



A different perspective on BEE

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The Good, the Bad and the BEE (no reference to it being ugly!)



There are some very bad things done in the name of religion and some very good things. BEE can be likened to religion.

Over the past five years since BEE first entered the mainstream, we have witnessed some exceptional BEE initiatives, which have not only truly empowered previously disadvantaged individuals, but also been sound business moves on the part of the organisation that undertook them. A recent study of organisations with good BEE scores showed they out-performed those with poor BEE scores by almost double!

We have also seen some travesties perpetrated in the name of BEE – everything from “Sipho in a shack, signing cheques” to good people losing jobs and companies who employ many people shutting down because contracts were “heavy-handedly” taken away from them because they were not fast enough in getting black owners. Too much coverage is given to the BEE nightmares and too little is shared about BEE best-practice. Yet, it is best-practice and success stories which will encourage others to address BEE proactively and with a solution-minded approach.

What many people don’t understand is the fact that BEE has been structured as a set of Codes of Good Practice rather than regulations because the whole point is to encourage “good practice” rather than to legislate change. In the end, whether BEE is done well or badly, will be up to individual organisations and individual departments and people within those organisations.

As always, it is possible to achieve good BEE scores without actually transforming – and many organisations will “pretend” to be BEE. So the real question is not what is BEE but why should one do it properly and does BEE Best-Practice lead to better business? The experiences so far, suggest, yes!

A well-known commercial catering company set out to achieve an excellent BEE score a few years ago and worked hard to ensure they did every area of BEE well. They also did a well-structured BEE deal, which included a broad-based staff trust that benefited both their black and white staff. The whole process was driven by their MD and FD. Once they achieved it they went to market to promote their newly

achieved status. Sales more than doubled within the next year and they claim they gained almost 8% market share in the tightly fought commercial catering sector. They attribute much of this growth to their good BEE score and the new perception in the market place.

More interestingly, they report that it was the internal transformation, which caught them by surprise. Staff absenteeism more than halved, productivity shot up and high morale in general led to far fewer disputes and issues. Even more interestingly, shrinkage dropped from more than R52million to LESS THAN R1million the year after they paid staff their first dividend. They gathered staff in auditoriums and showed them that this shrinkage was off the bottom-line and, therefore, off their dividend – and suddenly the boxes of chicken and catering equipment stopped going missing.

Another company was looking for a good social-investment (CSI) project to earn them BEE points. They were in the welding, metalwork and security bar business. They decided to approach the CSI Foundation of their major client and offer their services on one of their projects. The Foundation said they were building twelve schools in rural areas and townships around their factories and would appreciate palisade fencing around the schools and security for the IT and Admin centres. The foundation made it

clear that there was no guarantee of business from the corporate and that this was purely a BEE CSI initiative.

Well, that company completed all twelve schools within the year and became the “darlings” of the corporate client. They increased their business three-fold with that corporate over the following year. And the schools were the better for it.

But it didn’t stop there, the Foundation liked the idea so much that they identified a further list of items and services which they were not intending providing the schools (like grass on the sports fields, boreholes and irrigation equipment, sports stands, books for libraries etc). They advertised this list to the organisation’s supply chain – again promising no guarantee of extra work and had more than R1billion worth of goods offered within a matter of weeks (more than five times what they needed!) The obvious winners are the schools, which are now so much more than redbrick buildings in a dust bowl.

But the exercise goes to show what win-win opportunities exist when companies take the time to develop innovative solutions to BEE, which will add value at every level.

“I don’t supply government, I’m supplying the private sector, so I don’t need BEE”





Hopefully this concept is waning for most but it does raise the questions as to “Who does need to participate?”

The net of BEE is widening rapidly and BEE of 2007 is very different from the BEE of the last few years. Back then, the major driver for BEE participation was Public Sector Procurement and the “knock-on” effect of the public sector’s major suppliers demanding BEE from their suppliers.

Going forward, **Public perception** is probably going to be the most powerful driver of BEE.

Already, one’s BEE status level is public domain information. Which means, it is available for EVERYONE to see on a National Database as soon as one completes one’s verification. Not only can your competitors; clients; suppliers; investors and even staff see your score; the press can have a field day exposing the best and worst performing organisations in a particular sector; sub-sector or region.

Added to this, is the likely emergence in early 2008 of a national BEE label for consumer goods and services – like food, bank services or any consumer products and services, which will be supported by a major nation-wide advertising campaign to consumers, helping them understand that when they purchase or support a BEE labeled product or service, they are supporting a company that cares for the people of this country.

Tests have shown that black and white consumers alike are keen to support BEE labeled products even if they cost a little more. For some it was in order to “support a brother”. For others it was just “the right thing to do”. This has far-reaching implications for retailers, franchises, manufacturers of consumer products, and even the retail property market.

Shareholder activism is increasingly becoming an issue, whether it be the PIC’s demands that Sasol and Barloworld transform more quickly; whether it be the need for businesses to qualify for the JSE’s Socially Responsible Investment Index; or whether it be growing consumer awareness of social accounting. Socially-Conscious investment and buying behaviours are the way of the future.

In any case, the growing social role of business – as measured by the growing

number of ways to measure a business’s social commitment and performance – is testament to the modern environment where public sentiment is a major player in business performance.

Businesses need a “social-license” to operate as much as they might need a regulatory license. The message is clear – ignore BEE at your peril! But perhaps one should invert that and see the huge opportunities that exist when a business pro-actively seeks to make the most of the opportunity for positive growth and branding which BEE presents.

Okay, so how do we become BEE compliant?

Did you know, BEE is not a compliance issue, it is specifically designed to be a competitiveness issue – a chance to establish a competitive advantage while helping the country’s developmental goals

Many people ask, “What do we need to do to become BEE compliant?” There are two problems with this: Firstly, it creates a “compliance mentality” which usually

relegates BEE to a tick-box exercise which mostly fails to achieve true transformation, and, as with all compliance, illicit a fair amount of resentment. Secondly, BEE actually has nothing to do with compliance. The word “compliance” implies that if you meet a certain set of regulations you will have “complied” and failure to do so will result in “non-compliance”.

But BEE has been designed as a multi-tiered system rewarding better and better BEE performance. One’s BEE score out of 100 equates to a BEE Status Level. There are nine different status levels ranging from Level 1 (being the best possible BEE status) down to Level 8 (a score of between 30 and 40 points). Below Level 8 is a tier, which is unfortunately named “non-compliant” for those who score fewer than 30 points. It would have been better named “non-participating”.

Some organisations wish to lead from the front and become synonymous with exceptional BEE; others want to merely keep up with the competition; and others still, are simply trying to get in the game. Where will you be?

Procurement Recognition Levels		
BEE Score	BEE Level	Multiplier
100+	Level 1	135%
85-100	Level 2	125%
75-85	Level 3	110%
65-75	Level 4	100%
55-65	Level 5	80%
45-55	Level 6	60%
40-45	Level 7	50%
30-40	Level 8	10%
<30	Non-compliant	0

In this way BEE is very much like Matric. What’s a good score in Matric? Is it a pass? A university exemption? An A or ten A’s so one can be on the front page of the newspaper?! Well, it depends entirely on the capability and the aspirations of the student. And just as one can’t be “Matric compliant”, one can’t be “BEE compliant”. Rather, one attempts to achieve the best possible BEE status level based on one’s capabilities and aspirations.