

# **THE EFFECT OF BLACK ECONOMIC EMPOWERMENT ON EMPLOYEES**

By

**JACQUELINE SUE-ANNE ACQUILA LEYDS**

Submitted in partial fulfillment of the requirements of the degree

**MASTER OF SOCIAL WORK**

**MSW (EAP)**

in

**EMPLOYEE ASSISTANCE PROGRAMMES**

in the

**FACULTY HUMANITIES**

**DEPARTMENT OF SOCIAL WORK AND CRIMINOLOGY**

at the

**UNIVERSITY OF PRETORIA**

**SUPERVISOR: DR. C.L. CARBONATTO**

**PRETORIA**

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**FACULTY OF HUMANITIES**  
**DEPARTMENT OF SOCIAL WORK & CRIMINOLOGY**

## **DECLARATION**

Full name : Jacqueline Sue-Anne Acquila Leyds

Student Number: 24324184

I declare that this dissertation is my own, original work. All secondary material used was carefully acknowledged and referenced in accordance with university requirements.

I understand what plagiarism is and am aware of the University's policy and its implications in this regard.

**SIGNATURE**

15/08/2008

**DATE**

### **Individual Assignment**

Name of editor: Dr. W. F. Harding



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I, the Principal Investigator, Jacqueline Sue-Anne Acquila Leyds  
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START DATE OF STUDY: 22 February 2007

END DATE OF STUDY: 15 August 2008

UNTIL WHICH YEAR WILL DATA WILL BE STORED: 2022

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**Name** Jacqueline Sue-Anne Acquila Leyds

**Signature** \_\_\_\_\_

**Date** 15 August 2008

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Firstly I would like to thank my Heavenly Father for the mercy and grace which He bestowed upon me during this period. Many a time when an emergency prayer went up, He always came through for me and gave me the strength, faith, endurance, hope, wisdom and insight to successfully complete this study. He taught me that it is not about how quickly you complete the race, but about what you learn while you are completing the race.

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## ABSTRACT

**TITLE: THE EFFECT OF BLACK ECONOMIC EMPOWERMENT ON EMPLOYEES**

**CANDIDATE: JACQUELINE SUE-ANNE ACQUILA LEYDS**

**SUPERVISOR: DR C.L.CARBONATTO**

**DEPARTMENT: SOCIAL WORK AND CRIMINOLOGY**

**DEGREE: MSW (EAP)**

This study is aimed at determining the effect of Black Economic Empowerment on employees.

The objectives of this study were:

- To conceptualize theoretically what Black Economic Empowerment entails and to identify the causes of the Broad Based Black Economic Empowerment Act.
- To determine the physical, emotional, psychological and social effect of BEE on employees and to elaborate on employees' experiences.
- To make recommendations regarding the implementation of BEE based on employees experiences.

This qualitative study endeavoured to answer the following research question:

“What effect does BEE have on employees?”

By answering this question, the researcher aimed to document experiences to understand the effect of this phenomenon on employees and to make recommendations regarding its implementation in the workplace.

Probability sampling methods were used to select the respondents and data was gathered by using semi-structured interview schedules. These interviews were taped-recorded, transcribed and analysed by extracting themes and subthemes.

The study was feasible as it was within the financial and practical means of the researcher. Permission was obtained from BOSASA to conduct the study, and use their resources, staff and data.

The main themes that emerged from the data analysis are as follows:

- Support for BEE
- Criticism of BEE
- The role of communication
- Change leads to mental shifts
- Changes in the working environment affects employees
- Attitude towards change impacts on physical effects
- The importance of development in the implementation of BEE.

From the research findings, the following conclusions and recommendations were made:

It can be concluded that there are different opinions regarding the implementation of BEE and we have to acknowledge that there are positive and negative effects thereof. BEE can hold mutual benefits for both employees and the organization, but it is important for open and reciprocal communication channels to be present whilst BEE is being implemented. It was also concluded that although BEE is a legislative process the individuals within the organization definitely experience the ripple effect of the changes that are implemented.

On micro-level, it is recommended that all organizations where BEE is being implemented should have open communication channels between themselves and their employees. Opportunities for questions regarding clarity of processes being implemented should be part of the process and communication of information should be reciprocal and not just from a top down approach.

On meso-level, it is recommended that different levels of management should receive training regarding BEE, what it entails and how it will be implemented. The reasons for its

implementation and the benefits it holds for the organization and employees should be explored during these sessions.

On macro-level, it is recommended that the marketing of BEE should become more prominent in the media in South Africa, including newspapers, television and billboards. The emphasis should shift from only reporting on the “large” BEE deals that are done, to the untold stories of the masses that daily experience the positive effects that BEE has had on them as “smaller” organizations and individuals.

Organizations should assist in rectifying the harms of the past. It should not only be about implementing BEE for the purpose of getting business deals from government, but also about realizing its significance for the economic growth of our country. This will assist in eradicating fronting and create a culture that is open to change.

## **LIST OF KEY WORDS**

Black Economic Empowerment

BOSASA

Change

Communication

Criticism

Development

Employees

Leadership

Ownership

Support

Workplace



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# CHAPTER 1

## INTRODUCTION

### 1.1 INTRODUCTION

The post 1994 era in South Africa has brought about remarkable transformation, driven by socio-political forces and objectives such as democracy, gender equality, sanctions lifted on South Africa by the global arena and the vision of meeting the socio-economic needs of the poor majority.

The transformation has manifested itself in the form of change that needs to be managed. This is evident on a daily basis in transformed public policy and legislation, including matters such as equality, non-discrimination, non-racism and the development of previously disadvantaged individuals.

This research aims to investigate specific change that has occurred in the post 1994 era, namely the entire notion of Black Economic Empowerment and its effect on employees. The result of this change was that previously disadvantaged individuals had to be empowered in the workplace, be offered shareholding capacity in companies and ultimately own and manage the organizations in which they are employed. The questions that come to mind here is whether these individuals were ready for it, how they reacted to it and how has it affected them physically, socially, economically and psychologically.

Black Economic Empowerment is supported by the Broad Based Black Economic Empowerment Act, (Act 53 of 2003). It states that more black people need ownership and that they also particularly need to own shares in companies. The increase of broad-based and effective participation of black people and the promotion of equal opportunity and equal access to government services are but some of the objectives.

The Act works from the notion that under apartheid, race was used to control access to South Africa's productive resources and to access skills. It further emphasizes that the economy performs below its potential due to the exclusion of the vast majority of its people and due to the low level of income earned by this majority.

The objectives of this Act has led to a greater focus on managing diversity in the workplace, gender equality and the redressing of skills development issues. This happened while employers realized that they needed to change their previous policies in order to survive in a changing democracy where it could not be business as usual.

Carrying out change in an organization is no easy task and this is more so when change needs to be carried out across the whole organization. This has far reaching consequences for the employment environment and employees in particular.

According to the researcher, organizations thus have the following choice: they comply with legislative frameworks, reap the benefits and deal with the challenges that go hand in hand with it, or they ignore it. However, when the challenges are ignored, organizations ultimately face isolation and eventually the possibility of ceasing to exist. This happens as the ever-increasing allocation of business deals is based on whether the organization is Black Economically Empowered or not.

As mentioned above, an important aspect to consider is the effect that the above scenario has on employees. Within the context of the Broad Based Black Economic Empowerment, organizations need to empower previously disadvantaged black people, women and the disabled in their shareholding structures and management structures.

The implication is that more black employees and women will be promoted to higher positions, compared to the previous situation where more white employees and males held senior positions.

The Broad Based Black Economic Empowerment Act therefore has a direct impact on employees. Often management is so engrossed in making the stipulated changes, that they forget about the effect that it is having on their workforce, be it positive or negative.



Black Economic Empowerment has both positive and negative elements, and both should be taken into consideration. The researcher is of the opinion that it is positive in that (a) it encourages active participation in the economy by the majority of South African's who were previously not allowed to participate meaningfully and in that (b) it assists in rectifying the harms of the past by focusing strongly on training and development of previously disadvantaged individuals.

The researcher has however also noted that people often perceive the process of Black Economic Empowerment as apartheid in reverse, as restrictions are placed on white individuals who were previously actively involved in the economy.

A concern raised by the researcher is that Black Economic Empowerment as it currently stands has not resulted in active participation of the majority. This is seen in the light of BEE deals where one always sees the same names of empowerment partners in newspapers. This had led to a few elite individuals benefitting while the majority still remains where they previously were.

Black Economic Empowerment is supported at the highest level in government. This is reflected in a speech by President Mbeki where he told delegates at the ANC conference in Stellenbosch the following: *the majority needs the involvement of the white minority in the struggle to eliminate the racial disparities we inherited; the white minority needs the involvement of the black majority in the struggle to overcome the racial antagonisms created by a long history of colonialism and apartheid.*" (Haffajee, 2003:19)

The phenomenon of Black Economic Empowerment can be supported and criticized in a number of areas as it is still an evolving process of trial and error.

In his article on Saki Macozoma Coetzer (2006:22-26) points out that the important difference between "the then" and "the now" is that in "the then" we were dealing with a minority while in the now we are dealing with the majority. Coetzer (2006:23) further quotes Macozoma in saying that he is pleased with the progress made thus far in the BEE process. He believes that it is a continuous process, but argues that South Africa is

spending too much time arguing out different strategies for its implementation. The researcher agrees with this comment in the light of how long it is taking for the actual codes to be finalized. To date this has still not been completed.

Coetzer (2006:22) also touches on the issue of broadness. During an interview Macozoma revealed that he was of the opinion that the issue of broadness is misplaced. He is of the opinion that the focus should not be on the number of people you are taking with you in the BEE process to make it broad. There should rather be an emphasis on the quality thereof.

The article Expertise is more important than BEE status (2006:112) tackles the above point from a different angle and states that expertise is more important than BEE status. A key recommendation is that government should re-examine initiatives and ensure that adequate support is given in the form of expertise to organizations and not only BEE status.

Coetzer (2006:22) places emphasis on South Africa operating in a capitalist society, which means that there will be different levels at which people can become involved. In the context of broad-based BEE, it is the advancement of people that should take priority, not only on a business front but also on a broad front. The researcher supports this opinion because the empowerment of people is not only about them being empowered in business. People also need to feel empowerment in their everyday lives and experience it as making a meaningful difference compared to their previous circumstances.

Nzimande (2005:65) feels that the current BEE model promotes greed and materialism, especially within the codes of practice where there is a narrow focus on ownership. He is of the notion that it should rather promote solidarity and prioritize poverty eradication. The researcher agrees to a certain extent with this statement in that it is evident, on a daily basis, that only a few exclusive individuals benefit from BEE. The same names are appearing everywhere, which is not necessarily making it broad-based. If sustainable growth can be created through empowerment, poverty will be minimized but not necessarily eradicated.

In 2006, The Black Economic Empowerment Business Day Survey interviewed Raymond Ndlovu. Consequently the article Close the Gap, Silo mentality needs to change (2006:7), revealed that in the race to become BEE compliant, many companies were looking for the quickest way to move forward and there were no quick fixes to empowerment and transformation. The article further stated that efforts motivated by a need to comply led to a scenario of window dressing. The findings of the survey encouraged organizations to train black staff, mentor them and drive true transformation internally, as this kind of commitment breeds staff loyalty.

The researcher believes that the findings of the survey are valuable, seeing that it directly advocates broad-based BEE as internal staff involvement becomes crucial. In turn, this leads to buy-in and greater success in the transformation process. It should however be noted that organizations opting for the approach above will need to realize that a lot of money will have to be invested in staff training to realize this.

According to the above-mentioned article (2006:9) Raymond Ndlovu's opinion was that the focus of empowerment had been transactional and that it could not be continued. According to Raymond Ndlovu the focus of empowerment needed to be broad-based and not only aimed at equity transactions. He criticized the actual implementation of the codes of good practice, and stated that organizations were operating the different codes in silos. He further emphasized that a more integrated approach and change in mind set needed to be considered, in which there would be a move from meeting scorecard requirements to considering the actual impact that initiatives have on grass root level. According to the researcher, this obviously implies a shift from a top down approach to a bottom up approach, which will lead to greater involvement and active participation in the process.

The researcher, who is currently the Managing Director of a subsidiary company in BOSASA, has observed that employees often struggle to accept new management because they are familiar with old leadership. The way in which things were done previously makes them feel comfortable. The researcher has also noted that if one is used to doing things a certain way for a long time, it is very difficult to adjust to new processes, notwithstanding the benefits. Individuals often believe that the old way worked

and that it still works. Consequently, they prefer not to upset the status quo and become resistant.

In the researcher's experience of having worked in previously male dominant organizations, many women tend to manage their environments based on their emotions. At times their judgments appear clouded because of this.

Apartheid has also left its mark, as this was the way in which a large majority of people were socialized. The researcher has often noted in the workplace how difficult it has been for a white Afrikaner male to take orders from a black person, and even more so from a black woman. On the other hand, the researcher has also observed that it has been easier for younger white employees entering the labour market to adjust to these scenarios. The older white male fears extinction and possible expulsion from the job market.

Employers find themselves changing their organizations according to legislation in order to grow and survive. The notion is often created that the rest of the staff just needs to accept it, as it is vital to the livelihood of the organization. The question to ask here is to what extent employees are experiencing it in this manner.

Another question to consider is whether employees in fact experience Black Economic Empowerment as "broad-based". In this sense, broad based means that it is not only beneficial for a few elite individuals, but also for a large majority, directly or indirectly.

## **1.2 PROBLEM FORMULATION**

The rationale of this study is that Broad-Based Black Economic Empowerment is an occurrence that affects all organizations and its employees at some point and that no business is immune to it. Black Economic Empowerment is not a phenomenon that government decided to implement overnight, but it was preceded by a culmination of events and legislative frameworks that paved the way for the transformation of our country and ultimately our economy.

There had been rapid changes in the political arena of South Africa post 1990, whereby the Interim Constitution came into being in 1993 and was followed by the final Constitution in 1996. Blacks were now able to vote for the first time in history.

An end came to the National party government and the African National Congress came into power in 1994 after obtaining the majority of votes in the 1994 general election. This led to the establishment of a government of national unity.

Prior to the promulgation of the Black Economic Empowerment Act of 2003, numerous legislative frameworks were introduced to correct the imbalances of the past. These include:

- The Restitution of Land Rights Act (Act 22 of 1994), that provides for the restitution of land of which persons or communities were disposed of.
- The Competition Act (Act 89 of 1998), which increases the number of historically disadvantaged people with an ownership stake.
- The Employment Equity Act (Act 85 of 1998) was enacted. This Act required Affirmative Action policies to be implemented in the workplace to bring about a representative spread of designated groups in all occupational levels.
- The Promotion of Equality and Prevention of Unfair Discrimination Act (Act 4 of 2000), which aims to eliminate unfair discrimination and promote equality.
- The Preferential Procurement Policy Framework Act (Act 5 of 2000), which provides a framework for a point system to award tenders based on price and preference for targeted groups.

All these legislative frameworks affected the way in which the country and business operated. In turn organizations, their operations and their employees were also affected.

Although the Broad Based Black Economic Empowerment Act was a result of a culmination of events, its implementation was sudden and a large number of people had to adjust and implement the prescriptions of the Act if they wanted to survive in the business arena.

Organizations were now measured on seven core elements, namely:

- **Ownership**  
This element measures the effective ownership of enterprises by black people.
- **Management**  
This is the management control element of enterprises by black people.
- **Employment Equity**  
This element measures initiatives intended to achieve equity in the workplace.
- **Skills Development**  
This element measures the extent to which employers implement initiatives designed to promote the development of competencies of black employees.
- **Affirmative Procurement**  
This involves the extent to which enterprises procure from small enterprises, micro enterprises and Broad Based Black Economic Empowerment contributors.
- **Enterprise Development**  
This refers to the extent to which enterprises assist and accelerate the development of other enterprises.
- **Residual**  
This involves the implementation of specific and other initiatives contributing to social development and access to the economy for black people.

(BEE Codes of Good Practice, 2005:000-8)

Several organizations were not ready for the above measurement criteria but were forced to act on it if they wanted to continue getting business. How this process was managed differed from organization to organization, and the question to ask is whether significant attention was paid to the effect it had on employees.

The researcher is part of a dynamic organization called BOSASA, which specializes in full facilities management and outsourcing solutions to both government and the private sector in areas of Security, Information Technology Solutions, Catering, Fleet Management and Maintenance, Fencing, Holistic Youth Development, and Training and Curriculum Design. For the last nine years the researcher has witnessed BOSASA's true transformation from a wholly owned white organization in 1997 to a fully-fledged Black owned and managed organization. This organization has received awards for three consecutive years as one of the Top 300 Black Economic Empowerment companies in South Africa.

By means of this study the researcher has determined the physical, emotional, psychological and social effects that the transformation from white owned to black owned management has had on employees in the BOSASA Group of Companies. In addition, the researcher has identified the mechanisms that have helped employees cope.

### **1.3 AIM AND OBJECTIVES OF THE STUDY**

#### **1.3.1 AIM**

According to Allen (2002:21) aim can be defined as someone's intention or purpose. Thompson (1995:28) defines it similarly and makes it clear that it can be seen as a purpose of what one seeks to achieve. According to the researcher, the aim of this study can be regarded as the overall purpose of the study.

Based on the above, the aim of the study is to determine the effects of Black Economic Empowerment on employees.

#### **1.3.2 OBJECTIVES**

Webster (1961:972) defines both aim and objective as the end to which effort and ambition is directed. Fouché (2002:108) states that an objective can be regarded as a

more concrete, measurable and more speedily attainable conception to which the ambition is directed.

According to the researcher an objective can therefore be considered as the breaking down of the purpose into smaller steps that need to be undertaken in order to reach the ultimate aim.

The objectives are as follows:

- To conceptualize theoretically what Black Economic Empowerment entails and identify the causes of the Broad Based Black Economic Empowerment Act.
- To determine the effect that Broad Based Black Economic Empowerment has on employees physically, emotionally, psychologically and socially, and to elaborate on employees' experiences.
- To make recommendations regarding the implementation of Black Economic Empowerment based on employees' experiences.

## **1.4 RESEARCH QUESTION**

Neumann (1997:121) points out that a research question refers to the relationship among a small number of variables and that it has one or a small number of causal relationships. For the purpose of this study the researcher formulated a research question to determine whether there is a causal relationship between two variables.

According to the researcher, the research question is that which the researcher wants to determine through the research.

The research question is thus: What effect does BEE have on employees?

## **1.5 RESEARCH APPROACH**

According to the researcher, the most appropriate research approach for this study is qualitative research. Fouché & Delport (2002:79) explain that qualitative research primarily aims to comprehend social life and the meaning that people attach to everyday



life. It refers to research that elicits participants' accounts of meaning, experiences, and values and beliefs underlying the phenomena.

According to Neuman (1997:329) qualitative research captures and discovers meaning. It comes in the form of themes and motifs and the data is represented in the form of words derived from documents, observations and transcripts.

If one considers the topic of this research, a qualitative approach is appropriate as it determines the effect of Broad Based Black Economic Empowerment on employees.

The researcher has determined the physical, emotional, psychological and social effects of BEE on employees. The data is presented in the form of words as the researcher has listened to the experiences, meaning and impact of Black Economic Empowerment on employees in the workplace, which created a holistic understanding of this phenomenon.

According to Cresswell (1998:16), some of the reasons why qualitative research is undertaken include the need to present a detailed view on the topic and the fact that the researcher is able to tell the story from the participants' view.

According to the researcher, the entire notion of Black Economic Empowerment is a relatively new phenomenon. It should be noted that the Act is relatively new but that it has already affected the majority of people in business. It is therefore vital to gain an understanding of the effect it has had on individuals during this short period.

## **1.6 TYPE OF RESEARCH**

The researcher is of the opinion that the most appropriate type of research for this study was applied research. Fouché (2004:108) explains that applied research is concerned with solving the immediate problems of the discipline. It therefore aims to solve problems in practice.

Graziano and Raulin (2000:55) define applied research similarly, in that they state that the goal of applied research is to provide solutions to practical problems. For this study,

applied research was thus the most appropriate type of research considering the topic and the fact that the researcher wanted to determine Black Economic Empowerment's effect on employees. The research has thus provided a number of individual's practical experiences.

## **1.7 RESEARCH DESIGN AND METHODOLOGY**

The most appropriate research design for this qualitative research approach is phenomenology. According to Fouché (2002:273) this approach aims to recognize and interpret the meaning that subjects give to their everyday lives. Cresswell (1998:145) regards a phenomenological study as one that describes the meaning of various individuals' experiences of a phenomenon, topic or concept.

The reasoning behind the choice of a phenomenological design is that the study investigated employees' responses and experiences with regard to Broad Based Black Economic Empowerment, which can be seen as the phenomenon. The researcher wanted to determine its physical, emotional, psychological and social effect on the employee. In this regard a phenomenological design was ideal.

### **1.7.1 DATA COLLECTION**

The data collection method used was an interview schedule which was utilized in semi-structured interviews. According to Greef (2005:296) semi structured interviews are used by researchers to gain a detailed picture of a participant's beliefs about, or perceptions, or accounts of a particular topic. Greef (2005:296) further explains that with semi structured interviews, the researcher has a set of predetermined questions on an interview schedule. The interview schedule merely serves as a guide and the interview is not dictated by it.

Greef (2005:296) defines an interview schedule as a questionnaire, written to guide interviews, with a set of predetermined questions that might be used as an appropriate instrument to engage the participant.

The researcher therefore developed and used an interview schedule as a guideline regarding the matters to be discussed while bearing in mind that it was not followed in sequence of questions and realizing that the interview was not dictated by it.

The motivation for using this data collection method is that the researcher did not want to appear too rigid whilst questioning the employees. There was a degree of freedom for respondents to explore and express themselves regarding Broad Based Black Economic Empowerment. On the other hand, one should bear in mind that some structure was necessary in order to measure the effect it had on employees.

In addition to the interview schedule and the researcher was taking notes, permission was asked from participants to utilize a tape-recorder during interviews. According to Smit, Harre & Van Langenhoven (1995:17) a tape-recorder allows a much fuller record than notes taken during the interview. The researcher is of the opinion that tape-recordings assisted in accessing some of the information that could not be recorded in writing.

### **1.7.2 DATA ANALYSIS**

According to Cresswell (1998:142-165) the process of qualitative data can be divided into the following five steps:

- Step 1: Data collection & recording

The data was collected through semi-structured interviews after multiple individuals in BOSASA were identified, specifically those individuals who have experienced Black Economic Empowerment in the workplace. Recordings were made by utilizing tape-recorders and through writing down the information as provided by the respondent. The interviews were transcribed, and themes were derived and identified during the collection of data. The researcher made notes of these themes without making premature conclusions.

- Step 2: Managing data

According to De Vos *et.al.* (2005:336) this is the first step in data analysis. Cresswell (1998:143) makes it clear that this is where the researcher organizes the data into files, folders, index cards or computer files. The researcher managed her data by organizing it into files and index cards and converting it into appropriate text units such as words and sentences.

Patton (2002:437) is of the opinion that qualitative data is voluminous and thus recommends that a researcher needs to start off with an inventory of what there is. The next steps would be to check whether the data is complete, to determine whether it is properly labeled and to check whether the transcriptions are complete.

According to the researcher, the above assisted in making the management and retrieval of data easier, as it was more systematic. The researcher therefore ensured that the data is appropriately labelled according to dates and interviewee identifying information and she checked whether it had been completed in full.

- Step 3: Reading and writing memorandums

This is the step where the transcripts were read several times and the tape-recordings were listened to in an attempt to get a better understanding of the interview as a whole. (Cresswell, 1998:143). Memorandums were also written in the margins of the transcripts to enhance further exploration of the data. Cresswell (1998:143) describes memorandums as short phrases, ideas or key concepts that occur to the reader. Whilst the researcher was reading the data over and over and listening to the transcripts more than once, certain themes were picked up and elaborated on.

- Step 4: Describing, classifying and interpreting

This is where the data was described in detail and where themes were developed through a classification system. According to Cresswell (1998:144) classifying involves taking the text apart and identifying categories and themes, whereas interpretation involves making sense of the data and providing the view of the researcher and literature regarding it. The researcher identified seven themes and subthemes that emerged from the data. The researcher then classified the corresponding information together and attempted to make sense of it by interpreting it (by forming broader opinions of what was going on).

- Step 5: Representing & visualizing

This process entailed that the data found in the text is packaged and represented in a visual format. According to the researcher, this is very important as the visualization of data always makes it more interesting and easily readable, in contrast to where it simply remains in the form of words and lacks effect. The researcher presented some of the data in the form of tables and classified it according to colour.

Cresswell (1998:147) explains that in the phenomenological approach the researcher begins with a full description of his/her own experience of the phenomenon. Statements are then found about how individuals are experiencing the topic. These statements are then grouped into units and a description of it is written. The next step is where the researcher reflects on his or her own description and constructs a description of how the phenomenon was experienced by the respondents.

Black Economic Empowerment is a recent phenomenon and thus requires extensive research. Not much literature was initially available on this topic, but its implementation has been widespread. According to the researcher, in the phenomenological approach, one had to step into the shoes of the respondents and reflect on how they experience the phenomenon. The reason for this is that the researcher had her own views and

experiences regarding it, which were similar to some respondents and different to that of other respondents. The researcher ensured that the data was collected systematically as described above by Cresswell. The researcher is of the opinion that the data analysis step was quite interesting as themes and subthemes started to evolve.

## **1.8 PILOT STUDY**

A pilot study is designed to determine whether the intervention will be effective. The respondents used for the pilot study were not used within the main research itself. According to Bless & Higson-Smith (2000:155) a pilot study can be defined as sampling instruments and analysis that are adequate and appropriate. Fouché & Delport (2005:82) highlight that a pilot study can be viewed as a dress rehearsal for the main investigation.

### **1.8.1 FEASIBILITY OF THE STUDY**

Feasibility is defined by Allen (2002:321) as the practicality, likelihood or possibility of something being done. The feasibility of a study can thus be seen as whether a study is practical and possible.

The pilot test enabled the researcher to determine the feasibility of the study. According to Strydom (2005:208) the feasibility of a study can alert the prospective researcher to possible unforeseen problems which may emerge during the investigation. The researcher thus determined that the problem was researchable and that the data collection method is workable. It was also found that the interview schedule is the most applicable one. The pilot test also assisted in determining the shortcomings and identified changes that needed to be made before the actual research was undertaken.

According to Strydom & Delport (2005:331-332) the feasibility of a study allows the researcher to form an opinion on the openness of the respondents, their willingness to co-operate and the number of respondents likely to be involved. The setting in which it took place was similar to that in which the real research occurred. In addition, the respondents will have similar characteristics to those being used in the actual research and will thus determine its feasibility. Other factors that determined the feasibility of the

study included the cost of the research, the permission to undertake the research within the organization, and the research ethics that needed to be considered.

With regards to cost of the research, the researcher has identified issues such as traveling-expense, cost of time spent on the research and administrative costs in undertaking the research. Due to the fact that the researcher had the full support and financial backing of the BOSASA group of companies where the research was undertaken, these costs were accounted and provided for. BOSASA had given permission to the researcher to undertake the research. Adequate access during working hours was also granted to those employees that formed part of the research.

The BOSASA Group of Companies has 37 subsidiary companies individually owned and managed but belonging to the BOSASA Group. All these companies are black owned and managed, some having been Black Economic Empowerment mergers. The organization is nationally based in all nine provinces of South Africa. Recently two international offices were also opened in London and Mauritius. More than 3000 individuals from all racial groups in South Africa are employed by BOSASA. The main board of the BOSASA Group consists of eight individuals acting as directors of which seven are black and one is white, with four being male and four female. The scenario of BOSASA was quite different in 1995 whereby it only had 300 employees and a board of directors and shareholders made up of three white males.

The researcher was of the opinion that the BOSASA Group was an ideal place to conduct the research as it is diverse and as it had implemented the elements of the Broad Based Black Economic Empowerment Act at a tremendous speed (even prior to the enactment of the Act).

### **1.8.2 TESTING OF THE INTERVIEW SCHEDULE**

A pilot study can be seen as a technique used to evaluate and improve the methods and materials of a programme. It involves testing the actual programme on a small sample taken from the community for whom the programme is planned. (Bless & Higson-Smith, 1995:50)

According to Greef (2005:296), an interview schedule is a questionnaire written to guide interviews. Kumar (2005:126) defines an interview schedule more broadly as a written list of questions, open ended or closed ended, and prepared for use by an interviewer in a person to person interaction.

As mentioned earlier the most suitable data collection method for this study was semi-structured interviews. According to Greef (2005:296) researchers use semi-structured interviews in order to gain a detailed picture of a participant's beliefs about, or perceptions or accounts of a specific topic.

The testing of the interview schedule enabled the researcher to engage the participants meaningfully and to determine its shortcomings and pitfalls prior to it being implemented. It also assisted the researcher in determining the order in which to ask some of the questions.

It is important to note that the respondents for the pilot test were different from those used in the main study. The respondents in the testing of the interview schedule got an opportunity to comment on the interview schedule and it will gave the researcher the opportunity to determine the feasibility of the place where the interviews were being undertaken. The researcher also looked at the sequence of questions to be asked, and the types of issues that the respondents were addressing. Consequently, this created room for the researcher to improve the schedule.

## **1.9 DESCRIPTION OF THE POPULATION, SAMPLE & SAMPLING METHOD**

### **1.9.1 DESCRIPTION OF THE POPULATION**

Strydom (2005:194) defines a population as the totality of persons, events, organization units, case records or the sampling units with which the research unit is concerned.

A population according to Arkava & Lane (1983:27) refers to individuals in the universe who possess specific characteristics, the total set from which individuals or units of analysis are chosen. In this study, the universe refers to all BOSASA staff in South Africa.



For the purpose of this research the population included BOSASA staff who had been with the company during its implementation of Broad Based Black Economic Empowerment and who had participated in the changes that occurred.

### **1.9.2 DELIMITATION OF THE SAMPLE**

According to Graziano & Raulin (2000:432) a sample can be seen as a subset that is drawn from a population. The sample refers to the element of the population considered for actual inclusion in the study. (Akarva & Lane, 1983:27)

The sample was derived from BOSASA staff employed in Gauteng province, as this is where the implementation of BEE was initiated. Specific biographic information like age, gender, race and occupational category was utilized by the researcher to determine the sample.

### **1.9.3 SAMPLING METHOD AND SAMPLE**

The sampling method that was used for this study is probability sampling. Probability sampling is defined by Strydom (2002:203) as a sample whereby each person has the same probability of being selected. Within probability sampling, stratified random sampling was utilized.

According to Bless & Higson-Smith (1995:91) the principle of stratified random sampling is the division of the population into strata so that each element of the population belongs to only one stratum. Then, with each stratum, random sampling is performed. The researcher is of the opinion that stratified random sampling will be the best method to utilize for this research.

According to Strydom & Venter (2002:205) stratified random sampling is sampling whereby the universe is divided into small strata that are mutually exclusive and the members of which are homogenous with regard to some characteristic such as age, gender and language.

For this specific research, the BOSASA staff is the population. The sample was derived from strata which included different racial groups, gender and occupational categories held within the organization. The sample size was twelve employees.

## **1.10 ETHICAL ISSUES**

### **1.10.1 HARM TO EXPERIMENTAL SUBJECTS**

Strydom (2002:64) states that subjects can be harmed physically or emotionally. When one thinks of harm, it is often only the physical (visible) part that is focused on. However, harm should not only be prevented physically, but also emotionally. Subjects should be informed of potential emotional harm during the research process and the researcher should reveal how he or she intends to deal with it.

According to Kumar (2005:214) one needs to examine carefully whether respondents' involvement is likely to harm them in any way. Such harm should be minimal, in other words it should not be greater than they ordinarily encounter in daily life.

With regard to this research, the researcher is of the opinion that the harm caused was not physical, but rather emotional as the respondents were exposed to the effects of Black Economic Empowerment. Through revealing their experiences of it, some respondents became emotional, as emotions previously experienced by the respondents were once again revealed. Where negative experiences have occurred, harm was more evident. The researcher acknowledged before undertaking the research that there could be respondents that will be severely affected by relaying their experiences. Therefore provision was made to refer such respondents for counseling by social workers in the organization, this was however not necessary.

However, according to Strydom (2005:58) the responsibility of protecting respondents from harm goes further than just repairing it: She states that the respondents should be thoroughly informed beforehand of the potential impact of the investigation. The researcher explained all of this to the respondents beforehand, stating that the relay of the information could recall negative events of the past and evoke the same negative

feelings again. The researcher also informed the respondents that there would be counseling available to those that needed it.

### **1.10.2 INFORMED CONSENT**

According to Graziano & Raulin (2000:66) informed consent is an important safeguard; that is, the researcher must provide participants with enough information about the research to enable them to make informed decisions about their participation. For the purpose of this study, the researcher discussed the aim, objectives, methodology and possible results with the respondents so that they could decide whether or not they want to participate. This also included the fact that the research findings have to be kept for 15 years (as prescribed by the university) for archive purposes. This was discussed individually with respondents and each individual that was willing to participate received an informed consent form. This form included everything that was discussed. Those that agreed to participate signed the informed consent form, thus formally agreeing to partake in the research.

Kumar (2005:212) emphasizes that informed consent implies that subjects are made adequately aware of the type of information you want from them, why the information is being sought, what purpose it will be put to, how they are expected to participate and how it will directly and indirectly affect them. According to the researcher, it is similar to the above definition of Graziano & Raulin. However, Kumar mentions the additional element of how the information will directly and indirectly affect them. This can be seen as a very important element and the researcher believes that it may strongly determine whether respondents will participate or not. At the end of the day they cannot be forced or coerced into it.

The researcher informed the participants of the following:

- The research is conducted as part of a mini dissertation in the EAP Masters Programme.
- The researcher has a profound interest in the area of Black Economic Empowerment and specifically on how it impacts on employees.

- The researcher would like to investigate participants' experiences of Black Economic Empowerment processes in their workplace.
- The researcher would like to investigate how participants have been affected by the process on a physical, emotional, financial, social and psychological level.
- The researcher would like to investigate the way in which the participants have dealt with the process in the workplace
- The research will assist organizations who will be implementing Black Economic Empowerment in order to learn from the mistakes or successes made.
- The way in which participants will be expected to partake.

### **1.10.3 DECEPTION OF SUBJECTS**

Neuman (2000:229) explains that deception occurs when the researcher intentionally misleads subjects by way of written or verbal instructions, the actions of other people or certain aspects of the setting.

According to the researcher, this is a potential situation whereby the respondents are misled to believe one thing but where the total opposite is done or expected of them.

It is thus important that the real reasons and processes of the research are clearly outlined to subjects if the research is going to be done ethically. Strydom (2005:61) adds an interesting point: It may happen that deception can occur unintentionally and thus cannot be explained to subjects beforehand. This nevertheless needs to be discussed immediately after it has occurred.

This did not occur but in the event that it did, the researcher will need to deal with it directly after the interview and explain that it was not intentional, but that it occurred unintentionally. The researcher ensured that the respondents were fully aware of the real reasons why the research was being conducted and how they fit into it. In instances

where a respondent has been deceived unintentionally, the researcher is of the opinion that she will have to explain it to the subject herself and try and deal with any unresolved issues that the respondent might have. It will be important for respondents to voice their concerns and feelings regarding the deception and therefore time should be set aside for debriefing sessions.

#### **1.10.4 VIOLATION OF PRIVACY, ANONYMITY AND CONFIDENTIALITY**

It is important to protect a client's or respondent's identity in research. Often respondents do not want to be known and this right has to be respected by the researcher. According to Babbie & Mouton (2001:523) anonymity refers to the fact that a researcher cannot identify a given response with a given respondent.

According to the researcher, respondents often do not want to be known by everyone and thus their privacy and confidentiality needs to be ensured throughout the research process. It was important to reveal to respondents that anonymity will be maintained at all times. However, according to the researcher, there are also times when this cannot be guaranteed and this then needs to be discussed with the respondents. An example of this is when coding is done or reminders are sent. The researcher has to know which code is for which respondent and thus anonymity is not completely guaranteed. This was explained to the respondents by the researcher. According to Babbie (2004:65) a research project guarantees anonymity when there cannot be an identification of a given response with a given respondent.

Kumar (2005:214) explains that sharing information about a respondent with others for purposes other than research is unethical. According to Strydom, (2005:62) confidentiality places a strong obligation on a social worker to guard the information confided to him/her. It is therefore important to only utilize the information given by subjects for its intended purpose and to maintain confidentiality as far as possible.

In this study, the researcher used numbers and symbols to refer to participants. The researcher removed the names as soon as possible and replaced them with numbers in referring to respondents, but a master identification file was created that links numbers to names so that missing or contradictory information could be corrected.

The researcher further explained to the respondents that their personal privacy would be invaded as personal questions were asked from time to time. The use of tape-recordings was also brought up. Respondents were asked how they feel about this and the researcher explained the need for its usage. However, permission still needed to be granted by the respondent. Of all the respondents only two felt that they could not be tape-recorded and this was accepted by the researcher.

#### **1.10.5 COMPETENCE OF THE RESEARCHER**

The entire research was undertaken in an ethically correct manner. In this regard Strydom (2005:63) emphasizes that researchers are obliged to ensure that they are competent and adequately skilled to do the research. Kumar (2005:215) states that a researcher has the obligation to use appropriate methodology in conducting a study and that it is unethical to use a method or procedure that one knows is inappropriate.

The researcher agrees with this statement because if one is not comfortable with the research process there will always be uncertainty as to what to do next and how to do it.

The researcher has had exposure in research in her fourth year of Social Work studies, whereby a mini research had to be conducted in order to obtain the degree. The researcher has also acted in the position of Head of Professional Services and often had to undertake research in order to determine the needs, suitability and sustainability of projects.

The researcher was of the opinion that it was important for subjects to know that she is aware of the process and that she knows what to do. It will thus important for her to reveal to respondents that this was not the first time the researcher undertook a research project.

#### **1.10.6 CO-OPERATION WITH CONTRIBUTORS**

Contributors play a major role in the success of any research. According to Kumar (2005:211) funders can also be considered as stakeholders in the process. They provide funding and in most instances have a vested interest in the research. The researcher is

thus of the opinion that as BOSASA was funding the research, it was important to abide by the agreements entered into and not to act in a way that potentially could sever the trust relationship. However, according to Strydom (2002:70) the sponsor can raise ethical issues when they act prescriptively and when the researcher does not disclose the findings to comply with the expectations of the sponsor.

Taking the above into account, it was important for the researcher not to portray findings to the contributors or stakeholders that are in any way untrue. The researcher had to provide a clear reflection of what was found and this might not be what the stakeholders had anticipated.

The researcher ensured that a copy of the research is given to the contributors. This will provide in-depth information and it will also support follow-up of issues and further research that needs to be undertaken.

#### **1.10.7 RELEASE AND PUBLICATIONS OF FINDINGS**

Whatever has been found needs to be documented. In addition, a report needs to accompany the findings. Strydom (2005:65) explains that the findings of the study must be introduced to the reading public in written form. He further mentions that it is important that the report is accurate, objective, clear and unambiguous, and that it contains all the relevant information.

The research is published in this mini dissertation which is available to the university and to the organization. The researcher also anticipates publishing an article with her supervisor as co-author in an accredited journal.

#### **1.10.8 DEBRIEFING OF RESPONDENTS**

Babbie (2001:457) is of the opinion that debriefing of respondents is an opportunity where they get to work through their experience and its aftermath.

Strydom (2005:67) provides the following summary of the debriefing process:

- Subjects get the opportunity to work through their experience and its aftermath, which can assist in minimizing possible harm, which may have been done.

- The researcher must rectify any misperceptions that may have arisen in the minds of participants after completion of the project.
- Termination and withdrawal of the therapy must be handled with the utmost sensitivity in cases where subjects benefitted from the therapeutic aspect of the research.

The researcher realizes that this is still a very sensitive topic for some South Africans and thus realized that debriefing was important at the end.

At the end of the sessions, the researcher made available to the respondent a list of therapists where debriefing can be done and the respondent was able to choose one which is closest. The researcher would've also formed part of the debriefing process whereby she will iron out any misconceptions that may have arisen and in order to get a sense of feedback of how respondents have experienced the process. This was however not necessary with any of the respondents.

## **1.11 DEFINITION OF KEY CONCEPTS**

### **1.11.1 BLACK ECONOMIC EMPOWERMENT**

According to the Broad Based Black Economic Empowerment Act (2003:2) Black Economic Empowerment refers to “the empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated social-economic strategies.”

The RSA Ministry of Trade and Industry in its Government Gazette (2004) defines Black Economic Empowerment as “an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people who manage, own and control the country’s economy as well as significantly decreases income inequalities.”



According to the researcher, Black Economic Empowerment can be defined as providing the opportunity for previously disadvantaged black individuals to participate in the economy and to contribute to its growth and development and in so doing rectifying inequalities of the past in the economy.

### **1.11.2 EMPLOYEE**

Thompson & Benjamin (2003: ss 212-213) define an employee as any person excluding an independent contractor, who works for another person or for the state, who receives or is entitled to receive remuneration.

Du Toit, Bosch, Woolfrey, Godfrey, Rossouw, Christie, Cooper, Giles & Bosch (2003:66) define an employee as any person, excluding an independent contractor who works for another person or for the State and who receives or is entitled to receive any remuneration and any other person who in any manner assists in carrying on or conducting the business of an employer.

The researcher defines an employee as anyone who is hired by another person to perform specific duties and to whom remuneration is paid.

### **1.11.3 WORKPLACE**

According to Barker (1991:151), the workplace can be defined as the setting in which one's employment or other work activity occurs.

Du Toit *et.al.* (2003:331) defines a workplace as the place or places where the employees of an employer work.

The above two definitions are similar in nature. According to the researcher workplace can be regarded as the physical location where work is done.

## **1.12 LIMITATIONS OF THE STUDY**

The following are identified as limitations by the researcher:

- The researcher took longer than expected to complete the research. This was due to numerous factors such as the appointment of a supervisor (the previous

supervisor had resigned); the approval of the research proposal by the departmental research panel (there were different views regarding the researcher's main focus and the proposal had to be resubmitted); and the researcher's work obligations, which subsequently allowed less time for research.

- The researcher was unable to interview staff from the youth centres, as it was felt that the researcher could be biased, for the reason that she is the Managing Director of these youth centres.
- Two of the respondents were not comfortable with the request that the interview was tape-recorded and therefore the researcher had to make as many field notes as possible. This somehow created a barrier in focusing on what the respondent said.
- One of the selected respondents decided after consenting that he did not want to participate and therefore the researcher had to reselect another respondent.
- A lot of the information changed regarding BEE during the time the researcher was busy with the study. This led to the literature chapter, Chapter 2 being revised as the latest information was needed.
- The knowledge of some of the respondents regarding BEE was quite limited. Consequently they did not really understand BEE concepts as well as the researcher thought they would. This extended the interview as the necessary concepts had to be clarified to them.

### **1.13 DIVISION OF THE RESEARCH REPORT**

The research report is divided as follows:

Chapter 2: Literature study on BEE and change

This chapter includes a literature review focusing on Black Economic Empowerment and the impact of change on employees.

Chapter 3: Empirical study

The chapter starts with a short description of the research methodology followed in order to obtain the data. Next the results are reflected and described.

## Chapter 4: Summary, conclusions and recommendations

The next chapter will provide a literature review on BEE and change.

## **CHAPTER 2**

# **BLACK ECONOMIC EMPOWERMENT (BEE) AND CHANGE: A LITERATURE REVIEW**

## **2.1 INTRODUCTION**

The purpose of this chapter is to lay the foundation for the following chapters. This chapter presents an overview of the concepts Black Economic Empowerment and workplace programmes in order to determine its relatedness and unique symbiotic relationship within the transformation process.

The concept Black Economic Empowerment means different things to different people. However, recent legislation has brought about a better understanding of this notion. For Black Economic Empowerment to work, it requires commitment on the part of government and businesses. This chapter will illustrate the strategies government has put in place to translate this notion into reality. Attention will also be given to how this affects businesses. It is undisputable that employees are a fundamental resource of any organization. This chapter will therefore address the imperative need to assist employees in coping with the challenges that Black Economic Empowerment brings to the organization.

It is important to note that throughout this chapter Black Economic Empowerment will be referred to as BEE. To fully understand BEE, it has to be placed in South Africa's historical context, which is the starting point of discussion.

## **2.2 DEFINITIONS OF KEY CONCEPTS**

### **2.2.1 BLACK ECONOMIC EMPOWERMENT**

According to the Broad-based Black Economic Empowerment Act (2003:2) Black Economic Empowerment refers to “the empowerment of all black people, including

women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated social-economic strategies.”

The Department of Trade and Industry in its Government Gazette (2004) defines Black Economic Empowerment as “an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people who manage, own and control the country’s economy as well as significantly decreases income inequalities.”

According to the researcher Black Economic Empowerment can be defined as providing the opportunity for previously disadvantaged black individuals to participate in the economy and contribute to its growth and development and in doing so, rectifying inequalities of the past in the economy.

### **2.2.2 EMPLOYEE**

Thompson & Benjamin (2003:212-213) define an employee as any person excluding an independent contractor, who works for another person or for the state, who receives or is entitled to receive remuneration.

Du Toit, Bosch, Woolfrey, Godfrey, Rossouw, Christie, Cooper, Giles & Bosch (2003:66) define an employee as any person, excluding an independent contractor, who works for another person, or for the State and who receives or is entitled to receive any remuneration and any other person who in any manner assists in carrying on or conducting the business of an employer.

The researcher defines an employee as anyone who is hired by another person to perform duties and to whom remuneration is paid.

### **2.2.3 WORKPLACE**

According to Barker (1991:151) workplace can be defined as the setting in which one’s employment or other work activity occurs.

Du Toit *et.al.* (2003:331) defines a workplace as the place or places where the employees of an employer work.

The above two definitions are similar in nature. According to the researcher it can also be considered as the physical location where work is performed.

#### **2.2.4 CHANGE**

Based on organisational and sociological definitions, Powell (2001:17) defines change as any activity that alters the current state within an organisation or sociological setting. The change activity can result in either positive or negative outcomes dependent upon many variables that occur prior to, during or after the change process.

The researcher agrees with this definition and defines change in the context of an organization as a process of implementation of new routines.

### **2.3 BLACK ECONOMIC EMPOWERMENT**

The first democratic elections came about in 1994 and the African National Congress came into power. This political turning point evoked a response from the corporate world whereby Black non-executive directors were appointed and some businesses were sold to Black Empowerment groups. Everyone started talking about political correctness and although Black Economic Empowerment (BEE) had not been enacted then, the way had already been paved for its implementation. Transformation became the buzz word and everyone was encouraged to transform and become part of the “*New South Africa*”.

#### **2.3.1 RATIONALE FOR BLACK ECONOMIC EMPOWERMENT**

Wooley (2005:21) states that empowerment has been a consistent theme in the ANC’s policy since the adoption of the Freedom Charter and that this was first seen in the Reconstruction and Development Programme (RDP) initiative, which included the following in its objectives:

- The creation of jobs
- Human resource development

- Provision of infrastructure
- Changes in ownership
- Reduction of inequality in the society.

The RDP was known as the country's blueprint for transformation and efforts were made to achieve its objectives. At a Black Management Forum (BMF) Conference in 1997, it was evident that the vision of the RDP had not been realised. Consequently the idea of the formation of a Black Economic Empowerment Commission emerged. (Black Economic Empowerment Commission Report, 2001:1)

The BEE Commission was formally established in May 1998 under the auspices of the Black Business Council (BBC), an umbrella body representing 11 black business organisations. (BEE Commission Report, 2001:1)

According to the report drafted by the BEE Commission (2001:1) its objectives were as follows:

- To gain insight into the BEE process through empirical research and to make observations on the pace and results of BEE initiatives in the 1990's
- To draw conclusions on the obstacles to meaningful participation of black people in the economy
- To develop a powerful case for an accelerated National BEE strategy and to make recommendations on policies and instruments required to guide a sustainable strategy
- To develop benchmarks and guidelines to monitor the implementation of the National BEE strategy.

In October 2002 the ANC held a Policy conference where the Black Economic Empowerment Strategy was high on the agenda. The message relayed by Thabo Mbeki was that: *members should shape up or ship out.* (Haffajee, 2002:25). A turning point came for BEE and the seriousness of it was understood by all.

Mbeki told delegates at the ANC conference in Stellenbosch that *the majority needs the involvement of the white minority in the struggle to eliminate the racial disparities we*

*inherited; the white minority needs the involvement of the black majority in the struggle to overcome the racial antagonisms created by a long history of colonialism and apartheid.* (Haffajee, 2003:19)

Broad Based Black Economic Empowerment (BBBEE) has been described as an investment that is a matter of survival for South Africa and its economy. According to Balshaw & Goldberg (2005:16) it is aimed at effecting a more equitable distribution of economic wealth and has been branded as the essential second wave of transformation after democratisation and the political miracle. Balshaw & Goldberg (2005:17) identify two primary drivers of broad-based BEE:

- The altruistic driver – those people who believe “it’s the right thing to do” and have bought into the national agenda
- Those who recognize that it is a strategic imperative, understanding that it makes good business sense.

According to Sachs (2007:17) the values that underpin BEE are the very same ones on which our democratic constitution are founded, namely equity, non-racialism and non-sexism. He states that where economic disempowerment has been imposed due to race, it is appropriate and fair that race be taken into account when introducing measures to correct the imbalance.

Luhabe (2007:21) passionately mentions that although we have been in a democracy for 11 years, we are still servants; we have greater political power but are still invisible and inaudible because we do not have a social and economic voice.

Although one believes it is the right thing to do, it does not necessarily mean that there is a clear understanding and buy-in into a process that is seen to be essential for the survival of the “New South Africa”. Often people view it as apartheid in reverse. Others even argue that it is still racism. Whatever view we may have, the bottom line is that BEE is here to stay and that we need to deal with it creatively.



### 2.3.2 LEGISLATION GOVERNING BLACK ECONOMIC EMPOWERMENT

The Broad-based Black Economic Empowerment Act, 2003 (Act No. 53 of 2003) was passed for the following reasons:

- The South African economy still excluded the vast majority of its people from ownership of productive assets and possession of advanced skills
- The economy was performing below its potential due to the level of income of the majority of the South African people
- The future prosperity of the country may be undermined to the detriment of all South Africans unless further steps were taken to increase the effective participation of the majority.

Balshaw & Goldberg (2005:65) describe the legislative time-frame and context within which the Broad-based Black Economic Empowerment Act (Act 53 of 2003) was passed into law on 06 January 2004 as follows:

Table 2.1: Legislative time-frame and BEE Act

1994	ANC government assumes power An Interim Constitution is promulgated Reconstruction and Development Programmes Promulgation of National Economic, Development & Labour Council Act 35 of 1994
1995	Labour Relations Act 66 of 1995 Government Strategy for the Development & Procurement of Small Business Affirmative Action Policy Development Forum was established
1996	Final Constitution was adopted Green Paper on Employment & Occupational Equity released National Small Business Act 102 of 1996 introduced
1997	Green Paper for Public Sector Procurement Reform Employment Equity Bill
1998-1999	Employment Equity Act 55 of 1998 Skills Development Act 97 of 1998 Competitions Act 89 of 1998 National Empowerment Fund Act 105 of 1998 Skills Development Levies Act 9 of 1999
2000	Public Finance Management Act 1 of 1999

	Promotion of Administrative Justice Act 3 of 2000 Preferential Procurement Policy Framework Act 5 of 2000
2003	Broad-based Black Economic Empowerment Act 53 of 2003 Promotion of Equality & Prevention of Unfair Discrimination Act 4 of 2000
2004	Draft Codes of Good Practice (Department of Trade & Industry DTI) Municipal Finance Management Act 56 of 2003
2005	DTI Releases Broad-based BEE Codes of Good Practice 000, 100, 200

Source: Balshaw & Goldberg (2005:65)

A very significant addition to what Balshaw and Goldberg stipulated above was that the Broad-based Black Economic Empowerment Codes of Good Practice were gazetted in February 2007. This became the most important addition to the legislative time-frame as these final codes are to remain for the next ten years, after which they may be reviewed by the Minister. (RSA Ministry of Trade & Industry, 2007:6)

The RSA Ministry of Trade & Industry in their Broad-based Black Economic Empowerment Framework (2004:3-4), stipulates that the objectives of the Act are to facilitate BEE by:

- Promoting economic transformation in order to **enable black people to participate meaningfully in the economy**
- Achieve a substantial **change in the racial composition of ownership and management structures and in skilled occupations**
- **Increasing the extent to which** communities, **workers**, co-operatives and other collective enterprises **own and manage existing and new enterprises** and **increasing their access to economic activities, infrastructure and skills training**
- 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**

- 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**
- Empowering rural and local communities by enabling them to have access to economic activities, land infrastructure, ownership and skills
- Promoting access to finance for BEE.

Balshaw & Goldberg (2005:69) describe the above objectives as a huge departure from the traditional approach of BEE. They explain that the approach followed by most organisations has been a very narrow one that focused exclusively on black ownership. The researcher agrees partially with this statement, as she has seen this approach adopted in organisations before. The researcher would like to add that she has observed not only ownership but also management and a degree of shareholding added to it. This new broad-based strategy creates considerable room for employees as seen in the objectives relating to:

- participation in the economy by black people
- access to skills training and infrastructure
- increasing the extent to which workers own and manage new and existing enterprises.

The above are some of the elements which will be unpacked with the experiences of employees later in the research.

It is important to note that the Act also created room for the establishment of a BEE Advisory Council, Codes of Good Practice, a strategy for broad-based BEE and the establishment of Transformation Charters. (Broad-based Black Economic Empowerment Act, 2004:4-6)

### **2.3.3 CONCEPTUALIZATION OF BLACK ECONOMIC EMPOWERMENT**

According to Balshaw & Goldberg (2005:73) government defines broad-based BEE as *“an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the*

*number of black people that manage, own and control the country's economy, as well as significantly decreases the income inequalities."*

The BEE Commission (2001:1) defines BEE as *"an integrated socio-economic process located in the context of the country's national transformation programme, aimed at redressing the imbalances of the past by seeking to transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of its citizens, to ensure broader and meaningful participation in the economy by black people in order to achieve sustainable development and prosperity."*

As mentioned before, the Broad-based Black Economic Empowerment Act (2003:2) states that Black Economic Empowerment means *"the empowerment of all black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies."*

All three of the above definitions focus on a socio-economic strategy or process, a broader economic participation of individuals and the empowerment of black people. Taking these elements into account, the researcher defines BEE as the economic empowerment of black people through integrated socio-economic strategies to address the inequalities of the past and broaden the base of the South African economy.

Browning (1989:20) defines BEE as the process of dismantling apartheid and creating a non-racial representative government in South Africa, with two distinct elements. The first is the breaking down of social barriers as a result of increased black incomes which will lead to changes in lifestyle and greater communication between blacks and whites. This in turn will ease the process of political change. The second is the creation of wealth within the black community so that, within a capitalist society, blacks will be able to vote with their money.

The researcher views Browning's definition of BEE as a summary of what happened in South Africa after the first democratic elections. The government became representative of all racial groups, black people gained more access to the economy and in turn their wealth was increased and they started having a say in organizations due to the nature of

their positions. This definition however lacks essential elements of government's broad-based strategy of BEE after 2001, which clearly talks about formalized socio-economic strategies which will lead to sustainable development and prosperity. It is no longer seen as a piecemeal approach.

#### **2.3.4 DEVELOPING A STRATEGY OF BLACK ECONOMIC EMPOWERMENT**

Wooley (2005:32) states that transformation requires a fundamental shift in the way a business is structured, the way a business strives for customer attention, and the way individuals in a company collectively think and behave. Sustainable transformation furthermore affects the very core of every aspect of a business. A clear and sound strategy is thus necessary for Black Economic Empowerment.

In March 2003, the RSA Ministry of Trade and Industry released the Broad-based Economic Empowerment Strategy Document, which became the comprehensive strategy towards economic transformation. (RSA Ministry of Trade and Industry, 2003)

This strategy is underpinned by four key principles:

- **Black Economic Empowerment is broad-based**  
This is whereby BEE seeks to accelerate the deracialisation of the South African economy and fast-track the re-entry of historically marginalized communities into the economy.
- **BEE is an inclusive process**  
All enterprises operating within South Africa should participate in this process, irrespective of whether they get contracts from government or not.
- **BEE is associated with good governance**  
Improving the quality and transparency of all economic activity and ensuring that the quality of corporate boards and governance is improved.
- **BEE is part of our growth strategy** and the focus is thus on:
  - Patterns of economic wealth accumulation

- No economy can grow by excluding any part of its people and an economy that is not growing cannot integrate all of its citizens in a meaningful way
- More enterprises that are needed to produce value added goods and services.

(RSA Ministry of Trade and Industry, 2003:13-14)

Janisch (2006:9) states that strategies, business plans and their ultimate implementation are normally discussed at senior level of an organization. The implementation guidelines are then filtered down to the lower levels. He maintains that it is quite common that staff on the lower levels are not aware of all the ramifications of the strategy and that the implementation may have a detrimental affect on the company.

If we are to say that BEE is an inclusive process and broad-based, we need to remember that the BEE strategy needs to be communicated to all levels of staff in order to get buy-in in the required results. In addition to the BEE strategy's proposed guidelines, one should not forget to involve all role players as part of the organization's strategy.

### **2.3.5 CODES OF GOOD PRACTICE**

For BEE to work properly, consistently and clearer, direction is required and there is thus the need for Codes of Good Practice. According to the Interpretative Guide Broad Based Black Economic Empowerment Act to the Codes of Good Practice (2007:5) there existed no framework for the measurement of BBBEE prior to the release of the Strategy on BBBEE. For this reason details on measurement principles and the application of the scorecard was necessary. In February 2007 the new Codes of Good Practice were gazetted and this release presented clarity on how to approach and measure BEE efforts. These are reflected in the Codes of Good Practice and a generic scorecard has been drawn up to measure organisations' progress in achieving BEE. On this scorecard, three core components are measured, each of which contain important core elements. They are as follows:

#### **- Direct Empowerment**

Direct empowerment focuses on ownership of enterprises and assets through shares and other instruments that provide the holder thereof the voting rights and economic benefits, such as dividends or interest payments. Black persons thus need to control processes such as the appointment or removal of directors, the

right to control the management of shareholders and active participation in decision making processes. Management control and ownership therefore become vital elements to this core *component*. (RSA Ministry of Trade and Industry, 2003:21)

- **Human Resource Development**

The focus here is on the development of the employees of an enterprise or sector, as well as compliance to Employment Equity. An important element is accelerated skills and advanced professional skill development of black people. The involvement of Black persons in operational, professional cadres, and executive decision making is a core aspect of BEE. (RSA Ministry of Trade and Industry, 2003:22)

- **Indirect Empowerment**

Indirect empowerment refers to the creation and nurturing of new enterprises by black people and preferential procurement by the state and private sector. This allows new enterprises to expand and creates opportunities of investment in new enterprises.

Preferential procurement and enterprise development are important elements of indirect empowerment. This entails giving preference in terms of procurement of goods and services to emerging black enterprises and investing in black owned and black empowered enterprises. (RSA Ministry of Trade and Industry, 2003:22)

- **Residual**

This is whereby sectors are able to determine how the rest of the 10% will be scored, based on discretion. (RSA Ministry of Trade and Industry, 2003:22). This has however consequently changed with the new Codes of Good Practice being gazetted in February 2007; it is now called socio-economic development and has resulted in measuring the extent to which enterprises contribute to socio-economic development initiatives.

Each of these components has certain elements that present an extensive guideline as to what needs to be achieved. According to the BEE Codes of Good Practice (2007:4) the

codes are based on seven core elements which are included in the core components as discussed above. These elements are as follows:

- **Ownership**

This element measures the effective ownership of enterprises by black people.

- **Management**

This is the management control element of enterprises by black people.

- **Employment equity**

This element measures initiatives intended to achieve equity in the workplace.

- **Skills development**

This element measures the extent to which employers implement initiatives designed to promote the development of competencies of black employees.

- **Preferential Procurement**

This involves the extent to which enterprises buy goods from suppliers with strong BBBEE procurement recognition levels.

- **Enterprise Development**

The extent to which enterprises carry out initiatives to assist and accelerate the development and sustainability of other enterprises.

- **Socio-economic Development and Sector specific Contributions**

These elements measure the extent to which enterprises carry out initiatives that contribute towards socio-economic development or sector specific initiatives that promote access to the economy for black people.

The full codes apply to businesses with a turnover greater than R35 million for at least the next ten years, where after they will be reviewed by the Minister, but are expected to be annually updated. (Webb & Lalu, 2007:3)



Below is a diagramme that explains the core elements of the Codes of Good Practice as they are arranged, with the inclusion of the eighth element of qualifying small enterprises.

Figure 2.1: Arrangement of the Codes of Good Practice.

Code	What is it?	
000	Conceptual Framework of B-BBEE	General Principles and the Generic Scorecard
100	Ownership	Measures effective ownership of enterprises by black people
200	Management Control	Measures effective control of enterprises by black people
300	Employment Equity	Measures initiatives intended to achieve equity in the workplace
400	Skills Development	Measures the extent that employers carry out initiatives designed to develop the competencies of black employees
500	Preferential Procurement	Measures the extent that enterprises buy goods and services from BEE Compliant suppliers as well as black owned entities
600	Enterprise Development	Measures the extent to which enterprises carry out initiatives contributing to Enterprise Development
700	Socio- Economic Development	Measures the extent to which enterprises carry out initiatives contributing to socio-economic development
800	Qualifying Small Enterprises	Measures the extent to which enterprises carry out contributions made by Qualifying Small Enterprises

(Source: RSA Ministry of Trade & Industry Codes of Good Practice, 2007:8.)

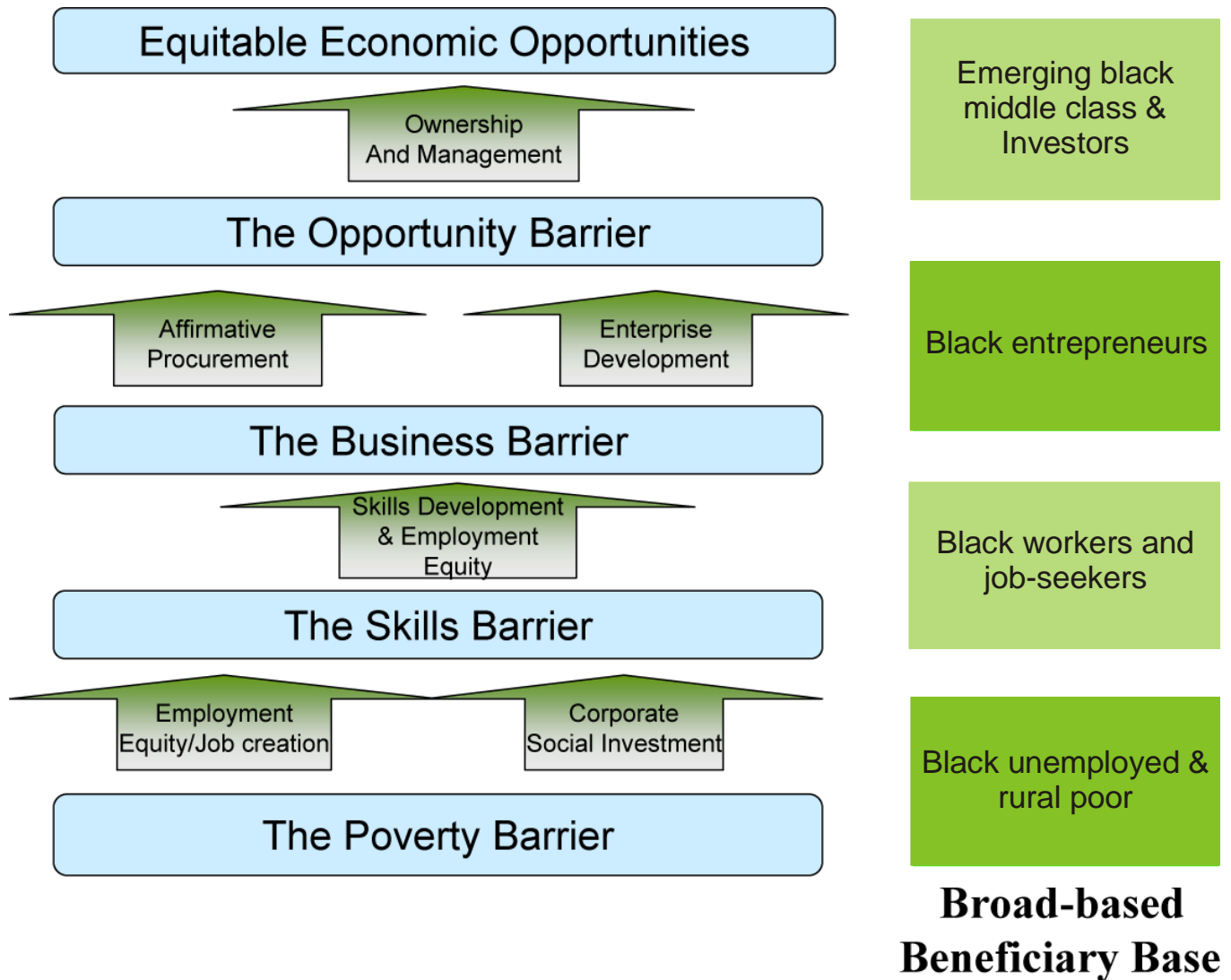
The overall purpose of the Codes of Good Practice is to provide certainty with respect to BEE recognition and measurement. According to the RSA Ministry of Trade & Industry (2007:5-6), the codes were revised because BEE initiatives had been characterized by the following:

- Lack of understanding leading to inconsistent application and appreciation of BBEE
- Lack of clarity resulting in delays in the implementation of BBEE initiatives
- Disparity in Charter definitions and targets between various sectors of the economy
- Lack of implementation guidelines resulting in “most going to few”, and “fronting” or “sham” transactions
- Lack of underlying economic substance to many BEE transactions

- A focus on narrow based BEE leading to narrow base of beneficiaries.

According to the researcher, one can thus see that the focus has moved to a broader based beneficiary base.

Figure 2.2: Broad-Based Beneficiary Base



(Source: RSA Ministry of Trade & Industry, Summary of the new Codes of Good Practice, 2007:6.)

Prior to the finalization of the Codes, interim codes existed. The reasons for the revision of the Codes were discussed above. The table below presents a broader overview of the obstacles, its implications and the ultimate solutions presented by the new codes.

Table 2.2: Summary of Obstacles, implications and solutions by the Codes of Good Practice

**Summary of Obstacles, Implications, Solutions presented by the Codes and Relevant Statements:**

Historical BEE Implementation Obstacles	Implications	Solution presented by the Codes of Good Practice	Applicable COGP Statements
<b>Lack of uniform framework for the recognition and measurement of BEE</b>	Created confusion as the same BEE initiatives or transactions may have received different BEE recognition by different organs of state, business entities and verification agencies	Standardisation of BEE recognition and measurement principles to provide clarity	<b>Primary:</b> Statement 000 <b>Secondary:</b> Codes of Good Practice in general
<b>Extensive delays in BEE implementation due to differences in interpretation</b>	Sectors were often locked in contentious debates around certain aspects of BEE, thereby delaying the implementation of broad-based BEE initiatives	Standardisation of BEE recognition and measurement principles to provide clarity	<b>Primary:</b> Statement 000 <b>Secondary:</b> Codes of Good Practice in general
<b>Disparity in definitions and targets in charters and other BEE requirements</b>	Different charters introduced definitions, targets and processes which may have diluted or negated the impact of the Strategy and circumvented the principles of the BEE Act	Specification of the requirements for the development and recognition of industry charters (reducing disparity in principles and definitions as a result of industry charters)	<b>Primary:</b> Statement 000 <b>Secondary:</b> Codes of Good Practice in general
<b>Status of transformation charters was unclear</b>	Confusion and delays in BEE implementation resulted since companies were uncertain as to the status and application of charters	Specification of the requirements for the development and recognition of industry charters	<b>Primary:</b> Statement 003
<b>Lack of underlying economic substance to many BEE transactions</b>	Many BEE transactions boasted high percentage levels of legal black ownership, but often the actual economic benefits accruing to black shareholders proved to be significantly lower	Provision of a balanced ownership scorecard which measures voting rights and net economic interest in the hands of black people	<b>Primary:</b> Statement 100
<b>Fronting due to lack of implementation guidelines</b>	Lack of understanding of BEE and its elements often resulted in fronting and meant that fronting was more difficult to detect	Provision of definitions, principles and processes to implement proper BBBEE initiatives	<b>Primary:</b> Statement 100 <b>Secondary:</b> The Codes of Good Practice in General
<b>Very little transformation within management levels</b>	Despite various attempts at transformation within entities there is still a lack of sufficient representation of black people within management levels.	The codes encourage focus to be given for black representation at junior, middle, senior and top management levels within organisations.	<b>Primary:</b> Statement 200 & 300
<b>Uncertainty as to what type of skills development initiatives could be counted towards skills development spend</b>	Skills spend may not necessarily have been aligned to a particular learning outcome	Alignment of skills development spend on black employees to the learning programme matrix as issued under the Skills Development Act to ensure clear and quantifiable outcomes	<b>Primary:</b> Statement 400
<b>Narrow-based recognition tended to benefit a limited number of black people with access to capital</b>	Only a limited number of black people have tended to benefit from black economic empowerment to date	The Codes promote broad-based BEE which by encouraging that procurement opportunities be made available to B-BBEE compliant suppliers, Black owned and black women owned entities, small and micro enterprises	<b>Primary:</b> Statement 500



Historical BEE Implementation Obstacles	Implications	Solution presented by the Codes of Good Practice	Applicable COGP Statements
<b>Lack of awareness of enterprise development in and of itself, as well as a lack of awareness of what constitutes enterprise development</b>	Unlike corporate social investment, enterprise development is a fairly new concept and fairly specific to broad-based BEE. For this reason, the lack of documentation with examples of what constitutes enterprise development has made enterprise development one of the least implemented elements on the scorecard.	Code 600 outlines the principle of enterprise development, as well as supplying numerous examples of what kinds of initiatives constitute enterprise development	<b>Primary:</b> Statement 600
<b>Corporate social investment initiatives were not necessarily linked to the objective of bringing their beneficiaries into the mainstream economy</b>	The black majority remain largely outside of the mainstream economy	Code 700, whilst acknowledging that certain social objectives may not necessarily facilitate access to the mainstream economy, nevertheless encourages the implementation of initiatives which are socio-economic in nature and which are linked to the concept of assisting black people to be better equipped to access the mainstream economy	<b>Primary:</b> Statement 700
<b>BEE was seen as an obstacle to small business development due to an increase in the regulatory burden</b>	Small businesses tended to ignore BEE or resort to fronting techniques to maintain clients for business purposes.	Exemption of all entities with an annual turnover of less than R 5 million.  The inclusion of comprehensive statements for the measurement of broad-based BEE amongst Qualifying Small Enterprises (QSE's), based on a flexible approach where QSE's are only measured against 4 of the 7 elements of their choice	<b>Primary:</b> Code series 800

(Source: Interpretative Guide, Broad-based Black Economic Empowerment Act, Codes of Good Practice; 2007:6-7.)

### 2.3.6 BLACK ECONOMIC EMPOWERMENT SCORECARD

The RSA Ministry of Trade & Industry, BBBEE Codes of Good Practice (2005:21) states that in order for South Africa to achieve its BEE objectives, there needs to be a consistency of approach. For this reason government will use the BEE Scorecard to measure the progress made in achieving BEE in organisations. Organisations will thus be rated according to a balanced scorecard.

The BEE Scorecard comprises of the 7 core elements as per the generic scorecard. Each element carries a specific weighting which informs organisations of the extent of what they should achieve in order to be compliant. (Interpretative Guide, Broad-based Black Economic Empowerment Act, Codes of Good Practice, 2007:8)

Table 2.3: Generic Scorecard

<b>Element</b>	<b>Weighting</b>	<b>Compliance Targets</b>
Ownership	20 points	25% +1
Management control	10 points	(40% to 50%)
Employment Equity	15 points	(43% to 80%)
Skills Development	15 points	3% of payroll
Preferential Procurement	20 points	70%
Enterprise Development	15 points	3% (NPAT)
Socio-Economic Development	5 points	1% (NPAT)
<b>TOTAL</b>	100 points	

(Source: Interpretative Guide, Broad-based Black Economic Empowerment Act, Codes of Good Practice, 2007:8.)

The scorecard thus measures the core components of BEE in conjunction with the seven areas of Codes of Good Practice as outlined in the main elements of the scorecard.

Balshaw & Goldberg (2005:75) is of the opinion that the scorecard is applied in interpreting and measuring broad-based BEE, but adds that it also facilitates the process of setting measurable targets for BEE in organizations. The researcher agrees with this because if an organization knows what its current score is in terms of the scorecard, it can set goals to achieve a higher score and implement measures for its achievement.

Black Economic Empowerment handouts provided by EMEX (2007:14) at a workshop on BEE define a BEE scorecard as a measuring tool used by the Department of Trade and

Industry to implement and track Black Economic Empowerment in South Africa. It measures the contribution made by business owners to the BEE initiative and historically disadvantaged individuals on seven levels.

Black Economic Empowerment handouts from Emex (2007:27) further distinguish between three scorecards applied to the business sector in terms of industries and size:

- Generic scorecard  
This assessment category is based on the notion that companies are measured on all seven elements of the scorecard.
- Qualifying small enterprise scorecard  
This scorecard is used for companies with an annual total turnover of between R5 million and R35 million. (Interpretative Guide to the Codes of Good Practice; 2007:11)
- Exemption certificate  
This is issued to companies with an annual total turnover of R5 million and less and they may apply for an exemption certificate. (Interpretative Guide, Broad-based Black Economic Empowerment Act, Codes of Good Practice; 2007:11)

The scorecards were gazetted in February 2007 and will be valid for the next ten years, after which it can be reviewed by the Minister of Trade and Industry. The gazetting of the Codes brings final power to a national accreditation agency, the South African National Accreditation System (SANAS), which will accredit BEE rating agencies on behalf of the Department of Trade and Industry (Webb & Lalu, 2007:1)

It is evident that the finalized Codes bring with it more structure and clarity regarding the implementation of BEE. This assists in eliminating confusion and provides a framework for organizations in the formulation of short and long term plans in terms of BEE implementation.

If an organization does not have a scorecard, tenders will not be granted and businesses that you supply goods to may consider using other suppliers to enhance their BEE score.

It is therefore vital for organisations to consider this as it may ultimately impact on their bottom line.

### **2.3.7 SUPPORT AND CRITICISM OF BEE**

The phenomenon of Black Economic Empowerment can be supported and criticized in a number of areas as it is still an evolving process of trial and error. In his article on Saki Makozoma Coetzer (2006:22-26) mentions that the important difference between “the then” and “the now” is that in “the then” we were dealing with a minority while in the now we are dealing with the majority. Makozoma is quoted as saying that he is pleased with the progress made thus far in the BEE process. He believes that it is a continuous process, but argues that South Africa is spending too much time arguing out different strategies for the implementation of BEE. The researcher agrees with this comment as one can see how long it has taken for the actual codes to be finalized. To date it has still not been completed.

Coetzer (2006:22) also touches on the issue of broadness and upon interviewing Macozoma, who is of the opinion that BEE is misplaced. What emerges here is the view that one cannot focus on the number of people you are taking with you in the BEE process to make it broad and that there should rather be an emphasis on the quality thereof. In the article Expertise is more important than BEE status, say SA's entrepreneurs (2006:112) this point is tackled from a different angle, stating that expertise is more important than BEE status. One of the key recommendations is that government should re-examine initiatives and ensure that adequate support is given to organizations in the form of expertise and not only BEE status.

Coetzer (2006:22) places emphasis on South Africa operating in a capitalist society which means that there will be different levels at which people can become involved. In the context of broad-based BEE, it is the advancement of people that should take priority, not only on a business front but also on a broader front. The researcher supports this opinion because empowerment of people is not only about them being empowered in business, but also in their everyday lives. Empowerment should be experienced as making a meaningful difference to previous circumstances.

Macozoma (2007:177) argues that a lot of people are critical of BEE because only a few elitists are benefitting. He is of the opinion that a capitalist system has never produced socialist results and that we have to accept this because of the capitalist system in South Africa, where some will have more than others. He argues that critics often state that BEE is not broad-based enough and that it does not alleviate poverty, and he questions how one policy can be expected to eradicate poverty. The researcher is of the opinion that although we live in a capitalist system, a threshold should be put on the number of empowerment deals of the few elite to ensure that it becomes broad-based. Furthermore, the researcher believes that companies often overlook their existing and loyal employees when it comes to empowerment and feels that these should be regarded as a first resort and not a last in the field of BEE. This will not necessarily mean fronting, but it will reflect the actual holistic development of identified employees.

Nzimande (2005:65) feels that the current BEE model promotes greed and materialism, especially in the codes of practice which he feels focuses too narrowly on ownership. He is of the notion that solidarity should rather be promoted and poverty eradication prioritized. The researcher feels that in a sense his statement can carry some weight, for the reason that it is evident on a daily basis that only a few exclusive individuals benefit from BEE. The fact that the same names are always appearing everywhere does not necessarily make BEE broad-based. If we are able to create sustainable growth through empowerment, poverty will be minimized but not necessarily eradicated.

President Thabo Mbeki has spoken out against perceptions that Black Economic Empowerment only benefits a small elite and that his administration's policies amount to reverse "racism". The president described this view as distorting, saying that both races needed each other for the country as a whole to succeed. He further stated that both black and white South Africans need to compromise, agree to fight racism and underdevelopment, and act together to achieve a common goal of national cohesion and shared destiny within a common motherland (Sebelebele, 2005:1). According to the researcher this statement by the President reflects the economic involvement of all South Africans, as well as commitment to a government of National unity.



The Business Day Survey article Close the Gap, Silo mentality needs to change (2006:7) found that, in the race to become BEE compliant, many companies are looking for the quickest way to move forward, allowing no quick fixes to empowerment and transformation. The article points out that efforts motivated by a need to comply, lead to a scenario of window dressing. The findings of the survey encourage organizations to train black staff, mentor them and to drive true transformation internally, as this kind of commitment breeds staff loyalty.

The researcher believes that the findings of the above-mentioned survey are valuable because it actually directly advocates broad-based BEE. As the involvement of staff internally becomes crucial, this will lead to buy-in and greater success in the transformation process. It should however be noted that organisations opting for such an approach will need to realize that a lot of money will have to be invested in staff training to realize this.

Raymond Ndlovu, the CEO of Noah, a black entrepreneurial stock broking firm, is of the opinion that the focus of empowerment has to date been transactional and that this cannot continue. He states that empowerment needs to be broad-based and not only focused on equity transactions. He also criticizes the actual implementation of the codes of good practice, and states that organisations are operating the different codes in silos. He further emphasizes that a more integrated approach and change in mind set needs to be considered: There should be a move from meeting scorecard requirements to considering the actual impact that initiatives have on grass root level. (Close the Gap, Silo mentality needs to change, 2006:7-9)

According to the researcher, this will obviously mean a shift from a top down approach to a bottom up approach, which will lead to greater involvement and active participation in the process.

According to October (2007:1-3), the Deputy Director General of the Department of Trade and Industry, too many companies had not yet aligned their businesses to the broader based aspects of BEE. He further states that most of the dissatisfactory business trends amongst business and industry have occurred in sectors that were far from government.

According to the researcher the above carries a lot of weight: If an organization has frequent deals with government, it will be to the benefit of that organization to align business with the broader based aspects of BEE. Such organizations can be contrasted to organizations that do not have frequent dealings with government.

Codrington (2006:22) acknowledges that true diversity is one of the five most important trends of the next five years. He emphasizes that it is essential to build real diversity muscle into an organization. He explains that diversity is not about getting people with different skin colours through the promotion of blacks that think like whites. Diversity rather means looking at those blacks who are leaving the organization due to the fact that they are not willing to think and act like whites. He considers BEE an attempt to redress the institutional abuses of the past but argues that although it has made some achievements, it has not been broad-based enough and that the next five years will require real development of real diversity.

In June 2008, when this study was almost complete, a landmark ruling was made by the Pretoria High Court that South Africans of Chinese descent who were resident in SA before 1994, qualify for the full benefits of the country's employment equity and BEE, as they were classified as "Coloured" during the apartheid era. Chinese South Africans feel that this ruling will impact positively on them, especially as they were previously disadvantaged by apartheid but did not benefit from the implementation of the BEE. The researcher therefore concludes that those who brought this application support BEE.

## **2.4 BEE AND CHANGE AS A PHENOMENON AFFECTING EMPLOYEES**

It is often said that people are South Africa's most important asset. Yet, one wonders how this is actually demonstrated by organisations. Organisations need to realize that they play a significant role in the lives of people, as a large amount of people's time is spent at the organisation. An organisation is also the place where people are developed intellectually through training and development programmes and this is where cultures, values and norms are established and learnt.

On a daily basis, employees face challenges that impact on their work performance. Organisations should realize the importance of workplace programmes in order to assist employees with these challenges. Some of the challenges presented could be due to the nature of the changing work environment or issues relating to their personal lives.

An important challenge facing organisations is the implementation of BEE as discussed in detail in this chapter. Organisations have to implement BEE in order to become part of the transformation in the South African economy. The Codes of Good Practice, its core components, elements and ultimate scorecard, play an important role in an organisation's economic growth as it becomes a determinant of the extent to which the organisation will receive business and remain a supplier to both public and private sectors. This undoubtedly has a direct impact on employees, as they form part of the workplace and also have to undergo certain changes. Through the elements discussed earlier, some employees will become more empowered through the process, while others might not benefit in the way they used to benefit before. There might be changes in management and changes in the way the business was initially run. Whatever the reason may be, at some point these challenges will start having an impact on the employee.

#### **2.4.1 RISKS FACING THE ORGANIZATION**

If we regard people as important organisational assets, we must recognize that, as such, they are subject to risk and therefore capable of creating adverse consequences for the organisation when those risks materialize. The risks facing the organisation are three-fold:

- Global risks  
These are risks such as technology advances, political instability and stock market volatility.
- Organizational risks  
The financial market, legal liability.
- Behavioural risks  
Behavioural risks are made up of employee risks and organization risks.

(Behavioural Risk Management, ICAS Research Bulletin, 2003:5)

The researcher is of the opinion that all these risks do in reality affect employees but feels that the focus should be on how behavioural risks (such as legislation governing Black Economic Empowerment and organisations) impact on the organisation and ultimately on employees. It is evident that with any change adjustment, some people adjust well while others adjust slowly. Some even struggle with adjustment. Through this research, the researcher aims to determine the *effects of BEE on employees*, as BEE inevitably implies changes. South Africa is now in its thirteenth year into democracy and change is still evident. The workplace is also affected by these changes, due to the impact of global trends, legislation and the desire to be world class. In all of this, one wonders what effect this has on South Africa's most important resource, its employees. A survey undertaken by Lee (2006:4) regarding attitudes and trends in the South African workplace identifies one of the responses from the employer survey as BEE having a direct effect on their people management. This is evident in specific areas such as skilling, retention and mentoring of black staff and the integration of BEE with other people needs. They also state that areas which present specific challenges here are retention, leadership style and meeting salary requirements.

#### **2.4.2 IMPACT OF CHANGE ON EMPLOYEES**

Change, a phenomenon that organisations constantly have to deal with in staying abreast, being world-class and keeping up with innovation and technology, has a major impact on employees. The concept of BEE in South Africa led to business having to change and adjust. Indirectly, this has impacted on employees as they form an integral part of organisations. For the purposes of this research, the effect of BEE on employees can potentially contribute to stress, emotional changes or personal concerns that need to be dealt with.

According to Franklin (2003:23) a study undertaken in 109 UK companies revealed that the biggest contributing factors to stress in the workplace were as follows:

- Pressure to perform            31%
- Job uncertainty                29%
- Recession                        28%
- Change/pace of change    15%
- Personal life                    12%

- Increased job load 6%
- Excessive hours 3%
- Maintaining quality 2%
- Other 7%
- Don't know 6%

If one considers the South African situation, this is a country that has undergone radical change over the last 14 years. It can therefore be assumed that change could be one of the top five biggest stress contributors in the workplace.

All organisations have been affected by the change that the Broad Based Black Economic Empowerment Act has brought about. All organisations have been under pressure to transform and implement the necessary policies to be in line with the Act.

The BEE Act is quite clear on it that Human Resource Development is high on the agenda. It is strongly emphasized that black employees need to be skilled and empowered to take up their rightful place in the economy and participate actively.

Taking this into account, one has to question how organisations have assisted employees to cope with change accompanied by the workplace stress.

Change, like the one brought about by BEE, is an effect of organisational life, and in turn has an effect on employees. In order for employees to cope with it effectively, planned programmes of employee training, development and career management are essential.

According to The Harvard Business Essentials (2003:99) people faced with dramatic change generally respond through four stages: shock, defensive retreat, acknowledgement and acceptance and adaptation. These stages are similar to the grieving process that follows the loss of a friend or family member and employees need to be assisted through these stages. With BEE it may initially come as a shock to employees, they may firstly react by becoming defensive while later on, they may learn to acknowledge it, once the benefits and processes are explained to them. Acceptance and

adaptation is vital and according to the researcher this is realized once employees realize the rewards and how it will impact on them directly.

Winkler (2000:23) concludes that people resist change for the following reasons:

- Fear of loss of something valuable
- Misunderstanding
- Disagreement on the benefits of the change
- Concerns that they do not have the skills and ability to cope.

According to Plattner (2004:20) these four requirements need to be met in order to assist employees when they go through the stages of adjustment to change:

- Empathy  
Employees want supervisors to try and understand the situation from their point of view.
- Information  
Employees need sufficient information regarding the proposed change in order to understand why it is taking place and how it will impact on them.
- Credibility  
Employees need to believe in the changes and need to be convinced that it will work.
- Ideas for action  
Many managers and staff are clear about what is required of them but lack knowledge on how to achieve it.

It is thus vital for employees to be aware of the need for BEE, how it will affect the organisation and how it will positively impact on them. The employee assistance programmes as discussed can assist in minimizing resistance that employees encounter due to the changes brought about by BEE. Communication of information and empathy are also compelling factors in the management of BEE as a whole in the organisation.

Although organisations can do everything possible to assist employees in their growth, development and wellness, it still becomes the individual's own responsibility to take ownership for themselves. Lewis (2004:46-48) supports this notion by stating that a new

psychological contract exists in the workplace and by pointing out that one of its elements is personal accountability.

Du Preez (2007), from the legal division of Emex (a BEE systems management organization) is of the opinion that organisations have generally accepted that BEE is here to stay and have realized that they need to deal with its elements. He reveals that of the Top 200 Companies in South Africa there are only 427 black directors out of a total of 2099. Of these 427 black directors, 337 are non-executive directors. Only 96 of these are women. Out of these, only five companies have higher than 51% black ownership amongst the top 200. The researcher feels that these statistics are quite shocking as she would have expected the Top 200 companies to have had better statistics. On the contrary one may conclude that a large number of these companies probably are not frequently dealing with government, and that the broader issues of BEE have therefore not been addressed by them as yet.

Jack (2007:114-115) has a different view to that of Du Preez. He states that most established companies have gone through different stages of empowerment and mentions that they have not as yet reached the acceptance stage. He identifies these stages as :

- Denial stage

Characteristic of this stage is that companies believe that BEE does not affect them until the preferential procurement effects hit them.

- Anger stage

This is whereby companies vent their frustrations at BEE policies as labeling it as “apartheid in reverse”. Jack believes that most companies have been at this stage for the last ten years.

- Bargaining stage

It is believed that most companies have been at the bargaining stage since 2003 since they could not sustain their anger without showing a negative impact on their bottom line. He states that this is where they start asking what the least is that they can do. This results in fronting and the unsustainability of BEE deals.

- Depression stage

At this stage the sustainability of the BEE initiatives collapses. This results in deep reflection on the meaning of true transformation at all levels of the company.

- Acceptance stage

At this stage, BEE initiatives become robust and sustainable when there is a realization that BEE is a long term process that requires good investment over time.

Jack (2007:115) firmly believes that the depression and acceptance stage are still imminent for most companies in South Africa over the next few years. The researcher is of the opinion that with the finalization of the Codes of Good Practice and clearer targets being set for organisations for the next ten years, Jack could be right in his statement that companies will reach the final stages of acceptance. BEE is here to stay and the final codes have created a clear indication of what is necessary and attainable.

Fifty-two percent of privately held businesses in South Africa expect a change in ownership over the next ten years. This figure is the highest among 32 countries surveyed in Grant Thornton's latest International Business Report. The expected churn reported by South African business directly relates back to Black Economic Empowerment. When asked how the respondents expect the change in business ownership to take place, 45% of South African respondents answered by sale to employees, followed by 35% who answered management buy-out or buy-in. (A BEE hive of opportunity, 2007:1)

Taking the above into account, one needs to realize that change and BEE is evident in South African organisations, and that it is acknowledged by employees.

There is no common view on the purpose or the outcome of BEE and one must realize that it is an evolving phenomenon which results in support and criticism towards it. Although government has put many processes, policies and legislation in place to ensure that it happens, the next five to ten years will determine to what extent there will be buy-in or not. However, if companies realize that BEE affects their bottom line, they may become more responsive in looking at sustainable ways of dealing with it. It should be noted that BEE has an effect on the entire workforce and not only on the decision makers.



## 2.5 SUMMARY

BEE has evolved significantly since 2003 and its elements have become much clearer and more specific. Organisations no longer have an excuse to say that there are not adequate guidelines in place, as this has been clarified.

This chapter discussed Black Economic Empowerment in detail. The legislation underpinning BEE was set out and the BEE strategy, principles and rationale were explained. A clearer picture of why BEE evolved and the way to go about it was created. The researcher investigated a number of opinions supporting and criticizing the notion of BEE. The ultimate realization is that in order for organisations to continue benefitting economically, they need to accept that BEE is here to stay, especially as the new legislation has been finalized and will be in existence for the next ten years.

Following an in-depth literature review of BEE, the researcher concludes that it is an essential element in our country's transformation process. Through the literature review one realizes that while South Africans have been liberated politically, they have only been liberated on a marginal level economically.

Employees can generally benefit from BEE but one should bear in mind that because it implies change, it will have different effects on different employees. The workplace is where the majority of employees spend most of their time, so it would be the natural place for them to feel safe. This is where they should feel that they are cared about. They should feel important and experience a sense of ownership towards their organisation. Legislative frameworks are there to protect and to ensure that consistency prevails. BEE should specifically be considered in the light of South Africa's historical context and in the light of government's strategy to ensure that balance is brought economically.

The following chapter will focus on the empirical findings of the research.

## **CHAPTER 3**

### **EMPIRICAL FINDINGS**

#### **3.1 INTRODUCTION**

The purpose of this research is to determine the effect of Black Economic Empowerment on employees. This chapter discusses the research methodology and research findings, which are presented according to the themes and subthemes that evolved from the research.

#### **3.2 RESEARCH METHODOLOGY**

##### **3.2.1 TYPE OF RESEARCH, AND RESEARCH APPROACH AND DESIGN**

The researcher is of the opinion that the most appropriate type of research for this study is applied research. Fouché (2004:108) explains that applied research is concerned with solving the immediate problems of the discipline, therefore aiming to solve problems in practice. Graziano and Raulin (2000:55) define applied research similarly, in that the goal of applied research is to provide solutions to practical problems. For this study applied research will thus be the most appropriate type of research, considering the fact that the researcher wants to determine the effect of Black Economic Empowerment on employees. The research will provide practical experiences of individuals and explain how it has affected them.

According to the researcher, the most appropriate research approach for this proposed study will be qualitative research. According to Fouché & Delport (2002:79) qualitative research primarily aims to comprehend social life and the meaning that people attach to everyday life. It refers to research that elicits participants' account of meaning, experiences, values and beliefs underlying the phenomena.

The most appropriate research design for this qualitative research approach will be a phenomenological research design. According to Fouché (2002:273) this approach aims to recognize and interpret the meaning that subjects give to their everyday lives. Creswell

(1998:145) regards a phenomenological study as a study that describes an individual's meaning and experiences of a phenomenon; topic or concept.

### **3.2.2 RESEARCH QUESTION**

Neuman (1997:121) explains that a research question refers to the relationship among a small number of variables. A research question contains one or a small number of causal relationships. For the purpose of this study the researcher formulated a research question to determine whether there is a causal relationship between two variables. According to the researcher, the research question can thus be seen as that which the researcher wants to determine through the research.

The research question is as follows: What effect does BEE have on employees?

### **3.2.3 AIM AND OBJECTIVES**

According to Webster (1961:972) both the aim and objective can be defined as the end to which effort and ambition is directed. Fouché (2002:108) explains that an objective can be regarded as a more concrete, measurable and more speedily attainable conception to which the ambition is directed. The aim of this research study is to determine the effect that BEE has on employees.

The researcher has identified the following objectives:

- To determine the physical, emotional, psychological and social effect of Broad-based Black Economic Empowerment on employees and to elaborate on employees' experiences.
- To make recommendations regarding the implementation of Black Economic Empowerment based on employees experiences.

### **3.2.4 SAMPLING METHOD AND SAMPLE**

The sampling method used is stratified random sampling. The population consisted of participants, male and female, employed at BOSASA during the implementation of BEE. For this specific research, the sample was derived from strata which included different racial groups, gender and occupational categories held within the organization.

### **3.2.5 METHODS OF DATA COLLECTION**

The data collection method used was semi-structured interviews with an interview schedule. The interviews were tape-recorded and transcribed wherever permission was granted. With regard to incidents where respondents did not want it to be tape-recorded, field notes were taken. According to Greef (2005:296) semi-structured interviews are used by researchers to gain a detailed picture of a participant's beliefs about, or perceptions (or accounts) of a particular topic.

### **3.2.6 METHODS OF DATA ANALYSIS**

According to De Vos, Fouché & Venter (2002:224) data analysis is a process of bringing order; structure and interpretation to the mass of data collected. Data analysis should include examining, categorizing, tabulating or otherwise recombining the evidence in order to address the research problem. Qualitative data analysis and interpretation was therefore carried out by means of the identification of themes, recurring ideas and patterns or beliefs. This was interpreted in order to perceive patterns and increase credibility.

The data recorded from the transcribed interviews were classified into themes, recurring ideas and patterns or beliefs, and presented as direct quotes (De Vos, 2002:354). The analysis of the data was conducted in the following manner: The researcher clustered the categories that emerged most prominently, and noted the various themes that emerged from these clusters. She then searched for commonalities in or contradictions to the findings and thereby formed sub-themes.

The research findings will be presented as verbatim quotes from the interviews according to the different themes and sub-themes. These themes will then be substantiated by means of relevant literature.

According to Strauss and Corbin (1990:10-11) a qualitative research approach is an approach that elicits participants' accounts of meaning, experience or perceptions. They add that it produces descriptive data in the participant's own written or spoken words.

The researcher followed the process of analyzing data qualitatively as described by Creswell and presented by De Vos (2002c:340). The data analysis comprised the following aspects: collecting and recording data, managing the information, reading, writing memorandums, describing, classifying and interpreting, presenting and visualizing the data.

### **3.2.7 COLLECTING AND RECORDING DATA**

Collection and recording of data was carried out through interviewing. The researcher used an interview schedule to produce findings. This data consisted of notes and tape recordings. As data was gathered, it was managed and analysed by the following methods:

- **Managing the data**

The data obtained from the interview schedule were dealt with as follows: the tape recordings of the interviews were transcribed, organized and notes were taken so that the information was easily retrievable.

The researcher evaluated the transcribed interviews and determined whether the data was authentic, valid, true, worthy, manageable, and of value for the research.

- **Reading, writing memorandums**

After collecting the transcribed data, it was studied to enable the researcher to become familiar with the content as a whole.

The researcher read the transcripts in their entirety several times in order to describe, classify and interpret the data, prior to categorizing it in order to identify similarities that might exist within the various categories. Memorandums were kept of the different themes uncovered.

- **Describing, classifying and interpreting**

The data was subsequently sorted and interpreted to bring order and structure and to provide meaning. De Vos (2002c:344) states that, in this regard, classifying means taking

the text or qualitative information apart and searching for categories, themes or dimensions of information.

The researcher also sought to identify the salient themes, noting regularities or patterns of meanings held by the participants that would then be reduced to smaller, manageable sets of themes and subthemes to be written into the final report.

The researcher furthermore sought explanations and identified similarities from the views of the various multidisciplinary team members. These were compared and described. Descriptive statistical analyses were utilized for the purposes of summarizing, describing and analyzing the major characteristics of the collected data.

Themes and subthemes were derived to:

- answer the research question, and
  - obtain a better understanding of the effect of Black Economic Empowerment on employees.
- **Representing by visualizing**

The researcher presented data in qualitative findings by means of narratives, themes, subthemes and quotes from interviews supported by the literature.

### **3.3 RESEARCH FINDINGS**

The research findings will be presented according to themes and subthemes taken from transcribed interviews. It will be strengthened with direct verbatim quotes from the interviews and then be substantiated with literature. The following table categorises the identified themes and subthemes.

Table 3.1 Summary of Themes and Subthemes

<b>CATEGORY:</b>		<b>Psychological &amp; Emotional effect</b>
<b>THEMES</b>	<b>SUBTHEMES</b>	
<b>Support for BEE</b>	<ul style="list-style-type: none"> <li>• Individual and financial growth opportunities</li> <li>• Empowerment through skills and knowledge</li> <li>• Mutual benefits for the organization and the employees</li> <li>• Recognition of people</li> <li>• Improvement, enrichment and upliftment of peoples lives</li> <li>• Black people are put into positions of trust</li> </ul>	
<b>Criticism of BEE</b>	<ul style="list-style-type: none"> <li>• Lack of empowerment in middle management</li> <li>• Appointment vs. authority</li> <li>• Who you know gets you in</li> <li>• Lack of growth opportunities</li> </ul>	
<b>The role of communication</b>	<ul style="list-style-type: none"> <li>• Negative consequences due to lack of communication</li> <li>• Open communication channels</li> <li>• Change in reporting structures</li> <li>• Characteristics of new leadership</li> </ul>	
<b>Change leads to mental shifts</b>	<ul style="list-style-type: none"> <li>• Reporting structures</li> <li>• Communicating and giving input</li> <li>• Realisation that all are equal</li> <li>• Improvement of self image</li> <li>• Culture change</li> <li>• Change in atmosphere and environment</li> <li>• Thinking beyond racial lines</li> </ul>	
<b>CATEGORY:</b>		<b>Social Effect</b>
<b>THEME</b>	<b>SUBTHEMES</b>	
<b>Changes in the working environment affects employees</b>	<ul style="list-style-type: none"> <li>• Improved working environment</li> <li>• Vision based on what employees can give</li> <li>• Social relationships</li> </ul>	
<b>CATEGORY:</b>		<b>Physical effect</b>
<b>THEME</b>	<b>SUB-THEMES</b>	
<b>Attitude towards change impacts on physical effects</b>	<ul style="list-style-type: none"> <li>• No physical effect</li> <li>• Increase in work load and overtime</li> <li>• Productivity increase</li> <li>• Involvement to do well increased</li> </ul>	



CATEGORY: General Experience	
THEME	SUBTHEMES
The importance of development in the implementation of BEE	<ul style="list-style-type: none"> <li>• Opportunities for development</li> <li>• Development but no upward mobility</li> <li>• Competent people emerged</li> <li>• Skills transfer from white employees to black employees</li> </ul>

### 3.3.1 THEME 1: SUPPORT FOR BEE

This theme was derived from the research findings whereby respondents feel positive towards BEE and support the benefits it brings along with it.

#### 3.3.1.1 Subthemes

- **Individual and financial growth opportunities**

*“I must say it changed my life in a way that I did not expect. When I started in the company I was just a security officer and I was given the opportunity to grow with the company, where I am today and what I am today with the influence of BEE. ....I am able to look after my family and take care of them financially.”*

*“Well, I would say many black people are going forward in this organization, I have seen them climb the steps, even myself.”*

- **Empowerment through skills and knowledge**

*“I have seen a lot of people’s lives improve and being taken to another level in terms of education, I feel people have been enriched.”*

*“I came to BOSASA without a paper, but I ended up at BOSASA having a paper because I went to a lot of courses within the company. The company has groomed me a lot, I can say the company has empowered me, has invested in me this way.”*



- **Mutual benefits for the organization and the employees**

*“The thing is, the BEE partners are qualified and they are doing their jobs without any problems, the company is not using them to the potential but abusing them to say I am a BEE company contracts must be allocated to me.”*

- **Recognition of people**

*“You could see that whenever there was transformation they really meant it. To say we need to involve black people and they have skills as well to grow the business.”*

- **Improvement, enrichment and upliftment of people’s lives**

*“Instead of it affecting me, it is improving me.”*

*“Now we are skilling them on learning areas and as a result of that we have a lot of competent people in the market that are contributing to the economy.”*

- **Black people are put into positions of trust**

*“It also motivated us to see black people are put into positions of trust and with that responsibility and they find they are achieving more things in life and it is not just window dressing.”*

**The above research findings are supported by the following literature:**

The generic scorecard has been drawn up to measure the progress of organizations in achieving BEE. On this scorecard, three core components are measured, each of which contain important core elements.

**Direct empowerment** is one of the elements that focus on ownership of enterprises and assets through shares and other instruments. It provides the holder thereof with voting rights and economic benefits, such as dividends or interest payments. Black persons thus need to control processes such as appointing or removing directors, the right to control the management of shareholders and therefore participate actively in the decision making

processes. Management control and ownership therefore become vital elements to this core component. (RSA Ministry of Trade & Industry, 2003:21)

According to the researcher, the empowerment of an individual is considered in terms of skills, competencies, developmental opportunities, financial empowerment and the recognition of the individual who is performing well. These empowerment criteria are portrayed in the subthemes discussed. Yet there is still limited information regarding economic empowerment. From the above it is evident that people are empowered in the organization and there appears to be a great deal of support and a positive attitude towards the benefits of Black Economic Empowerment in the organization. The fact that there are mutual benefits for the organization and the fact that employees are motivated makes a lot of sense. Nevertheless, one respondent was of the opinion that the organization was abusing this. The researcher would rather view it as a mutually beneficial process for all involved, especially if it is done in the correct manner.

### **3.3.2 THEME 2: CRITICISM OF BEE**

The identification of this theme was based on respondents' negative experiences of BEE and its effect on the organization.

#### **3.3.2.1 Subthemes**

- **Lack of empowerment in middle management**

*“Only top management is where you see Black Economic Empowerment, but the middle management is a different thing, I don't see a huge development in terms of the black empowerment.”*

*“Our leadership at the top is predominantly black, but our sub-leadership or second phase of leadership is still dominated by white people.”*

*“I still feel BOSASA can do more than what they did ... especially the ladies, because most of them are still in the lower or middle levels ... they are not rising up to the levels as well.”*

- **Appointment vs. authority**

*“...I still have a concern in terms of the appointees. Because what happens is that people get appointed but at the same time they don't seem to have authority to implement their own decisions.”*

*“I am window dressing, because most of the time everything I need to get, I have to fight for, if I don't fight, then nothing goes according to what I am supposed to get as an individual or as a manager.”*

*“.... In terms of most cases, white people still have the power.”*

- **Who you know gets you in**

*“... Even the promotions work like that, if you don't know someone then hard luck ... it's like a family thing, so if you don't know anybody then you are out.”*

*“Certain individuals benefit ..., not everybody, and it depends who you are.”*

- **Lack of growth opportunities**

*“It was sad that you knew you had basically reached your ceiling and that there was nothing more for you to work for. I will say there is no more growth for me. For the last 11 years I am reporting directly to the directors and for the next 20 years, if I am here, I will do the same.”*

**The above research findings are supported by the following literature:**

Macozoma (2007:177) argues that a lot of people are critical of BEE because only a few elitists are benefitting. He is of the opinion that a capitalist system has never produced

socialist results and that we have to accept this because of the capitalist system in South Africa, where some will have more than others. He argues that critics often state that BEE is not broad-based enough and that it does not alleviate poverty. He questions how it can be expected from one policy to eradicate poverty.

According to Janse van Rensburg & Roodt (2005:49) different employees may respond differently to a force of change. For some it will be satisfactory but for others it will create pain, stress and disadvantage. The above authors are of the opinion that in order for South African organisations to be successful, their employees must accept the legislation and the change that goes along with it.

Terrazas (2007:31) discusses the realities of tokenism and fronting in some organizations implementing BEE. She states that previously disadvantaged candidates are simply appointed to comply with legislation without being involved in the actual running of the organization.

Freund (2007:661) confirms that a small elite number of blacks is often enriched in BEE and mentions that although there is a move to have different sectors of the black population benefitting, they do not actively become involved in the process of transformation which could in fact offer the possibility of radical improvement.

It appears from the above findings that employees still feel negative towards Black Economic Empowerment. This can be due to the fact that they experience the change negatively or simply because they do not see themselves benefitting from it. Appointment versus authority still remains a difficult subject and in today's society we find ourselves in the position where organisations are just implementing the changes because they are forced to do so. According to the researcher there needs to be buy-in from all levels of management before the successful implementation of any change. In this instance it is evident that respondents feel that at middle management level there has been too little buy-in and movement on BEE. Middle management level is essentially a vital level, especially as government is moving towards a broader approach. The responses of these individuals should therefore not be taken lightly.

### 3.3.3 THEME 3: THE ROLE OF COMMUNICATION

It was evident from the research findings that communication plays an important role in organizations. Communication's positive and negative role is portrayed in this theme.

#### 3.3.3.1 Subthemes

- **Negative consequences due to lack of communication**

*"I must say that although I was not that much involved, that it was not that transparent when the take-over took place."*

*"Those employees who were illiterate, the message didn't really get to them that there was a change in leadership, but they realised something was going on."*

- **Open communication channels**

*"But now with the new leadership we started having monthly meetings whereby a lot of the concerns were addressed."*

*"... compared to now when you can still question some of the things and put your own opinion and say if we do this way, it can save us time and a lot of money."*

- **Change in reporting structures**

*"As blacks took over, I felt more open. When it was a white person, I felt a little bit scared to even ask something or go forward and say this is what I think."*

- **Characteristics of new leadership**

*"You didn't do anything that you like because the bosses were there and say hey you mustn't do this, you mustn't do that .... we were afraid to go to the big boss at the top"*

*.... but now you just go to your new boss, the black man, and tell him that, he will tell you what to do and everything.”*

*“When black people were put here we experienced each and everybody was working freely.”*

*“It started changing when we saw a lot of blacks being empowered, they were physically involved in the operations, previously we just had to take instructions, they (the old management) were not even physically on the ground.”*

**The above research findings are supported by the following literature:**

Coetzee, Fourie & Roodt (2002:17) mention a number of determinants of successful change management interventions:

- Top down and bottom up communication
- Dedicated communication promoting change
- Formal communication by means of training and the handling of specific issues
- Outward communication towards the user and client community.

The above authors motivate that effective communication is important as ineffective communication may distort the intended message and consequently, the sender's objectives with sending the message will not be reached.

Carnall, as quoted by Plattner (2004:20), sets out four requirements for assisting employees who deal with stages of change adjustment. Two of these are as follows:

- Information  
Employees need sufficient information about the proposed change in order to understand why it is taking place and how it will impact on them.
- Ideas for action  
A large number of managers and staff members are clear about what is required of them but lack knowledge on how to achieve it.

From the above it is evident that communication needs to take place when change occurs in the organization, so that individuals can understand what it is about and have clarity regarding what is required of them.

Janisch (2006:9) states that strategies, business plans and their ultimate implementation are normally discussed at senior level of an organisation and the implementation guidelines are then filtered down to the lower levels. He elaborates on the fact that it is quite common for staff on the lower levels to be unaware of all the ramifications of the strategy. In such cases, implementation may have a detrimental effect on the company.

If one is to say that BEE is an inclusive process and broad-based, one needs to remember that the BEE strategy needs to be communicated to all levels of staff in order to get buy-in in the required results. Besides the guidelines proposed by the BEE strategy, one should not forget to involve all role players as part of the organisation's strategy. The importance of communication cannot be over-emphasised, an organization should be regarded as a living organism and all living organisms need a flow of communication to and from them. In any change it is vital to ensure that all participants receive the correct message from the sender as well as the purpose for its implementation. If this is explained properly from the beginning and on a continuous basis, there will be no comebacks and irrational fears will be avoided. The communication flow will be reciprocal and there will be open channels to address issues. Of the issues raised by respondents, the characteristics of leadership and the type of communication patterns were quite interesting. It appears that the environment was previously ruled by fear and that no questions were asked (only orders given). This changed remarkably when the change in leadership occurred, to such an extent that individuals did not know how exactly to deal with it. They did however feel more comfortable with the new management.

#### **3.3.4 THEME 4: CHANGE LEADS TO MENTAL SHIFTS**

Respondents were of the opinion that the result of change in the organisation had a direct impact on them; to such an extent that certain mental shifts and cognitive restructuring had to take place in individuals' lives.

### 3.3.4.1 Subthemes

- **Reporting structures**

*“Change in my relationship with someone who was a colleague and now is a director.”*

*“Those who reported to you are now the ones you report to.”*

- **Communicating and giving input**

*“We were afraid to go to the big boss at the top; I am feeling very good now because even the black people have the right to say their thing.”*

*“Was difficult because now you could talk more openly, you could make suggestions and people would listen and we were not used to it.”*

- **Realisation that all are equal**

*“I was feeling very good because each and everybody, the black people and the white people are just on the same level.”*

*“I am feeling good working here because now we are all equal.”*

*“Because now the black people are just the same as the white people.”*

- **Improvement of self image**

*“Had to learn to believe in yourself.”*

- **Culture change**



*“It was the time Gavin came in and wanted everyone to change their mindset, it was difficult for the whites to accommodate a black man next to them, but again it was easy for them because Gavin was always there ...., he was encouraging everybody to come to the prayer meetings so that he can show them how to live with a black man next to them.”*

*“It was a culture of madam and bosses, but we managed to get through it with the help of Gavin ... the culture is more open now.”*

- **Change in atmosphere and environment**

*“But now it is much better, we are doing everything that we are thinking to do.”*

*“It became a lesson that though we are trying to correct the wrongs of the past at the same time we can work together, share ideas and then actually learn from them because of their experience and their exposure to many of the things we were not exposed to.”*

- **Thinking beyond racial lines**

*“It was confusing at first because when the new leadership came on board it was two white guys and the rest were white people in any case. And now there were two other white guys and you were a bit confused, but then it led to promises and changes.”*

*“... but today at least you are able to show that you are not here because of the colour of our skin ... but we have got potential, we can complete the task we are given, for me this gave me the opportunity to shine.”*

**The above research findings are supported by the following literature:**

Kruger (2003:56) believes that a typical South African organisation should undergo a mind shift and make paradigm shifts to enable them to survive and create a competitive advantage. Some of the paradigm shifts mentioned by Kruger (2003:66) relate to that of a learning organisation and the importance of culture in management of change.

Kruger (2003:66) has identified numerous characteristics of learning organisations, three of which fit in well with the subthemes identified above:

- Self development opportunities
- Open communication and feedback
- Empowerment and high involvement.

The importance of management of culture is underpinned by Kruger (2003:70), who defines organisational culture as a set of assumptions that members of the organisation share. It refers to inner values, beliefs, rituals, operating styles, ethical standards, key policies and procedures, traditions, people's attitudes and feelings, stories that are frequently told, and the vibrations that surround the work environment. He explains that when change is inevitable, culture needs to be changed.

Prior to BEE, the organization had its own belief patterns and systems, some of which were totally irrational and demeaning. People however were socialised in this mindset and when changes occurred they had to undergo a paradigm shift to ensure that they could cope with the changes. Although beneficial to individuals, the reconstruction of thought patterns became very difficult. However, they managed to do it ultimately. Employees were able to see that they were all equal; they experienced a change in the working environment, and this improved their self-image and led to greater participation in the workplace.

### **3.3.5 THEME 5: CHANGES IN THE WORKING ENVIRONMENT AFFECTS EMPLOYEES**

Respondents felt that with change occurring in the organisation it had a direct impact on them as employees, be it positive or negative. Thus the identification of this theme.

#### **3.3.5.1 Subthemes**

- **Improved working environment**

*“When you had a problem, you are supposed to talk about it, we were not just supposed to just sit there, we were told that if we don’t want something you have to talk about it, you have to tell your unit leader.”*

*“It is a nice working environment; it is free, not tense anymore.”*

- **Vision based on what employees can give**

*“It gave me the opportunity to show how capable one can be, because previously we were given limited space to say you cannot overstep this, because it is not for you, but today at least we are able to show we are here not only because of the colour of our skin, but because we have potential.”*

*“I have learnt something from the CEO - he is a mature person who has a vision based on what a person can give, we had to look at the potential of the person.”*

- **Social relationships**

*“I would love to see a stage that when we are at a gathering and you still find a few white people sitting on their own and a few black people, there is still that division.”*

*“There was no problem with people from different cultures and socially we interacted with different people.”*

*“The company has grown so big that people are not close anymore.”*

**The above research findings are supported by the following literature:**

Van der Walt, du Plessis & Barker (2006:276) discuss the adaptive management approach and maintain that this approach supports change, adaptation and innovation in the organization, as well as employee development. The recognition of the employee’s values, needs, motivations and behaviour has changed in accordance with the change in the environment.

The change that BEE brought about in the organisation can be viewed as more positive than negative. Although growth came along with it, the dynamics of diversity were also present. The fact that the vision was based on what employees could give, and not merely concentrating on the race card, made the environment more favourable to function in. In addition, individual potential was focused on.

### 3.3.6 THEME 6: ATTITUDE TOWARDS CHANGE IMPACTS ON PHYSICAL EFFECTS

This theme focuses on the attitude towards the change and its physical results on employees.

#### 3.3.6.1 Subthemes

- **No physical effect**

*“Physically I just carried on as usual.”*

*“No effect really, it was a matter of participation and hard work.”*

- **Increase in work load and overtime**

*“Things tend to be a little bit frustrating with the volume of things we have to deal with ... .at that level of grooming the up and coming leaders...”*

*“You have got to work harder ... if you don’t put it in (more time, more effort) you are going to follow up.”*

- **Productivity increase**

*“Good state of mind and physical well-being, and became more involved in projects.”*

*“I am more productive now.”*

- **Increased involvement to do well**

*“I had to aim, I had to commit myself to most of the things, I had to enjoy my work, and you had to act as if it was your business.”*

*“I got more involved to do well in my work.”*

**The above research findings are supported by the following literature:**

Lewis (2004:46-48) supports this notion in that she says that a new psychological contract exists in the workplace and one of its elements is personal accountability. If one has personal accountability, it will determine your attitude and this in turn will influence you physically.

According to Janse van Rensburg & Roodt (2005:50) experience has proved that in practice employees are not equally enthusiastic about the change and that this might also affect their commitment levels.

This theme revealed that some individuals experienced a physical effect with the implementation of BEE, whilst others did not. The reasons for this were explored. Some of the respondents' comments, involvement, commitment and good state of mind helped them to cope better physically, whereas others just carried on as usual. Those who actually bought into it and had the right attitude seemed to excel to a greater level in the workplace.

### **3.3.7 THEME 7: IMPORTANCE OF DEVELOPMENT IN THE IMPLEMENTATION OF BEE**

This theme emphasised that development was key to the implementation of BEE and the results thereof.

#### **3.3.7.1 Subthemes**

- **Opportunities for development**

*“I can say that there is good development, which BOSASA looks or supports or motivates the people who have dreams. When you have a dream BOSASA is there to lift you up to help you go wherever you want to go or achieve whatever goal you wish to achieve.”*

*“I came to BOSASA without a paper, but I ended up at BOSASA having a paper because I went to a lot of courses within the company. The company has groomed me a lot, I can say the company has empowered me, has invested in me this way.”*

- **Development but no upward mobility**

*“Some can be developed but they don’t move further.”*

*“I was told that they had earmarked me for a directorship position but they needed to mentor me and would identify the person to mentor me and that person was obviously white and from the day until now nothing has happened.”*

- **Competent people emerged**

*“Now we are skilling them on learning areas and as a result of that we have a lot of competent people in the market that are contributing to the economy.”*

*“If it wasn’t for that, I won’t be where I am today and I wouldn’t have been able to do the little project I do for my siblings as well.”*

- **Skills transfer from white employees to black employees**

*“Whilst I was doing my work, they were with me and it was basically on the job training that was done with these people.”*

*“Some whites are not happy, they are still not ready to accept black people, so they try and make sure we are not given the right position we deserve.”*

**The above research findings are supported by the following literature:**

A survey undertaken by Lee (2006:4) regarding attitudes and trends in the South African workplace identifies one of the responses from the employer survey as follows: BEE direct effects on staff management in specific areas, such as skilling, retention and mentoring of black staff and the integration of BEE with other people's needs. According to the survey, the areas that present challenges are retention, leadership style and meeting salary requirements.

Clutterbuck & Abbott (2003:24) are of the opinion that mentorship can work within BEE if there is an equal relationship between the mentor and the protégé, so that entrepreneurial and managerial skills can be transferred and the new manager can develop the right competencies.

According to the BEE Codes of Good Practice (2007:4), codes are based on seven core elements, which are included in the core components. One of the core components on the generic scorecard is Human Resource Development. The focus here is on the development of the employees of an enterprise or sector, as well as compliance to employment equity. An important element is accelerated skills and advanced professional skill development of black people. The involvement of black persons in operational, professional cadres, and executive decision making is a core aspect of BEE.

The following elements are of utmost importance in BEE;

- **Ownership**

This element measures the effective ownership of enterprises by black people.

- **Management**

This is the management control element of enterprises by black people.

- **Employment equity**

This element measures initiatives intended to achieve equity in the workplace.

- **Skills development**

This element measures the extent to which employers implement initiatives designed to promote the development of competencies of black employees.

The presence of opportunities for development cannot be debated and respondents confirmed this. There was however some criticism with regards to promotion of people not happening as often as it should after individuals have been developed. The issue of mentorship was also mentioned briefly. Some individuals were willing to mentor, whereas others still felt there was a sense of negativity and fear from the mentor's side. Undoubtedly, competent employees have emerged and employment equity issues had to be addressed.

### **3.4 DISCUSSION**

Overall, respondents feel that although it is a very positive phenomenon, in most instances BEE is not dealt with properly or implemented to benefit the majority of previously disadvantaged individuals. This means that although they had positive experiences of the implementation of BEE, the shortcomings and effects of its implementation were evident throughout the findings. According to the researcher, it should however be realised that with any change, growing pains will be evident. This research identified that mental shifts were required in the adjustment process. Literature revealed similar criticism and support for BEE, and substantiates the views of respondents. The researcher has noticed that government has also realised that not all people are benefitting from this process. For this reason they are attempting to implement a broader based strategy that will benefit more people. This is becoming obvious in tenders' evaluation criteria, whereby an organization has to be a BEE organization and demonstrate how it procures from small local enterprises. The researcher is of the opinion that these criteria will in fact make the process broader and ensures that more people are empowered to benefit economically.

It was evident that prior to the implementation of BEE in BOSASA, a specific culture existed of inequality, limited participation and a top-down approach. But with the implementation of BEE the scenario has changed drastically and people had to realign



their thoughts to actively participate in making a difference to their own lives and that of the organization. This was difficult for many as they were not used to this type of culture, but they realised that it was beneficial to them.

Different opinions emerged from white employees who participated in the research. Some were willing to train and develop black employees while others found it difficult to report to those who previously reported to them. The researcher is of the opinion that an underlying fear still existed that they would lose their jobs, although such a fear was never verbalised. According to the researcher this is not necessarily simply a racial issue, since anyone who now has to report to someone who reported to them previously, would feel uncomfortable and would have to make a mental shift, irrespective of the race of that person. The researcher was however not blinded by the fact that in this instance the white employee had to be the one training the black employee for his/her job, which in itself could have resulted in unresolved psychological issues.

BOSASA is one of the few organizations where a white man entered and announced that the organization was being taken over and that there would be an implementation of BEE. One would have expected it to be a black person making such a statement. The researcher can therefore agree with the respondents that it was confusing to them, especially after the new government led by the African National Congress (ANC) came into power. Much to people's surprise, the white man who introduced BEE, spoke Xhosa as if it was his home language. According to the researcher this brought about trust in the black employees, as it created cultural synergy, especially after they learnt that this white man and his family participated in the political struggle against apartheid. According to the researcher this paved the way to a large number of employees realising that the imbalances of the past had to be addressed while creating a culture where there would still be space for every individual in the organization, regardless of colour. To some extent the researcher believes that this contributed to white employees' acceptance of the empowerment of black employees to a larger extent. They realised that it was not only about the colour of one's skin, but that it was rather driven by what one could contribute.

### 3.5 SUMMARY

The numerous themes and subthemes that emerged from this research all appear to be related to Black Economic Empowerment and the changes it brought about for employees. In summation, it is clear that BEE had both positive and negative effects on employees. Direct quotes from interviews were used to illustrate the themes and subthemes, and literature was used to substantiate the findings scientifically.

With regards to the positive effects, this includes individual and financial growth opportunities, black people being put into positions of trust, communication becoming more open and interactive, and the improvement of people's self esteem, as they started realising that all are equal and everyone could contribute meaningfully.

On the other hand, BEE's negative effects on employees can be summarised as follows: Some respondents feel that there is limited growth opportunities for all, and in order to get these opportunities, one needs to know the right people. Other negative effects reported by respondents was that there was limited empowerment in middle management and that lack of communication had negative consequences, as people did not know what was happening around them. As a result, not all employees approved of BEE.

The following chapter includes the summary, conclusions and recommendations of the study.

## CHAPTER 4

### SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

#### 4.1 INTRODUCTION

The purpose of this chapter is to provide the summary, conclusions and recommendations derived from the preceding chapters. The overall goal formulated for the study will be evaluated, as well as each objective, and the research question will be addressed. The researcher will reflect on her own conclusions and thoughts regarding the findings and recommendations will be made for implementation and further research.

#### 4.2 SUMMARY

In Chapter 1 a general introduction and motivation was presented regarding the choice of the research topic. The aim and objectives were described and the proposed research methodology explained.

In Chapter 2 a literature study was undertaken with the focus on Black Economic Empowerment and change.

In Chapter 3 the design and implementation of the empirical study and the interpretation of the data was discussed.

This Chapter focuses on the extent to which the aim and goals have been achieved in order to make certain conclusions and recommendations.

##### 4.2.1 AIM

The aim of this study was “to determine the effect of Black Economic Empowerment on employees”. This aim was met through this study and is reflected in this research report. The effect BEE has on employees was determined by interviewing respondents and listening to their perceptions, views, experiences and opinions of Black Economic

Empowerment. The literature study served as a knowledge base and was used to scientifically substantiate the direct verbatim quotes of the respondents. This research provides an overview of the effects of BEE on employees and people's perceptions of BEE. This qualitative study was conducted on a small scale in a specific company and cannot be generalized to the entire South African workforce. It however serves the purpose of exploring the effect BEE has on employees, and lessons can be learnt from this by other companies.

#### **4.2.2 OBJECTIVES**

At the beginning of the research study, certain objectives were identified. The researcher gave attention to all of these in order to reach the overall aim of the study. The objectives of this study were as follows:

- *To conceptualize the phenomenon of Black Economic Empowerment theoretically through a literature study.*

This objective was met in Chapter 2 through the aid of a literature review. Information was gathered and a knowledge framework drawn up in order to conceptualise this phenomenon of BEE.

- *To determine the physical, emotional, psychological and social effect of Black Economic Empowerment on employees.*

This objective was met in Chapter 3 and through the empirical study, which determined the effect that BEE had on employees. The empirical study was conducted with the use of semi-structured interviews that were tape-recorded and transcribed wherever permission was given. This objective was achieved by deriving themes and subthemes from the transcribed interviews and field notes. These were presented and discussed through the use of direct verbatim quotes from the interviews. The data collected reflected physical, mental and social effects which can be linked back to the above objective.

- *To make recommendations regarding the future implementation of Black Economic Empowerment based on the effects it had on employees.*

This objective was met in this Chapter. The information gathered and analysed in Chapter 3 provided a baseline from which recommendations could be formulated in Chapter 4 for the future implementation of BEE.

The aim and objectives of the research study have therefore been fully achieved.

#### **4.2.3 RESEARCH QUESTION**

The research approach was qualitative and for this reason a research question was appropriate. The research question was: *“What effect does Black Economic Empowerment have on employees?”*

The research question was answered as can be seen from the empirical data that was obtained. It was evident that Black Economic Empowerment had both a positive and negative effect on employees, as was described through the phenomenological research approach, whereby the respondents interpreted and gave meaning to their experiences of the implementation of Black Economic Empowerment in their workplace. The answers derived made it possible for the researcher to gain certain insights and to formulate conclusions and recommendations.

The research results from the empirical study can be summarized under the following themes:

Table 4.1 Summary of Themes and Sub-themes

CATEGORY: Psychological & Emotional effect	
THEMES	SUBTHEMES
<b>Support for BEE</b>	<ul style="list-style-type: none"> <li>• Individual and financial growth opportunities</li> <li>• Empowerment through skills and knowledge</li> <li>• Mutual benefits for the organisation and the employees</li> <li>• Recognition of people</li> <li>• Improvement, enrichment and upliftment of people's lives</li> <li>• Black people are put into positions of trust</li> </ul>
<b>Criticism of BEE</b>	<ul style="list-style-type: none"> <li>• Lack of empowerment in middle management</li> <li>• Appointment vs. authority</li> <li>• Who you know gets you in</li> <li>• Lack of growth opportunities</li> </ul>
<b>The role of communication</b>	<ul style="list-style-type: none"> <li>• Negative consequences due to lack of communication</li> <li>• Open communication channels</li> <li>• Change in reporting structures</li> <li>• Characteristics of new leadership</li> </ul>
<b>Change leads to mental shifts</b>	<ul style="list-style-type: none"> <li>• Reporting structures</li> <li>• Communicating and giving input</li> <li>• Realisation that all are equal</li> <li>• Improvement of self image</li> <li>• Culture change</li> <li>• Change in atmosphere and environment</li> <li>• Thinking beyond racial lines</li> </ul>
CATEGORY: Social Effect	
THEME	SUBTHEMES
<b>Changes in the working environment affects employees</b>	<ul style="list-style-type: none"> <li>• Improved working environment</li> <li>• Vision based on what employees can give</li> <li>• Social relationships</li> </ul>
CATEGORY: Physical Effect	
THEME	SUBTHEMES
<b>Attitude towards change impacts on physical effects</b>	<ul style="list-style-type: none"> <li>• No physical effect</li> <li>• Increase in work load and overtime</li> <li>• Productivity increase</li> <li>• Involvement to do well increased</li> </ul>

CATEGORY:	General Experience
THEME	SUBTHEMES
<p><b>Importance of development in the implementation of BEE</b></p>	<ul style="list-style-type: none"> <li>• Opportunities for development</li> <li>• Development but no upward mobility</li> <li>• Competent people emerged</li> <li>• Skills transfer from white employees to black employees</li> </ul>

- Support and criticism of BEE was evident amongst employees.
- The majority of employees who participated in this research experienced the implementation of Black economic empowerment as positive.
- Employees who experienced the implementation of BEE as negative were those on whom it had little or no effect in terms of placing them in a better position than before.
- Change in the workplace has an effect on employees, be it positive or negative.
- Reciprocal communication and involvement of employees is vital in the implementation of any change.
- With the implementation of BEE, employees were affected psychologically and they had to make certain mental shifts in order to adjust to the changed environment in which they found themselves.
- Employees were developed through training and mentoring, which assisted in them being capacitated for the positions they were being given. Some respondents however felt that enough was not done and therefore once again the lacking of Broad Based Black Economic Empowerment was identified.

## 4.3 CONCLUSIONS

Initially the researcher was of the opinion that there would not be a lot of literature on Black Economic Empowerment as it was a relatively new phenomenon. She was surprised to find that a lot had indeed been reported on this phenomenon. It was also comforting to see that with the promulgation of the Broad Based Black Economic Empowerment Act, Act 53 of 2003, government had a strategy in place and clear guidelines for its implementation in organisations. Clarity was given to organisations regarding its applicability and an interpretative guide was drawn up to enhance the understanding of this phenomenon. The evolvement in this field has been remarkable over the last few years and the rationale for the implementation of BEE was made clear.

As mentioned previously, in June 2008 when this study was nearing completion, a landmark ruling was made by the Pretoria High Court that South Africans of Chinese descent who were resident in SA before 1994, qualify for the full benefits of the country's employment equity and BEE, as they were classified as "Coloured" during the apartheid era. This brings a new dimension to the phenomenon of BEE, and just shows how much it has evolved since its original inception.

The researcher drew the following conclusions from this study:

- From the research it is clear that there are **different opinions** regarding the implementation of BEE. Some employees tend to focus on the positive impact it has had, whilst others focus on the areas in which it is lacking. Both parties however **acknowledge that there are positive and negatives effects.**
- Both black and white employees realize that it has to be implemented. Yet a major criticism to BEE in the workplace is that there are **not enough opportunities for everybody** and that only selected individuals benefit from it. It can thus be concluded that the broad-based element of BEE is missing in the organisation.
- Employees acknowledge that the change in leadership brought with it a change in the way things were done. It can therefore be concluded that black employees who



were previously used to an autocratic approach, now experienced **enhanced self-esteem with the process of democratic leaders.**

- The fact that BOSASA went beyond the barriers of race and created a **culture of having to take responsibility for one's own destiny** by showing what one is capable of, led to individuals realizing that it was an inclusive process.
- For some white employees it was very **difficult to adjust** as they felt that there was no more scope for growth for them. On the other hand, other white employees **bought into the process**, made the best of it, mentored individuals and still focused on their own growth and development within the organisation.
- Although **BEE is a legislative** process and we often think it should not have an **impact on employees**, these are indeed individuals that definitely experience the ripple **effect of the changes** that were implemented.
- Relationships in the workplace still appear to be somewhat distant and culture still plays a major role. Although there is non-discrimination, it can be concluded that **individuals still tend to mingle to a greater extent and feel more comfortable with people of the same race.**
- The **democratic type of leadership** brings out the best in employees and makes people feel part of the process. It enhances individuals' self-esteem.
- **Communication with employees** and keeping them informed makes a difference in the type of attitude they display towards the change being implemented.
- The visibility of **buy-in from the top** (regardless of the fact that the CEO was white), made it much easier for others to also buy-in to the process, although some staff were confused in the beginning.

- Employees want to feel **acknowledged, recognized and developed** according to their full potential and it is much easier if they take responsibility for their own development.
- The **realization that all are equal** made quite a difference in people's lives. Initially they felt that they would not be able to do certain things, but later on they realized that there was in fact no difference between them and persons of other races.
- The phenomenon of; "***it's not what you know but who you know***" was still an underlying criticism to BEE processes. This is how it is perceived in the business sector and it was also evident amongst the employees.
- BEE holds **mutual benefits** for both employees and the organisation, as employees are groomed and developed for upward mobility and are able to gain access to share-holding and ownership structures. The organisation in turn benefits from becoming compliant to legislation and being able to access government contracts.
- Individuals started performing better once they realized that there was an enabling environment and a **vision focused on what employees can offer.**
- **Skills transfer** from whites to blacks is still a cautionary area, as some still perceive others as a threat in their own development of going forward.

## 4.4 RECOMMENDATIONS

The recommendations will be discussed next on micro, meso and macro level:

### 4.4.1 MICRO LEVEL

It is stated in A BEE hive of opportunity (2007:1) as quoted from Grant Thornton's latest International Business Report that fifty-two percent of privately held businesses in South Africa expect a change in ownership over the next ten years. This figure is the highest

among 32 countries surveyed in. The expected churn reported by South African business relates directly back to Black Economic Empowerment. When asked how the respondents expect the change in business ownership to take place, 45% of South African respondents answered by sale to employees, followed by 35% who answered management buy-out or buy-in. (A BEE hive of opportunity, 2007:1)

All organizations where BEE is being implemented should therefore have open communication channels between themselves and their employees. Opportunities for questions regarding clarity of processes being implemented should be part of the process. The communication of information should be reciprocal (not just from a top down approach) and employees should know how it can benefit them.

#### **4.4.2 MESO LEVEL**

President Thabo Mbeki has spoken out against perceptions that Black Economic Empowerment only benefits a small elite and that his administration's policies amount to reverse "racism". The president described this view as distorting, and pointed out that both races needed each other for the country as a whole to succeed. He further stated that both black and white South Africans needed to compromise, agree to fight racism and underdevelopment, and act together to achieve a common goal of national cohesion and shared destiny within a common motherland. (Sebelebele, 2005:1)

Taking the above into consideration, different levels of management in organisations should receive training regarding BEE, what it entails and how it will be implemented. The reasons for its implementation and the benefits it holds for the organisation and employees should also be explored during these sessions. The trainers' race should be representative of both black and white racial groups, which will enhance the atmosphere during training and allow sensitive employees to feel more comfortable. In turn, this will create a realization that there is still a place for all in the organization.

#### **4.4.3 MACRO LEVEL**

Marketing of BEE should become more prominent in the media in South Africa, including newspapers, television and billboards. The emphasis should shift from only reporting on the "large" BEE deals that are done, to the untold stories of the masses that daily

experience the positive effects that BEE has had on them as “smaller” organisations and individuals.

Organisations should assist in rectifying the harms of the past. It should not only be about implementing BEE for the purpose of getting business deals from government, but also about realizing its significance for the economic growth of our country. This will assist in eradicating fronting and create a culture that is open to change.

#### **4.5 CONCLUDING REMARK**

Alexander (2008:1) emphasizes that South Africa’s policy of Black Economic Empowerment is not simply a moral initiative to redress the wrongs of the past, but it is a pragmatic growth strategy that aims to realize the country’s full economic potential. Prior to 1994, the apartheid government systematically excluded African, Coloured and Indian people as well as Chinese people, collectively known as black people, from meaningful participation in the country’s economy. This inevitably caused much poverty and suffering and a profoundly sick economy. Our country requires an economy that can meet the needs of all our economic citizens. In order to address this, Black Economic Empowerment was introduced.

Although BEE was initially resisted for various reasons, the underlying principle was accepted by most employees in BOSASA. The effect of BEE should be seen as generally positive, provided that employees are kept in the loop of things by management. Having said this, there are many things that organisations can do to eliminate or minimize the negative effects of BEE on employees. In order to assist organisations, government should play a more prominent role in communicating the economic importance of it. Focus should not only be to eradicate the disparities of the past, but rather on the positive spin-offs it has for South Africa as a country. Society should continue to be vocal regarding equality for all. The emphasis should not only be on social issues, but also on the eradication of the huge gaps that exist economically in society. There should be a concerted effort to narrow these gaps. Business owners are focusing on developing and grooming people to move up the ranks, which is in line with the whole BEE rationale. Employers should therefore realize that not all employees will agree with the strategies of

government as implemented by organisations. Individuals may feel that despite all the information given to them, they are still discriminated against. These are issues that need to be addressed in employee assistance programmes, as it will directly impact on employees' attitude to the work environment, their colleagues, management, and the country as a whole. Should they have had negative experiences with it, it could also impact on their productivity in the workplace.

Further research can be undertaken in which a broader representation of employees in different organisations can be used as respondents due to the fact that these findings cannot necessarily be generalized to all organisations as it was applicable on BOSASA, however there are valuable lessons that can be learnt from the research which organisations could utilize in their implementation of BEE. In turn, EAP practitioners need to become aware of the possible effects BEE can have on employees and they therefore need to look at including it in their awareness and educational programmes for overall employee wellbeing.

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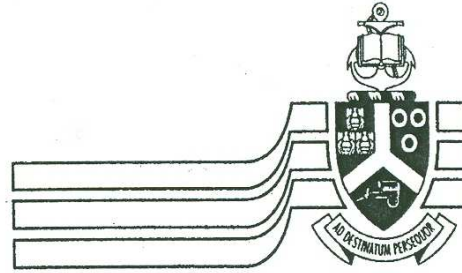
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## APPENDICES



## **APPENDIX A: ETHICAL CLEARANCE**



## University of Pretoria

Research Proposal and Ethics Committee  
Faculty of Humanities

**Members:**

**Research Proposal and Ethics Committee**

Prof P Chiroro; Dr M-H Coetzee; Prof C Delpont;  
Dr JEH Grobler; Prof KL Harris; Ms H Klopper;  
Prof E Krüger; Prof B Louw (Chair); Prof A Mlambo;  
Prof G Prinsloo; Mr C Puttergill; Prof H Stander;  
Prof E Taljard; Prof C Walton; Prof A Wessels; Mr FG  
Wolmarans

26 February 2007

Dear Dr Carbonatto

**Project:** *The effect of Black Economic Empowerment on employees*  
**Researcher:** JSA Leyds  
**Supervisor:** Dr CL Carbonatto  
**Department:** Social Work and Criminology  
**Reference number:** 24324184

Thank you for the application you submitted to the Research Proposal and Ethics Committee, Faculty of Humanities.

I have pleasure in informing you that the Research Proposal and Ethics Committee formally **approved** the above study on 22 February 2007. The approval is subject to the candidate abiding by the principles and parameters set out in her application and research proposal in the actual execution of the research.

The Committee requests you to convey this approval to Mrs Leyds.

We wish you success with the project.

Sincerely

**Prof Brenda Louw**  
**Chair: Research Proposal and Ethics Committee**  
**Faculty of Humanities**  
**UNIVERSITY OF PRETORIA**





Our Ref: Ms P Woest / 24324184  
Tel: 012 420 2736  
Fax: 012 420 2698  
E-mail: petru.woest@up.ac.za



UNIVERSITEIT VAN PRETORIA  
UNIVERSITY OF PRETORIA  
YUNIBESITHI YA PRETORIA

Pretoria 0002 Republic of South Africa  
Tel: 012 420 3111 Fax 012 420 2698  
<http://www.up.ac.za>

**Faculty of Humanities**

28 May 2007

Ms JSA Leyds  
PO Box 41053  
**EERSTERUST**  
0021

Dear Ms Leyds

**TITLE REGISTRATION: FIELD OF STUDY – MSD: EMPLOYEE ASSISTANCE PROGRAMMES**

I have pleasure in informing you that the following has been approved:

**TITLE:** The effect of Black Economic Empowerment on employees

**DIRECTOR:** Dr CL Carbonatto

**CO-DIRECTOR:**

I would like to draw your attention to the following:

1. **ENROLMENT PERIOD**
  - (a) You must be enrolled as a student for at least one academic year before submission of your dissertation/essay.
  - (b) Your enrolment as a student must be renewed annually before 31 March, until you have complied with all the requirements for the degree. You will only be able to have supervision if you provide a proof of registration to your supervisor.
2. **APPROVAL FOR SUBMISSION**

On completion of your dissertation/essay enough copies for each examiner as well as the prescribed examination enrolment form which includes a statement by your director of studies that he/she approves of the submission of your dissertation/essay, as well as a statement, signed by you in the presence of a Commissioner of Oaths, must be submitted to Student Administration.
3. **INSTRUCTIONS REGARDING THE PREPARATION OF THE DISSERTATION/ESSAY AND THE SUMMARY APPEAR ON THE REVERSE SIDE OF THIS LETTER.**

Yours sincerely

for **DEAN: FACULTY OF HUMANITIES**



**APPENDIX B: PERMISSION LETTER BOSASA**



Member of the Bosasa Group of Companies

**Postal Address:**  
Private Bag 2002  
Krugersdorp  
1740

**Physical Address:**  
No 1 Windsor Road  
Luipaardsvlei  
Mogale City  
Gauteng  
Rep. of South Africa  
Tel: (+27) 011 660 8050  
Fax: (+27) 011 953 4281  
www.bosasa.com



27 June 2006

**University of Pretoria  
The Head of Department  
Department of Social work and Criminology**

Madame / Sir

**Re: Masters Research JSA Leyds**

We hereby confirm that Jacqueline Leyds has been granted permission to conduct research at our organization for purposes of completing her studies in the MSD EAP Programme.

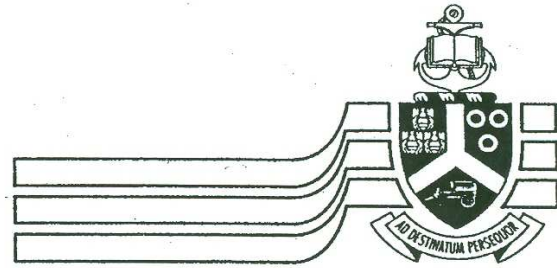
We trust you find the above in order

Yours faithfully

  
**THANDI MAKOKO  
DIRECTOR**



**APPENDIX C: INFORMED CONSENT FORM**



## University of Pretoria

FACULTY OF HUMANITIES  
DEPARTMENT OF SOCIAL WORK & CRIMINOLOGY  
Tel. +27 12 420-2325  
Fax. +27 12 420-2093

Researcher: Jacqueline Leyds  
Contact No. 083 607 1529

### LETTER OF INFORMED CONSENT

#### TITLE OF RESEARCH: THE EFFECT OF BLACK ECONOMIC EMPOWERMENT ON EMPLOYEES

Dear participant,

I am a Masters student at the Department of Social Work and Criminology, University of Pretoria. I am conducting a study for the requirements and purpose of obtaining a Masters degree. You are invited to participate in my research project on: "The effect of Black Economic Empowerment on employees." The research will be funded by BOSASA and only a true reflection of findings will be disclosed.

This letter is to help you decide if you want to participate. You should not agree to take part unless you are completely satisfied with what is expected of you.

If you participate, the researcher will conduct an interview with you. Certain questions have been formulated on an interview schedule which will be asked during the interview. The researcher would also like to know whether you will give permission for the use of a tape recorder during the interview, as she will not be able to write down all your comments in the interview. Should you disagree that the interview be recorded; the researcher will keep anonymous interview notes. Each interview will take approximately 35 minutes and an appointment will be scheduled with you.

The information is not regarding a sensitive topic; however there could be possible discomfort if the participant has had a negative experience regarding black economic empowerment.



The benefits of the study will be to make recommendations to organizations implementing BEE based on employees' experiences and to learn from the mistakes and successes made.

Participation is voluntary and as a participant, you have the right to withdraw from the study at any given time, without there being any negative consequences.

All information provided will be treated as confidential and anonymity is assured. All data has to be stored for research purposes for 15 years after which it will be destroyed. Should you decide to withdraw, your data will be destroyed. The only people who will have access to the data are the researcher and her supervisor at the university, Dr. C. L. Carbonatto.

Should doubts arise and you need to contact me for further clarity on any issue, please do not hesitate to call me.

Yours truly,

A handwritten signature in black ink, appearing to read 'JSA Leyds'.

JSA Leyds  
Researcher

A handwritten signature in black ink, appearing to read 'Dr CL Carbonatto'.

Dr CL Carbonatto  
Supervisor



1. TITLE OF THE STUDY  
The effect of Black Economic Empowerment on employees
2. PURPOSE OF THE STUDY  
The researcher is conducting this study for the requirements and purpose of obtaining a Masters degree at the University of Pretoria.
3. PROCEDURE  
The study will comprise of 1 interview per participant and each interview will take approximately 35 minutes. The interview will consist of certain questions that have been formulated on an interview schedule which will be asked during the interview. A tape recorder will be used with your consent or notes made should you not consent to the use of a tape recorder. The data obtained by means of this study has to be stored for 15 years for research purposes. Research findings will be reflected in a research report and the most important findings published in an accredited journal with the supervisor as co-author.
4. RISKS AND DISCOMFORT  
This is not a sensitive topic; however possible discomfort could result if you have had a negative experience with Black Economic Empowerment. Possible risks and discomfort will be dealt with sensitively and should it be needed, the necessary counseling will be arranged with Social workers in the organization.
5. BENEFITS OF THE RESEARCH  
Participants will not benefit directly from this research, but may benefit indirectly, because the information obtained by means of this research will help to give a better understanding of the Black Economic Empowerment and its effect on employees.
6. PARTICIPANTS RIGHTS  
Participation is voluntary and participants can decide to withdraw at any time without stating a reason and participants data will be destroyed.
7. FINANCIAL COMPENSATION  
None
8. CONFIDENTIALITY  
All information obtained will be treated confidentially. Data and conclusions that may be reported will not include any information which may lead to the identification of any participant. Only the researcher and her supervisor Dr Carbonatto will have access to this information and recorded interviews. All signed letters of informed consent will be kept in a confidential file.
9. CONTACT DETAILS OF THE RESEARCHER



Jacqueline Leyds can be contacted on 0836071529 if there are any concerns.

By signing this form you are giving permission to participate in the research and acknowledge that you understand what it entails.

I, the undersigned participant understand my rights as a research participant and I voluntary consent to participate in this study.

Participants Name \_\_\_\_\_ (please print)

Participants Signature \_\_\_\_\_

Date \_\_\_\_\_

Researchers Name \_\_\_\_\_ (please print)

Researcher's Signature \_\_\_\_\_

Date \_\_\_\_\_





## **APPENDIX D: INTERVIEW SCHEDULE**

**INTERVIEW SCHEDULE**  
**THE EFFECT OF BLACK ECONOMIC EMPOWERMENT ON EMPLOYEES**

**GENERAL QUESTIONS**

- To what extent did the implementation of BEE affect you?
- What is your experience of the development of previously disadvantaged employees in your organization
- How did you experience the takeover of the organization from a previously white dominated leadership to a predominantly black leadership?

**PSYCHOLOGICAL / MENTAL EFFECT**

- What were some of the mental shifts you had to make when BEE was implemented in your organization?
- What were some of the emotions you experienced with the implementation of BEE in your organization?
- To what extent do you think there is scope for growth for you within your organization?

**SOCIAL EFFECT**

- How would you describe the culture of the organization before BEE?
- How has the culture in your organization changed after the implementation of BEE?

- What effect has the level of diversity in your organization had on you?

### **PHYSICAL EFFECT**

- How did the implementation of BEE affect you physically?
- Did you have to put in more time and effort into your work with the implementation of BEE? To what extent?

### **OVERALL OPINION**

- In your opinion is BEE working in your organization?
- Considering all the changes that BEE brought about, how do you feel about working for the organization?