

“When ego is lost, limit is lost. You become infinite, kind and beautiful.”

— Yogi Bhajan

BEE; A CURSE OR A BLESSING?

Broad-Based Black Economic Empowerment B-BBEE, BEE for short.

Overview

There is a common belief amongst corporate head office management of many multinationals in Europe and America who have operations in South Africa that BEE is a curse designed to hamper the attempts to invest, build and develop a viable business in South Africa. The belief is that all businesses in South Africa are required to have 51% black ownership which means losing control of local operations. In other words a curse that should be avoided at all costs leading to potential disinvestment in South Africa.

No. That is wrong. BEE should be viewed as a Blessing to enable engagement with and motivation of the company’s workforce by giving them a share of the ownership of the company. That doesn’t mean that the investors lose control of their investment. Shareholders own a business and Directors control a business so it is the best of both worlds with workers being represented on the local Board by the best local black talent.

How did BEE come about? Some History:

Apartheid’s grand design, as espoused by the late State President Hendrik Verwoerd, was to protect the Afrikaner people by separating the races as completely as possible, each with their own destiny and geography. The truth of the matter was that naked racial prejudice by whites against non-whites was clothed in an apparently well-reasoned and irrefutable argument purported to ensure fairness for all.

The Outcome of this misguided social engineering experiment is plain for all to see.

It utterly limited the true potential of South Africa until 1994 when Nelson Mandela was elected President of South Africa This meant that up to 1994 there existed

- A generally poorly educated and poorly skilled non-white workforce
- A limited capacity for true wealth generation and therefore a marketplace operating below its growth potential for attracting diverse worldwide investment

However, South Africans from all walks of life have proved themselves to be resilient, resourceful and innovative, despite their challenging legacy. The previously disadvantaged can now see light at the end of the tunnel and can work with their white brethren to build a new vibrant South Africa. Truly the Rainbow Nation.

Enter BEE, legislation crafted to enable the full participation of all South Africans in the economy. A policy which genuinely ‘seeks rights and justice towards all’. There is much to fix! The ultimate Purpose is to enable South Africa to achieve its full potential as a Global Player, as an economy conducive to international investment.

BEE has been viewed by some as a ‘curse’:

South African-based business may have conveyed negative views on the legislation in the past because when BEE legislation was first introduced businesses were faced with:

- An element of bureaucracy – more statutory returns, more involvement by the state run Labour authorities
- Potential, often significant, non-compliance penalties
- Evidence of ‘sharp practice’ on the part of some white-owned business where black fronts have been designated owners or directors. This is called “fronting” and heavy penalties have been invoked to counter such cynical practices
- Plain resistance to change. Inability to identify with the need to right the wrongs of the past. Unwilling to change, citing the oft misunderstood requirement of ‘handing over ownership of my business to a black person’ as the reason

How has it changed over the years?

Slowly but surely the legislation has been amended and adapted to assist businesses to comply while still being able to concentrate on developing and growing their business investment, at the same time recruiting and training the best black talent into the business and its management – a win-win situation.

What is the BEE legislation?

Each business has a BEE checklist and scorecard to identify their compliance in line with the Codes of Good Practice. There are eight levels of BEE accreditation ranging from 8, the least compliant, to 1, most compliant. The initial aim of all businesses is to reach level 4 and above in order to operate effectively. This is achieved by:

- a) Using suppliers who are already BEE compliant
- b) Gender breakdown, good balance between black males and black females at all levels within the business
- c) Racial and gender considerations in line with Economic Active Population in the country
- d) Recognition and development of disabled people in and out of the workplace
- e) Skills Development and training for all workers and management in line with the Economic Active Population in the country
- f) Contributing 3% of net profit after tax for Enterprise and Supplier Development Initiatives with 51% and greater black owned businesses
- g) Contributing 1% of net profit after tax to Socio Economic Development initiatives with Black South African beneficiaries

Businesses with less than R10 million turnover are level 4 contributors to BEE with a procurement recognition level of 100%, and business that are 51% or more black owned and have a turnover of less than R50 million, are level 2 contributors to BEE with a procurement recognition of 125%.

This means that BEE is in fact a ‘blessing’:

Providing transformation-minded South Africans who have benefited from the previous political dispensation and with a genuine inclination to ‘give back’, an opportunity, clear guidelines, and, the incentive to do so. Such ‘giving back’ allowed always resourceful South Africans to rise above their challenges to develop many creative ways of doing so, for example:

- Discovering ways of incorporating black people with proven business-sense into significant roles, for competitive advantage
- Creation of an Employee Trust, as a vehicle for sharing the spoils
- The founding of BusinessFit to assist in capacitating entrepreneurs and Black Owned Businesses
- The founding of BusinessFit International – providing UK-based enterprises a foot in the door of the soon-to-be burgeoning South African Economy where, with transformation incorporated into their Business Model, they will prosper

Evidence of the success of the BEE programme is slowly becoming clearer. Talented black entrepreneurs are emerging in all businesses working happily alongside their equally talented white counterparts. Skin colour is becoming less and less relevant in the “Rainbow Nation”. There is still a long way to go but the success of the multi-racial Springboks as Rugby World Cup

Champions under Siya Kolisi in 2019 and the motivation that has given to all South African youth bodes well for the future of the nation loved by all South Africans. Your business can be part of this miracle.

BusinessFit International is positioned to serve UK-based enterprise with top-drawer professional advice and support

BusinessFit International will ensure that BEE is not a barrier to entry into the lucrative and burgeoning South African market but a source of strategic advantage.

Contact Mike Miller, MD of Business Fit International, at mike.miller@sapro.co.uk to start your journey to success in South Africa