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Corporate responsibility for socio-economic transformation: A focus on broad-based black economic empowerment and its implementation in South Africa

Swastika Juggernath¹, Renitha Rampersad^{1*} and K. Reddy²

¹Department of Marketing, Retail and Public Relations, Faculty of Management Sciences, Durban University of Technology, South Africa.

²Department of Applied Law, Faculty of Management Sciences, Durban University of Technology, South Africa.

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This article illustrates corporate responsibility for socio-economic transformation with a focus on broad-based black economic empowerment (BBBEE) and its implementation in South Africa. This article clarifies the need for the corporate sector to ensure consistency in the implementation of socially responsible behavior, particularly in the area of black economic empowerment. The article highlights that there is both a moral and legal obligation for the company to ensure that there is an efficient implementation of BBBEE. The present study was conducted within a qualitative and quantitative paradigm to investigate the implementation of BBBEE. The findings of the study reveal that business has been proactive insofar as engaging in BBBEE practices are concerned.

Key words: Corporate social responsibility, broad-based black economic empowerment, socio-economic, transformation, employees, discrimination.

INTRODUCTION

Political change and the efforts to balance out the unequal distribution of wealth have driven Corporate Social Responsibility (CSR) forward in South Africa. This has clearly defined the role of CSR, in that although it is no longer a voluntary act, business has gone beyond the demands of legislation. In the decades before South Africa achieved democracy in 1994, the apartheid government systematically excluded African, Indian and Colored people from meaningful participation in the country's economy. This inevitably caused much poverty and a profoundly sick economy (SA info Reporter: 2011). Recent reports cite South Africa as having an "Irish Coffee" syndrome. Cosatu general secretary, Zwelinsima Vavi, sees most of the people at the bottom of the pay pile being Black South Africans, and the cream,

representing Whites on top. He further believes that there are a few sprinkles of chocolate on top, which represents successful black economic empowerment. Vavi believes that the empowerment policy has not redressed the inequalities of apartheid and urged that everything possible should be done to close the wage gap (Du Plessis and SAPA, 2010).

Therefore, the South African government has promulgated specific corporate social responsibility (CSR) legislation since 1994, which has been directed at the economic empowerment of historically disadvantaged Black people. The Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE Act), which is one example of such legislation, not only aims to correct racial imbalances, but also strives to promote social responsibility and the empowerment of communities (Esser and Dekker, 2008). Broad-Based Black Economic Empowerment (BBBEE) is probably one of South Africa's most critical business imperatives, now and in the future. Without it, businesses can expect to experience a steady

*Corresponding author. E-mail: renithar@dut.ac.za. Tel: 27 31 (3735277). Fax: 27 31 (3735106).

drop in turnover that will, ultimately have a detrimental effect on the national economy (Retief, 2010). BBBEE is not simply a moral initiative to redress the wrongs of the past. It is a pragmatic growth strategy that aims to realise the country's full economic potential while helping to bring the black majority into the economy (SA info Reporter, 2011).

This article, firstly, reviews corporate responsibility as a vehicle for socio-economic transformation; secondly, it examines BBBEE as an incentive-based business initiative for socio-economic transformation, and thirdly, it explores the corporate reaction to challenges faced after the implementation of the BBBEE policy. The article will conclude with appropriate corporate responses to the implementation of BBBEE policies in the South African corporate sector.

THE NEED FOR SOCIO-ECONOMIC TRANSFORMATION

Apartheid entrenched race and gender-based discrimination in almost every facet of social, economic and political life. Under the apartheid regime, white people were given preferential access to ownership of land and business assets, education and amenities, which were denied to black people (Mbendi, 2011). According to Luiz (2007), in 1995, an estimated 58% of all South Africans – and 68% of African South Africans – were living in poverty and South Africa's Gini coefficient was 0.56. He adds that the country is faced with a shortage of skilled labour and an abundance of lowly skilled or unskilled labour. The apartheid-wage gap, that is, the ratio between the highest paid executive and the lowest paid worker, is too high. Labour market discrimination, such as job reservation, as well as unequal education and training opportunities in the past, has ensured that white South Africans enjoyed a discriminatory advantage over blacks. The practice of job reservation has resulted in an over-representation of white males in key decision making positions and in the more skilled categories of occupation in the public and private sectors. Affirmative action policies by the government are aimed at correcting the past imbalances through preferences for groups that were disadvantaged in the past. Incentives for business to implement such programmes is provided by the statutory need to submit equity plans and reports with the Department of Labour, as well as preferential treatment to companies that wish to do business with government, or where many large businesses have sourcing policies that examine the equity and black empowerment status of their suppliers (Venter et al., 2009).

According to Reddy (2006), initiatives to bridge the divide, particularly the socio-economic gap, between the previously advantaged and disadvantaged groups, cannot rest solely on the State. The business sector, therefore, has a role to play in promoting equality, hence

the need for CSR.

Defining corporate social responsibility

There is a shift in how CSR is currently viewed. There was the initial view that CSR was the responsibility to manage companies so that it expended its resources to do something not required by law and without immediate economic benefits (Hodes, 1983; Franca, 2006). McWilliams et al. (2006) in Wolmarans and Sartorius (2009), define CSR as a situation where the firm goes beyond compliance and engages in actions that appear to further some social good, beyond the interests of the firm and that which is required by law. McBarnet et al. (2007) argues that CSR is no longer a mere voluntary act. They emphasize that the law does play a role in placing pressure on companies to act in a socially responsible manner and further that CSR is seen as a complex interaction between the government, business and the community. Esser and Dekker (2008) however, propose that CSR should rather be aimed at social conduct where stakeholder's interests are taken into account either by way of indirect legislation or by way of voluntary conduct.

Company directors are expected to manage a company in the best interests not only of the shareholders, but with regard to the interests of all stakeholders, such as employees, the consumers, suppliers, the community, and environment. According to Esser and Dekker (2008), a consideration of the interests of such other stakeholders is known as corporate social responsibility (CSR). Legislation may compel business organizations to take into account the interests of other stakeholders. According to Moon (2001), in Olufemi (2010), CSR encompasses activities that companies may engage in to demonstrate that they are addressing important human rights, environmental and labour issues, many of which has been drawn to their attention by activist groups.

In South Africa, prior to democratic change, big business argued that CSR was neither related to admitting guilt for corporate support for apartheid capitalism and the resultant exploitation of black people, nor was it related to responsibility for socio-economic welfare of the country. Today, it is associated with the role of socio-economic reconstruction and development (Skinner and Merham, 2008).

From these definitions, the emerging view appears to be that, although CSR includes a voluntary aspect as far as companies are concerned, pressure from the law does compel them to act in a socially responsible manner.

CSR and socio-economic transformation in South Africa

In terms of South African company law, the directors have a fiduciary duty towards all shareholders. However,

it is now recognized that a wider range of interests should be protected, such as employees, the consumers, suppliers, the community, and environment. The BBBEE Act, for instance, attempts to protect the interests of the broader community by addressing existing racial imbalances in the economy and encouraging socio-economic upliftment (Esser and Dekker, 2008). Although the previous South African Companies Act (61 of 1973), did not enforce CSR on companies, the more recent Companies Act 71 of 2008 (Section 7) recognises the broader social role of companies and re-affirms the company structure as a means of achieving economic and social benefits in a manner that enhances the economic welfare of South Africa. In terms of the Act (Section 72), companies have to elect a social and ethics committee to monitor and report on their activities with regard to social and economic development, promotion of equality and development of the communities in which they operate (Deloitte, 2010). In terms of the core principles of the King III report, social injustice has to be eradicated. Further, social transformation and redress is important and needs to be integrated within the broader transition to sustainability (Pwc, 2011). King III therefore directs companies to “proactively manage the relationship with its stakeholders” and strive to achieve the correct balance between its various stakeholder groupings, in order to advance the interests of the company (Olson, 2010).

CSR has evolved into three areas of the triple bottom line, namely, economic, social and environmental. While the economic dimension is about profitability, the social dimension means that companies have to go beyond fulfilling their legal responsibilities and invest in human capital, as well as take actions to contribute to the welfare and interests of the staff and community. In South Africa, the social aspect of CSR includes employment equity and BBBEE programmes. It includes efforts to contribute to the upliftment of society. As poverty is a major barrier to sustainability around the world, including South Africa, business contribution to the alleviation of poverty is, therefore, of tremendous significance (Terry, 2010).

The equality clause in the South Africa Constitution (1996: Section 9) provides for the equal protection and benefit of all persons and allows for legislative or other measures that are designed to advance or protect persons disadvantaged by unfair discrimination. The BBBEE Act is one such initiative that is designed to provide redress for such disadvantage.

The Employment Equity Act 55 of 1998 and the BBBEE Act are two pieces of legislation that make a significant contribution to reshaping the socio-economic scenario in South Africa. While the Employment Equity Act aims at redressing imbalances in the workplace through affirmative employment and promotion practices, the BBBEE Act aims at the economic empowerment of previously disadvantaged groups which includes all black people, women, youth, people with disabilities and people

living in rural areas.

There has been intense debate over the proposed amendment of Section 42 of the Employment Equity Act relating to the appropriate demographics that an employer must consider when implementing affirmative action. The uncertainty as to whether regional or national demographics should be considered by employers became the focus of the debate, after Jimmy Manyi (ANC Government, newly appointed spokesperson) was accused of “crude racism” for claiming that Coloured people are over-represented in the Western Cape and should move elsewhere (Hartley and de Lange, 2011). The issue became politicized after claims that many Coloured and Indian workers would lose their jobs if the amendments were passed (Conradie, 2011). Clearly, the task of redressing discrimination, particularly on the basis of race, is a difficult one and it raises the question as to whether the Employment Equity Act, in referring to racial targets and racial profiles, contradicts the South African Constitution’s commitment to non-racism (Conway-Smith, 2011).

In terms of the BBBEE policy, State and parastatal tender practices, favour companies that are owned or managed by members of previously disadvantaged communities.

Private sector companies are encouraged to adopt similar practices and there is a move to favour small and medium enterprises (SMMEs), which are mostly small companies, owned and run by previously disadvantaged persons. The government provides various incentives to businesses that conclude BBBEE ventures or which are SMMEs (Mbendi, 2011).

The concept of BBBEE as set out by legislation, and the related obligations, are further examined.

BROAD-BASED BLACK ECONOMIC EMPOWERMENT

The South African Department of Trade and Industry (DTI: 2007) defines BBBEE as a socio-economic process that directly contributes to the economic transformation of South Africa and brings about “significant increases in the number of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities”.

BBBEE aims to promote economic empowerment of all black people (which includes South Africans who are African, Indian or Coloured, including women, youth, people with disability and people living in rural areas). The objectives of the BBBEE Act according to Venter et al. (2009) include:

- i. Promotion of economic transformation;
- ii. Substantial change in the racial composition relating to ownership and management structures of new and existing enterprises;
- iii. Increasing the extent to which communities, workers,

- co-operatives and other collective enterprises, own and manage new and existing enterprises;
- iv. Increasing the extent to which black women own and manage new and existing enterprises;
- v. Promoting investment programmes that lead to BBBEE;
- vi. Empowering rural and local communities by enabling access to economic activities, land, infrastructure and training; and
- vii. Promoting access to finance for BBBEE.

Employers must implement measures to achieve each of the mentioned objectives.

Burger and Jafta (2010) point out that in terms of the BBBEE Act, employers have to audit employment policies and practices, develop demographic profiles, identify groups that are under-represented; prepare employment plans, set out targets and measures to eliminate discriminatory barriers; and report on progress on implementation of employment equity plans to the Department of Labour. These steps are a necessary part of BBBEE implementation by companies that have to comply, that is, they are legally obliged to do so.

The final codes of good practice, gazetted in 2007 in accordance with Section 9 of the BBBEE Act, provide a standard framework to measure BBBEE compliance to a number of criteria. These include effective ownership and control of enterprises by black people; initiatives for equality in the workplace; measures in place to develop competencies of black people; the extent to which enterprises buy goods and services from BBBEE compliant companies; initiatives aimed at socio-economic and enterprise development; and initiatives promoting access to the economy for black people (DTI, 2005).

BBBEE verification agencies have emerged as watchdogs to measure, verify and certify the BBBEE status of companies objectively and independently. BBBEE codes have many direct and indirect fronting risk indicators that need to be independently checked or verified and therefore verification agencies are vital for the proper implementation and control of the BBBEE processes in South Africa (Siko, 2008). To control and measure these processes, a scorecard system is utilized. According to the DTI (2007), the BBBEE scorecard is a way of measuring the extent to which a particular business is BBBEE-compliant. Companies gain points in a number of different categories. For instance, many of the elements in the BBBEE charters allow points to be scored for gender representation. Strong female representation can place a company strongly up the curve in the BBBEE charters, especially if these women are at senior levels within the company. Greater gender diversity among corporate leaders is becoming a strategic imperative rather than a legislative requirement; however, there is still only minority representation of women in decision making roles (Harris, 2010). We further examine whether all companies are legally obliged to

comply with BBBEE requirements.

Legal obligations/commercial imperatives of employers

Motloug (2007) suggests that there are two reasons for implementing BBBEE in a company: ethical/moral; this relates to uplifting and assisting the rest of the population; the arguments for this are social and political; and business; it will assist in doing business and making a profit; business is about providing the right product/service at the right price.

Various government departments and public entities are bound to apply the code when making decisions relating to procurement, granting of licences, public-private partnerships and sale of assets. Such transactions may vary from tenders, applications for licences, public-private partnerships or buying state-owned assets (Venter et al., 2009). There is no legal obligation on private companies to comply with the codes, but it is obviously important for those companies that wish to do business with government entities, or obtain licences or concessions from government, to ensure that they score as high as possible in terms of the scorecard (Yuill et al., 2007). The indirect impact of companies seeking to be BBBEE compliant is that, in terms of Code 500 (Preferential Procurement Element of BBBEE) they score higher if they buy goods and services from BBBEE-compliant suppliers. They will, therefore, give preference to suppliers and service providers who have good BBBEE credentials. Compliance with the codes is, therefore, more a commercial imperative than a legal one (Yuill et al., 2007). Only organizations which deal with state departments are legally required to comply. They have no choice (BBBEE Act, 2008). However, companies that do not engage in business with state departments may choose to comply out of a moral obligation.

Impact and success of broad-based black economic empowerment

The effect of the Act and related codes is that companies are given BBBEE status according to the extent to which they comply. Companies with a higher status will benefit more from public sector work and procurement policies.

CSR implies responsibilities for companies in terms of the effect they have on the societies in which they operate. Business has a role to play in assisting with the transformation of the social landscape through measures to promote black economic empowerment. It is clear that such roles cannot be limited to voluntary projects but is required by legislation. If a company receives a poor BBBEE rating, it stands the risk of having a negative impact on its ability to conduct its business in South Africa. Hence, the BBBEE Act compels companies to

view the broader community as part of its stakeholders. According to Esser and Dekker (2008), the impact of the BBBEE Act is, firstly, at the direct level, insofar as it will increase the participation of black people (in the ownership, management, expertise and control) as well as rural and local communities, and create access to resources, infrastructure and training. Secondly, on the indirect level, preferential procurement, involvement in development and socio-economic projects, will ensure that the community at large benefits from CSR efforts, thereby complying with the "triple-bottom line".

Neither literature nor statistics have surfaced to quantify the success of BBBEE in South Africa. Vuyo (2008) elaborates on the achievements of BBBEE in its first year, as he explains that the greatest impact, thus far, was the increasing level of awareness of empowerment. Businesses constantly enquired from their suppliers about their BBBEE statuses and what level of recognition suppliers could offer to them. Non-profit organizations are now gearing themselves to become BBBEE partners of choice in order for them to become more sustainable. The trickle down impact of preferential procurement has been acutely felt by all companies as it remains one of the critical drivers of BBBEE. This statement highlights the fact that there is an awareness and growing concern relating to BBBEE and compliancy within organizations.

One of the few successes of BBBEE is that of the KwaZulu Natal (KZN) branch of Investec Private Bank, which bought a 10% minority stake in Nkunzi investment holdings (a leading KZN based empowerment group), and now has an annual turnover of more than R 400 million. This is an indication that BBBEE partnerships are taking place in KZN and that the environment for partnership-making in the province is healthy and poised for growth. Naidoo (2008) asserts that it is a misconception that transformation of ownership in businesses in this province is not evident. He adds that it may be slower than in other parts of the country, but it is increasing and there is commitment from both government and the private sector to speed up the process even more. Wu (2008) maintains that over the last five years, there has been an unquestionable acceleration in the pace of transformation. He explains that direct Black ownership on the Johannesburg Stock Exchange has increased from less than 2% to more than 10%. He also adds that almost all companies are developing and improving their own BBBEE scorecards and they no longer see BBBEE as an external factor but as one of the key factors to ensure their survival.

Ackerman (2008) recollects the sheer awfulness of the old South Africa in the past century. He remembers that the South Africa of today is a far better place than it was before 1994. Along with his peers in the commercial world, Ackerman, Chairman of Pick and Pay, recognized many years ago that apartheid was not just cruel, but an insurmountable obstacle to economic growth and national

prosperity.

Having considered the positive elements of BBBEE, it is also necessary to reflect on the failures and criticisms of BBBEE in an effort to prepare a balanced and fair perception of its implementation.

The failures of broad-based black economic empowerment

Critics have highlighted the slow progress of BBBEE as a concern, especially since the era of apartheid. According to the 2008/2009 Employment Equity Report, Black people (African, Indian, and Coloured) account for 87.9% of the country's economically active population (EAP). However, only 18.1% hold management positions. Whites on the other hand account for 12.1% of the EAP, but occupy 61.1% of top management positions. Despite the efforts by the government to implement BBBEE, change has been slow (Esser and Dekker, 2008).

Manyi (2008) believes that an additional reason for the failure of BBBEE can be attributed to the corporates themselves. A major deterring factor stifling the growth of BBBEE is that corporates want established companies (as service providers) that have experienced and educated staff. It is not uncommon for companies' procurement divisions to emphasize that they welcome all service providers regardless of their race. He further defends that the issue of quality is a consequence of many years of continuous improvement and that it does not happen overnight.

Whiteley (2007) explains that the failures of BBBEE can further be related to the poor provision of information and communication about the Act. He adds that Black business women have, in some provinces, still not benefited from the BBBEE process and this is largely due to opportunities being unknown to them. Within the category of Black businesswomen, African women account for 34.7% of the economically active population (EAP), with only 3.8% holding top management positions, while 11.7% of white women hold management positions (Nyadoo, 2010).

To keep track of the growth of BBBEE, Dlomo (2008) and Levinson (2007) add that recent studies by Consulta Research found that 38.9% of companies had no plan or progress on BBBEE, compared to the 19.7% that had fully implemented it.

Less than a quarter (24.7%) of the respondents had a formal BBBEE scorecard to track their progress. Further, 74% of the respondents claimed difficulty in finding "suitably qualified and experienced Black people" to appoint. In addition, 39.95% of the respondents had no skills development plan, while 74.8% had no Black ownership and 60.3% had no compliance with employment equity. The aforementioned statistics reveal that South African companies are far from making BBBEE a real priority.

The challenges of broad-based black economic empowerment

According to Employee Owned Trusts (2008), since the implementation of BBEE, some of the challenges have been: to align employer and employee interests; to boost employee morale and motivation levels; to build employee commitment; to reduce employee turnover; to improve employee performance and productivity levels; and to improve projects, business units, and company profitability. Further challenges associated with the implementation of BBEE, include “fronting” and the criticism of benefitting elites rather than the disadvantaged.

Fronting

One of the challenges in implementing BBEE is “fronting”. Fronting refers to situations where companies create the impression that they are complying with BBEE priorities, in order to benefit from government contracts.

Vuyo (2008) explains that Brian Molefe, CEO of the Public Investment Company (PIC) embarked on a campaign to stop the abuse of BBEE by some major companies in South Africa. To paraphrase, Molefe demonstrated that most companies in South Africa were not honest when they claimed to be dedicated to the advancement of those who were denied opportunities by the apartheid government simply because they were not white. He added that most black people appointed by these companies held positions where they could not make a meaningful contribution to the policies and strategies of the companies. He believes that the majority of these agents of transformation were appointed as Corporate Affairs Directors, a perfect way to window dress.

Today, companies are perfecting the ploy of appointing weak and conforming black people and more especially, women as candidates from designated groups. Genuine organizational diversity is a creation of dynamic organizational culture and behavioural change. Transformation, if honestly implemented, could impact and change lives of people for the better. It remains part of our state’s social contract with its citizens. Transformation could eliminate our social and economic injustices brought about by the legacy of the past (Mvoko and Brown, 2008).

These statements indicate that corporate South Africa is still facing challenges since the implementation of BBEE. “Black Diamonds” are seen to be another challenge often related to BBEE.

The “elite few” and black diamonds

There are numerous criticisms that only the “elite few” have benefited from Black Economic Empowerment

(BEE). The young, emerging market, now classified as black diamonds are prime candidates to benefit from the processes of BBEE in South Africa. Ross (2008: 6) believes that affirmative action will eventually disappear; however, concerns arise from the statement that it has only benefited the elite and not helped the masses.

The term “black diamonds” is used to classify the young black market. The term can be generally accepted as one which has evolved since the introduction of BEE, characterizing the younger, emerging black market as one with considerable wealth and earning capabilities (Pattman, 2008; Moya, 2007). “Black diamonds” constitute an economic group that germinated from the seeds of democracy. Rapid emergence of this economic grouping has evoked much debate around consumer spending and South Africa’s racially based employment policies. This statement reinforces racist arguments that people have got to where they are because of a transformed government and does not take into account those who climbed the corporate ladder by means of their own hard work, merit and dedication (Fredericks and Siko, 2007).

The corporate sector is employing “black diamonds” in an effort to align its BEE status with compliancy of the BBEE Act. This prevents the realization of the broad-based effect of BEE.

The future of broad-based black economic empowerment

South Africans have different perceptions of the concept of BBEE and especially, the future of BBEE. Vilakazi (2008) explains that the South African democratic government means well with its BBEE Act and associated programmes which include the charters and codes of good practice. These charters have many flaws and weaknesses which are also open to manipulation. Vilakazi (2008) describes it as a dream and an exercise in futility. He cautions that as long as corporate South Africa treats BBEE as a compliant way of life, BBEE cannot be a defining catalyst for socio-economic transformation.

An irony in South Africa is the co-existence of vacancies in skilled occupation alongside a mass of unemployed people who lack the skills to fill these vacancies. South African companies spend between zero and one percent on skills development, which is hardly adequate for a modern economy. This country urgently requires 60 000 black middle and senior managers who meet the required standards. From a business point of view, since 2005, the focus has been to address the issue of the shortage of black managers in the country. The current growth of 6% per annum of black managers is steadily increasing, which means that South Africa is on track to put people in key management positions that represent the different backgrounds of South African people (Thiel, 2008).

The trickle-down effect of using BBBEE suppliers and contractors is now impacting on smaller businesses because of government procurement. The trickledown effect of BBBEE is felt by even the smallest businesses. Vuyo (2008) expresses the view that there is a dire shortage of information and understanding among corporates on how to ensure enterprise development. This statement pinpoints that there is a lack of communication surrounding BBBEE and its implementation processes.

South Africa requires an economy which meets the needs of all its economic citizens, its people and their companies in a sustainable manner. Thus, with apartheid as a careful reminder of our past challenges, the way forward to South Africa's evolution is through BBBEE (Khumalo, 2008). The literature has confirmed the need for the corporate sector to be involved in social change.

METHODOLOGY

An empirical study was conducted to explore the corporate response for socio-economic transformation and its focus on BBBEE implementation in South Africa.

The sample of the study, consisting of seven companies in KwaZulu-Natal (KZN), was selected from the Empowerdex Listing (one the first and largest verification agencies to be accredited) of BBBEE Compliant Businesses. Since the study was largely qualitative in nature, only seven companies were selected. The study engaged more with the existence of a practice than the volume of companies that practice BBBEE. The non-probability sampling technique of judgmental sampling was utilized in the selection of the population. According to Malhotra (1996), judgmental sampling is a form of convenience sampling in which the selected population elements are based on the judgment of the researcher. The selection criteria adopted elements such as:

- a. The size of the business;
- b. The level of BBBEE rating; and
- c. The location of the business.

Determining the most adequate size of a sample is crucial. Bless and Smith (1995) highlight that a large sample is more representative but very costly. On the other hand, a small sample is much less accurate but more convenient. Thus, seven BBBEE compliant companies in KwaZulu Natal were selected as a reasonable sample size, based on the location and availability of respondents, the BBBEE rating of the respective companies from the Empowerdex Listing, the companies position on the Empowerdex Listing and the representation of different sectors of the industry.

RESULTS

The study assessed the corporate response for socio-economic transformation and its focus on BBBEE implementation in South Africa. The following themes emerged and were investigated:

Theme one; moral and legal obligation of the employer; Theme two: discrimination in the workplace; Theme three: companies' perceptions on BBBEE; Theme four: interpretation and understanding of "black diamonds";

Theme five: internal employee reaction to BBBEE implementation; Theme six: communication about compliancy internally and externally; Theme seven: benefits of BBBEE to employees; Theme eight: top management's involvement in the process.

In the discussion that follows, results are drawn from the analyzed data to illustrate and support the discussion.

Theme one: Moral and legal obligation of the employer

Seven companies indicated that it was both a moral and legal obligation of the company to ensure that employees were made aware of their rights after the implementation of BBBEE. The companies' focus was positioned on training and workshops, to improve employee skills and assist in the communication process. The legal obligations were certainly part of the necessary BBBEE implementation and this was followed by the moral obligation relating to empowering their employees, inevitably making them valuable employees to assist in productivity and personal growth. Some companies tend to have guided themselves by greater moral than legal obligations, whereas the other companies were guided by more legal than moral obligations when communicating the rights of the BBBEE Act to their employees.

Theme two: Discrimination in the workplace

Two companies claimed that discrimination is not evident in their organization and that South Africa as a whole has overcome the "apartheid" era in the workplace. On the other hand, five out of the seven companies agreed that discrimination is evident in their organization and that South Africa as a whole has not overcome the "apartheid" era in the workplace. These findings are consistent with thoughts expressed by Pattman (2008) and Moya (2007) who are of the opinion that racial prejudice is a social ill that still widely exists within the workplace. They add that "today's racism comes with a cloth of sophistry as racism now camouflages itself. Racism is not black and white but rather, people now prefer not to talk about it."

Theme three: Companies' perception on BBBEE

Five companies responded that BBBEE was initiated to benefit the masses and may take longer than anticipated as policies are recalled and changed. They believe that it is a process of learning with the hope that BBBEE will reach the masses and not constrict itself to benefiting the elite. They believed that "government officials" are the prime culprits who have benefited from this process. Two companies do not support this view. They were confident that BBBEE benefits all. The findings above are consistent with the views of Ross (2008) who elaborate that the "elite" benefactors of BBBEE have often been raised via

the various media houses as there are criticisms that the “elite few” have only benefited from BBBEE and not Blacks lower down the ladder. He believes that affirmative action will eventually disappear.

Theme four: Interpretation and understanding of black diamonds

All companies agree that the term “black diamond” is more commonly used to describe the emerging black market. Common descriptions from the seven companies include: “A young trendy market with high income potential”, “young black market with high spending power” and the “middle-aged black spenders”. Four of the seven companies emphasized that this term was introduced as a marketing terminology to the industry, indicating the value of potential spending power from this market, when it was “emerging”. Three of the seven companies believe that this term will grow to develop a unique category of the young black market consisting of individuals who earn affluent salaries. Fredericks and Siko (2007) are of the opinion that “Black Diamonds” constitute an economic group that germinated from the seeds of democracy. The rapid emergence of this economic grouping has evoked much debate around consumer spending and this country’s racially based employment policies. They further explain that one might assume that affirmative action and other equity legislation currently in place would make it easier to obtain Black Diamond status.

Respondents were further asked to confirm the percentage of “black diamonds” employed within their organization. All companies agreed that they have a percentage of black diamonds employed at their organizations. Three companies employ approximately 15% of black diamonds within their organization whereas four companies employ approximately 25% within their organization.

Theme five: Internal/employee reaction to BBBEE implementation

Evidence suggests that staff had reacted to the changes in the workplace since the implementation of BBBEE. Two companies explained that their employees reacted well to changes since the implementation of BBBEE.

Employees have been supportive of BBBEE and the various race groups employed at the workplace. Three companies indicated a negative response. They experienced retaliation from a minor group, with some leaving the company. Two companies elucidate that the majority of their employees have now accepted the BBBEE policy and changes, with an understanding of the benefits. These employees have been informed and adequately communicated about the BBBEE Act and its changes. Two companies did not comment on the initial reaction from employees.

Employees now view BBBEE as a holistic approach in developing South Africa as a country. Some employees have refused to accept BBBEE to the extent that they have left the company and some have even left the country. The employee decisions to leave both the organizations and the country commonly stem from barriers that exist among the various race groups at both a professional and societal level.

The key areas that have influenced the organization since the policy’s implementation are racism, language barriers, employee culture and organizational culture. The response from Figure 1 indicates that: five companies (71%) have been affected by racism; seven companies (100%) have been affected by language barriers; five companies (71%) have been affected by employee culture; and five companies (71%) have been affected by organisational culture.

The South African corporate sector has a range of values, cultures and languages. Such factors indeed assist organizations in selecting and tailoring their programs and policies to meet the specific needs of their employees. The findings reiterate the statements of Kjeldsberg (2000) that two way communication about workplace practices, helps achieve the desired outcomes for both the employee and the organization in a variety of ways. With consideration to the various values, cultures, languages, there is certainly bound to be communication challenges among staff or between employee and employer.

Theme six: Communication about compliancy internally and externally

All companies agree that they are frequently questioned about their BBBEE ratings and are of the shared opinion that clients/suppliers are keen to do business with companies who have high BBBEE ratings as this further enhances their own BBBEE ratings. Respondents further indicated that their BBBEE compliancy is rated with the utmost importance to their clients. Four companies are strong supporters of effective communication. All companies agreed that their BBBEE compliancy was communicated effectively both internally and externally. Employees were given the priority to the information, followed by suppliers and clients. A common pattern noted was that employees were informed by heads of departments or regional managers, in meetings about the company’s BBBEE compliancy. An open forum was popularly used by most of the companies which allowed for all questions from employees to be answered and discussed further. Developments and progress were further communicated to clients by e-mails, personal letters, in house journals and newsletters.

Theme seven: Benefits of BBBEE to employees

This theme tested the benefits of employees as far as

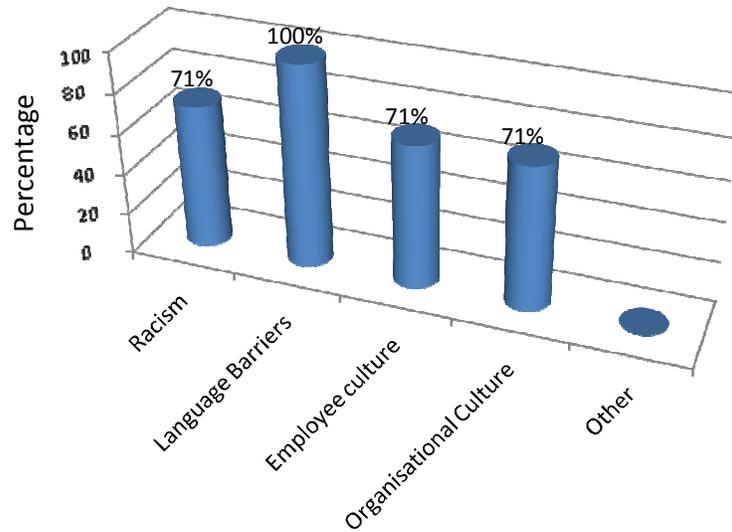


Figure 1. Factors affecting the organization.

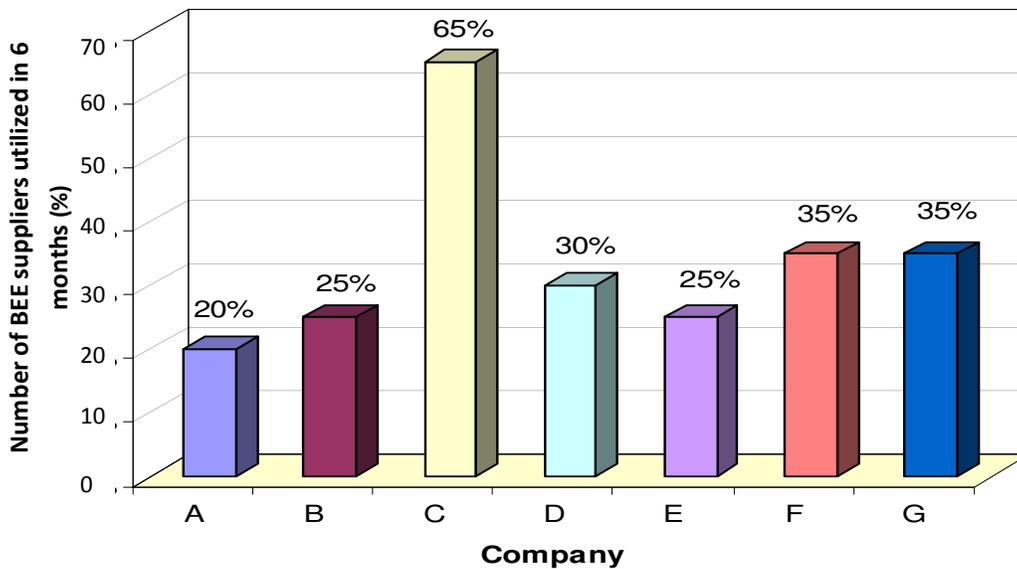


Figure 2. Percentage of company shares owned by employees.

shareholding and job satisfaction were concerned. As Figure 2 depicts, three companies offer between 20 to 25% shareholding to employees; three companies offer between 30 to 45% shareholding to employees; and one company offers 65% shareholding to employees.

These statistics re-iterate the advantages of BBEE to the employee. Employees feel that they belong and are a part of the organization when they are allowed to share in the company’s capital growth. Allowing employees such a share in the company is advantageous to the successful implementation of BBEE. The advantages such as employee job satisfaction and team spirit are all crucial

elements within the workplace (Employee owned trusts, 2008).

Theme eight: Top management’s involvement in the process

To ensure a moral and legal obligation by the company, management have undertaken and implemented training workshops, which will assist in the efficiency of the business as well as communicate internal policies thus aligning employer and employee interest. Legal effects

have become a BBBEE necessity, and the moral obligation relates to empowering employees, making them better employees by assisting in productivity and personal growth and ensuring commitment and building morale. Diversity management and skills training have become a priority and workshops have been run as solutions to eliminate barriers that exist and improve employee performance.

Conclusion

The recent Companies Act (2008) reaffirms that companies have a role to play with regard to socio-economic transformation. Although CSR, in the way it is viewed traditionally, does not include racial redress in corporate ownership, in South Africa it is seen as quite an important aspect of corporate responsibility (Esser and Dekker, 2008). In addition, BBBEE demonstrates that the law can make certain aspects of CSR compulsory. Apart from addressing racial imbalances, it pressures companies to contribute to socio-economic transformation.

The incentives and awareness relating to BBBEE has resulted in business organizations being proactive insofar as engaging in BBBEE practices. The BBBEE Act illustrates that social change (in this case the correction of racial imbalances and unfair practices in the corporate sector) has brought about unwarranted challenges. This Act has further illustrated how the South African corporate sector has conformed to regulations, due largely to national awareness surrounding Broad-Based Black Economic Empowerment.

From the literature reviewed, the following trends relating to BBBEE are apparent. The BBBEE Act not only binds public entities, but private entities, to the extent that they intend interacting with the state. Only companies which deal with state departments are legally required to comply with the BBBEE policy. Although those companies that do not engage in business with government may choose to comply out of moral obligation, the BBBEE Act appears to pressure them to comply.

Neither literature, nor statistics, has surfaced to quantify the success of BBBEE in South Africa. The implementation of BBBEE has brought some advantages to the workplace, for instance, direct black ownership on the Johannesburg Stock Exchange has increased. However, there is still a wide disparity in respect of management positions for black as compared to white people. There is also room for the growth of women, in particular, African women, to occupy management positions. The lack of a plan on the progress of BBBEE means that only a few companies have fully implemented BBBEE. In addition, a sizeable proportion of companies have indicated that it is difficult to find suitably qualified and experienced black people.

The challenges faced by employers included: aligning employer employee interest; building employee commitment and morale; and improving employee performance.

The following conclusions can be drawn from the empirical study.

There was certainly a moral and legal obligation on the part of the employer to ensure that BBBEE implementation was efficiently carried out and this was followed by being morally obligated to empowering their employees, inevitably making them valuable and productive. In addition, the BBBEE Act has shown how the state can compel companies through legislation to have a social conscience (Esser and Dekker, 2008). Discrimination is evident and this study confirms that South Africa as a whole, has not overcome the "apartheid" era in the workplace. Companies have confirmed the employment of 'Black Diamonds' within their organizations. Although there was general acceptance of the BBBEE policy, some companies experienced retaliation from a minor group of employees. All companies agreed that their BBBEE compliance was communicated effectively both internally and externally. The initial BBBEE implementation stages involved numerous misconceptions by staff, which placed a barrier on the effective implementation of BBBEE in the workplace.

The commitment from top management was seen as a necessity to drive the process in ensuring that all employees were sufficiently informed about the BBBEE process through the use of diverse mediums. In the implementation of BBBEE responsibilities, companies are urged to take cognizance of the related challenges and ensure that measures are put in place to address these issues.

Transforming the economy is a huge task that cannot be achieved by government alone. Corporate social responsibility in South Africa is, therefore, no longer a voluntary process. The law does exert pressure on companies to participate, particularly insofar as BBBEE is concerned. Further, corporate social responsibility has become an important aspect of BBBEE implementation. Companies should be driving meaningful and substantive BBBEE programmes that will create value and wealth in the hands of the majority that were previously disadvantaged. This will assist in alleviating poverty and creating job opportunities for South Africans.

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