothesis) is accepted, where $z > 0.50$). Finally, a Cronbach's alpha was calculated for the 20 statements in the questionnaire. This rendered the value of 0.59; this is relatively low compared with the standard of 0.70 according to the SPSS software package which is generally regarded as a reasonable measure of the reliability.

Table 10a: BEE transformation – basic descriptive statistics

Statement	Strongly agree		Agree		Neither agree or disagree		Disagree		Strongly disagree		Don't know		Total		Mean	Std	Variance	H ₀	H _a	H _i
	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	Freq	%	FREQ	%						
1	43	8.6	264	52.8	89	17.8	70	14.0	15	3.0	19	3.8	500	100.0	2.728	1.559	2.431	X	✓	✓
2	14	2.8	281	56.2	92	18.4	99	19.8	6	1.2	8	1.6	500	100.0	2.700	1.187	1.409	✓	✓	✓
3	18	3.6	257	51.4	74	14.8	120	24.0	20	4.0	11	2.2	500	100.0	2.886	1.355	1.836	X	✓	✓
4	23	4.6	242	48.4	74	14.8	120	24.0	35	7.0	6	1.2	500	100.0	2.876	1.268	1.608	✓	✓	✓
5	44	8.8	209	41.8	91	18.2	129	25.8	21	4.2	6	1.2	500	100.0	2.820	1.264	1.599	✓	✓	✓
6	1	0.2	118	23.6	64	12.8	264	52.8	51	10.2	2	0.4	500	100.0	3.516	1.029	1.060	X	X	X
7	41	8.2	248	49.6	96	19.2	84	16.8	24	4.8	7	1.4	500	100.0	2.688	1.262	1.594	✓	✓	✓
8	11	2.2	89	17.8	69	13.8	283	56.6	43	8.6	5	1.0	500	100.0	3.576	1.098	1.207	X	X	X
9	80	16.0	163	32.6	108	21.6	115	23.0	24	4.8	10	2.0	500	100.0	2.800	1.439	2.072	✓	✓	✓
10	6	1.2	105	21.0	93	18.6	217	43.4	62	12.4	17	3.4	500	100.0	3.652	1.411	1.991	X	X	X
11	10	2.0	121	24.2	90	18.0	238	47.6	29	5.8	12	2.4	500	100.0	3.454	1.300	1.691	X	X	X
12	13	2.6	202	40.4	158	31.6	100	20.0	7	1.4	20	4.0	500	100.0	3.012	1.486	2.208	✓	✓	✓
13	65	13.0	237	47.4	92	18.4	85	17.0	17	3.4	4	0.8	500	100.0	2.552	1.179	1.390	✓	✓	✓
14	5	1.0	137	27.4	97	19.4	202	40.4	41	8.2	18	3.6	500	100.0	3.490	1.451	2.106	X	X	X
15	2	0.4	143	28.6	124	24.8	178	35.6	11	2.2	42	8.4	500	100.0	3.610	1.845	3.405	X	X	X
16	13	2.6	210	42.0	102	20.4	137	27.4	15	3.0	23	4.6	500	100.0	3.138	1.600	2.560	✓	✓	✓
17	1	0.2	121	24.2	162	32.4	130	26.0	27	5.4	59	11.8	500	100.0	3.830	2.072	4.294	✓	-	-
18	17	3.4	178	35.6	116	23.2	166	33.2	11	2.2	12	2.4	500	100.0	3.096	1.331	1.770	✓	✓	✓
19	0	0.0	122	24.4	107	21.4	212	42.4	43	8.6	16	3.2	500	100.0	3.544	1.368	1.972	X	X	X
20	6	1.2	112	22.4	115	23.0	192	38.4	43	8.6	32	6.4	500	100.0	3.692	1.682	2.831	X	X	X

Key:

X	Disagree
✓	Agree
-	Neutral: neither agree or disagree

H₀ Refers to the null hypotheses : the original proposition is either correct or incorrect
H_a Refers to the alternative hypotheses : the actual outcome based on the majority count and largest percentage of respondents
H_i Refers to the final hypotheses : the final hypothesised proposition based on the majority outcome of respondents' perceptions

Table 10b: BEE transformation – basic descriptive statistics (continued)

Statement	Strongly agree + Agree				Strongly disagree + Disagree		
	%	Freq	Z statistic		%	Freq	Z statistic
1	61.4	307	5.10	*	17.0	85	-14.76
2	59.0	295	4.02	*	21.0	105	-12.97
3	55.0	275	2.24	*	28.0	140	-9.84
4	53.0	265	1.34		31.0	155	-8.50
5	50.6	253	0.27		30.0	150	-8.94
6	23.8	119	-11.72		63.0	315	5.81
7	57.8	289	3.49	*	21.6	108	-12.70
8	20.0	100	-13.42		65.2	326	6.80
9	48.6	243	-0.63		27.8	139	-9.93
10	22.2	111	-12.43		55.8	279	2.59
11	26.2	131	-10.64		53.4	267	1.52
12	43.0	215	-3.13		21.4	107	-12.79
13	60.4	302	4.65	*	20.4	102	-13.24
14	28.4	142	-9.66		48.6	243	-0.63
15	29.0	145	-9.39		37.8	189	-5.46
16	44.6	223	-2.41		30.4	152	-8.77
17	24.4	122	-11.45		31.4	157	-8.32
18	39.0	195	-4.92		35.4	177	-6.53
19	24.4	122	-11.45		51.0	255	0.45
20	23.6	118	-11.81		47.0	235	-1.34

Key:

* $z > 1.645$ i.e. significant at 95% confidence level

Alternative hypothesis is $H_a: p > 0.5$

Given that the research project was exploratory, a ‘first of its kind’ conducted in South Africa, without similar studies against which to benchmark, a good measure of caution should be exercised in drawing conclusions based on the below-standard measure of reliability according to the Cronbach’s coefficient alpha. However, the results can still be considered to be of importance. As Kerlinger (1986: 415) noted, “high reliability is no guarantee of good scientific results, but there can be no good scientific results without reliability”. In the following section, the results as presented in Tables 1 to 10b are analysed and considered in the context of the background literature on BEE.

Discussion of results

The results presented in the previous section need to be considered in the context of the potential impact that BEE may have on the operations and competitiveness of the businesses in which the respondents are employed.

The statistical results of the survey, as provided in Tables 10a and 10b, indicate that respondents were in agreement with statements 1, 2, 3, 4, 5, 7, 9, 12, 13, 16 and 18. Of major concern are the negative perceptions associated with agreement and the effect it might have on the business related to statement 5 (confirming the perception that BEE is 'reverse discrimination' against white people); statement 7 (the negative impact of BEE on companies to freely compete in the marketplace); statement 9 (BEE has led to the creation of a few very wealthy black businessmen while leaving masses of people still in poverty); statement 12 (BEE has been responsible for the de-industrialisation of South Africa because it opened up the economy to fierce competition from Asian countries like China); statement 13 (the long-term impact of BEE in terms of motivation, corruption, greed, competitiveness and service delivery); and statement 18 (BEE is not conducive to increasing black entrepreneurship).

Respondents disagreed with statements 6, 8, 10, 11, 14, 15, 19 and 20. Again of major concern are the negative perceptions associated with the disagreement and the effect it might have on statement 6 (BEE is not seen as a fair and equitable way of dispossessing white businesses); statement 8 (BEE does not stimulate economic growth, creation of more jobs and poverty reduction); statement 10 (BEE regulations and practices are not seen as reasonable); statement 11 (BEE does not lead to meaningful participation of black people in the economy); statement 20 (most companies in South Africa are not BEE compliant). Respondents could not express either their agreement or disagreement with statement 17, a controversial claim that BEE was devised by a few business 'powerhouses' that dominate the mineral, energy and financial (MEF) sectors in South Africa.

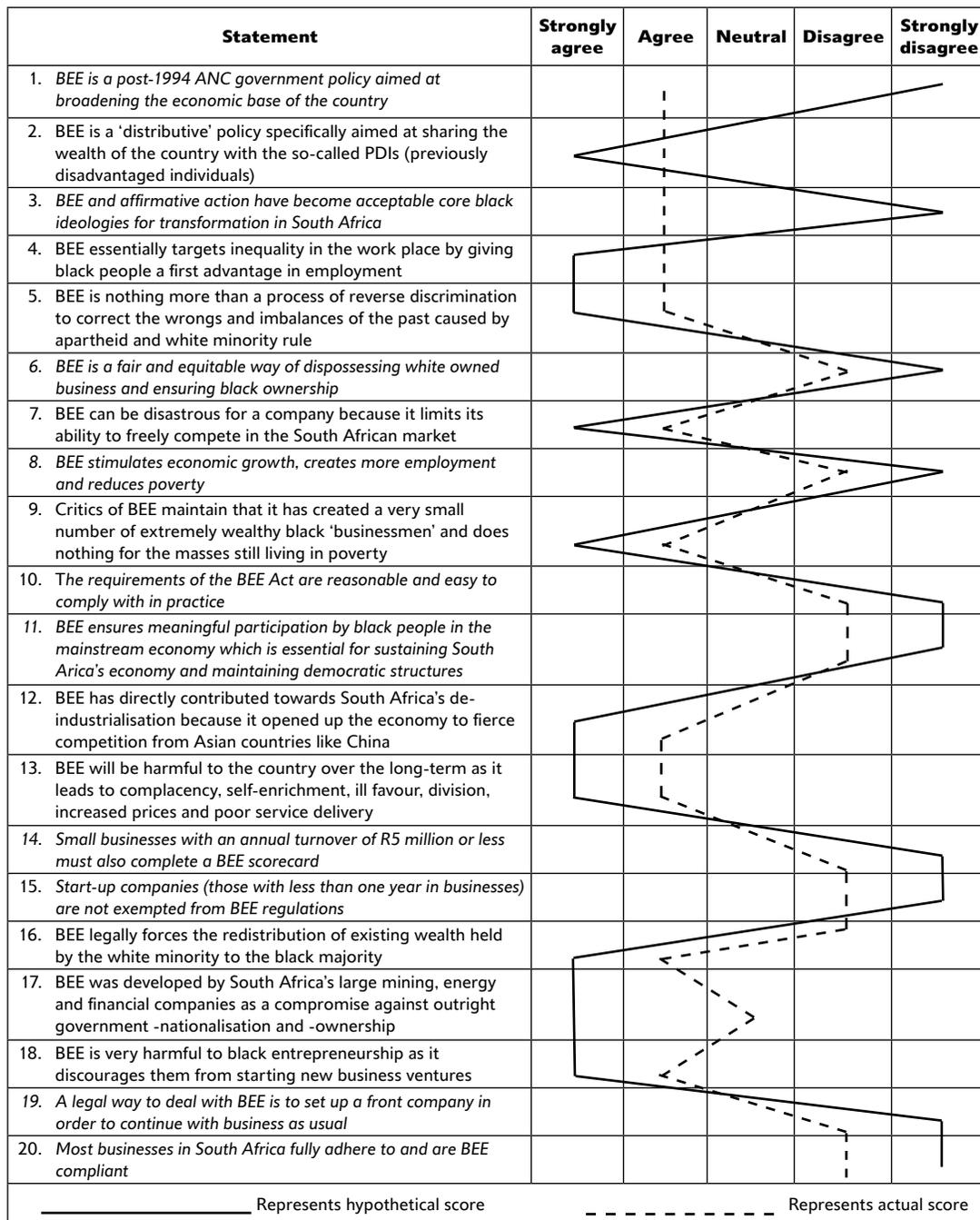
Figure 1 depicts the outcome of the 20 propositions when considered in terms of what was hypothesised as either true or untrue (H_0) and what the respondents indicated they believed was true or untrue (H_a) in a graphic format. In most cases, the majority of the respondents confirmed the hypothesised outcome as being either true or false, except in the case of proposition 1 (BEE being attributed to the ANC), proposition 3 (BEE being accepted as a core black ideology) and proposition 17 (BEE being developed by the large MEF companies). Propositions 1 and 17 are actually linked to one another. Some opponents of BEE argue that the large MEF group of companies are the actual 'originators' of BEE (proposition 17), while, as is to be expected, most supporters of BEE will want to claim that the ANC was responsible for its conception (proposition 1). Most surprisingly, however, is the actual outcome

in terms of proposition 3, where BEE might generally be accepted as a core black ideology for transformation among the managers of business in South Africa (as hypothesised), but is actually not considered as such. This may be due to the perception among a growing number of people that any BEE appointment carries with it a certain amount of stigma due to the possibility that it may imply inferiority, incompetence and lack of ability.

Since the original survey in May 2010, the researcher himself has observed that the daily public discourse on BEE suggests that both government (the driver of B-BBEE) and business (the implementers of B-BBEE) have become more antagonistic towards each other; government ostensibly because they believe the speed and results of economic transformation are too slow and too fragmented, while business remains concerned about the potential impact of BEE on their performance on many different fronts. The former has responded with a more authoritarian approach, even threatening imprisonment for non-compliant businesses, while the latter seem to have increased their efforts towards compliance while the cost burden of increasing inefficiencies and non-productive measures are giving rise to discontent at BEE.

Two recent newspaper commentaries (incidentally, both written by black journalists) clearly illustrate some of the current issues that are being debated regarding the philosophy and implementation of BEE.

In a newspaper commentary by William Gumede (*Rapport, Weekliks*, 26 February 2012) entitled (translated from Afrikaans) 'Scrap BEE, follow merit for a strong SA', he argues that merit is a key ingredient for success in developed nations but in contrast in Africa, the guarantee for success is mainly based on who you know or who your family are rather than talent, hard work and excellence. Gumede criticises this perception of a lack of merit as a matter of who you know in the private and public sectors rather than what you know, which has now altogether engrossed the broader South African society through the ANC as the dominant force. He elaborates on this as follows (translated from Afrikaans): "At the moment the chance to get work or a tender from the ANC, the government or the private sector, depends greatly on whether you are a member of the ANC freedom aristocracy (*bevydingsaristokrasie*), a descendent of a leading ANC figure, or an ally of the political faction who controls things from the top." Gumede warns that BEE, which only enriches individuals, undermines merit, and he calls for the scrapping of BEE. He suggests that companies should rather be rewarded for the transfer of skills and employment creation. His closing words present a stark warning to everybody (translated from Afrikaans): "South Africa will never reach its full potential if we do not cultivate a system based on merit."



Key: Statements in normal font are postulated as true, while those in italics are postulated as false or not true.

Figure 1: Visual representation of hypothetical score per statement and its relation to actual scores

In another newspaper article, Temba Nolutshungu, the Director of the Free Market Association (*Rapport, Weekliks*, 4 March 2012) writes (translated from Afrikaans): “If South Africa wants to curb poverty and unemployment, the country must get rid of affirmative action ... we must immediately do away with the policies of affirmative action and black empowerment rules ... this racially based policy is reminiscent of apartheid and belongs to the dustbin of the past.” He strongly criticises South African supporters of these practices (i.e. affirmative action and black economic empowerment) as follows (translated from Afrikaans): “... they regularly rely on personal attacks on their critics and dismiss them as people who try to avoid reality (if they are black) or as members of the rich and privileged minority (if they are white).” According to Mr Nolutshungu, these practices are all part of a deceitful attempt to defend a policy that is morally indefensible, economically irrational and politically unnecessary. He suggests there are workable and good alternatives that will deliver results, but that (translated from Afrikaans) “affirmative action is a step backward and must go!”

In the last section of the article, some conclusions are presented, including the limitations of the study and some recommendations not only for future research, but possibly more importantly, for ANC politicians who need to intelligently consider the consequences of BEE policies before South Africa becomes even less competitive and drops further in its world competitiveness rankings.

Conclusion

With regard to the research questionnaire, it is suggested that future research should endeavour to improve the reliability of the measuring instrument, which Kerlinger (1986: 415) refers to as the “maximincon principle” – maximise the variance of the individual differences and minimise the error variance – by either one or all of the following: writing the items of the measuring instrument unambiguously, adding more items of equal kind and quality, and providing clear and standard instruction to reduce the error of measurement.

The research on which this article is based indicates that the majority of the respondents agreed with most of the propositions in connection with BEE that were hypothesised as true and disagreed with most of the propositions that were hypothesised as false or untrue. However, in most cases the agreement with the six propositions and the disagreement with the five propositions that are clearly perceived to have a negative connotation in terms of the philosophy, aims and objectives of BEE must be of real concern. They could also have a negative impact on the South African economy and its citizens in general.

It therefore seems that the ruling ANC party's BEE policies have done little to nurture and promote harmonious race and/or working relationships among the people of South Africa. It seems as if BEE policies have created a new culture of 'entitlement' among those who have directly benefited from BEE – mainly a few very wealthy black businessmen, or 'tenderpreneurs' as they are called, and the thousands of black civil servants or ANC cadres that have been redeployed and now serve in various positions in governmental, semi-governmental and parastatal organisations.

While the research was limited to the 500 respondents described above, it would be of particular interest to use the same survey (consisting of the 20 propositions) to learn about the perceptions of other individuals in the South African population regarding BEE in different settings and not just business management. This would allow for a more generalised view of what the different sections of the population think about and believe the influence of BEE to be on society as a whole.

It is suggested that the ANC government should take cognisance of the negative influence that this policy has had on South Africa over the last ten years and accept that a 'sunset' or termination clause is needed. As Muzi Kuzwayo, author of *Black Man's Medicine*, writes in the *Sunday Times*, 10 March 2013 under the *Business Times* section: "BEE season in the sun must end some time."

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