The impact of black economic empowerment (BEE) on South African businesses: Focusing on ten dimensions of business performance

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ABSTRACT

South African businesses need to adopt and comply with certain legislative measures aimed at black economic empowerment (BEE). BEE was introduced by the current ANC government in a bid to overcome the economic legacy of apartheid and to broaden participation in the economy, especially by those perceived to have been previously excluded or denied access. The Department of Trade and Industry (the dti) has been tasked with overseeing the implementation of BEE, and for this purpose has created a special BEE unit to regulate compliance and administer BEE scorecards. In an empirical survey, conducted in March/April of 2010 among the top local South African businesses ranging from small, medium to large multinational companies, the perceptions, thoughts and anticipations of 500 individual managers on the impact of BEE on ten selected dimensions of business performance were sought. Alarmingly, most of the respondents disagreed with the notion that BEE compliance would improve the performance of the companies they worked for, specifically with regard to overall and international competitiveness; service excellence and client satisfaction; quality; productivity; entrepreneurial spirit and innovation; production performance; human development; staff morale, business ethics and transparency; sales and access to markets; and financial performance. These sentiments were expressed despite the fact that the majority of respondents indicated that they as individuals could

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stand to benefit if the companies they were employed in became BEE-compliant.

Key words: black economic empowerment (BEE), broad-based black economic empowerment (B-BBEE), African National Congress (ANC), business performance, South Africa

Introduction

Various aspects of South African society have undergone dramatic changes since the first non-racial, democratic elections on 27 April 1994. The African National Congress (ANC), the majority party in the 1994 elections and the subsequent three elections in 1999, 2004 and 2009, formed successive governments that have enacted legislative measures aimed at "overcoming the economic legacy of apartheid" and implementing "a strategy for broad-based black economic empowerment" (B-BBEE) (dti 2007a). Government has intervened to impose an array of mandatory regulations on South African businesses, which ostensibly influence their operational capabilities to effectively and efficiently compete in national and global markets. To gain a better understanding of the impact of B-BBEE on business performance, an empirical survey was conducted in March/April 2010 among the top local businesses ranging from small and medium enterprises to large multinational companies. The perceptions of 500 individual managers were solicited with regard to the probable impact that BEE compliance could have on ten important dimensions of business performance, ranging from traditional functional considerations to internal and external concerns such as competitiveness, productivity, business ethics, entrepreneurial spirit and innovation.

Background

The South African Department of Trade and Industry's growth strategy for the country "includes a focus on broadening participation, equity and access to redress for all economic citizens, particularly those previously marginalised" (dti 2007b). A special so-called 'B-BBEE unit' was created in the department with the vision to "work towards ensuring, through equity and empowerment policies and strategic interventions, that the South African economy is restructured, to enable the meaningful participation of black people, women and rural or under-developed communities in the mainstream economy, in a manner that has a positive impact on employment, income redistribution, structural re-adjustment and economic growth"

(dti 2007b). Such individuals are also referred to as 'previously disadvantaged individuals' (PDIs).

The dti defines B-BBEE (broad-based black economic empowerment) as "a specific government policy to advance economic transformation and enhance the economic participation of black people in the South African economy" (dti 2007b). Considering the amount of information in terms of the rationale, codes of practice, and so forth, that is available on the dti's website (http://www.thedti.gov.za), it is clear that BEE (under the legislative framework of the Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003) and the 2007 B-BBEE Codes of Good Practice) has undergone a rapid metamorphosis and has become an integral part of South Africa's everyday business life. The Strategy for Broad-Based Black Economic Empowerment (dti 2011) (which preceded the promulgation of the B-BEE Act) provides details of the transformation rationale, its purpose in terms of overcoming the economic legacy of apartheid, and the B-BBEE strategy itself, including definitions, policy objectives, key principles, policy instruments, financing arrangements and various appendices, which contain, for example, the balanced scorecard, definitions and draft regulations. B-BBEE is measured by means of a balanced scorecard and includes scores for direct empowerment, human resource development and indirect empowerment.

Officially, in terms of the Broad-Based Black Economic Empowerment Act, 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". 'Black people' is a generic term that embraces Africans, coloureds and Indians. The objectives of article 2 of the Act are to facilitate B-BBEE by:

(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 contained in Government Notice 112 of 2007 by the Department of Trade and Industry, entitled the Broad-Based Black Economic Empowerment Act 53 of 2003: Codes of Good Practice on Black Economic Empowerment. The codes apply to the following entities in South Africa:

- All public entities (defined under schedules 2 and 3 of the Public Finance Management Act (Act No. 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 SAP (national post office) and Transnet (national road, shipping, railway and pipeline operator)
- Any public entity (defined under schedule 3 of the Public Finance Management Act) that undertakes any business with any organ of state, public entity or any other enterprise
- Any enterprise that undertakes any business with any organ of state or public entity
- Any other enterprise that undertakes any business (directly or indirectly) which is subject to measurement as specified above and which 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, NGOs (nongovernmental organisations), all public and private companies (both those listed on the JSE 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 comprise about 96 pages and provide detailed explanations of the framework and measurement of ownership, including numerous mathematical formulae for the calculation of the seven individual elements (see Table 1).

However, 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

Table 1: Elements and weightings of the 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
Socioeconomic development initiatives	5 points	700

Source: dti (2007a: 5)

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 in terms of points scored, including its B-BBEE recognition level (see Table 2).

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

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

Source: dti (2007a: 5)

Given the scope and array of 'interventions' (changes, adjustments and amendments that are required in terms of such factors as ownership, management and staff

compositions) that are legally sanctioned in terms of the B-BBEE Act and the Codes of Good Practice for BEE and their widespread application (with few exceptions) to entities in the South African public and private sectors, the determination of their impact on ten important dimensions of business performance is viewed as crucial for the future long-term sustainability of these organisations.

The academic literature on the topic of transformation in South Africa is still relatively limited in depth, and has many gaps (including B-BBEE dealings, the challenges and the factors necessary for success) (Fauconnier & Mathur-Helm 2008), but does not lack the intense and vibrant debate that characterises the general media (Ponte, Roberts & Van Sittert 2007). The articles that have been published in journals, however, do cover a wide array of topics in the transformation agenda. These topics range from specific industry experiences in implementation (for example, the mining, agriculture and banking sectors) (Booysen 2007) to much higher levels of academic endeavour (Vermeulen & Coetzee 2006) and intellectual discourse (Du Toit, Kruger & Ponte 2008). Another apt example of such wide discourse may be found in a critique by Kruger (2010: 76) of a South African television drama script that focuses on the impact of transformation in post-1994 society in which the "visual elements highlight the glamour of conspicuous consumption by the BEE elite and those who emulate them".

Black economic empowerment is not without its critics. An example is Moeletsi Mbeki, a brother of the former president of South Africa, Thabo Mbeki, who, during his premiership from 1999 to 2008, was probably most instrumental in enacting legislation to 'formalise' BEE. Moeletsi Mbeki vehemently argues that "it [BEE] strikes the fatal blow against the emergence of black entrepreneurship by creating a small class of unproductive but wealthy black crony capitalists made up of ANC politicians, some retired and others not, who have become strong allies of the economic oligarchy" (Mbeki 2009: 61). He also cynically observes that "BEE and its subsidiaries – affirmative action and affirmative procurement – have metamorphosed ... they have become both the core black ideology of the black political elite and, simultaneously, the driving material and enrichment agenda which is to be achieved by maximising the process of reparations that accrue to the political elite" (Mbeki 2009: 61).

Other authors such as Hamann, Khagram and Rohan (2008: 25) have noted with concern the apparent lack of progress BEE has made in rectifying the legacies of apartheid because "ten years later many of the challenges remain or have become even more acute in terms of poverty, unemployment, housing and basic services, inequality, HIV/AIDS". Kovacevic (2007: 6) also observes that "the program has achieved little success in eradicating poverty, increasing employment or fostering economic growth".

Despite the wide array of topics covered in the transformation debate, and notwithstanding the criticisms levelled at BEE, it may be argued that little research has actually been done on the more 'practical issues' related to BEE compliance, such as the potential impact it may have on the various dimensions of business performance.

Research design and sample demographics

Research design

A survey research design (Kerlinger 1988: 377) was used to solicit the perceptions of individuals regarding B-BBEE. The sample of 500 participants included 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 enterprises and micro-enterprises earning less than R5 million (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 (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; the focus was thus to establish the impact of 'limited' BEE compliance on their business performance.
- Large multinational companies earning more than R35 million: These companies must demonstrate full compliance with the codes; the focus was thus to establish the impact of 'full' BEE compliance on their business performance.

Businesses and companies were randomly selected from a business-related database of the top 500 companies in South Africa. Respondents were first contacted telephonically to inform them of the nature and purpose of the survey and request their participation in an 'online' version of the survey. A survey link was then emailed to each respondent.

The research questionnaire consisted of ten statements which had to be rated on a 5+1 point scale, ranging from 'strongly agree', to 'agree', 'neutral', 'disagree', 'strongly disagree' and an additional option of 'don't know'. The final research questionnaire was compiled after a pre-test had been conducted among 15 respondents, and changes and/or improvements were made on the basis of their comments and feedback.

Sample demographics

The majority (89%) of respondents were from Gauteng province, followed by the Western Cape (5%), KwaZulu-Natal (KZN) (5%) and the Eastern Cape (1%) (see Table 3). The majority (67%) of the respondents worked for, or in, small enterprises and micro-enterprises, followed by medium enterprises (20%) and large multinational companies (13%) (see Table 4). A wide variety of industries was covered in the sample (see Table 5). 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 sales and marketing managers, financial directors and managers, business owners and other executive positions (see Table 6). Finally, although the gender and race compositions of respondents were not included in the online research questionnaire (due to the perceived sensitivity of respondents given the nature of the research and its focus on the empowerment of a very specific portion of the South African population to the exclusion of white males and females), such classifications were made after a telephonic conversation with the respondent (which was more personal in nature) and the extension of the invitation to participate in the research. The majority of the respondents were female (65%); 35% were male; 61% were black; 30% were white; and the remaining 9% of the respondents were either coloured, Indian or Asian.

Table 3: Provincial breakdown

	Frequency	Percentage
Gauteng	445	89
Western Cape	26	5.2
Eastern Cape	6	1.2
KZN	23	4.6
Total	500	100

Table 4: Type of enterprise

	Frequency	Percentage
Large multinational	65	13
Medium enterprise	99	19.8
Small enterprise and micro-enterprise	336	67.2
Total	500	100

Table 5: Industry type

Industry description	Frequency	Percentage	Industry description	Frequency	Percentage
Food, beverages and tobacco	54	10.8	Fabricated metal products	4	.8
Textiles, clothing and footwear	23	4.6	Transport equipment	20	4.0
Pharmaceuticals	24	4.8	Electronics and electrical equipment	20	4.0
Wood and wood products, furniture	13	2.6	Other machinery and equipment	24	4.8
Paper and paper products, printing	21	4.2	Electricity, water and gas utilities	13	2.6
Chemicals and petroleum products	12	2.4	Professional services	74	14.8
Communication and telephone	50	10.0	Transport	18	3.6
Hotel, catering and restaurants	19	3.8	Plants, animal parks and zoos	1	.2
Medical services, hospitals and clinics	17	3.4	Trading, warehousing and wholesale	14	2.8
Security services and armed responses	16	3.2	Property	1	.2
Entertainment including sports and theatre	13	2.6	Banking, finance	9	1.8
Nonmetallic minerals	10	2.0	Manufacturing	9	1.8
Basic metals products	11	2.2	Media	1	.2
Other	9	1.8			
			Total	500	100.0

Table 6: Position held in company/business

	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

Research results

BEE beneficiation and classification as a previously disadvantaged individual

Apart from the basic demographic information, the respondents were specifically asked to indicate whether they (as individuals) would stand to benefit or gain anything from BEE in general. The results are shown in Table 7 and Figure 1.

Table 7: BEE beneficiation

	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	
Minimum	1.00	
Maximum	3.00	

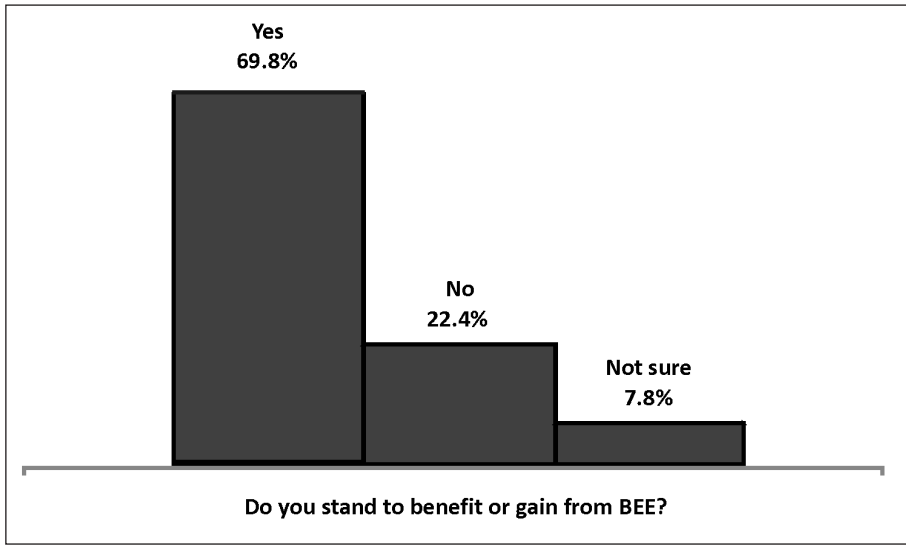


Figure 1: BEE beneficiation

The respondents were also asked to indicate whether they considered that they could be regarded as a so-called 'previously disadvantaged individual' (PDI). The results for this question are shown in Table 8 and Figure 2.

Table 8: Qualification as a previously disadvantaged individual

	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	
Minimum	1.00	
Maximum	3.00	

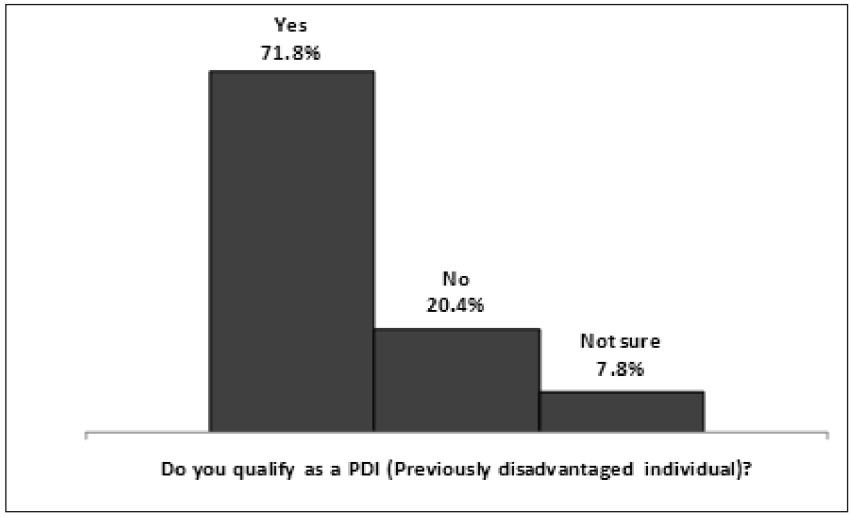


Figure 2: Qualification as a previously disadvantaged individual

The purpose of these two questions was to determine the proportion of the sample population that would stand to benefit from BEE as an individual and to confirm their qualification as a PDI. A higher proportion in both instances would arguably improve the 'credibility' of the results concerning the probable impact that BEE might have on the different dimensions of business performance – especially if the perceptions of respondents were negatively inclined or against the improvement of performance.

The ten dimensions of business performance

Ten dimensions were used to determine or diagnose the impact of BEE on the performance of the business or company (Du Toit, Erasmus & Strydom 2011). These dimensions represent different areas in which a business would generally like to perform well and cover most of the traditional functional areas such as general and strategic, marketing, operations, financial and human resource management. However, certain collective constructs such as competitiveness, productivity, business ethics, entrepreneurial spirit and innovation, which overarch more than any one functional discipline, were also included. The results are indicated in Tables 9–18 and Figures 3–12, which are frequency tables of the ten dimensions of business performance with the level of significance compared with test value = 'strongly agree'.

Table 9: Overall domestic and global competitiveness

	Frequency	Percentage
Strongly agree	6	1.2
Agree	131	26.2
Neither agree nor disagree	84	16.8
Disagree	225	45.0
Strongly disagree	53	10.6
Don't know	1	0.2
Mean	3.388	
Standard deviation	1.052	
Variance	1.108	
Minimum	1	
Maximum	9	

Test value = Strongly agree					
t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
50.736	499	.000	2.38800	2.2955	2.4805

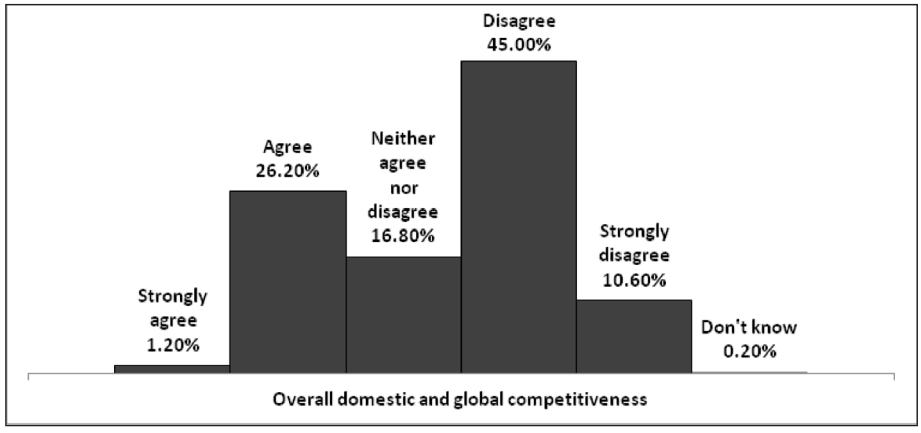


Figure 3: Overall domestic and global competitiveness

Table 10: Service excellence and client satisfaction

	Frequency	Percentage
Strongly agree	4	0.8
Agree	77	15.4
Neither agree or disagree	59	11.8
Disagree	246	49.2
Strongly disagree	111	22.2
Don't know	3	0.6
Total	500	100
Mean	3.802	
Standard deviation	1.068	
Variance	1.141	
Minimum	1	
Maximum	9	

Test value = Strongly agree					
t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
58.654	499	.000	2.80200	2.7081	2.8959

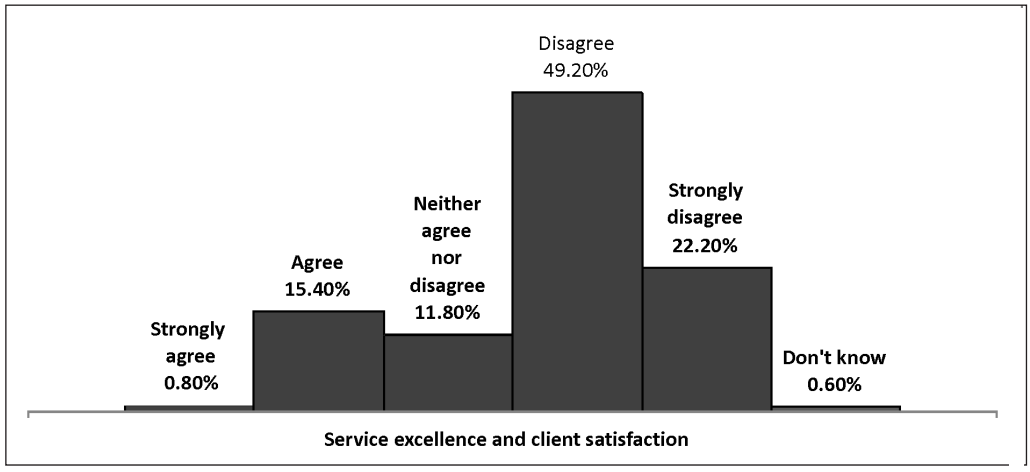


Figure 4: Service excellence and client satisfaction

Table 11: Quality and acceptance of products and services

	Frequency	Percentage
Strongly agree	5	1.0
Agree	88	17.6
Neither agree nor disagree	87	17.4
Disagree	264	52.8
Strongly disagree	56	11.2
Don't know	0	0.0
Total	500	100
Mean	3.556	
Standard deviation	0.941	
Variance	0.885	
Minimum	1	
Maximum	5	

Test value = Strongly agree					
t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
60.766	499	.000	2.55600	2.4734	2.6386

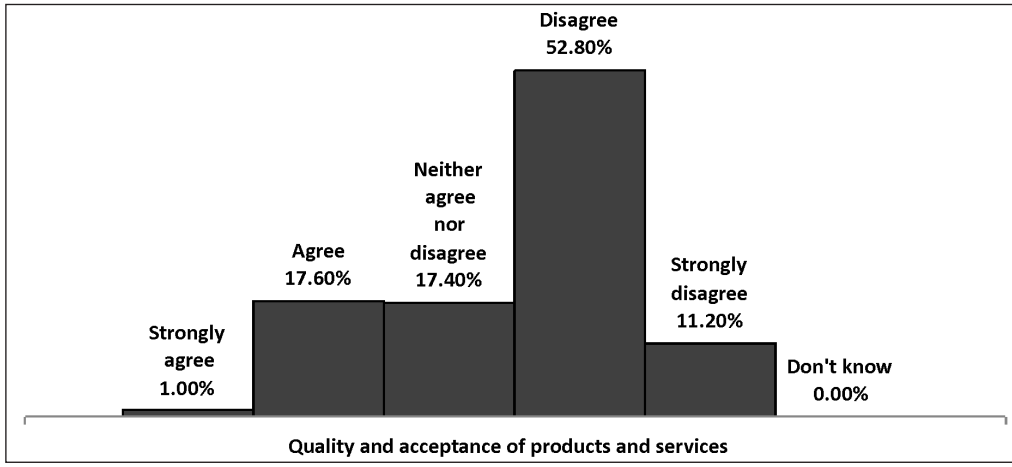


Figure 5: Quality and acceptance of products and services

Table 12: Productivity (for example, increased output and less waste)

	Frequency	Percentage
Strongly agree	3	0.6
Agree	73	14.6
Neither agree nor disagree	88	17.6
Disagree	273	54.6
Strongly disagree	63	12.6
Don't know	0	0.0
Total	500	100
Mean	3.640	
Standard deviation	0.901	
Variance	0.812	
Minimum	1	
Maximum	5	

Test value = Strongly agree					
t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
65.510	499	.000	2.64000	2.5608	2.7192

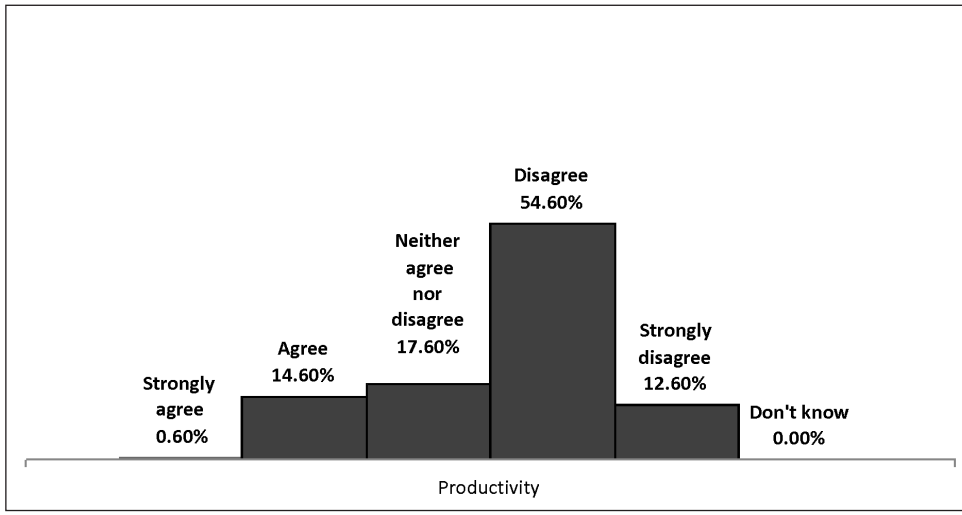


Figure 6: Productivity (for example, increased output and less waste)

Table 13: Entrepreneurial spirit with innovative new products

	Frequency	Percentage
Strongly agree	7	1.4
Agree	107	21.4
Neither agree nor disagree	89	17.8
Disagree	239	47.8
Strongly disagree	57	11.4
Don't know	1	0.2
Total	500	100
Mean	3.476	
Standard deviation	1.025	
Variance	1.052	
Minimum	1	
Maximum	9	

Test value = Strongly agree					
t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
53.992	499	.000	2.47600	2.3859	2.5661

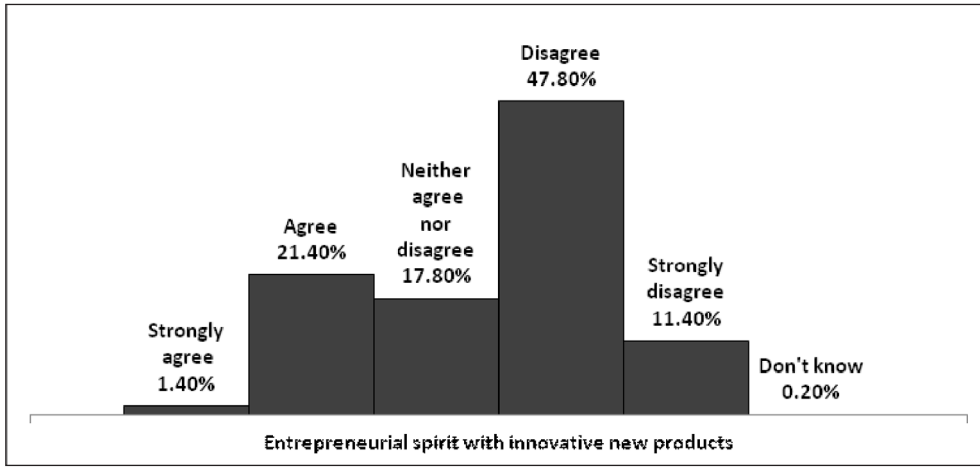


Figure 7: Entrepreneurial spirit with innovative new products

Table 14: Production performance (for example, lower cost and greater speed)

	Frequency	Percentage
Strongly agree	6	1.2
Agree	61	12.2
Neither agree nor disagree	98	19.6
Agree	280	56.0
Strongly disagree	54	10.8
Don't know	1	0.2
Total	500	100
Mean	3.642	
Standard deviation	0.907	
Variance	0.823	
Minimum	1	
Maximum	9	

Test value = Strongly agree

t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
65.101	499	.000	2.64200	2.5623	2.7217

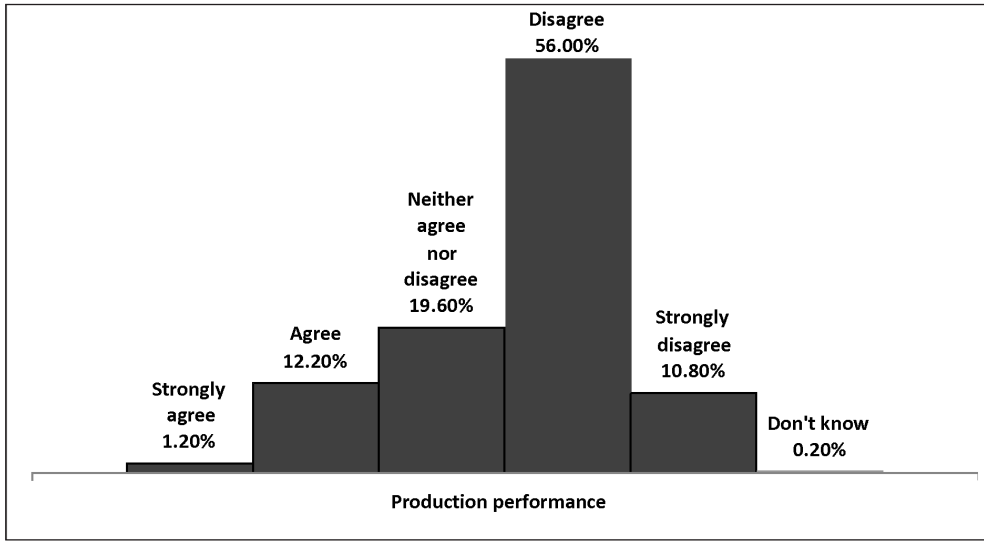


Figure 8: Production performance (for example, lower cost and greater speed)

Table 15: Human development and staff morale

	Frequency	Percentage
Strongly agree	17	3.4
Agree	122	24.4
Neither agree nor disagree	94	18.8
Disagree	223	44.6
Strongly disagree	44	8.8
Don't know	0	0.0
Total	500	100
Mean	3.310	
Standard deviation	1.041	
Variance	1.084	
Minimum	1	
Maximum	5	

Test value = Strongly agree					
t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
49.610	499	.000	2.31000	2.2185	2.4015

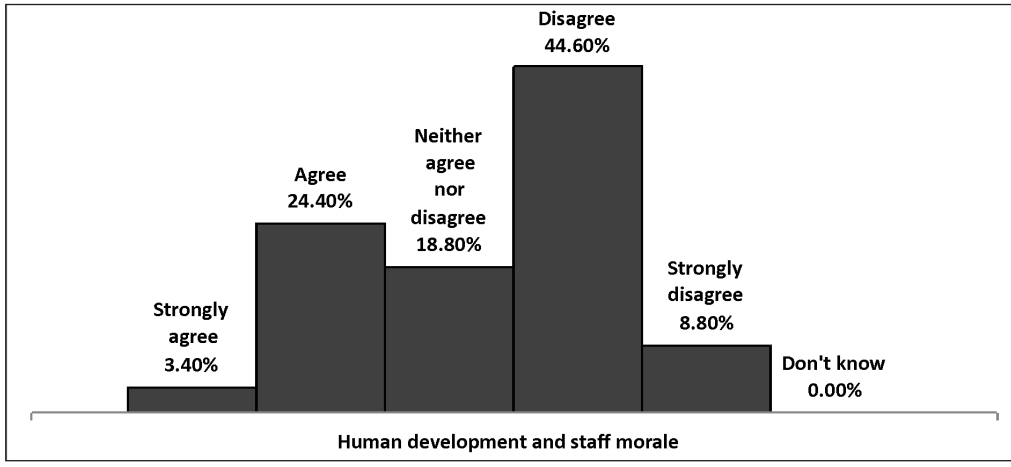


Figure 9: Human development and staff morale

Table 16: Business ethics (for example, transparency and reputation)

	Frequency	Percentage
Strongly agree	3	0.6
Agree	95	19.0
Neither agree nor disagree	100	20.0
Disagree	242	48.4
Strongly disagree	59	11.8
Don't know	1	0.2
Total	500	100
Mean	3.530	
Standard deviation	0.981	
Variance	0.963	
Minimum	1	
Maximum	9	

Test value = Strongly agree

t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
57.648	499	.000	2.53000	2.4438	2.6162

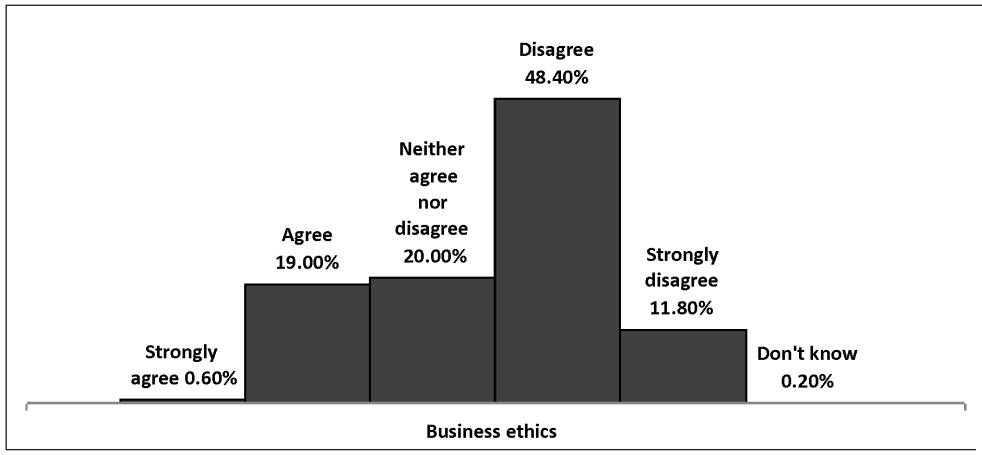


Figure 10: Business ethics (for example, transparency and reputation)

Table 17: Sales and access to markets (turnover)

	Frequency	Percentage
Strongly agree	9	1.8
Agree	108	21.6
Neither agree nor disagree	141	28.2
Disagree	203	40.6
Strongly disagree	35	7.0
Don't know	4	0.8
Total	500	100
Mean	3.342	
Standard deviation	1.071	
Variance	1.147	
Minimum	1	
Maximum	9	

Test value = Strongly agree					
t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
48.891	499	.000	2.34200	2.2479	2.4361

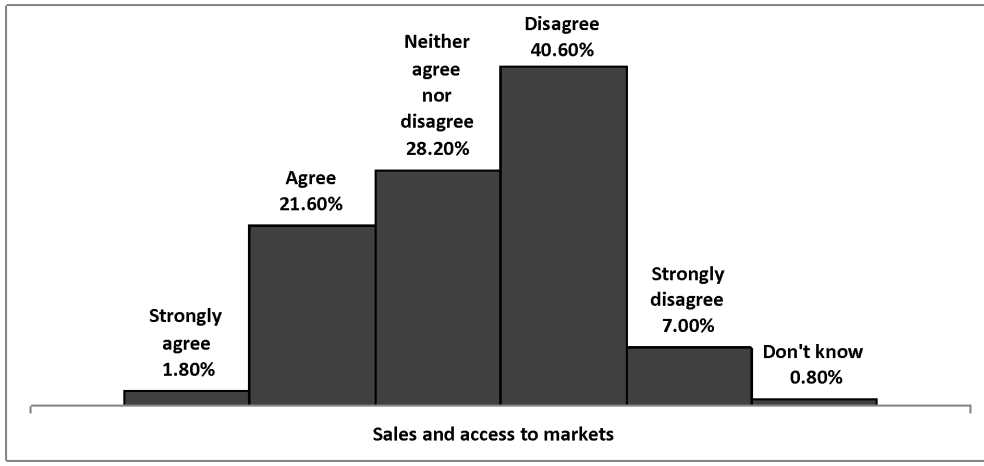


Figure 11: Sales and access to markets (turnover)

Table 18: Financial performance (return on investment, dividends, share price)

	Frequency	Percentage
Strongly agree	10	2.0
Agree	88	17.6
Neither agree nor disagree	86	17.2
Disagree	250	50.0
Strongly disagree	61	12.2
Don't know	5	1.0
Total	500	100
Mean	3.588	
Standard deviation	1.123	
Variance	1.261	
Minimum	1	
Maximum	9	

Test value = Strongly agree					
t	df	Sig. (2-tailed)	Mean difference	95% Confidence interval of the difference	
				Lower	Upper
51.538	499	.000	2.58800	2.4893	2.6867

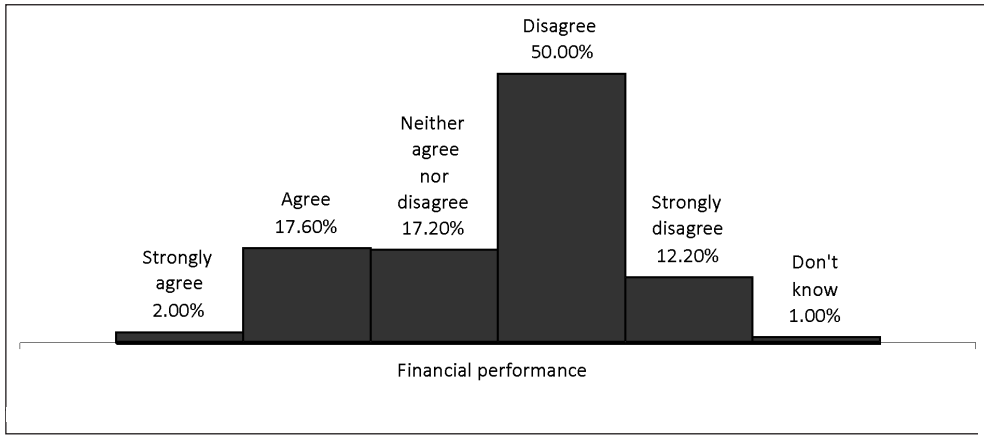


Figure 12: Financial performance (return on investment, dividends, share price)

Table 19 illustrates the analysis of variance (ANOVA) of respondents' perceptions regarding the probable impact of BEE on the ten dimensions of business performance for the three different sizes of businesses where either no BEE compliance is necessary, or where limited BEE compliance is required, or where full BEE compliance is mandatory.

Discussion of results

In terms of the demographic make-up of the respondents, those who participated came from the four provinces (Gauteng, KwaZulu-Natal, Eastern Cape and Western

Table 19: ANOVA of the impact of BEE on the ten dimensions of business performance for the three sizes of businesses

		Sum of squares	df	Mean square	F	Sig.
1. Overall domestic and global competitiveness	Between groups	0.8253	2	0.4127	0.3716	0.690
	Within groups	551.9027	497	1.1105		
	Total	552.7280	499			
2. Service excellence and client satisfaction	Between groups	12.2777	2	6.1389	5.4764	0.004
	Within groups	557.1203	497	1.1210		
	Total	569.3980	499			
3. Quality and acceptance of products and services	Between groups	19.2589	2	9.6294	11.3362	0.000
	Within groups	422.1731	497	0.8494		
	Total	441.4320	499			
4. Productivity (e.g. increased output and less waste)	Between groups	8.9124	2	4.4562	5.5887	0.004
	Within groups	396.2876	497	0.7974		
	Total	405.2000	499			
5. Entrepreneurial spirit with innovative new products	Between groups	16.9733	2	8.4867	8.3072	0.000
	Within groups	507.7387	497	1.0216		
	Total	524.7120	499			
6. Production performance (e.g. lower cost and greater speed)	Between groups	3.2646	2	1.6323	1.9901	0.138
	Within groups	407.6534	497	0.8202		
	Total	410.9180	499			
7. Human development and staff morale	Between groups	10.0659	2	5.0329	4.7117	0.009
	Within groups	530.8841	497	1.0682		
	Total	540.9500	499			
8. Business ethics (e.g. transparency and reputation)	Between groups	4.9294	2	2.4647	2.5755	0.077
	Within groups	475.6206	497	0.9570		
	Total	480.5500	499			
9. Sales and access to markets (turnover)	Between groups	6.5720	2	3.2860	2.8857	0.057
	Within groups	565.9460	497	1.1387		
	Total	572.5180	499			
10. Financial performance (return on investment, dividends, share price)	Between groups	15.6867	2	7.8434	6.3546	0.002
	Within groups	613.4413	497	1.2343		
	Total	629.1280	499			

Cape) with the largest populations and largest proportion of the South African population (approximately 32.5 million people, or 67% of the total population of around 48.5 million people) (2007 estimate) (Stats SA 2011). The economic activity of these four provinces together represents 82% of the contribution to the country's total gross domestic product. However, one of the limitations of this research was the fact that the sample did not include any respondents from the other five provinces (Limpopo, Mpumalanga, North West, Free State and Northern Cape), who collectively make up 16 million of the population, but are responsible for only 18% of the country's economic activity. Respondents from these provinces, compared

with those in the sample, could have different opinions about the impact of BEE on their business.

The respondents were mostly (67%) employed in small enterprises and micro-enterprises that do not need to be BEE-compliant unless they wish to secure business from the government, parastatals, NGOs or private companies that are in the supply chain to these institutions. However, the remaining 33% of the respondents were employed in companies where either limited or full BEE compliance was considered 'mandatory'. The respondents were employed in businesses that covered a wide variety of industries and were mostly managers or persons in supervisory positions. While not specifically recorded during the online survey (because it was perceived as sexist or racially inclined), it was possible during the telephonic conversation and invitation to participate (which preceded the survey) to confirm that the majority of respondents (65%) were female, that 35% were male and that 61% were black. Thirty per cent were white and the remaining 9% formed a combination of either coloured, Indian or Asian people. The majority (70%) of respondents indicated that they believed they would benefit or gain as individuals from BEE practices (22% indicated that they did not stand to benefit, while 8% were unsure) and an even larger majority (72%) considered themselves individually to be a PDI whom the BEE practices are intended to support. Only 20% of the respondents did not consider themselves to have such a PDI status (typically these were those excluded from the BEE beneficiation targets, such as able-bodied white males and females), and 8% were unsure of their status.

With regard to the dimensions of business performance identified in the study, the majority of respondents indicated that they disagreed with the notion that the impact of BEE would improve their company's performance in any of the ten dimensions (see Figure 13).

For certain dimensions, a larger proportion (equal to or greater than 50%) of respondents disagreed that BEE would improve the company's production performance (56%) (see dimension 6), productivity (56%) (see dimension 4), quality (53%) (see dimension 3) and financial performance (50%) (see dimension 10). For others, a smaller proportion (between 40% and 49%) of respondents disagreed with the suggestion that the adoption of BEE practices would improve their company's performance in sales and access to markets (41%) (see dimension 9), human development (45%) (see dimension 7), overall domestic and global competitiveness (45%) (see dimension 1), entrepreneurial spirit (48%) (see dimension 5), business ethics (48%) (see dimension 8) and service excellence and client satisfaction (49%) (see dimension 2). A somewhat disconcerting finding was that in the case of dimension 1 (overall domestic and global competitiveness), dimension 5 (entrepreneurial spirit

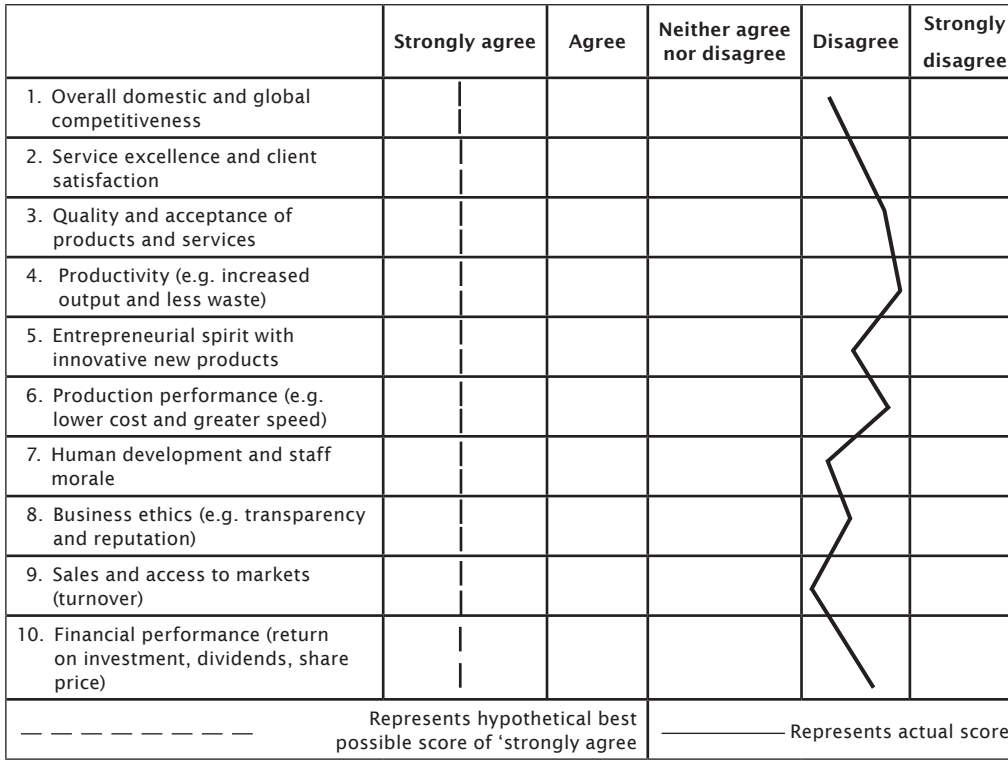
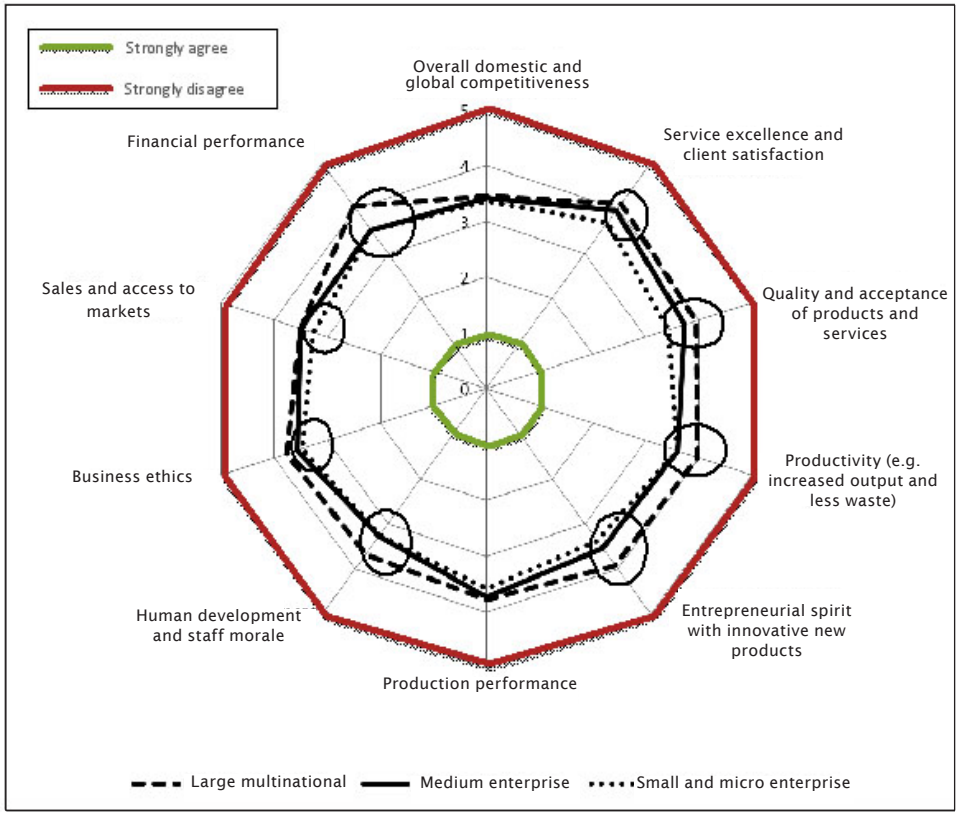


Figure 13: Ten dimensions of business performance compared to hypothetical best score of 'strongly agree' per statement

and innovation), dimension 7 (human development), dimension 8 (business ethics), dimension 9 (sales and access to markets) and dimension 10 (financial performance), only between 20% and fewer than 30% of the respondents showed support for the idea that BEE compliance would improve performance in their company. Even more alarming, however, was the fact that in the case of dimension 2 (service excellence), dimension 3 (quality), dimension 4 (productivity), and dimension 6 (production performance), very few respondents (less than 20% of the respondents) agreed or strongly agreed that the impact of BEE would improve the performance of their company.

With regard to the three different sizes of businesses and the impact of BEE on the ten dimensions of business performance, the results indicate that large multinational companies (those with a turnover of more than R35 million per annum where full BEE compliance is mandatory) significantly disagreed more with the notion that BEE would have a positive impact on and improve their business performance in most of the dimensions. However, in the case of dimension 1 (overall domestic and

global competitiveness) and dimension 6 (production performance), no such similar significant disagreement was found as in the case of the other eight dimensions. Generally, medium-size businesses (with turnover of between R5 and R35 million per year) that need to comply with at least four of the seven elements in terms of the BEE scorecard, disagreed less than the large multinational companies, but more than the small enterprises and micro-enterprises, that the impact of BEE would improve their performance in the ten dimensions of business performance. Finally, although small enterprises and micro-enterprises do not have to demonstrate BEE compliance they nevertheless generally disagreed that the impact of BEE would improve business performance in the ten dimensions (see Figure 14).



Note: The closer the value is to the middle point (or 'bull's eye'), the stronger the agreement that BEE will have a positive impact on that particular dimension of business performance. The opposite is true – the further the value is from the middle point, the stronger the disagreement of improvement. The circled points (all dimensions except 1 and 6) indicate statistically significant differences in values between small enterprises and micro-enterprises, medium businesses and large multinational companies.

Figure 14: Radius plot for the impact of BEE on ten dimensions of business performance

Conclusions

The perceptions of respondents in the study indicate that the impact of black economic empowerment (BEE) on South African businesses on ten dimensions, which include overall domestic and global competitiveness, service excellence and client satisfaction, quality and acceptance of products and services, productivity, entrepreneurial spirit, production performance, human development and staff morale, business ethics, sales and access to markets, and financial performance, are mainly negative. The majority of the 500 respondents in the survey, who are employed in small enterprises and micro-enterprises, medium enterprises and large multinational companies, disagreed with the notion that the adoption of BEE practices would improve the performance of their company in any of the ten dimensions of business performance listed above. Significantly, a large majority (70%) of the respondents indicated that they would stand to benefit from BEE practices and similarly viewed themselves as being qualifying PDIs. It should be noted that the majority of the respondents in this study were black and female – those persons for whom BEE was specifically intended to improve employment opportunities and recourse for the perceived marginalisation created by the legacy of apartheid.

It is clear that the current government, the ruling ANC party, needs to seriously reconsider its transformation agenda and specifically the adoption of BEE practices, which appear to have little credibility and to receive little support from the managers of companies in South Africa.

Acknowledgements

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