

A Study into the Factors Affecting Broad-based Black Economic Empowerment in South Africa.

An Analysis of the Impact Broad-based Black Economic
Empowerment has on Strategic Policy Making and Implementation in
Supply Organizations in the Mining Industry

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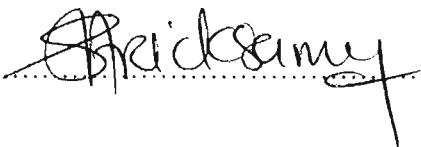
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June 2006

Declaration

This research has not been previously accepted for any degree and is not being currently submitted in candidature for any degree.

I declare that this Dissertation contains my own work except where specifically acknowledged

Signed.....

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Date.....20 July 2006.....



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Dedication

This dissertation is dedicated to:

My husband; Mark for his love, unfailing support and tolerance, but more importantly, for being my pillar of strength and encouragement and for the determination to preserve against all odds.

My daughter, Natalie Jade for her unconditional love; for keeping me focused on the bigger picture of my life and for accepting the time we could not be together.

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- My friend and colleague; Linda Keitzmann for her friendship, enthusiasm and optimism that buoyed me when I felt deflated.
- A new friend, Kennedy Otworld; PhD in Statistics candidate and Wits lecturer for helping me see the light at the end of the tunnel...statistically speaking.
- To all whose names are too many to mention, your input is not forgotten.
- And finally, to my respondents, without whom, this study would have not been complete.

Abstract

The systematic dispossession and disempowerment of black people has historically defined South Africa. In response, an equally systematic approach is required to eradicate memories of the past through deliberate and purposeful legislation that reaches across the breadth and width of our nation. One of the driving forces within our nation is the private sector and for this study, the mining industry and the peripheral industries to it were targeted. Against the backdrop of the past, a new future that embraces all South Africans must emerge. Hence, this study investigates the efforts made by suppliers to the mining industry in sincerely incorporating Broad Based Black Economic Empowerment (BBBEE) into the very design of their organizations

The research methodology used was a survey. The population of this study is suppliers to the mining industry situated in Gauteng. A cross-sectional sample was randomly chosen and a short questionnaire e-mailed to participants. The findings prove many organizations are still at a loss on how to embrace BBBEE and are often confused on implementation. Although strategies are in place, there is very little coordinated effort to execute these strategies in a planned and controlled manner. There appears to be significant misfit between policy and practice.

Some recommendations in this paper address the importance of BBBEE being made a defining core value of the organization. Another salient recommendation was for organizations to have enhanced operational execution of strategic policies to realize the desired impact. These key findings will not materialize without dedicated leadership to create meaning throughout the organization on the magnitude of BBBEE to South African, both politically and economically thereby co-creating value for shareholders.

In closing, the words of famous Greek philosopher and scientist Aristotle seem most appropriate for all South African with regards to BBBEE.

‘We do not act rightly because we have virtue or excellence, but we rather have those because we have acted rightly.’ (Valuebasedquotes: 2005)

List of Abbreviations

AIDS	-	Acquired Immunodeficiency Syndrome
BCG	-	Boston Consulting Group
BBBEE	-	Broad based Black Economic Empowerment
BEE	-	Black Economic Empowerment
BOP	-	Bottom of the Pyramid
BSC	-	Balance Scorecard
CEE	-	Citizens Economic Empowerment
CM	-	Change Management Iceberg
CQ	-	Cultural Intelligence
DTI	-	Department of Trade and Industry
DME	-	Department of Minerals and Energy
GDP	-	Gross Domestic Product
HDSA	-	Historically Disadvantaged South Africans
HIV	-	Human Immunodeficiency
NUM	-	National Union of Mineworkers
PGM	-	Platinum Group Metals
SME	-	Small and Medium Enterprises
SPSS	-	Statistical Program of Social Sciences
SWOT	-	Strengths, Weaknesses, Opportunities and Threats
VC	-	Value Chain of Porter

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Chapter One

Introduction and Orientation

1.1 Introduction

This chapter maps the intentions and processes of this paper. It gives impetus on the conceptualization of the problem statement and what investigations followed. With the assistance of appropriate sampling methodology tools, data was collected and analyzed to determine if the objectives set out were answered. Discussions around the ethics and limitations followed with conclusions being drawn.

1.2 Motivation for the Study

The history of apartheid and its impact upon black citizens in South Africa is well known worldwide. For more than five decades apartheid was the main driving force of our nation. A host of racist and discriminatory laws and practices were put in place to deny growth and expansion of black business. This was a regime that deliberately and methodically excluded the majority of South Africans from participation in the economy. Therefore, it cannot be a surprise to anyone that with the political liberation of South Africa into a full democracy in 1994, the demands for liberty and justice require some form of remedial action for equity and fairness (Barker, 2005).

Since 1994 South Africa has followed impeccable macroeconomic policies that are on par with the best economies in the world. South Africa's economy is the most developed and prosperous in Africa. Part of the growth strategy is to ensure the country unleashes the potential that exists by empowering historically disadvantaged South Africans (HDSA) (Robinson et.al, 2004).

The long-term effects of apartheid have meant that the black majority have been largely excluded from economic activity. With most of the population on low income, the country's stability and prosperity are at risk. To counter this threat, the government is implementing a radical strategy for black economic empowerment. The macroeconomic rationale that lies at

the heart of black economic empowerment is to address the widespread disparities of ownership of productive assets, participation in the economy and skewed social welfare by means of state intervention. The plan is to inspire growth, redistribute wealth and eliminate persistent economic inequality. The government defines BEE as an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increase in the number of black people that manage, own and control the country's economy, as well as significant decreases in income inequalities (Barker, 2004)

Measures to redress the imbalances of the past are not only moral and political; the economy will not sustain growth while the majority is excluded from meaningful participation in productive activities and while there are high levels of poverty and unemployment. While BEE is not the magic potion for transformation and poverty eradication, it can address a number of challenges confronting South Africa as part of an overall growth and development plan.

The Broad-Based Black Economic Empowerment Act (BBBEE) was passed in 2003 and sets out to encourage majority of the population to become more active in the economy. This includes ownership, management, and equality in the workplace, skills development, preferential procurement and enterprise development. To comply with the act, organizations will use a scorecard to measure success in different areas (Barker, 2005).

1.3 Focus of this Study

Currently a number of industries, including mining and finance to name a few have come together to build industry-specific charters. The Department for Trade and Industry (DTI) in South Africa is writing codes of conduct to assist and regulate organizations in their implementation of their black economic empowerment strategies. (DTI, 2005)

The focus of this study is mainly on the mining industry and its impact on South Africa from both a political and economic point. Going one step further, mining is an industry that spawns and drives greater downstream activities that perhaps see as much financial gains from mining activities as the mining companies themselves. These activities form a critical

part of the value chain and offers support to the various mining players in South Africa. Collectively, this 'secondary sector' ranging from large blue chip local and overseas companies to small, medium enterprises (SME's) is the arteries that feed the heart of the mining sector. Without this sector, the mining industry most likely would not be as successful as it has been. The mining sector has done admirable work in empowerment and redistribution of wealth; however it cannot on its own close the gap that still existing in the economy between the rich and poor. The secondary mining sector has the ability to ensure that broad based black economic empowerment is far reaching and widely spread and impacts on the empowerment for long term impact.

1.4 Problem Statement

The aim of this study is to investigate how this secondary sector is addressing broad based black economic empowerment. Whilst the mining industry has many initiatives in place and is constantly in the limelight with much focus and attention being paid to their empowerment efforts, very little attention is paid to the secondary sectors activities of the mining industry. Due to there being less attention, the empowerment activities are less rigorous. This study will look at how organizations in this sector accept BEE and what motivates them to sincerely implement BEE for maximum effect in South Africa. The challenge to companies is to meet the requirements of BBBEE without upsetting their entire strategy, although this may be necessary as will be investigated as part of this study.

1.5 Objectives

The objective of this study is to pick critical areas that impact on successful implementation of broad based black economic empowerment efforts.

- 1.5.1 To establish the strategic impact of Broad Based Black Economic Empowerment as a Policy on the mining industry's secondary sector of supply chain organizations.
- 1.5.2 To establish whether BEE is seen as being sustainable with a lasting impact by the downstream industries of the mining sector's supply chain organizations.
- 1.5.3 To establish whether Leadership is a key driver in the implementation of BEE as a strategy within this secondary mining sector

1.6 Research Design / Methodology

Antonakis (2003:3) believes that 'scientific research is one of society's most important functions'. According to Mouton and Marias (1993) social sciences research is a collaborative human activity in which social reality is studied objectively with the aim of gaining a valid understand of it.

1.7 The Research Strategy

Empirical research is conducted to answer or enlighten research questions. The strategic choice of research design should come up with an approach that answers the research problem in the best possible way and within the given constraints. Survey strategy is a popular and commonly used deductive approach in business research. It is popular since it is a highly economical manner of collecting large amounts of data. By using the survey strategy, the 'researcher has more control' over the research process. (Saunders 2003:92) Surveys are useful in determining the characteristics of a large population of interest based on a smaller sample from that population.

1.8 Population and Sample Definition

It is not always possible to study the entire population so a study of a subset or sample of the population is used where results and findings are inferred to the entire population. The population refers to the set of individual units which the research question seeks to find out about. A sample is representative when it allows the results of the sample to be generalized to the population. The two main types of sampling depend on whether or not the selection involves randomization.

1.9 Sampling Method

Sampling methods can be classified into those that yield probability samples and non-probability samples. In a 'random sample each person in the entire population has an equal probability of being chosen for the sample and every person has the same chance of becoming the actual sample' (Bailey 1982:91). This study will be conducted using a sample that is random and probable.

1.10 Questionnaire Design and Data Collection

Data Collection: Questionnaire-based surveys are one of the most commonly used tools by organizations to collect data. Before choosing the questionnaire as the preferred technique, the (dis)advantage of using a questionnaire must be considered.

Questionnaire Design: Questionnaires do not allow the researcher to establish a rapport with the respondents, and do not allow for observation of the respondent. Therefore, questionnaires must be attractive, simple to complete with clear instructions on how to return them once completed.

Literature Review: Given the importance of argumentative context of scientific research, a literature survey answers the objective of whether the central theme of the investigation relates to other research and existing theories and whether there is a need for further research. It also allows for comparison and discussions for future research.

Measurement, Reliability and Validity: According to Peil (1995:8) 'measurements are considered reliable if the results are consistent and if the same people are asked the same questions again, and they will give the same answers.' They are valid if they represent the true position whereby the observer reports correctly what happened, the strength of attitudes are accurately recorded etc.

1.11 Ethical Considerations

It is the moral obligation of the researchers to find answers to their questions honestly and accurately. Ethical responsibility starts with the problem formulation. It should also be a value that is carried throughout the study and a conscious effort to constantly question the ethics of any aspect of the study should be one of the foundational pillars of the study.

1.12 Structure/Layout of Dissertation

The research report consists of the following chapters

1.12.1 Chapter One: Introduction

This is the introductory chapter and provides the motivation for the study. It discussed the problem statement, the aims and associated objectives. It goes further to explore the research methodology used and limitations of the study.

1.12.2 Chapter Two: Literature Review

Chapter two offers an overview of the empirical evidence and literature review conducted to establish the need and synergies between the literatures available.

1.12.3 Chapter Three: A Case Study View of South Africa

A holistic view of South Africa is painted in this chapter. In order to comprehend the vast challenges ahead, it is essential to understand the history and struggles of the nation. This positions the context of the study.

1.12.4 Chapter Four: Research Methodology

In this chapter the research plan is explained and captured in a sequential manner giving first the academic view and importance of research within a structured framework.

1.12.5 Chapter Five: Data Presentations and Analysis

This chapter records the data in a pictorial and analytical format. It also explains the statistical methods and tests performed to enable conclusions and inferences to surface.

1.12.6 Chapter Six: Recommendations and Conclusions

In this final chapter, recommendations and conclusions are extracted using data and information gathered from previous chapters. The intention of this chapter is to assemble and analyze critical findings and make recommendations on them with the hope to find conclusive evidence that they answer the objectives of this study.

1.13 Limitations of the Study

Limitations of this study may affect interpretations of results in the following manner:

- To what extent the sampling frame is representative of the population.
- To what extent the study is subjected to sampling error.
- The response and non-response rate.
- All the views and opinions are limited to the respondents and their subjectivity on the topic.
- The study is limited to the instruments of analysis for the results

1.14 Conclusion

Finally the aim of this study is to inform and educate organizations of the potential and ability they have to drive transformation and change in South Africa in such a manner that it has lasting and long term impact. They hold the key to unlocking the grip of poverty on our society by sincerely implementing radical change to high level strategies thereby ensuring BBBEE becomes a corporate value with the same elevated position as sustainability and safety as part of its *raison d'être*. This chapter offers some insight on the rest of the study and outlines the key points succinctly and challenges organizations to be bold and revolutionary in their efforts to adopt BBBEE. In the next chapter, a literature review is undertaken to explore current theories and models concerning strategy.

Chapter Two

The Art of Strategic Conversation

2.1 Introduction

In this chapter, we will discuss how strategy drives the organization in a global environment that sees the shifting and changing of trends and patterns. Strategy in this paper is seen in context of how it is used to enable organizations to embrace the transformation of South Africa. Transformation creates an empowered society in an effort to make amends for the systematic oppression of the past so previously disadvantaged South African's can participate in the economy as to empower and uplift themselves out of the vicious cycle of poverty. Strategic management plays a key role in transforming organizations within South Africa whereby leaders drive the change to embrace and support Broad Based Black Economic Empowerment (BBBEE) to be meaningful and to make a lasting impression on disadvantaged South Africans.

2.2 Strategic Management

According to Collis and Montgomery (1997:16-17) among the most important of early contributions to corporate strategy was a 'body of work produced in the 1960's and 1970's by Kenneth Andrews, C. Roland Christensen, and their colleagues in Harvard Business School's policy group.' At a time when management thinking was oriented toward individual functions such as marketing, production and finance, these scholars articulated the concept of strategy as a holistic way of thinking about a firm. With respect to strategy in multi business firms, Andrews et al (as cited in Collis & Montgomery, 1997:16) identified corporate strategy as defining the businesses in which a company will compete, "preferably in a way that focuses resources to convert distinctive competence into competitive advantage

Although enormously valuable as a conceptual framework, it did not lay out an explicit methodology for demonstrating how distinctive competence translated into competitive advantage at a business unit level. In particular, because the approach was conceptual rather than analytical, it could not address the underlying economics of corporate advantage and

what specifically made the whole more than the sum of the parts. Nonetheless, the work of Andrews and Christensen, along with that of others such as Ansoff, and Drucker, propelled the notion of strategy into the forefront of management practice. Since then, there have been many advances and refinements in both the practice and theory of strategy (Collis & Montgomery 1997).

According to Hitt et.al. (2003) robust yet adaptive organizations that remain responsive and competitive in complex, turbulent environments, do so by using strategy formation as a process of traversing complexity and organizational paradoxes, blending vision and foresight with emergence, analysis with synthesis, planning with creativity, single-minded leadership with collective organizational wisdom, and stability with dynamic change, all underpinned by a strong sense of ethics.

Hitt et al (2003:9) further to explain that 'strategy is an integral and coordinated set of commitments and actions designed to exploit core competencies and gain a competitive advantage.' By choosing a strategy, a firm decides to pursue a course of action over others. The firms' executives are thus setting priorities for the firms' competitive actions. Strategic intent and strategic mission are formed in light of information and insights gained from studying a firm's internal and external environment. 'Strategic intents suggest how resources, capabilities and core competencies will be leveraged to achieve desired outcomes.' The strategic mission is the application of strategic intent (Hitt et al. 2003:32).

Hamel and Prahalad in their article Strategic Intent argue that in order to achieve success, a company must reconcile its end to its means through strategic intent. They say managers worked very hard to match the competitive advantages of their new global rivals, by adopting quality circles, Just in Time (JIT) and Japanese human resources methods in an effort to capture global scale of economies. For many companies, regaining competitiveness will mean rethinking many of the basic concepts of strategy. Hamel and Prahalad provided the following three attributes of strategic intent: *direction, discovery, and destiny*.

Companies that have become global leaders have done so by being obsessed with winning at all levels. Hamel and Prahalad go on to quote a few examples such as ‘Komatsu set out to “Encircle Caterpillar” and Canon sought to “Beat Xerox”’ (Hamel & Prahalad, 1989:63-76).

Hamel and Prahalad (1994: 12) in their book, Competing for the Future define strategic intent as "an ambitious and compelling ... dream that energizes ... that provides the emotional and intellectual energy for the journey ... to the future." If strategic architecture (a high-level blueprint for the deployment of new functionalities) is the brain, strategic intent is the heart.

Once the strategic intent is know and agreed upon, a mission statement articulating the company’s mission is needed. An often-used definition of a mission statement is: ‘a broadly defined but enduring statement of purpose that distinguishes the organization from others of its type and identifies the scope of its operations in product (service) and market terms.’ (Pearce, 1982:15-24).

2.2.1 The Ashridge Campbell Model

Campbell and Nash (1992) mention that the Ashridge Mission Model is a method to create or analyze a Mission and Mission Statement. The Ashridge model integrates two historic schools of strategy and cultural philosophy to determine a Mission.

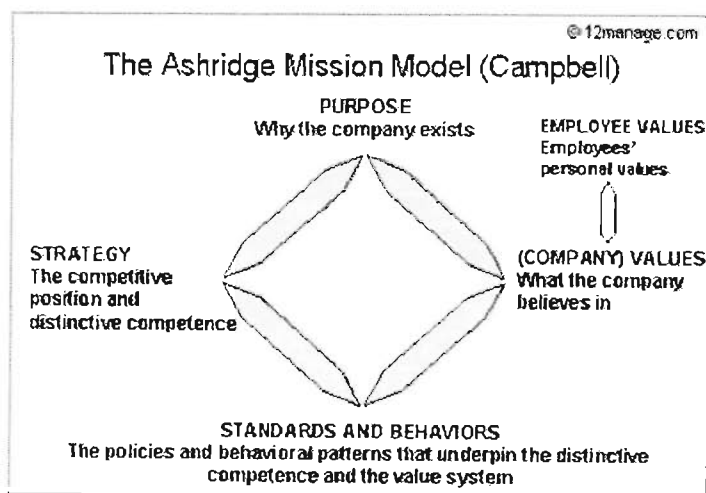


Figure 2.1 The Ashridge Mission Model
Adapted from: 12manage.com

The model is based on research conducted in 53 large companies by the Ashridge Strategic Management Center.

Campbell's framework of four important mission statement dimensions is known as the Ashridge Mission Model. It combines strategic and cultural motivators to guide an organization. The model is particularly useful to ensure that a company has a clear Mission and it has employees with a strong *Sense of Mission*.

Like the 7-S Framework of McKinsey, the Ashridge Mission Model emphasizes the need for a fit between strategy and values. Additionally the Ashridge model recognizes the importance of the link between the organizational shared values and private values of employees and managers (Campbell & Nash 1992). Since the impact of corporate strategy is so pervasive and long lasting, it has more important consequences than most other managerial decisions. "Corporate strategy is the way a company creates value through the configuration and coordination of its multi-market activities." (Collis and Montgomery 1997: 1-5)

In 1990, C.K. Prahalad and Gary Hamel (as cited in Collis & Montgomery 1997:22) introduced the influential notion of core competence to managerial audiences. As described by Prahalad and Hamel, 'core competence is the capability or skill that provides the tread running through a firm's business, weaving it together into a coherent whole.' However, initial discussion by Andrews left out much of the details regarding how to develop a corporate strategy based on core competence. Thus, meaningful application of the core competence notion was difficult because of the generality of its level of analysis and the absence of specific prescription.

Prahalad and Hamel In their article The CC of the Corporation (1990) dismiss the portfolio perspective as a viable approach to corporate strategy. Prahalad and Hamel argue that a corporation should be built around a core of shared competences.

The outside-in approach (such as Porter's five forces model) places the market, competition, and customer at the starting point of the strategic process, the core competence model does

the opposite by stating that in the long run, competitiveness originates from an ability to build, at lower cost and more speedily than competitors. The real sources of advantage are to be found in management's ability to consolidate corporate-wide technologies and production skills into competencies that empower individual businesses to adapt quickly to changing circumstances.

The core competencies model of Prahalad and Hamel is an inside-out corporate strategy model that starts the strategy process by thinking about the core strengths of an organization. Core competencies are built through a process of continuous improvement and enhancement that focus on corporate strategy (Prahalad & Hamel, 1990).

Peters and Waterman (1982:9-11) state that 'any intelligent approach to organizing had to encompass and treat as interdependent, as least seven variables: structure, strategy, people, management style, systems and procedures, guiding concepts and shared values (i.e. culture) and corporate strengths or skills.' Anthony Athos of Harvard Business School encouraged them to provide memory hooks of alliteration and with a bit of imagination, the McKinsey 7-S Framework was born. Pascale and Athos (1981) later used this conceptual underpinning for their book The Art of Japanese Management.

2.2.2 The McKinsey 7 – S Model

Stacey (1996:179) states that the 7-S Framework is a 'common concept of configuration.' This framework indicates how 'success or failure of an organization follows from a configuration of 7 attributes that are interconnected, as part of one system.' A company must get all elements right, as they are all interdependent and must fit consistently with each other. The key is to select a set of closely interwoven attributes that follow a sequential format where the elements make sense in terms of the whole. Success flows from selecting patterns of action that fit together as a puzzle does to produce stability, consistency, regularity, harmony and fit.

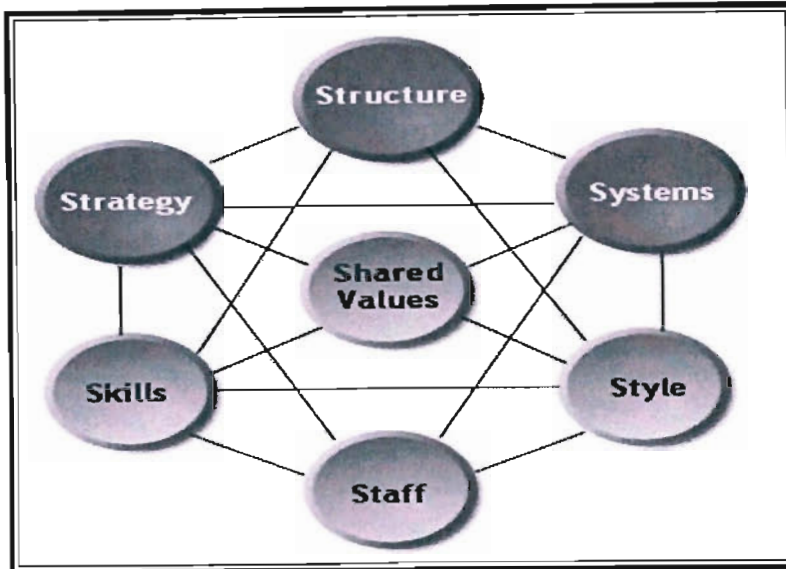


Figure 2.2 The McKinsey 7 – S Model
 adapted from: Value Base Management.com

To be effective, the organization must have a high degree of fit or internal alignment among the entire 7-S Framework. Each S must be consistent with and reinforce the other Ss. All Ss are interrelated, so a change in one has a ripple effect on the others. It is impossible to make progress on one without making progress on all. Thus, to improve the organization, attention must be on all of the seven elements at the same time. There is no starting point or implied hierarchy - different factors may drive the business in any one organization (McKinsey, 2006).

2.3 Strategy in Action

Collis and Montgomery (1997) state that historically, the field of strategy has been broken into two discrete fields of study, being business level strategy, focusing on competitive advantage within an industry, and corporate level strategy focusing on the overall plan for managing a diversified firm. According to Strickland (1998:306) the 'job of strategy implementation is to convert strategic plans into actions that will produce good results.' The test of successful strategy implementations is whether actual organizational performance matches or exceeds the targets spelled out in the strategic plan. Shortfalls in performance signal weak strategy, weak implementation, or both. In deciding how to implement strategy,

managers have to determine what internal conditions are needed to execute the strategic plan successfully and create conditions to assist with changes necessary.

According to Thomson and Strickland (1996), strategy making brings into play critical managerial issues of how to achieve targeted results in light of the organization's situation and prospects. Objectives are the "ends" and the strategy is the "means" of achieving them. The "how to" of the a company's strategy are typically a blend of

- deliberate and purposeful actions and
- As-needed reactions to unanticipated developments and fresh competitive pressures.

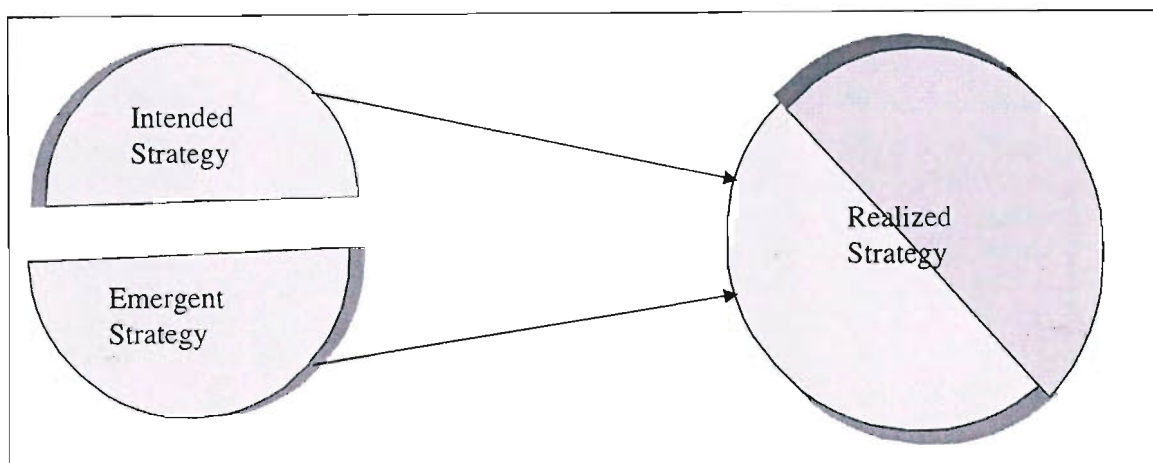


Figure 2.3 Strategy Realization

Adapted from Thomson & Strickland, Strategic Management: concepts and cases pp9

As illustrated in Figure 2.3 strategy is more than what managers have carefully plotted out in advance and intended to do as part of some grand strategic plan. Whether it is important technological developments, rivals' new consumer features, or the likes, new circumstances always emerge. Future business conditions are sufficiently uncertain that managers cannot plan every strategic action in advance and pursue a preplanned or intended strategy without any need for alteration. Therefore, company strategies end up, being a composite of 'planned actions and business approaches (intended strategy) to unforeseen conditions ("adaptive" strategy responses).' Consequently they are best looked upon as being a combination of planned actions and on-the-spot adaptive reactions to developing industry and competitive

events. Strategy-making task involves developing a game plan, or *intended* strategy and adapting it as events unfold. (Thomson & Strikland, 1998:9)

2.3.1 Porters Five Forces Model

As a starting point, intelligent companies use different strategic models and theories to plan and execute their strategies. One of the many models most often used is the Five Forces model of Porter which is an outside-in business unit strategy tool used to analyze the attractiveness of an industry structure.

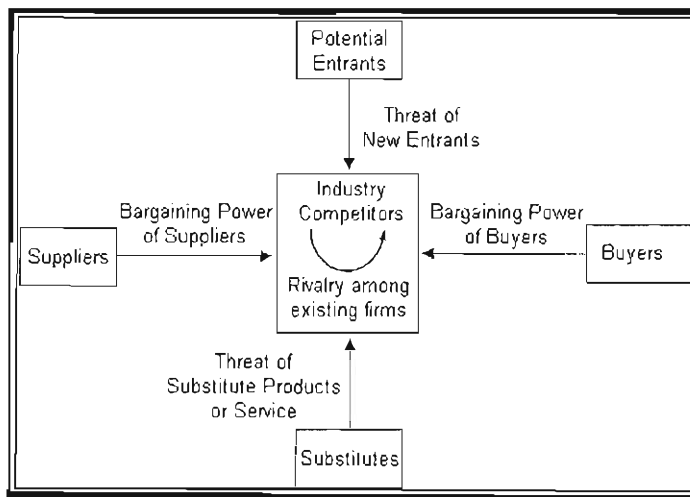


Figure 2.4 Porter 5 Forces Model

Adapted from Fleisher & Bensoussan: Strategic and Competitive Analysis, Page 68

The Competitive Forces analysis is made by the identification of 5 fundamental competitive forces:

- the entry of competitors (how easy or difficult is it for new entrants to start to compete, which barriers do exist)
- the threat of substitutes (how easy can our product or service be substituted, especially cheaper)
- the bargaining power of buyers (how strong is the position of buyers, can they work together to order large volumes)
- the bargaining power of suppliers (how strong is the position of sellers, are there many or only few potential suppliers, is there a monopoly)

- the rivalry among the existing players (is there a strong competition between the existing players, is one player very dominant or all equal in strength/size)
- A sixth factor of government could be added

As Porter's model is particularly strong in thinking outside-in, care should be taken not to underestimate or underemphasize the importance of (existing) strengths of the organization (inside-out) when applying this five competitive forces framework. The Five Forces model (market/industry attractiveness) of Porter can be seen as one of two dimensions in maximizing corporate value creation. The other value creation dimension is how well a company performs relative to its competitors (relative competitive position), for which two other Porter-models are frequently used being the value chain framework and Porter's competitive advantage (Porter, 2005).

According to Fleisher and Bensoussan (2003:64-66) the purpose of the 5 forces model was to analyze 'major economic and technological forces that will ultimately influence an industry's profit potential'. This model is also very amenable to dynamic analysis of industry evolution. The 5 forces model was an important extension of the SWOT analysis and the 'resource-environment' construct of strategy theory. It also created a strong foundation for scenario analysis. Fleisher & Bensoussan (2003:50) argues that the main 'weakness of the 5 forces model is the converse of its main strength – the assumption that the economic structure of industries drives competition and underestimates the core competencies' of a firm that may serve as its competitive advantage in the long run. Industry analysis or Porter 5 forces model provides a structural analysis and outline of an industry, its participants and characteristics. The idea was to identify the profit potential of an industry, uncover the forces that would harm profitability and protect competitive advantage by defending against those forces by proactively anticipating changes in industry structure.

2.3.2 The Boston Consulting Group Matrix

Fleisher & Bensoussan (2003:30) states that the Boston Consulting Group growth/share portfolio matrix was 'designed to help managers of diversified multi-product, multi-market and multinational businesses, diagnose corporate level strategy by providing an analytical

framework' to determine the optimal product or business portfolio by prescribing a set of generic strategies to guide resource allocation. Fleisher & Bensoussan go on to say that one of the main strengths of the portfolio analysis is the changing perspective that it induces in the minds of its users. At the core of portfolio planning lies the recognition that corporate strategy must be an integration of individual business strategy at the business unit level which was an improvement on previous use of blank strategies applied across all business units. However, Fleisher & Bensoussan (2003:38) warns that while the Boston Consulting Group (BCG) matrix remains an 'impressive conceptual framework tool, it should be primarily used as a rough approximation or starting point in conjunction with other tools and techniques in a holistic approach to strategy development.'

The BCG Matrix was the building block for the McKinsey Matrix, which is a more advanced form of the BCG Matrix. The McKinsey Matrix is a model to perform business portfolio analysis on Strategic Business Units of a corporation. The McKinsey matrix expands on the BCG matrix by using a 3X3 format to add another dimension. This richer mix of variables in the definition of business strength and market attractiveness makes the business screen more precise. This allows for more relevant variables, making it a more effective diagnostic tool. As such, it supports a wider set of potential applications in contrast to the BCG model, which is more attuned to high-volume industries due to its conceptual link with the experience curve. Ironically, one of the 'main strengths of the business screen, the inclusion of many analytical variables, is also a source of weakness.' The related subjectivity introduces ambiguity, making it difficult to agree on selection weighting and position (Fleisher & Bensoussan 2003:51-54).

2.3.3 The Value Chain

According to Fleisher & Bensoussan (2003:109) the value chain was proposed to encourage firms to exploit often ignored potential vertical synergies that exist between firms strategic business units (SBU's), overall corporate strategy and other participants in the industry value system. The Value Chain framework (VC) of Porter is a model to help analyze specific activities through which firms create value and competitive advantage. The value firm may create a cost advantage by reducing cost of individual value chain activities, or by

reconfiguring the value chain. Value can be created by reducing costs of primary activities, but also by reducing costs of support activities. Once the VC has been defined, a cost analysis can be performed by assigning costs to value chain activities.

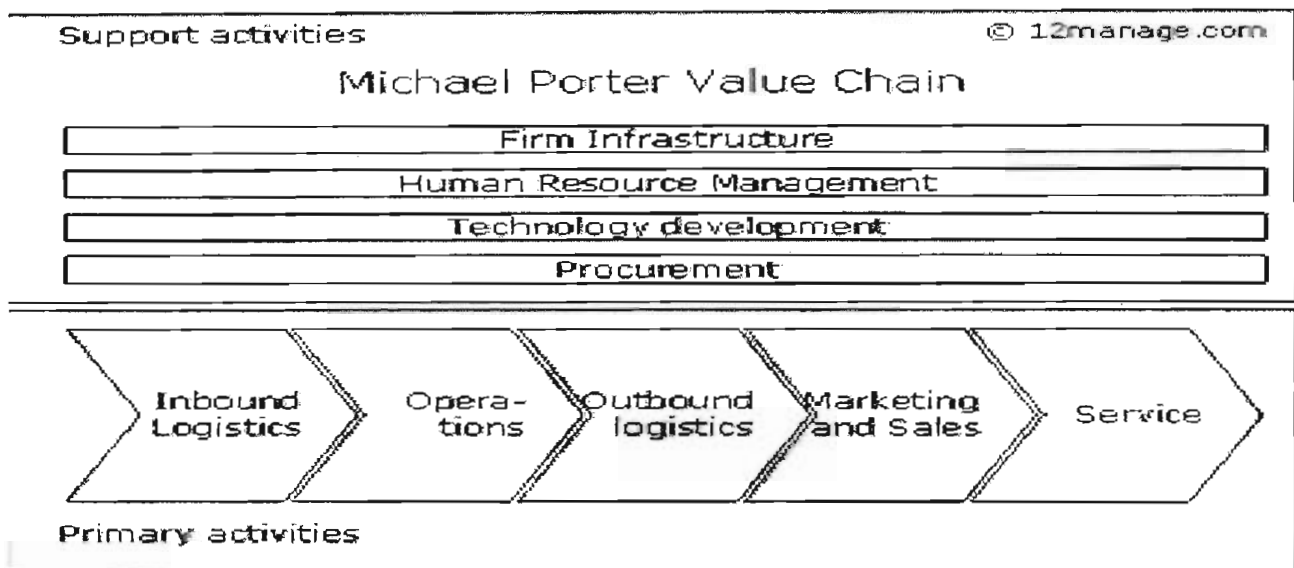


Figure 2.5 Porter's Value Chain

Adapted from Fleisher & Bensoussan: Strategic and Competitive Analysis, Page 105

The VC framework of Porter is a model that helps to analyze specific activities through which firms can create value and competitive advantage.

- *Inbound Logistics*: Includes receiving, storing, inventory control, transportation
- *Operations*: Includes machining, packaging, assembly, equipment maintenance,
- *Outbound Logistics*: The activities required to get the finished product to the customers: warehousing, order fulfillment, transportation, distribution management.
- *Marketing and Sales*: The activities associated with getting buyers to purchase the product including channel selection, advertising, promotion, selling, pricing, retail management, etc.
- *Service*: The activities that maintain and enhance the product's value, including customer support, repair services, installation, training, parts management etc.
- *Procurement*: Procurement of raw materials, servicing, spare parts, buildings, machines,
- *Technology Development*: Includes technology development to support the value chain activities, such as Research and Development, Process automation, design, and redesign.

- *Human Resource Management*: The activities associated with recruiting, development (education), retention and compensation of employees and managers.
- *Firm Infrastructure*: Includes general management, planning management, legal, finance, accounting, public affairs, quality management, etc.

Value chain analysis addresses several critical deficiencies with an inward-looking focus of previous management tools. It provided a major leap ahead during the mid 1980's that allowed strategists to move away from obscure generalizations as to where competitive advantage existed within the organization and among its industry competitors. Despite all the unique strengths of VCA, several weaknesses have been associated with this tool. The radical changes that 'information technology has brought and the resulting obliteration of the traditional trade-off between the breadth and depth of information poses' a direct threat to established value systems (Fleisher & Bensoussan 2003: 109-110).

2.3.4 The Balance Scorecard

The Balanced Scorecard (BSC) method (Kaplan & Norton, 1992) is a strategic approach and performance management system, which enables organizations to translate a company's vision and strategy into implementation, working from the 4 perspectives, being financial, customer, business process, learning and growth

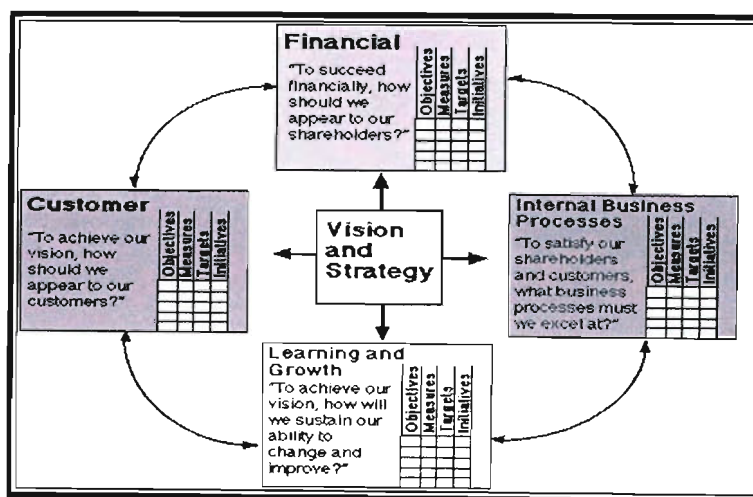


Figure: 2.6 The Balanced Scorecard
Adapted from 12manage.net

The integration of these four perspectives into a one graphical picture has made the Balanced Scorecard method very successful as a management methodology. The Balanced Scorecard translates a company's vision and strategy into a coherent set of performance measures. The four perspectives of the scorecard offer a balance between short-term and long-term objectives, desired outcomes and performance drivers of those outcomes, hard objective measures and softer, more subjective measures.

The Balanced Scorecard translates a business unit's mission and strategy into tangible objectives and measures. The measures represent a balance between external measures for shareholders and customers and internal measures of critical business processes, innovation, learning and growth. Measures are balanced between outcome measures like results from past efforts and measures that drive future performance. The Balanced Scorecard fills the void that exists in most management systems being the lack of a systematic process to implement and obtain feedback about strategy. Management processes built around the scorecard enables organizations to be aligned and focused on implementing long-term strategy. Used in this way, the Balanced Scorecard becomes the foundation for managing organizations in an age of information (Kaplan & Norton, 1992).

It allows for the monitoring of present performance, but also tries to capture information about how well the organization is positioned to perform in future. Kaplan and Norton (1992) cite the following benefits for using the Balanced Scorecard:

- Focusing the whole organization on the few key things needed to create breakthrough performance.
- Helps to integrate various corporate programs. Such as: quality, re-engineering, and customer service initiatives.
- Breaking down strategic measures towards lower levels, so that unit managers, operators, and employees can see what's required at their level to achieve excellent overall performance

Kaplan and Norton (1996) transformed their Balanced Scorecard from a system to measure performance to a strategic management system by further emphasizing the so called Strategy

Map. Strategy Maps provide a strong visual sense of what impact BEE has throughout the organization and may assist in better understanding and therefore more acceptance of BEE implementation within the organization.

2.3.5 *Strategy Maps*

Strategy Maps (Kaplan & Norton, 2004) are a strategic part of the Balanced Scorecard framework to describe strategies for value creation. Information is contained on one page enabling easier strategic communication on the four perspectives. The main principles behind Strategy Maps are:

- Strategy balances contradictory forces.
- Strategy is based on a differentiating customer value proposition.
- Value is added through internal business processes.
- Strategy consists of simultaneous, complementary themes.
- Strategic alignment determines the value of intangible assets.

Strategy Maps are diagrams that describe how an organization can create value by connecting strategic objectives in explicit cause and effect relationship with each other through the Balanced Scorecard perspectives. Kaplan and Norton (2004) see the benefits as connecting in one graphical representation all the key value creation processes. This way alignment can be created around the strategy, making for successful implementation.

Bleek and Ernst as cited by (Mintzberg & Quinn, 1998) state that for most global businesses, the days of flat-out predatory competition are over. The traditional drive to pit one company against the rest of an industry, to pit supplier against another and so on, no longer guarantees the lowest cost, best products or services, or highest profits for winners of this Darwinian game. In place of predation, many multinational companies are learning that they must collaborate to compete. Multinationals can create highest value for customer and stakeholder by selectively sharing and trading control, costs, capital, and access to markets, information and technology with competitors and supplier alike.

With this in mind, competitive benchmarking allows organizations to determine whether its performance of organizational processes and activities represent best practices. Benchmarking models are useful to determining how well a business unit, division, organization or corporation is performing compared with other similar organizations. However, Norton and Kaplan (1992) warn companies against benchmarking unless done within similar industries and processes. Benchmarks have their virtues, but Kaplan argues they should be saved for surveys of commoditized processes or services.

2.4 Cultural Strategy

Global exposure demands that organizations develop an awareness and appreciation of local cultures to create an appreciation for comparative value and problem solving approaches of diverse groups

According to Geert Hofstede, (as cited by Deresky, 2002:469) there is 'no such thing as a universal management method or management theory across the globe'. Even the word 'management' has different origins and meanings in countries throughout the world. Management is not a phenomenon that can be isolated from other processes taking place in society. It interacts with what happens in the family, at school, in politics, and government. The cultural dimensions model of Geert Hofstede is a framework that describes five sorts (dimensions) of differences / value perspectives between national cultures:

- Power distance
- Individualism versus Uncertainty avoidance (the degree to which people in a country prefer structured over unstructured situations)
- Long-term versus short-term orientation

To understand management in a country, one should have both knowledge and empathy with the entire local scene.

According to French & Raven (1959) processes of power are pervasive, complex, and often disguised in our society. The Five Bases of Social Power theory starts from the premise that power and influence involve relations between at least two agents, and theorizes that the reaction of the recipient agent is the more useful focus for explaining the phenomena of

social influence and power. French and Raven also concluded that 'the more legitimate the coercion [is perceived to be], the less it will produce resistance.' (French & Raven, 2005).

A more recent study developed what is called Cultural Intelligence (CQ) being the ability to cope with national, corporate and vocational cultures (Earley & Mosakowski, 2004). CQ is the ability to make sense of unfamiliar contexts and then blend in. While it shares many of the properties of Emotional intelligence, Cultural Intelligence goes one step further by equipping a person to distinguish behaviors produced by the culture in question from behaviors that are peculiar to particular individuals and those found in all human beings.

2.4.1 The Importance of Cultural Intelligence

In an increasingly diverse business environment, managers must be able to navigate through the thicket of habits, gestures, and assumptions that define their coworkers' differences. Foreign cultures surround us everywhere in corporations, vocations, and regions. Interacting with individuals demand perceptiveness and adaptability to enjoy social success.

The successful management of the processes of culture change or culture creation often entails convincing people that likely gains outweigh losses. In this context, the Change Management (CM) Iceberg of Krüger as cited by Bietler (2003) is a strong visualization of what is arguably the essence of change in organizations - dealing with barriers. According to Krüger as cited by Bietler (2003) many managers only consider the top of the iceberg: Cost, Quality and Time.

According to Beitler (2003) below the surface of the CM Iceberg sits other issues that are not openly visible and the challenge is for leaders to become aware of and take cognizance of these in order to implement BEE policies as it is a new phenomena and as human nature would have it, people will resist change. To overcome resistance and similar problems, the change management process must be put in place to understand and take corrective action to overcome resistance through clear communication.

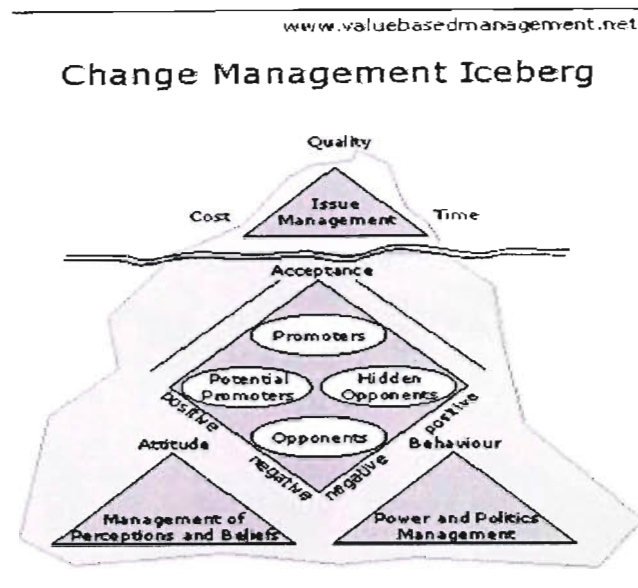


Figure 2.7 The Wilfried Krüger Change Management Iceberg
Adapted from: valuebasedmanagement.net

According to Krüger dealing with change is a permanent task and challenge for general management. The base of Change Management is rooted in both interpersonal and behavioral dimensions and normative and cultural dimensions. (Bietler, 2003)

To manage this difficult matter of change within organizations, the Six (6) Change Approaches of Kotter and Schlesinger is a model to prevent or minimize resistance to change in organizations. According to Kotter and Schlesinger, there are four reasons that certain people are resisting change: (Kotter and Schlesinger, 2005)

Table 2.2 Kotter and Schlesinger Model

REASONS PEOPLE RESIST CHANGE	APPROACHES TO DEAL WITH RESISTANCE
Parochial self-interest	Education and Communication
Misunderstanding	Participation and Involvement.
Low tolerance to change	Facilitation and Support
Different assessments of the situation	Negotiation and Agreement
	Manipulation and Co-optation
	Explicit and Implicit Coercion

Adapted from Value based management.net

Schein (1992) defines culture as pattern of shared basic assumptions that is learned to solve problems of external adaptation and internal integration. Schein (1992) acknowledges that, even with rigorous study, we can only make statements about elements of culture, not culture in its entirety. According to Schein (1992), organizational learning, development, and planned change cannot be understood without considering culture as the primary source of resistance to change.

With the Three Levels of Culture, Schein offers an important contribution to defining what organizational culture actually is. Schein (1992) divides organizational culture into three levels:

- Artifacts: these "artifacts" are at the surface, those aspects (such as dress) which can be easily discerned, yet are hard to understand;
- Espoused Values: beneath artifacts are "espoused values" which are conscious strategies, goals and philosophies
- Basic Assumptions and Values: the core, or essence, of culture is represented by the basic underlying assumptions and values, which are difficult to discern because they exist at a largely unconscious level. Yet they provide the key to understanding why things happen the way they do. These basic assumptions form around deeper dimensions of human existence such as the nature of humans, human relationships and activity, reality and truth.

Good leaders must be aware and acknowledge these cultural nuances. The bottom line for leaders is that if they do not become conscious of the cultures in which they are embedded, those cultures will manage them. Cultural understanding is desirable for all of us, but it is essential to leaders if they are to lead.

2.5 Leadership

The effectiveness of organizations is often attributed to the quality of its leadership and capacity to innovate in a complex changing world. This is the ability of the organization's leaders to make wise choices and to act cohesively in the context of rapid change and uncertainty.

The more major problems of our time are investigated, the greater the realization that they cannot be understood in isolation. They are universal problems, which mean that they are interconnected and interdependent'

Social systems, including organizations, operate in environments which are characterized by:

- Rapid change and uncertainty
- Cultural and empirical diversity
- Socio-technical complexity

Good leaders are effective because they create resonance. Effective leaders are attuned to other people's feelings and move them in a positive emotional direction. Resonance comes naturally to people with a high degree of emotional intelligence (self-awareness, self-management, social awareness and relationship management) but also involve intellectual aspects.

2.6 New Developments in Strategy

According to Hitt (2003:32) the 21st-century, competitive landscape has changed the fundamental nature of competition. As a result, managers making strategic decisions must adopt a new mind-set that is global in nature. Firms must learn how to compete in 'highly turbulent and chaotic environments that produce disorder and a great deal of uncertainty.' The globalization of industries and their markets and rapid and significant technological changes are the two primary factors contributing to the 21st-century competitive landscape. According to Prahalad and Ramaswamy (2004) deregulation, emerging markets, new forms of regulation, convergence of technologies and industries, and ever-present connectivity have changed many facets of the business world and still causing further changes. These factors have changed the nature of consumers. Consumers today, are informed, networked, active and global. These factors have also changed the nature of companies. Today firms can fragment their value chain in ways that were not possible before. Both the physical and the non-physical part of corporations (business and management processes) can be split up.

Prahalad and Ramaswamy (2005:1-12) in their article on Co-Creation state that for more than 100 years, a company-centric, efficiency-driven view of value creation has shaped our

industrial infrastructure and business systems. In the traditional system, where firms decide on products and services they will manufacture, by implication they decide what is of value to the customer. In this system, consumers have little or no role in value creation. Spurred by the 'consumer – centric culture of the Internet, with its emphasis on interactivity, speed, individuality and openness, the consumer's influence on value creation' has never been greater and is spreading to all parts of the value chain. In an 'environment where 40 million consumers networking with each other and challenging the status quo online' in categories as different as music and mortgages; it is here companies need to embrace a new approach to value creation, one in which is the bases of value in the value chain.

As Prahalad and Ramwasamy (2005:1-12) put it 'In short, companies must learn to *co-create* value with their customers.' By taking a look at the traditional company-centric view and the consumer-centric views, Prahalad and Ramaswamy have come up with a definition for the new economy consumer that they call *The Five Powers of the Connected Consumer*. Companies should welcome the new powerful consumer who is

1. Global in view
2. Has access to information
3. Networks globally
4. Uses the internet for experimentation and
5. Is more discriminating in their choices (activism)

Prahalad and Ramaswamy (2005) go further to state that businesses operate in a networked environment in which it is possible to both learn continuously about what people want and need and to interact with them on an ongoing exchange of value.

The above trends are enabling a new form of value creation: Co-Creation, in which value is not created in the firm and then exchanged with the customer, but in which value is co-created by the firm and the consumer. Value will have to be jointly created by both the firm and the consumer. Connected to this trend of jointly creating products, according to Prahalad and Ramaswamy (2005), consumers are moving away from a company-centric and product-centric view of value creation towards an experience-centric view of Co-Creation of value. High-quality interactions enable individual customers to co-create unique experiences with

the company are the key to unlocking new sources of competitive advantage. Products are but a manufactured article around which compelling individual experiences are created.

Although this notion of Co-Creation (Prahalad & Venkatram, 2005:1-12) is the ultimate ideal for most companies, companies must be aware of the possible limitation of this model for the following reasons:

- Markets and industries and companies and systems and people do not change quickly. So it may take quite some time before the whole world is co-creating.
- Collaboration is a lot harder than competition.
- The concept challenges many of the habits of managers. To change the mind-set of people within a company into the way that an external customer thinks is not easy.

2.6.1 The Bottom of the Pyramid Model

Another cutting edge view on strategy is directed to a large and much neglected part of the world's population – the poor. The bottom of the (economic) pyramid consists of four (4) billion people living on less than \$2 per day. For more than 50 years, the World Bank, donor nations, various aid agencies and national governments, have all done their best, but they were unable to eradicate poverty.

Prahalad (2005) in his book The Fortune at the Bottom of the Pyramid begins with a simple yet revolutionary proposition: If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up. Prahalad suggests that four (4) billion poor people can be the engine of the next round of global trade and prosperity, and can be a source of innovations. Serving the Bottom of the Pyramid (BOP) customers require large firms to work collaboratively with civil society organizations and local governments. Furthermore, market development at the Bottom of the Pyramid will also create millions of new entrepreneurs at the grass roots level. This proposition if followed in South Africa can have a huge impact on poverty alleviation and transformation of our economy and society.

Prahalad presents his new view regarding solving the problem of poverty as a Co-Creation solution towards economic development and social transformation, of which the parties involved are:

- Private enterprises
- Development and aid agencies
- Bottom of the Pyramid consumers
- Bottom of the Pyramid entrepreneurs
- Civil society organizations and local government

This framework provides an impetus for a more active involvement of the private sector in building the marketing ecosystems for transforming the Bottom of the Pyramid. It helps to reconsider and change long held beliefs, assumptions and ideologies which are all based on and are supporting victim- and burden thinking. South Africa in many ways is also at the BOP with its large population of HDSA's who did not have access to basic necessities to improve their lifestyles. As Prahalad (2005) points out, there is money at the Bottom of the Pyramid as it is a viable market and can be easily accessed since the BOP consumers are brand conscious and open towards advanced technology.

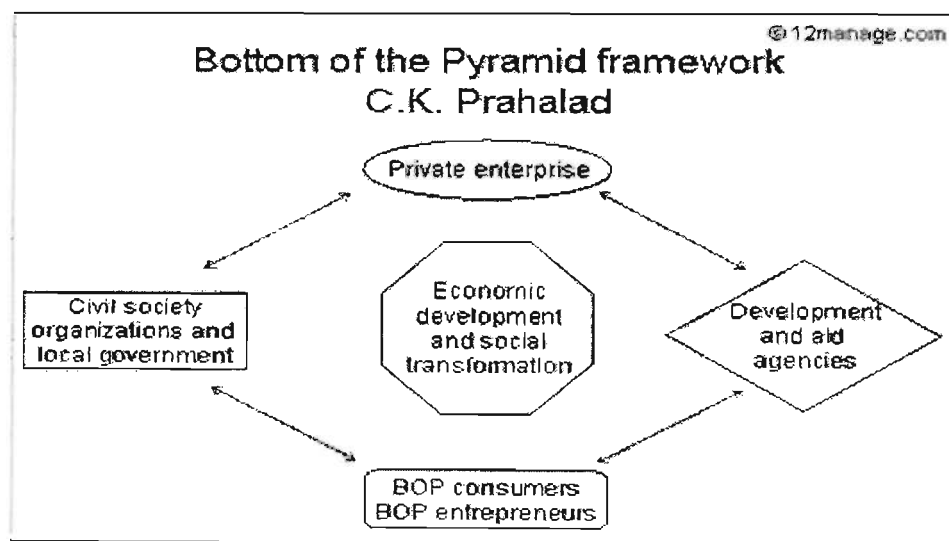


Figure 2.8 Prahalad's BOP Model
Adapted from: 12manage.com

The poor can not participate in the benefits of globalization without an active involvement of the private sector and without access to products and services that represent global quality standards. The Bottom of the Pyramid market provides a new growth opportunity for the private sector and a forum for innovations. Bottom of the Pyramid markets must become an integral part of the work and of the core business and should have a strategic focus within the organization. (Prahalad, 2005)

G.Yip as cited by Mazzacato where in his article Global Strategy in the Twenty-first Century he states that the '*global network maximizer* strategy is the only genuine global strategy that is most relevant in the "information age"'. The interaction occurs through a network and stimulates creation of new knowledge and more effective processing of information. He goes on further to state that this model is ideal for internet-based 'new economy' companies.

According to Hagel and Brown (2005) traditional structural sources of advantage such as, geographic barriers, regulatory barriers, and economies of scale have eroded savings from operations in search of new sources of advantage; two broad schools of strategy have emerged.

As cited by Hagel and Brown (2005), Hamel and Prahalad in their book, Competing for the Future, argued for basing a firm's business strategy on the core competencies of a firm or the school of core competency built on a long-established tradition in academic literature. Known as the resource-based theory of the firm, it traces back to Edith Penrose's classic The Theory of the Growth of the Firm. As presented by Hamel and Prahalad this perspective remained very enterprise-centric where strategic advantage lay in clearly identifying and strengthening core competencies within the firm.

A second school of strategic thought termed leverage school of strategy merged a few years later by well know strategists Adam M. Brandenburger, Barry J. Nalebuff and James F. Moore. In this school of thought, strategy focused less on capabilities within the firm and more on opportunities to achieve competitive leverage by mobilizing resources outside the firm (Hagel & Brown, 2005). Both these schools of strategy have merits. Companies can design strategies to fully exploit those internal capabilities that truly distinguish them in the

marketplace, and companies can mobilize the resources of other companies to deliver greater value to their customers. Distinct capabilities remain the basis of strategy but must rapidly evolve among collaborators to remain a source of strategic advantage.

However, as presented, each of these strategies is incomplete. In this context, integrating the two schools of strategy can help accelerate capability building across enterprises. The core-competencies school emphasizes the need for companies to develop a tight focus on areas of specialization and to be aggressive in seeking to deepen these over time. Companies with this mindset are more likely to seek out ways to accelerate learning. The leverage school drives home the importance of looking outside the enterprise for complementary capabilities. This perspective helps ensure that companies expand their efforts to deepen skills beyond their own boundaries. Rather than looking inward, this perspective reminds us that a lot of the potential for capability building occurs when companies with very different specializations seek to collaborate around common business objectives (Hagel & Brown, 2005)

Within this context, accelerated capability building is the most powerful source of strategic advantage in a global economy characterized by intensifying competition. By embracing this insight, enterprises will start finding creative new ways to connect with a range of other companies to accelerate their own capability building.

2.7 Conclusion

This chapter began with the discussion of theoretical strategy models that companies can adopt in a dynamic environment. It also looks at the impact of change on culture within organizations when faced with dramatically different ways of doing things. Leadership plays a vital role in managing the change within organizations and tasked to steer the organization through the change in a manner that is clear and ensures that everyone moves forward with a common vision thereby embracing change.

Fleisher and Fleisher & Bensoussan (2003:2) state that like a number of management terms, strategy is an overused word that means different things to different people, distinguished management scholars and senior executives can be hard pressed to agree on a clear

definition. The main reason for their struggle is that strategy is a dynamic process; hence, strategy can never stay the same

Hitt et al appear to agree with the above statement by saying organizations use the strategic management process to understand competitive forces and to develop competitive advantages. The magnitude of this challenge is greater today than it has been in the past. A new competitive landscape exists in the twenty first century as a result of the technological revolution (especially in e-commerce) and increasing globalization.

The surviving organization is an adaptive organization. An adaptive organization is one that is in touch with the outside world via living data. The four variables: customers; innovation; people and leadership are focused on sensing change and adapting to it, not via great leaps and genius paper plans, but via constant contact with and reaction to people on the part of every person in the organization (Peters & Austin, 1988:6-7)

Chapter Three

Case Study on South Africa: A BEE Perspective

3.1 Introduction

This chapter focuses on the history of South Africa and the necessity of Broad Based Black Economic Empowerment (BBBEE) to correct the social misbalance of the apartheid era. The deprivation of majority South Africans from participation in the broader economy for several decades eventually lead to a great disparity of wealth and the distribution of power. This was a key factor and motivation of this study. The challenges facing South Africa is discussed and how fundamental industries like the mining industry are discussed to set the context of the research in the following chapters.

3.2 The History of South Africa

Since the installation of a democratic government following the end of apartheid in 1994, South Africa has worked toward bringing economic equality to historically disadvantaged (non-white) groups. Despite major institutional transformations of the judicial, educational, health, housing and governance sectors, income disparity in South Africa continues to rank amongst the highest in the world. According to Global Insight, for instance, 20.5 million black South Africans (56% of total black population) were living in poverty in 2003, compared with 190,000 white South Africans (4% of total white population). Official unemployment estimates are at 30%; although many believe 40% unemployment is more accurate (SA info, 2006)

Poverty among South Africa's disadvantaged groups is exacerbated by one of the world's highest HIV/AIDS infection rates. South Africa's real gross domestic product (GDP) grew 2.6% in 2004, and is forecast to grow 3.2% in 2005. Conservative government fiscal policies have reduced the double-digit inflation that South Africa experienced in the 1980s (Barker, 2005)

3.3 The Challenges facing South Africa

Apartheid's race and gender oppression was not merely about prejudice, but ultimately about using power and control in the interests of a minority white population. In the early colonial period, reliance was placed on the theft of land from black people and the institutionalization of an economic system that used black people as cheap labor. Colonial and Apartheid policies lead to significant structural distortions in the economy. These distortions eventually resulted in a crisis in the Apartheid economy of which the consequences are still with us today. (DTI, 2005)

South Africa's democratic Government inherited an economy designed to serve the needs of minority of the population and condemn the black majority to a vicious cycle of extreme poverty, unemployment and underdevelopment. Racism remains ingrained across all sectors of South African society. It is a structural impediment that continues to distort the efficient functioning of markets in South Africa and reinforces the marginalization of the black majority from viable economic participation. Therefore, the country cannot sustain high levels of economic growth in the absence of deliberate measures by the State to facilitate the meaningful participation of black people in the economy. The state has an integral role to play in the policy and regulatory environment and in the provision of services itself (SA Info, 2005).

3.4 Black Economic Empowerment in South Africa

In a country that is burdened with the legacies of discriminatory legislation and practices, social protection needs to be interpreted widely rather than narrowly. Social protection could include, for instance, protection against discrimination, lack of skills, poverty, and the lack of economic means. The expansion of social protection could thus cover aspects such as human resource development, adult basic education and training, affirmative action, enterprise development, improved living conditions, and economic empowerment. In a country such as South Africa, these measures should almost by definition be aimed primarily at historically disadvantaged persons.

Various measures were introduced by the newly elected government since 1994, in an attempt to empower historically disadvantaged persons and expand social protection for such persons. Various measures were initially introduced to specifically eliminate discrimination, with the following laws enacted to assist socio-economic empowerment:

- The Constitution (Republic of South Africa, 1996),
 - The Preferential Procurement Framework Act (No. 5 of 2000)
 - The Employment Equity Act (No 55 of 1998);
 - The Competition Act (No. 89 of 1998) (Also ref. To the Amendment Act No. 35 of 1999 and subsequent amendments);
 - Promotion of Equality and Prevention of Unfair Discrimination Act, 4 of 2000.
- The Skills Development Act (No. 97 of 1998).

However, these measures only addressed some legacies, in particular eliminating discrimination and enforcing affirmative action in the workplace. The big question was how to achieve these objectives in a manner that took account of the specifics of the industry concerned. Although the need was to expand social protection in a practical and real manner, the measures to do so needed to be flexible enough and also broad enough to cater for specific circumstances in different sectors. For instance, in mining, improving housing and living conditions was a big social protection issue, whereas in the banking sector, methods had to be introduced to expand banking services to communities without such services (Dekker, 2006)

3.5 Broad based Black Economic Empowerment in South Africa

This led to Government drafting the Broad-based Black Economic Empowerment Act, 53 of 2003, which outlined the roles of stakeholders in Broad-based Black Economic Empowerment (BBBEE), promoted transformation charters in various sectors of the economy and required the state to utilize its leverage in implementing BBBEE.

The Preamble of the Act states that it aims to 'promote the achievement of the constitutional right to equality, increase broad-based and effective participation of black people in the

economy and promote a higher growth rate, increased employment and more equitable income distribution' (Government Gazette, 2004).

The definition of BBBEE is stated by the Department of Trade and Industry (DTI) as the economic empowerment of all black people through various strategies that include:

- Increasing the number of black people that manage, own and control enterprises and productive assets;
- Facilitating ownership and management of enterprises and productive assets by communities, workers, co-operatives and other collective enterprises;
- Human resource and skills development;
- Achieving equitable representation in all occupational categories and levels in the workforce;
- Preferential procurement; and
- Investment in enterprises that are owned or managed by black people.

More significantly, the Act also provided for overarching Codes of Conduct on broad-based economic empowerment. These DTI Codes were intended to encourage the development of consistent Sector Charters, and to provide further guidance to all stakeholders on definitional, interpretation and measurement aspects of BBBEE, including targets and weightings and guidance on sector transformation charters. Sector charters could be issued in terms of the BBBEE Act. The first Codes in terms of this Act were published by the Department of Trade and Industry (DTI) in 2004, and an amended version in 2005 (Barker, 2005).

The DTI Codes are much more specific in regard to certain issues than some of the Charters. For instance, the Codes have a very clear weighting system for the various elements of the Codes:

Table 3.1 Codes of Good Practice Balanced Scorecard

Element	Scoring Percentages (%)
Ownership	20 %
Management Control	10%
Employment Equity	10%
Skills Development	20%
Preferential Procurement	20%
Enterprise Development	10%
Residual (to be developed in the Sector Charters)	10%
TOTAL	100%

Adapted from The Department of Trade and Industry, website dti.gov.ac.za

One very interesting aspect of the Employment Equity Act, 55 of 1998, the Charters and the DTI's Codes, is the definition of the beneficiaries. This seems to have changed over time. The Employment Equity Act, 55 of 1998 and the Broad-based Black Economic Empowerment Act, 53 of 2003 broadly includes Africans, Coloured, Indians (collectively described as 'black') and women as beneficiaries. However, the Charters and DTI Codes often limit the beneficiaries to those persons who are citizens of South Africa by birth or descent, or who acquired citizenship through naturalization prior to 1994. (DTI, 2005)

To determine the extent of compliance, most Charters are accompanied by some type of scorecard. These scorecards differ greatly between sectors. In the case of the mining industry, for instance, the relatively generic wording of the Charter is closely followed and there is no actual points system. In the case of the Financial Sector Charter, the scorecard is very detailed. For instance, provision is made for an overall rating of an institution (ranging between black influenced, black empowered and black owned). Provision is also made for a points system, which allows some trade-off between different targets, which is (with one exception) not possible with the Mining Charter. The DTI Codes also provide for eight different levels of BBBEE 'contributors', depending on the points scored in the scorecard.

Accredited BEE verification agencies will be accredited by the Department of Trade and Industry, if they meet the minimum technical and black economic empowerment criteria for such agencies. The main role of the BEE verification agencies is to provide an independent opinion on the broad-based black economic empowerment status of enterprises. Note must

be made that to date no agency has been accredited by the government while many agencies already operating in the country. This is leading to different ratings being given to companies without uniformity and could become a critical issue and reduce the credibility of the good work done by the government on BBEE and the codes of good practice (Cliffie Dekker, 2005)

A company will be rewarded for its level of procurement from and investment in other BEE compliant companies. This approach is intended to maximize the impact of BEE by providing a secondary level of enforcement whereby the private sector itself will encourage compliance by its suppliers and the entities it invests in. However, this is complicated by the fact that very few sectors currently are subject to Sector Charters, which makes it quite difficult to establish the level of BEE compliance (Dekker, 2005).

3.6 BEE Initiatives in Southern Africa

BEE is not a new phenomenon in Africa with many African countries having some form of empowerment policies that are in place. While the South African broad based Black economic empowerment is the only true policy framework in Southern Africa, several of the neighboring countries have been implementing similar initiatives for as long, if not longer than South Africa. The countries who have written policies for empowerment are:

- **Botswana** – Citizen Economic Empowerment in Botswana (CEE) which was introduced in the early 1990's
- **Zimbabwe** – Indigenization of the Zimbabwean Economy
- **Malawi** – Malawi National Economic Empowerment Policy and Action Program
- **Tanzania** – The National Economic Empowerment Act, 2004
- **Namibia** – Black Economic Empowerment

Several of these countries have been practicing BEE policies for many years, but are still far behind the South African progress of BEE and look to South Africa to lead the way (Dekker, 2005). This study takes note that other countries in Southern Africa have similar initiatives as South Africa; however, the focus of this study is on the South African experience of broad based black economic empowerment and its effects.

3.7 The Mining Industry in Africa

Africa produces more than 60 metal and mineral products and is a major producer of several of the world's most important minerals and metals including Gold, PGM's, Diamonds, Uranium, Manganese, Chromium, Nickel, Bauxite and Cobalt. Although under explored, Africa hosts about 30% of the planet's mineral reserves, including 40% of gold, 60% cobalt and 90% of the world's PGM reserves, therefore making it a truly strategic producer of these precious metals. (Bendi, 2001)

Major new mines opening in Africa or under development are distributed between South Africa, Namibia, Botswana, Tanzania, and Gabon producing gold, diamonds, niobium products, PGM's, chrome and base metals. Major discoveries over the last year include the discovery of several potentially diamondiferous kimberlites in Mauritania, and potential marine deposits offshore from Southern Namibia (Bendi, 2001)

3.8 The Mining Industry in South Africa

The modern mining industry operates in a global arena where the economic, social and legislative environments play crucial roles. As stated by our previous State President Nelson Mandela,

South Africa is blessed with a special geological heritage. As such, the mining industry has been the bedrock of the South African economy for more than a century. The achievements of the mining industry and its contributions to our economy are truly remarkable. It is a crucial foreign exchange earner and a substantial contributor to economic production and it remains a leading employer and a leader in the field of scientific technological research.

Mining generates further economic activity. For every three people employed on a mine, one is employed in industries which serve the mining industry, directly or indirectly. The South African mining industry is entering a new exciting era. It has the opportunity to deal with new challenges in conditions that allow it to draw on the skills and imagination and determination of all.

The mining industry, by virtue of the place it occupies in the South African economy, is in a position to make a special contribution to the transformation of our society, which should have as its central objective improving the quality of life of all its citizens (Chamber of Mines annual report, 2002-2003)

South Africa is a world leader in mining. The country is internationally renowned for an abundance of mineral resources, accounting for a significant proportion of both world production and reserves. South African mining companies dominate many sectors in the global industry with South Africa being the world's biggest producer of gold and platinum and one of the leading producers of base metals and coal (Bendi, 2002).

The mining industry has provided much of the impetus for the development of an extensive and efficient physical infrastructure and has contributed greatly to the establishment of the country's secondary industries. Apart from its prolific mineral reserves, South Africa's strengths include a high level of technical and production expertise, and comprehensive research and development activities. The mineral industry is a well-established and resourceful sector of the economy, and has the ability to mobilize capital for new development. Mining is South African's largest industry sector, followed by manufacturing. Other sectors that contribute significantly to the country's economy are the oil and gas, chemicals, agriculture and tourism. The clothing and textiles, financial services and banking sectors have also had significant growth recently (Robinson et.al, 2005).

The country has world-scale primary processing facilities covering carbon steel, stainless steel and aluminum industries, in addition to gold and platinum. With the growth of South Africa's secondary and tertiary industries as well as a decline in gold production, mining's contribution to South Africa's gross domestic product (GDP) has declined over the past 10 years. However, this may be offset by an increase in the downstream or beneficiated minerals industry, which the government has targeted as a growth sector. Lucrative opportunities exist for downstream processing and value-add locally to iron, carbon steel, stainless steel, aluminum, platinum group metals and gold. (Bendi, 2002)

3.9 The Economic Impact of Mining in South Africa

The country's mineral industry can be broken down into five broad categories – Gold, PGM, Diamonds, Coal and Vanadium. Combined, these produced a sales revenue (2000) of ZAR51.6 billion (approx. US\$ 7.4 billion), representing 6.5% of the country's GDP. PGM sales exceeded those of gold for the first time in 2000 - based on the surge in PGM prices as well as efforts to boost PGM production from South Africa in the light of erratic supplies from Russia. Sales of primary mineral products accounted for nearly 35% of South Africa's total export revenue during 2000. Mining's contribution to South Africa's GDP has declined over the past 10 years (in 1991, mining's contribution to GDP was 8.4%). Fluctuations in the local currency against the US dollar have buffered these effects to a certain extent. The gold industry remains the largest employer in the mining sector, responsible for more than 50% of total employment, estimated at 420 000 people in 2000 (Chamber of Mines, 2004).

3.10 Structure of the Mining Industry

Democratic changes in South Africa during the 1990s resulted in the endorsement of the principles of private enterprise within a free-market system, offering equal opportunities for all people. The States' influence within the mineral industry is confined to ordered regulation and the promotion of equal opportunity for all citizens. Corporate restructuring of South Africa's mining industry, has been in progress for over a decade, and is continuing. As the South African mining industry is still controlled predominantly by white males, emphasis is being placed on stimulating black and women economic empowerment in the industry.

The mining industry in South Africa has seen significant restructuring and changes since the early 90's with the traditional "big six" mining houses - Anglo American / De Beers, Gencor / Billiton, Goldfields, JCI, Anglovaal and Rand Mines - being restructured and extending their global presence. These companies traditionally controlled gold, platinum, chrome, coal and base metal production in South Africa. The advent of a new democratic constitution and rising costs from gold mining activities resulted in several changes in the industry (Barker, 2004).

As the South African mining industry is still predominantly white controlled, emphasis is being placed on stimulating black empowerment in the industry. As a result, several black or union owned firms are now beginning to play an important role in the industry. This is particularly the case following the impending legislation of the Minerals Bill that favours involvement of previously disadvantaged communities in South Africa's mineral resources (Chamber of Mines, Annual report, 2004)

Mvelaphanda, with Tokyo Sexwale at the helm, has become one of South Africa's most successful empowerment resource companies and African Rainbow Minerals; a company formed in 1997 by Patrice Motsepe is another success story of empowerment. This process, coupled with the anticipated change in mineral rights legislation in the country, should see South Africa developing its mineral resources to the benefit of all South Africans. (Motlanthe, 2005)

The entry of foreign investment into South Africa has been slow since the country's first democratic elections in 1994. This has been due to a variety of reasons including the minerals legislation, uncertainty over the economic situation and the high crime rate. However, the situation is changing and many junior exploration companies are now active in developing several small to medium scale operations, mainly in diamonds, gold and platinum (Dekker, 2005)

The Broad-Based Socio-economic Empowerment Charter for the South African mining industry was promulgated in May 2004. Following careful negotiation, the Charter calls for HDSA to control 15% of mines within five years and rising to 26% within 10 years. The Mining Empowerment Charter stresses commitment to pursue a shared vision of a globally competitive mining industry that draws on the human and financial resources of all South Africa's people, and offers real benefits to all South African. The goal of the Charter is to create an industry that will proudly reflect a non-racial South Africa (Barker: Internet)

3.11 Minerals Legislation

In late 2000, the draft Minerals Development Bill was released for public comment. The Bill (based on the White Paper on Minerals and Mining Policy) ushered in a new era of mineral and mining law in South Africa. (DME, 2004/2005) The core objectives of this Bill are to:

- Recognize that mineral resources are the common heritage of all South Africans and collectively belong to all the peoples of South Africa;
- Ensure that a proactive social plan is implemented by all mining companies;
- Attract foreign direct investment;
- Ensure a vigorous beneficiation drive in the mining industry;
- Contribute to rural development and the support of communities surrounding mining operations;
- Redress the results of past racial discrimination and ensure that historically disadvantaged persons participate meaningfully in the mining industry;
- Guarantees security of tenure to existing prospecting and mining operations;

The Bill Encompasses Broader Issues, including addressing the following:

- Transformation of the Minerals and Mining Industry
- Promotion of equitable access to South Africa's mineral resources;
- Promotion of investment in exploration and mining with its spin – offs;
- Socio – economic development of South Africa

3.12 Universal Access to Mineral Resources

This law is possible since international law recognizes that States have the right to exercise full and permanent sovereignty over their natural resources. The principle of public trusteeship of mineral resources is recognized and accepted in all major mining countries. Therefore, South Africa's constitution recognizes that natural resources belong to all South Africans. Therefore it is the responsibility of the State to ensure equitable access to these resources. The State must consequently also ensure that benefits emanating from exploitation of South Africa's mineral resources accrue to all citizens (Dekker, 2006).

3.13 The Mining Charter

As cited by (Barker, 2005) one instrument that some government departments started to use in the early 2000's to achieve social protection objectives in respect of historically disadvantaged groups, were Sector Charters. The Mining Charter, as one of the first such Charters, has been described as unique and without international precedent (Barker, 2005). Although some other countries have made efforts to facilitate radical economic transformation through similar efforts, none have done so with a primary industry in a similar manner.

The Mining Charter is characterized by setting targets for the achievement of certain transformational objectives in the following areas: The nine elements of the Mining Scorecard are listed below. Each element has a number of sub-requirements.

- Human resource development
- Employment equity
- Migrant labour
- Mine community and rural development
- Housing and living conditions
- Procurement
- Ownership and JVs
- Beneficiation
- Reporting

The very first Charter was for the Petroleum and Liquid Fuels industry and thereafter the Mining Charter. By this stage it was clear that the various Charters that were being developed were not always consistent, and was in some cases contradictory (DME, 2004/2005). This created problems most especially for suppliers to these industries, to the extent that they were also compelled to comply with the Charters, but were in a difficult position of having to comply with various, often conflicting requirements, depending on the particular sector they were supplying to from time to time. Suppliers in the Mining industry are acutely aware and often subjected to this conflict

3.14 The Process of Developing the Charters

The Mining Charter presents an interesting case study of how the government initially approached the issue in a unilateral manner. The Mining Charter originated from section 100 of the Mining and Petroleum Resources Development Act, 28 of 2002, which required the Minister of Minerals and Energy to develop a Charter to affect the entrance of historically disadvantaged South Africans into the mining industry. Both Government and the mining industry realized that working together on the Charter would bring significant transformation to a historically white dominated industry and enhance global position for both parties would be of mutual interest. The largest union in the industry, the National Union of Mineworkers (NUM) also had important socio-economic objectives such as skills development, accommodation, rural development and women in mining, and it was thus in their interests to participate as well. The Chamber of Mines (representing 85% of the large mining houses), the NUM and some smaller stakeholders thus engaged with government over a period of a few months to finalize the Charter towards the end of 2002 (Chamber of Mines annual report 2003-2004)

The Mining Industry is one of the only Charters legislated into the constitution. With the implementation of the broad based black economic empowerment of the codes of good practice, there seems to be a disconnection in the intentions of the BBBEE Act and the Mining Charter. To subject the industry to a new set of requirements, which might in part be contradictory, would not engender investment confidence in the country, and might necessitate a whole new round of negotiations to adjust the Charters.

After much deliberation, the amended version of the BBBEE Codes in 2005 consequently excluded the Mining, on the basis that it was introduced by legislation prior to the publication of the Codes. There have been talks recently between the Department of Trade and Industry and the Department of Minerals and Energy on how to align the Mining Charter to the Codes of Good Practice. Although this is in its infancy stages, it will help secondary industries supplying to the mining industry find clarity and standardization in their own organizations for compliance to the code of good practice.

For suppliers to the mining industry, an alignment between the Mining Charter and the Codes of Good Practice will allow some standardization in their fulfillment of the BBBEE requirements within their companies. The Mining Charter makes no specific reference to small companies, and this has raised numerous problems with the application of the Charter for small business, for instance in finding BEE partners, implementing rural and community development and career planning (Chamber of Mines annual report 2003-2004).

3.15 Transformation

Transformation of the economy and specifically black economic empowerment is an important vehicle to ensure social protection. Even though transformation is possible through the legislative route, this does not allow sufficient flexibility to cater for different circumstances in different industries. Consequently the South African government introduced Sector Charters in consultation with stakeholders in various industries to address the need for transformation, while at the same time allowing for some flexibility.

Initially, the charters that were introduced for the petroleum and mining sectors, for instance, were relatively general and allowed quite a lot of discretion and flexibility. As more charters developed, these became more detailed, and in some cases contradictory. The government tried to address this by issuing general Codes, to ensure more consistency. However, these draft Codes seem to be very detailed and complex. Unless this complexity is addressed without sacrificing the objective of achieving transformation, it is likely to add to the real or perceived burden of doing business in the country. This again would damage economic growth and development, thereby inhibiting rather than promoting overall economic empowerment, including that of black people (Barker, 2004).

It is also not quite clear whether the objective of broad-based empowerment is going to be achieved. Excessive attention has been given to ownership issues, possibly to the detriment of other broad-based elements such as skills development, employment equity, procurement and enterprise development. Even though these elements comprise a significant percentage of the total empowerment points, there appears to be insufficient encouragement for companies to do more than the minimum required in terms of the Charters or DTI Codes with regard to

these elements. These elements are in their very nature able to ensure broader-based empowerment more readily than ownership. Even as far as ownership is concerned, broadly-based ownership is encouraged, but only to a limited extent, and companies might regard the few bonus points that can be obtained as insufficient to justify the additional time and effort required to introduce such schemes (Barker, 2004)

The intention of this paper is to examine in an in-dept manner how companies are incorporating Broad based Black economic empowerment and the codes of good practice into their strategic planning. If they are doing this sincerely and with intent, there is great potential in creating value and making a lasting impact on the empowerment of HDSA at the grass roots level.

3.16 Conclusion

South Africa's mining industry is continually expanding and adapting to changing local and international world conditions, and remains a cornerstone of the economy, making a significant contribution to economic activity, job creation and foreign exchange earnings. Change strategies adopted by the industry since the end of apartheid in 1994 have made it more competitive. With new leadership in place, better structured companies, and a more robust operating and financial base, South Africa will continue to be an important player in the global mining industry (Robinson et.al, 2005)

Finally, the requirement of organizations is to embrace the new dispensation in South Africa in so far as empowerment of HDSA and ensuring a better life for all South Africans, in particular to the mining industry and the suppliers to the mining industry. BEE in the mining industry is controlled through the Mining Charter and is unique in that it is legislated in the constitution and the BBBEE codes of good practice do not apply. Suppliers to the mining industry are in essence, in conflict with the mining houses when it comes to filling in the scorecard.

Chapter Four

Research Methodology

4.1 Introduction

This chapter seeks to discuss theoretical research methodology issues, in this case, the quantitative paradigm. It also touches very briefly on the history of research and against this backdrop, the choices made were justified. This explains the choice of techniques employed for gathering data, and to put into perspective the methodological approaches, the researcher regards as the outline and reflection on the process of development of the study, especially with reference to methods, as very important and worthy of mention.

4.2 Dimensions in Research

According to Mouton and Marias (1993:3-7) an essential part of being human is to strive continually to know oneself and one's environment better. This "passion to grasp the nature of each thing as it is" (Plato), is manifested primarily in the statements we make about reality. Mouton and Marias go on to say that social sciences research is a collaborative human activity in which social reality is studied objectively with the aim of gaining a valid understand of it.

Antonakis (2003:3) believes that scientific research is one of society's most important functions. The progress society has made in the last centuries and the improved quality of life we have today is due to the advances made in science and knowledge. Three main philosophical positions in relation to research are positivism, interpretivism and realism. They are different, if not mutually exclusive views about the way in which knowledge is developed and judged as being acceptable.

4.3 The theory of research

The term research has been used in many contexts and with such variety of meanings it is difficult to sort out. True research is a quest driven by a specific question which needs an answer. According to Webster (1985), to research is to search or investigate exhaustively. It

is a careful or diligent search, studious inquiry or examination especially into investigation or experimentation aimed at the discovery and interpretation of facts, revision of accepted theories or laws in the light of new facts or practical application of such new or revised theories or laws, it can also be the collection of information about a particular subject (Webster, 1985)

Saunders (2003:3) defines research as something that people undertake in order to find things in a systematic way, thereby increasing their knowledge. Two phrases are important in this definition: 'systematic research' and 'to find out things'. 'Systematic' suggest that research is base on logical relationships and not just beliefs to find things out suggests a multiplicity of possible purposes for research. Ghauri and Grønhaug (2003:3) expand further that research is a process of planning, executing and investigating in order to find answers to our specific questions. In order to get reliable answers to our questions, we need to do this investigation in a systematic manner, so that it is easier for others to understand and believe in our interpretation.

In Saunders (2003:26) theory is defined by Gill& Johnson (1997:178), as 'a formulation regarding the cause and effect relationship between two or more variables' which may or may not have been tested. There is probably no word that is more misused and misunderstood than the word theory. Although theory can be derived in a number of ways, it can only be tested quantitatively. Reason being that theory is expressed in a system of propositions specifying how sets of constructs (variables) are related and the conditions under which they are related. Thus to test a theory, its constructs (even imperfectly) in a sample must be measurable whether the constructs are related (or differ) in the manner prescribed by the theory by ruling out change and other assumed causes (Antonakis, 2003)

4.4 The Importance of Literature Review

Given the importance of argumentative context of scientific research, a literature survey answers the following objective of whether the central theme of the investigation relates to other research and existing theories. It allows for an explanation to be given in the

introduction to the study in which the basic argument of the research has been integrated in a wider framework of relevant theory and research (Mouton and Marias, 1993:191).

Saunders (2003:43) agrees that literature review is essential and demonstrates an awareness of the current state of knowledge in the subject and its limitations and how the current research fits in this wider context. As cited by Saunders (2003); Jankowicz state that knowledge does not exist in a vacuum and is only valued when viewed in relation to other people's work in so far as it agrees or is disagrees from other people's work and findings.

Secondary data was obtained from published and unpublished studies, texts; research carried out by various organizations on the subject and as well as desktop studies reviewing several internet based resources. Government legislature was also accessed to understand in detail the mechanics of the several instruments that make reference to BEE in the broader sense. This formed the basis in formulating the essence of this study.

4.5 The Research Paradigm

The design of any study begins with the selection of a topic and a research methodology. These initial decisions reflect assumptions about the social world, how science should be conducted, and what constitutes legitimate problems, solutions, and criteria of "proof." Different approaches to research encompass both theory and method. Two general approaches are widely recognized paradigms: quantitative research and qualitative research (Trochim, 2006).

A paradigm is a perspective based on a set of assumptions, concepts, and values that are held by a community or researchers. For the most of the 20th century the quantitative paradigm was dominant. During the 1980s, the qualitative paradigm came of age as an alternative and was often conceptualized as the polar opposite of quantitative research. Each represents a fundamentally different inquiry paradigm, and researcher actions are based on the underlying assumptions of each paradigm. (Trochim, 2006)

4.6 Qualitative Research Methods

A study based upon a qualitative process of inquiry has the goal of understanding a social or human problem from multiple perspectives. Qualitative research is conducted in a natural setting and involves a process of building a complex and holistic picture of the phenomenon of interest (Antonakis, 2003). Phenomenological inquiry, or qualitative research, uses a naturalistic approach that seeks to understand phenomena in context-specific settings.

Where quantitative researchers seek causal determination, prediction, and generalization of findings, qualitative research seeks illumination, understanding, and extrapolation to similar situations. Patton (1990) advocates a "paradigm of choices" that seeks "methodological appropriateness as the primary criterion for judging methodological quality." (Fridah, n.d.) The main criticisms that are often leveled at qualitative research are those that relate to its perceived non-scientific approach. However in order to produce good qualitative research a clear and rigorous research method is also needed.

4.7 Quantitative Research Methods

Logical positivism, or quantitative research, uses experimental methods and quantitative measures to test hypothetical generalizations (Fridah, n.d.). It is important to recognize that systematic observation and testing can be accomplished using a wide variety of methods. Many people think of scientific inquiry strictly in terms of laboratory experimentation. However, it is neither possible nor desirable to study all phenomena of interest under controlled laboratory conditions (Antonakis, 2003)

Antonakis (2003) state quantitative research is an inquiry into an identified problem, based on testing a theory, measure with numbers, and analyzed using statistical techniques. The goal of quantitative methods is to determine whether the predictive generalization of a theory holds true. It is thought that in gaining, analyzing and interpreting quantitative data, the researcher can remain detached and objective. Often this is not possible with qualitative research where the researcher may actually be involved in the situation of the research (Hoepfl, 1997).

Quantitative research if carried out with care and in a rigorous manner can carry with it a great deal of power and influence. For many years it has been the most dominant kind of research. It features a high level of reliability and can be used to gather large amounts of information into understandable forms. Quantitative research is inclined to be deductive. In other words it tests theory. This is in contrast to most qualitative research which tends to be inductive. In other words it generates theory (Hoepfl, 1997).

4.8 The Method Chosen for this Study

The distinction between quantitative and qualitative research is important to be able to identify and understand the research approach underlying any given study because the selection of a research approach influences the questions asked, the methods chosen, the statistical analyses used, the inferences made, and the ultimate goal of the research. When critically reviewing scientific research, the questions asked, and the answers given, will differ depending upon whether the research is quantitative or qualitative.

The importance of the study should dictate what type of research methodology is employed and for the purpose of this study, taking into consideration all critical aspects, it has been decided that this study will be conducted by means of deductive, quantitative method using the survey technique since the many positive features mentioned enable it to be seen as the best option.

4.9 The Research Strategy

Empirical research is conducted to answer or enlighten research questions. Strategic choice of research design should come up with an approach that allows for answers to the research problem in the best possible way and within given constraints. This means that the research design should be effective in producing wanted information within constraints put on the researcher. The choice of research design can be conceived as the overall strategy to the information required. As cited by Ghauri and Grønhaug (2003:47), Kornhause and Lazarsfeld, state that research designs play the role of master techniques while statistical analysis of the data collected was termed servant techniques.

4.10 Survey Research

Survey strategy is a popular and commonly used deductive approach used in business research. It is popular for collecting large amounts of data in a highly economical manner. By using the survey strategy, the researcher has more control over the research process. (Saunders 2003:92) Surveys include cross-sectional and longitudinal studies using questionnaires or interviews for data collection with the intent of estimating characteristics of a large population of interest based on a smaller sample from that population.

According to Antonakis (2003:26) survey research is used to determine the characteristics of a population so that inferences about the population can be made. Today the word "survey" is used most often to describe a method of gathering information from a sample of individuals. This "sample" is usually just a fraction of the population being studied. Questions can be asked personally in an interview or impersonally through a questionnaire. In this study, after much thought and consideration, a questionnaire was used as the preferred research tool. This was done due to the large population of the study and the dispersed location of the respondents. If well used, surveys can provide reliable, valid, and theoretically meaningful information (Peil, 1995).

4.11 Population and Sample Definition

Before deciding on how large a sample should be the most logical starting point will be to define the population of the study. Bailey (1982:85) believes the ideally a study of the entire population or universe would give more weight to findings. However, it is not always possible to study the entire population so a study of a subset or sample of the population is used where results and findings are inferred to the entire population

There is a wide range of possible options to consider when sampling. The purpose of the study needs to bear in mind and the various strengths and weaknesses and the practicality of different sampling methods. Sampling involves selecting individual units to measure from a larger population. The population refers to the set of individual units which the research question seeks to find out about. A sample is representative when it allows the results of the

sample to be generalized to the population. The two main types of sampling depends on whether or not the selection involves randomization

4.12 Sampling Methods

Sampling methods can be classified into those that yield probability samples and non-probability samples. The best known form of probability sample is the random sample. In a random sample each person in the entire population has an equal probability of being chosen to become the actual sample (Bailey 1982:91). Peil (1995:28-29) mentions that the basis of all probability samples is the simple random sample in which each individual has an equal, non-zero, chance of being included and all possible combination could occur. A random sample may be chosen in a number of ways, depending on the size of the population. Simple random sampling is usually considered adequate if the changes or selection are equal at any given stage of the sampling process. (Bailey, 1982:92)

4.13 Questionnaire

Questionnaire-based surveys are one of the most commonly used tools by market researchers to establish consumer preferences. Poor questionnaires can be misleading and most likely yield meaningless data, so an awareness of the techniques of questionnaire design is essential. Sound awareness of the principles of questionnaire design is necessary in order to look critically at other research and to question the methods and tools of analysis that were used (Trochim, 2006).

4.14 Questionnaire Design

The purpose of all academic interviews is to gather reliable information relating to the topic investigated. Before embarking on some form of interviewing, it is essential to understand what information is required from the respondents and to determine if the information relates directly to the objectives of the research study.

When questionnaires are developed, the different types of questionnaire designs and questions to be asked as well as the nature and sensitivity of the questions need to be taken into consideration before the actual questionnaire is produced. Questionnaires are a form of

structured interviewing, where all respondents are asked the same questions, and offered the same options in answering them. The researcher must ensure that the sample is representative and appropriate for the questions being asked so that the completed questionnaire is reliable and valid.

Before choosing the questionnaire as the preferred technique, the (dis)advantage of using a questionnaire must be considered. Questionnaires do not allow the researcher to establish a rapport with the respondents, and do not allow for observation of the respondent. They are limited in the depth to which the researcher is able to probe any particular respondent, and does not allow for digression from the set format. However, depending on the situation, questionnaires have several advantages over verbal interviews. Questionnaires can offer confidentiality to respondents, and are generally easier to analyze and turn into quantitative results. The more structured they are, the more easily they are compared later. They also allow for more volume (i.e., they can be sent to greater numbers) to raise confidence levels in the sample (Bogdan & Biklen, 1982).

According to Baliey (1982) all survey questions should be put through a "debugging procedure" in which several quality control questions are asked, including the following:

1. Is the question one which respondents can easily answer based on their experience?
2. Is the question simple enough, specific enough, and sufficiently well-defined that all of the respondents will interpret it in the same way?
3. Does the question contain any words or phrases which could bias respondents to answer one way over another?
4. Is it understandable to respondents exactly what types of answers are appropriate?
5. Does the question focus on a single topic or does it contain multiple topics that should be broken up into multiple questions?

Bailey (1982) mentions that the key word in questionnaire construction is 'relevance'. The word relevance has 3 different facets

1. Relevance to the study's' goals
2. Relevance of the questions to the goals of the study

3. Relevance of the questions to the individual respondents.

4.15 Pilot Study

In order to improve results and validity of the questionnaire, a pilot study is recommended. The reason is to test the questionnaire on a small number of respondents before committing more resources to the study and to verify the quality of the questions and their relevance. The researcher fixes any misalignment issues in the questionnaire to ensure that the questions mean the same thing to all respondents and that they will not have problems in answering questions. This is what Saunders et al (2000: 305) defines as the 'assessment of the validity of the questions and the likely reliability of the data that the researcher will collect. It allows the researcher to better judge how long it will take a respondent to complete the questionnaire.' According to Saunders et al (2000: 305) it is imperative that prior to utilizing the designed questionnaire to collect data, the researcher should first pilot it.

Piloting the questionnaire is also supported by Bell (1999) as quoted by Saunders et al (2000: 306) when suggesting that researchers should pilot their questionnaires to help them find out the following things that are critical in designing a questionnaire for a reliable study:

1. How long it takes to complete the questionnaire or interview
2. The clarity of instructions
3. Which, if any, questions were unclear or ambiguous
4. Which, if any, questions the respondent felt uneasy about answering
5. Any other comments.

4.16 Measurement

After administering the questionnaire in quantitative research, the researcher ends up with "numbers". These need to be analyzed, and interpreted in light of the research question and other relevant theory and research findings. In order to create "numbers" for quantitative research (data), a measurement process takes place. According to Peil (1995:8) measurements are considered reliable if the results are consistent and if the same people are asked the same questions again, and they will give the same answers. They are valid if they represent the true position whereby the observer reports correctly what happened.

Measurement is a difficult and complex issue, and noise is always created in the data due to inaccuracies in the process of measurement. Thus, it is vital to minimize noise in by using reliable and valid methods of measurement.

4.17 Validity

Validity involves the accuracy of your measurement (Colosi, 1997). According to Gay (1992: 155) and (Marshall & Rossman, 1994: 144) as cited by Colosi (1997), validity can be divided into two types: external validity and internal validity. External validity relates to the extent of the applicability of research findings to other contexts, whereas internal validity refers to the consistency of the effect of the questionnaire questions. The latter means that the questionnaire must be able to measure what they are intended to measure.

4.18 Reliability

According to Babbie (1983:119) reliability refers to the 'likelihood that a given measurement procedure will yield the same description of a given phenomenon if that measurement were repeated and validity refers to the extent to which a specific measurement' provides data that relates to commonly accepted meanings of a particular concept. (Rosnow & Rosenthal, 1996:137) go further in stating that 'measurements are subjective to random errors and systematic errors, which may affect reliability and validity'. Reliability estimates the consistency of measurement, or simply the degree to which an instrument measures the same way each time it is used in under the same conditions with the same subjects. (Colosi, 1997)

4.19 Limitations

The Hawthorne effect is an example of a social desirability tendency. Most people will try to 'give answers that make themselves appear well adjusted, unprejudiced, rational, open-minded and democratic' (Mouton & Marias, 1993:89). In South Africa this effect could be quite prominent in the context of when individuals fill in a survey questionnaire, they would want to appear well adjusted and democratic given the past history of apartheid.

All survey studies have certain methodological limitations in common. Researchers cannot be expected to conduct a 'perfect' survey study, but at the same time the researcher is

expected to have a thorough understanding of the limitations of their work and make reasonable judgments about how to spend their limited time and resources (Kirk & Marshall, 1986).

Limitations within this study may affect the interpretations of the results in the following manner:

- To what extent was the sampling frame representative of the population, and what are the potential impacts of any errors or omissions?
- To what extent was the study subject to sampling error?
- What was the response rate?
- What, if anything, is known about the non respondents?
- Which questions are more sensitive to possible errors or biases than others?

This study was limited to the province of Gauteng due to resource constraint of funding and time.

4.20 Data Analysis (A Brief Introduction)

The primary purpose of conducting a survey is to produce data to help answer the research question. The following chapter discusses how the data was collated, organized, summarized, and described. Unless the entire population of interest was surveyed and the response rate was 100%, the data provided by surveys are estimates of population variables.

4.21 Ethical Considerations

As stated by (Rosnow & Rosenthal 1996:51) in the day to day conduct of human subject research, certain dilemma may arise from concerns about the problems investigated and the methodological procedures used to study them. Ethical questions arise because of competing values or interests related to perceived moral responsibilities. In general, researchers are obliged not to do physical or psychological harm to research participants and to do research in a way that is most likely to produce valid results. Ghauri and Grønhaug (2003:8-9) say that ethics are moral principles and values that influence the way a researcher conducts research

activities. It is the moral obligation of the researchers to find answers to their questions honestly and accurately. Ethical responsibility starts with the problem formulation.

All social science researchers have an ethical obligation to protect the welfare of the people they study. Although survey studies tend to be relatively innocent compared to some alternate methodologies, there are three ethical principles that all survey studies should follow.

1. Respondents informed that participation is voluntary and that they may omit answers to any particular questions if they choose. Steps to encourage participation such as a telephone call prior to the questionnaire being sent to obtain permission and to explain the nature and importance to the study and to the industry in general should be considered. However, in the final analysis, people have every right to refuse to participate and should not be coerced.
2. Adequate measures must be taken to protect the confidentiality of respondents. Although overall survey results may be presented publicly, no references to individuals will be made and no association to any individual responses can be traced.
3. Promises made to the survey respondents that a copy of the survey results will be sent to them should be kept.

According to Rosnow & Rosenthal (1996:68) questions about fair-mindedness are a source of ethical conflict in science as well as in everyday life. Ethics and evaluation are intertwined in many ways.

4.22 Methodology

4.22.1 Protocol / Procedure Followed

The following sections describe each step in the implementation of the survey, and address such questions as:

1. What survey method was employed and why?
2. When was the survey administered?
3. What steps were taken to increase the response rate to the survey?
4. What response rate was obtained?
5. What was participation in the study like, from the respondents' point of view?
6. Did any unexpected problems occur? If so, what were they and how were they resolved?

The covering letter sent with the questionnaire included information about why the respondent should answer the purpose of the questionnaire, how long it will take, and information on how it is to be returned when completed.

The questionnaire included details of on how it should be completed. Although effort was made to keep it short as possible, the fear was that it will not capture the essence of the study and may even render the study useless, resulted in the questionnaire was as long as it needed to be to capture the correct level of information

A pilot study was conducted on five (5) individuals who fitted the respondents' profile. Some were from the researcher's environment and some were within the same industry but not part of the sample. Questions were grouped in categories to make answering easier and to get the desired impact. Since the study asked questions on several issues albeit all related, it made it easier to keep them separate in some manner. This was done to keep a smoother thought flow process for the respondents so they did not have to "change gears" mentally.

Very few questions had the option of "other" so respondents were not let off the hook easily by taking the easy way out. Where 'other' was used, there was a need to specify their answer. Questions that were perceived to be more difficult to answer were put at the end of the questionnaire to create comfort at the beginning so respondents continued with completion.

As respondents were contacted by e-mail, an automatic read response e-mail was sent to the researcher. These e-mail were stored and used later on re-email individuals personally when they did not respond asking for your cooperation and time. This method, although time consuming, elicited numerous responses that would otherwise not have been received. Those respondents that did not respond within the time limit were called telephonically and reminded to complete the questionnaire. Once the cut off deadline passed, respondents that did not respond were regarded disregarded in the analysis. A letter of appreciation was sent to all respondents who completed and returned the questionnaires with a promise that they will be sent a copy of the results of the study once it was available.

Respondent's Profile



This study targeted the following individuals within the organization taking into consideration their role and impact on key areas.

Table 4.1 Respondents Profile

Level in Organization	Involvement in Organization
Senior Executives Managing Directors Financial Directors	very involved in strategy writing and strategic development in the organization
Transformational Managers, Supply Chain and Logistics Managers Commercial Managers Purchasing Managers	are able to influence and implement strategic decisions

Reasons for choosing this group of individuals:

- interaction with suppliers gives them first hand understanding and knowledge of the situation
- ability to answer the questions
- to make lasting change in organization
- part of policy making team within the organization
- should have a clear understanding of organization strategy and what is seen to have a impact of strategy

4.23 Procedure in the Survey

a) The Population – The population was determined by downloading a list of mining suppliers from the internet website Braby’s. This website was chosen since it is comprehensive. Suppliers and customers have access to information without having to pay large sums of money to be part of the listing. Other data sources such as Eezedex and Quadrem were considered but rejected due to them be subscription only sites and not accessible without substantial investment. The population size was established as being 1300 individuals.

b) The Sample – Once the population size was established, a simple random selection was made of the population. The sample size was chosen from R.V. Krejcie and D.W. Morgan (1970:608), *Determining sample size for research activities; Educational and Psychological*

Measurement. This was issued by Professor Klopper of the University of Kwa-Zulu Natal. A population of 1300 requires a sample of approximately 297 respondents. To make provision for incorrect data such as telephone numbers and non-response of some respondents of the sample, a total of 400 respondents were chosen. There were 202 responses or a response rate of 68% which is considered adequate for the purpose of this study.

c) The Survey Method – Due to the large sample size and the wide dispersion of respondents, it was decided that the most effective and efficient manner of administering the questionnaire was be e-mail. Although there are many disadvantages to using e-mails, there are many more advantages to using e-mails.

d) The Survey Instruments / Technique – The survey technique chosen was the questionnaire. The questionnaire was chosen given the nature of the study and the requirement of large amount of data as well as the dispersion of respondents in the province of Gauteng. The Questionnaire was designed to extract data in a very simple easy to comprehend manner.

Table 4.2. Breakdown of Questionnaire

Sections	Intentions
One	Dealt with demographic information being asked. This was done with the intention to find a pattern in the answers based on age, length of service and race.
Two	Sought to understand the impact of BBBEE on strategic issues internally and to understand if there was any relation between strategy and culture
Three	Sought to obtain an understanding of the view and opinions of the respondents in their dealings with BEE suppliers. Those organizations who did not embrace BBBEE could have the most negative comments about BEE and saw no value of it in their company
Four	Dealt with some sensitive issues seeking the opinion from respondents on their view of BEE within the context of their business and also within South Africa

e) The Covering Letter - The covering letter was basically an official introduction to the survey showing that this was an authentic study done for purely academic purposes. The purpose of this letter was:

- to ensure that the respondent understood the context of the study
- to enlighten the respondent of the need and importance for the study

- to make the respondent aware of the deadline for responses
- to give details about the University and the supervisor
- to ensure the respondents understood what was required of them
- to ensure that respondents were aware of their rights in so far as refusing or withdrawing from the study at any given time
- to assure respondents of the confidentiality and anonymity of their responses
- to explain how the data will be disposed of once the study was over
- to advise that a copy of the results of the analysis will be sent to them

4.24 Steps Followed

1. Majority of respondents were telephoned to introduce the subject and to extend the invitation to participate in the survey by agreeing to fill out the questionnaire.
2. Other than to get agreement for participation, respondents were telephoned to ensure that the correct person was contacted and to obtain or confirm their e-mail addresses.
3. The questionnaire along with the covering letter was sent to the respondents
4. Two days before the deadline as articulated in the covering letter, respondents who had not responded, were contacted and reminded of the need to complete the questionnaire.
5. Once the cut-off date was passed, all respondents who did not respond, were categorized as non-response
6. Personal Letters of Appreciation were sent out to those respondents who met the deadline for the questionnaire
7. The questionnaires were counted and coded
8. The data software package SPSS was used to analyze the information and from this the necessary deductions and conclusions were drawn using statistical models and methods.

4.25 Data Capturing and Statistical Presentation

The data and observations gathered were summarized, analyzed, compared, interrogated and interpreted so as to reflect the general perception of the population and to either support or reject the objectives of this study. A recommended implementation plan is outlined in the latter part of this paper. The data extracted from the completed questionnaire was coded and

entered into the statistical package for quantitative research studies, known as SPSS programming software or Statistical Program for Social Sciences. The results are presented in two distinct categories, vis a vis; Descriptive Statistics and Inferential Statistics. These are further divided into sub-categories.

Table 4.3 Table of Statistical Measures

Category of Statistics	Sub-category of Statistics
Descriptive	Descriptive Frequency Statistics
Inferential	Chi-square Tests Fisher’s Exact Tests Cronbach Alpha Test of reliability

4.26 Conclusion

This document has provided an introduction to the basic principles of scientific survey design and outlined the steps that all survey researchers should take, including:

1. Determining if a survey study is the best way to answer the research questions.
2. Obtaining a random or representative sample of sufficient size.
3. Making an informed choice of survey method.
4. Creating a questionnaire that is valid, reliable, and unbiased.
5. Designing a questionnaire and implementation plan that achieve a high response rate.
6. Developing procedures that ensure that people are treated ethically.

As Mouton & Marias (1993:11) state, in conclusion it is clear that the sociological dimension of research cannot be ignored in any analysis of the process of research. In our previous chapter, literature review and the importance of conducting research in relation to work already conducted was discussed. The forthcoming chapter will extrapolate further on the data collected and the manner and method of analysis. The findings of the next chapter will form the bases of the conclusion and recommendation chapters to follow thereafter.

Chapter Five

Data Analysis and Findings– Presentation of Results

5.1 Introduction

In this chapter, the data obtained from the survey questionnaire is analyzed. The statistical methods mentioned in the previous chapter were applied to the data collected. After accurate coding, the interpretation of results obtained from the commonly used computerized quantitative statistical software SPSS (Statistical Program for Social Research) is presented. The data entered into SPSS was then checked to ensure there was no inputting duplication in addition to the tests detailed below.

5.2 Types of Statistical Tests

- Descriptive Frequency Statistics
- Chi square Test of Significance
- Cronbach Alpha Test for Validity

5.2.1 Findings and Analysis - Descriptive Frequency Statistic

Detailed interpretation of the analysis of tables 5.2.2.1 to 5.2.2.4 is presented on page 70.

5.2.2.1 Age Analysis

Table 5.2.2.1 Age Analysis

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 20-30	6	3.0	3.0	3.0
2 31-40	48	23.8	23.8	26.7
3 41-50	75	37.1	37.1	63.9
4 51-60	60	29.7	29.7	93.6
5 61-70	13	6.4	6.4	100.0
Total	202	100.0	100.0	

Age

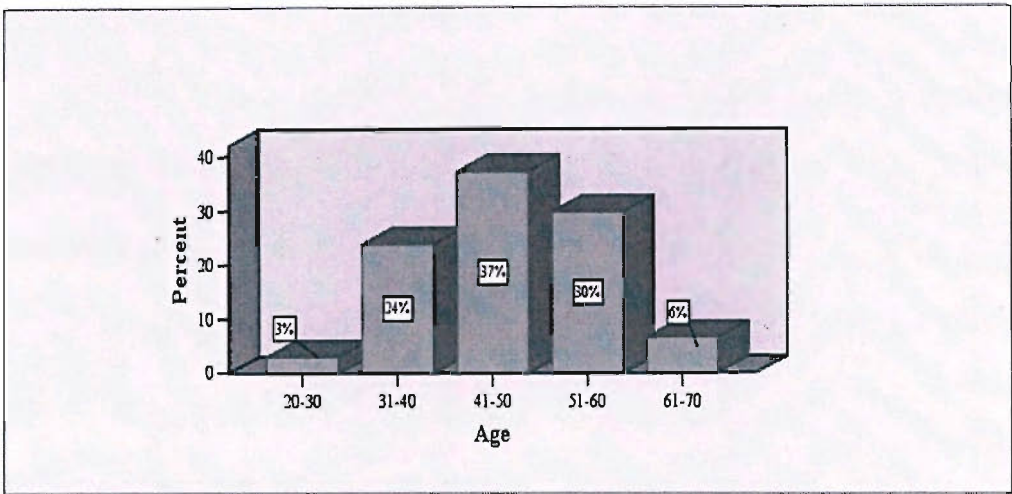


Figure 5.2.2.1 Age

The table and figure illustrates that of the 202 respondents, 3% were between the ages of 20-30; 24% were between the ages of 31-40; 37% were between the ages of 41-50; 30% were between 51-60 years and 6% were between the ages of 61-70. This shows that most actively employed individuals are in the age bracket of 41-50 years old. This category of individuals were very much part of the previous regime in terms of being active contributors to the economy.

5.2.2.2 Gender

Table 5.2.2.2 Gender

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 male	167	82.7	82.7	82.7
2 female	35	17.3	17.3	100.0
Total	202	100.0	100.0	

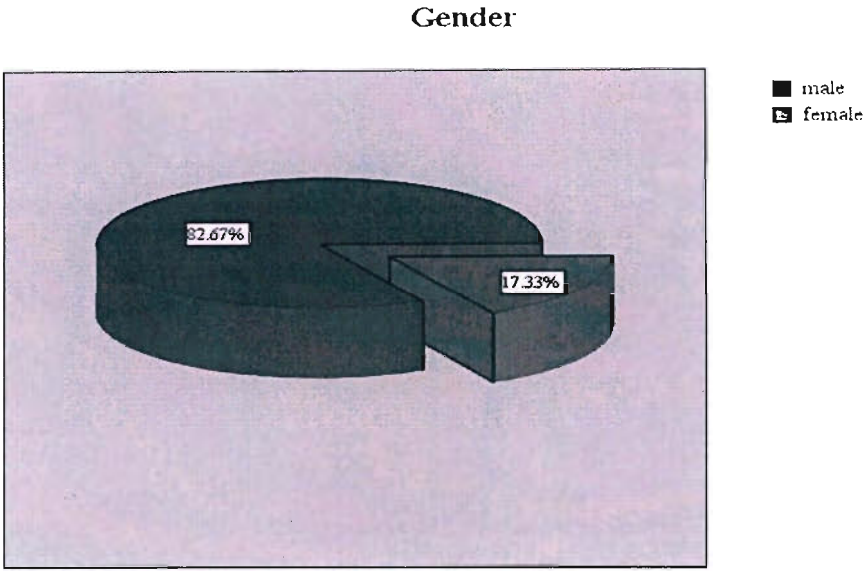


Figure 5.2.2.2 Gender

The results indicate that 83% of participants were male while female participants accounted for 17%. The sample is reflective of the mining industry in terms of gender. It can be seen that women are a very small part of the respondents suggesting that the impact of apartheid was directed to all women and not just to women of colour.

5.2.2.3 Ethnic Group

Table 5.2.2.3 Ethnic Group

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 White	142	70.3	72.1	72.1
	2 Black	49	24.3	24.9	97.0
	3 Coloured	2	1.0	1.0	98.0
	4 Indian	4	2.0	2.0	100.0
	Total	197	97.5	100.0	
Missing	System	5	2.5		
Total		202	100.0		

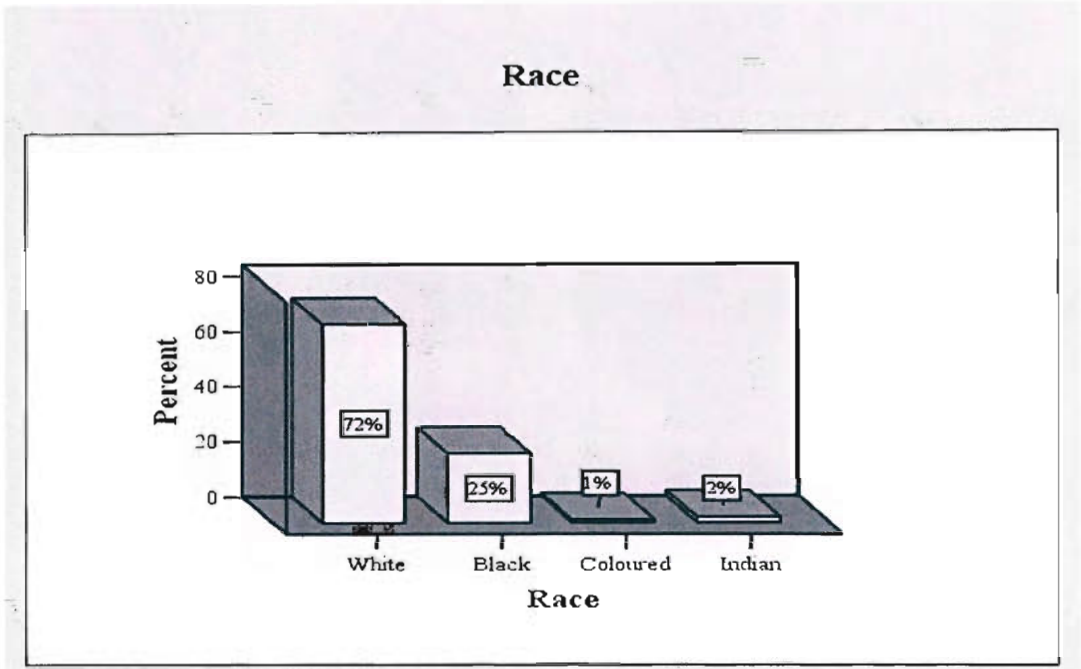


Figure 5.2.2.3 Ethnic Group

With mention of ethnic groups, 72% were whites, with 25% being black and 1% being Coloured, while 2 % are Indian. 2.5% of respondents did not answer this question. This graph is very illustrative of the effects of the previous dispensation on the mix of people in the formal working sector.

5.2.2.4 Position in Company

Table 5.2.2.4 Position in Company

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 1 Director	129	63.9	63.9	63.9
2 General Manager	44	21.8	21.8	85.6
3 Manager	23	11.4	11.4	97.0
4 Superintendent	1	.5	.5	97.5
5 Supervisor	3	1.5	1.5	99.0
6 Other	2	1.0	1.0	100.0
Total	202	100.0	100.0	

Position in Company

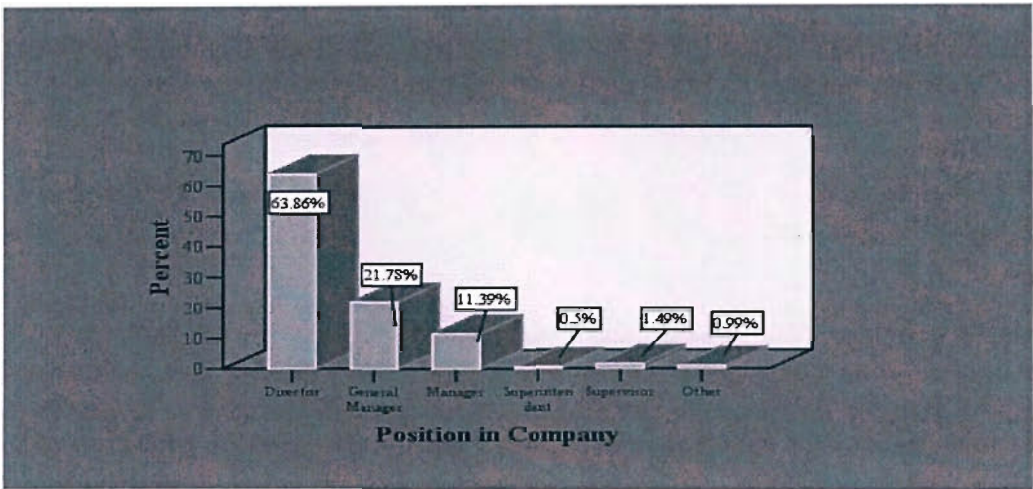


Figure 5.2.2.4 Position in Company

The above information reveals that
63.86% of respondents were Directors
21.78% were General Managers
11.39% were Managers
0.5% was Superintendents
1.49% were Supervisors, and
0.99% was other than the above categories

Interpretation of 5.2.2.1 – 5.2.2.4

The demographics illustrate that in each of the groups, the highest number of respondents were White, Male, between the age of 40-51 and in senior positions in the organization. In the South African context, the demographics of these individuals imply that they have lived and worked in both the pre and post democratic eras. These individuals were considered privileged and this study have revealed them to be in very influential positions where they are initiators and drivers of strategic polices in companies. There is a danger they may see transformation and BEE as a loss situation for them as they now have to share various aspects of both their business and personal growth with other South Africans. These individuals are key in making a lasting impact on the economy and landscape of South Africa. As much as South Africa has transformed, it appears to need more transformation in the demographical make up of senior executives in companies for BEE to truly transform South Africa and have a lasting impact. With this context set, all other analysis will be seen against this backdrop of the individuals who can be considered authoritative figures having seen both eras in South Africa and being the key drivers of change...be it good or bad.

5.2.2.5 Does your company have a BEE policy?

Table 5.2.2.5 BEE Policy

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Yes	171	84.7	85.5	85.5
	2 No	29	14.4	14.5	100.0
	Total	200	99.0	100.0	
Missing	System	2	1.0		
Total		202	100.0		

BEE Policy

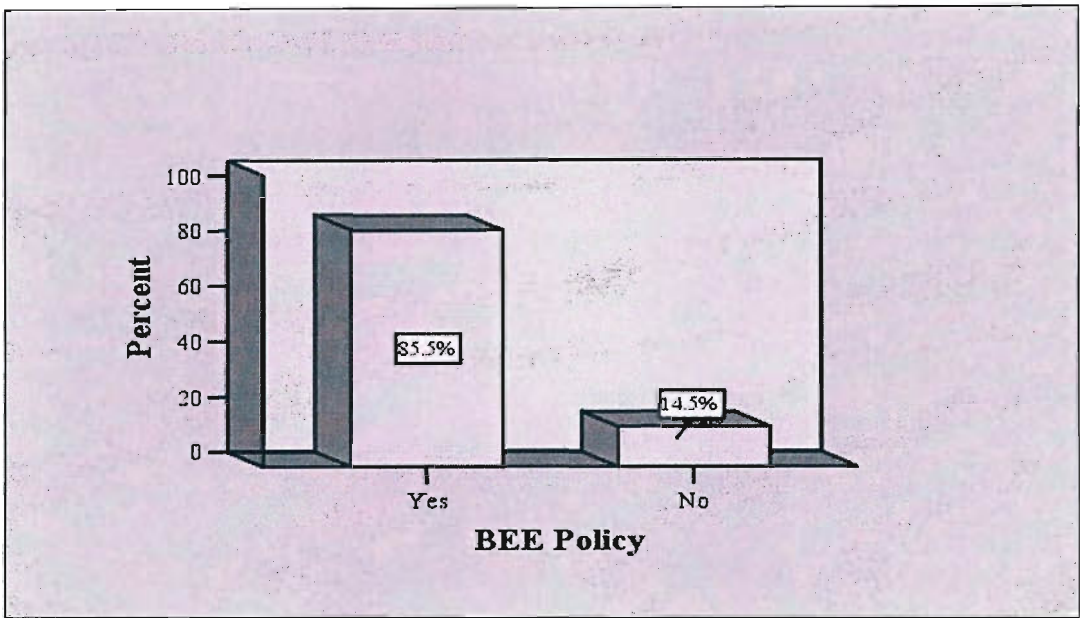


Figure 5.2.2.5 BEE Policy

With regards to the above illustration, 85.5% of respondents indicated YES to whether their company had a BEE policy while on the other hand, 14.5% indicating NO. 1% of the sample respondents did not answer the question. The interpretation of the above could imply that most individuals are aware of BEE within their organizations.

5.2.2.6 Which element of the scorecard is easiest to achieve?

Table 5.2.2.6 Elements of Charter

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.10 Ownership	45	22.3	25.4	25.4
	1.20 Management	45	22.3	25.4	50.8
	2.10 Employment Equity	36	17.8	20.3	71.2
	2.20 Skills Development	27	13.4	15.3	86.4
	3.10 Preferential Procurement	17	8.4	9.6	96.0
	3.20 Enterprise Development	1	.5	.6	96.6
	3.30 Residual Element	6	3.0	3.4	100.0
	Total	177	87.6	100.0	
Missing	System	25	12.4		
Total		202	100.0		

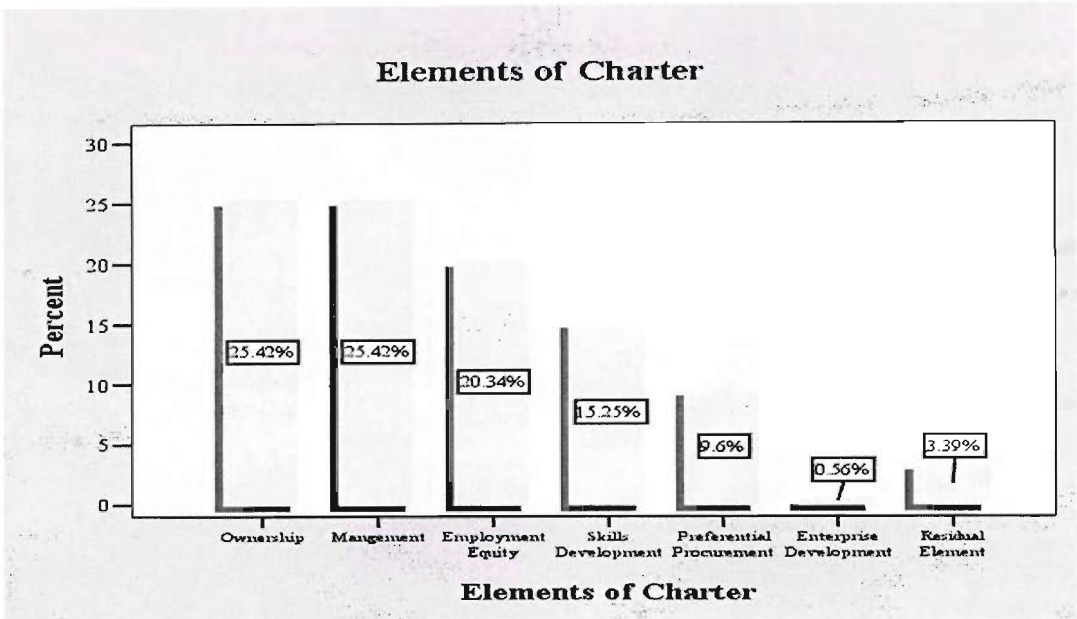


Figure 5.2.2.6 Elements of Charter

The above graph and table indicate that 25.42% of companies targeted Ownership and Management, while 20.34% targeted Employment Equity, with 15.25% targeting Skills Development. Preferential Procurement was at 9.6%, while Enterprise Development was the lowest score with 0.56% of companies targeting this element. Residual was 3.39%. 12.4% of respondents did not respond and was coded as missing data. It appears that most companies

targeted elements that are generally easier to implement for quick returns instead of more difficult elements such as Enterprise development.

5.2.2.7 Has the BEE strategy being communicated?

Table 5.2.2.7 BEE Communication

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Yes	176	87.1	88.9	88.9
	2.00 No	22	10.9	11.1	100.0
	Total	198	98.0	100.0	
Missing	System	4	2.0		
Total		202	100.0		

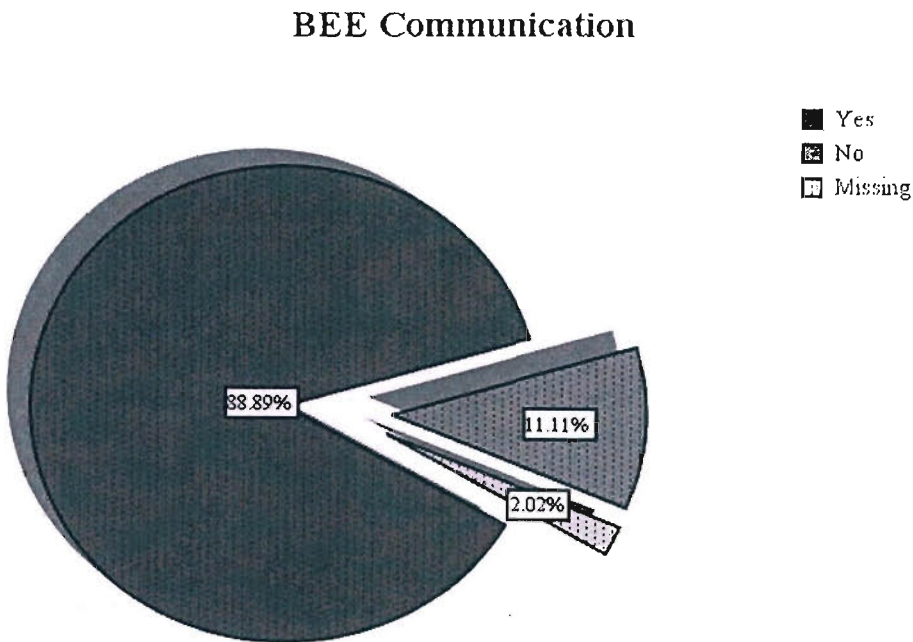


Figure 5.2.2.7 BEE Communication

88.89% of respondents indicated that BEE policies of the company were communicated to them while on the other hand, 11.11% stated that they were not informed of and BEE communication within their organization.

5.2.2.8 Who is in charge of BEE in your company?

Table 5.2.2.8 In Charge of BEE

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Board	1	.5	.5	.5
	2 CEO	8	4.0	4.2	4.7
	3 Managing Director	61	30.2	31.8	36.5
	4 Director	69	34.2	35.9	72.4
	5 General Manager	13	6.4	6.8	79.2
	6 Manager	34	16.8	17.7	96.9
	7 Other	6	3.0	3.1	100.0
	Total	192	95.0	100.0	
Missing	System	10	5.0		
Total		202	100.0		

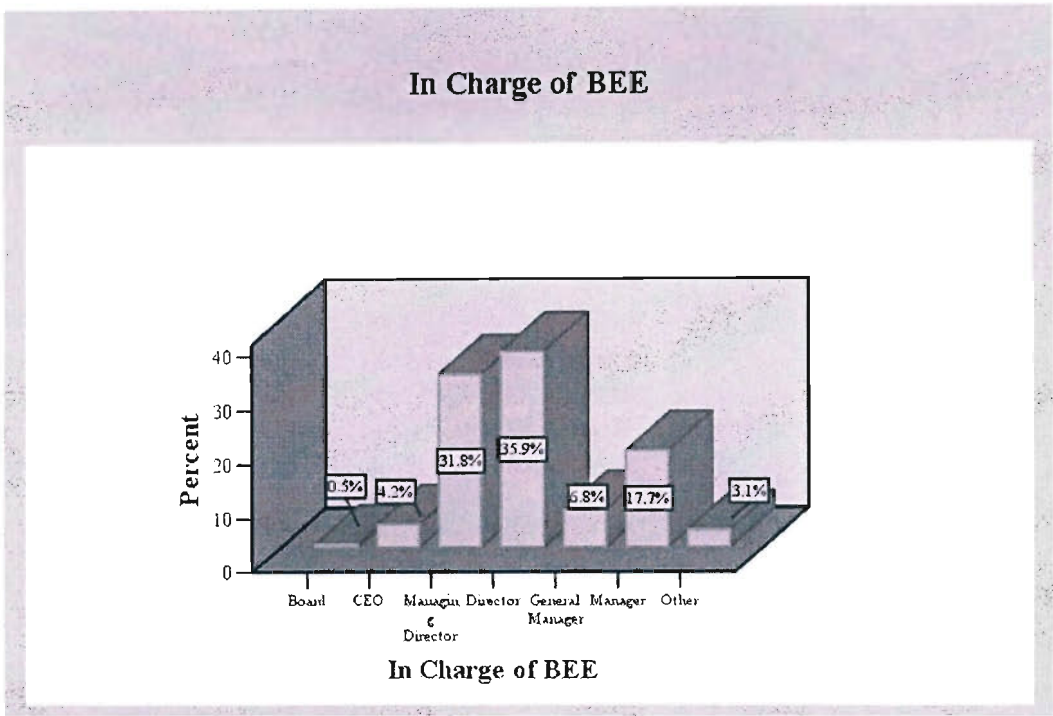


Figure 5.2.2.8 In Charge of BEE

Indication of the respondents to who was in charge of BEE suggests that senior executive management is not directly in charge of BEE to a large extent. Senior management at an operational level is more in charge of BEE. These individuals play important roles to ensure the implementation of BEE.

5.2.2.9 Do you understand what BEE is about?

Table 5.2.2.9 BEE Understanding

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Not at All	1	.5	.5	.5
	2.00 Vaguely	11	5.4	5.6	6.1
	3.00 Working Knowledge	78	38.6	39.6	45.7
	4.00 Very Good Understanding	94	46.5	47.7	93.4
	5.00 Considered an Expert	13	6.4	6.6	100.0
Total		197	97.5	100.0	
Missing	System	5	2.5		
Total		202	100.0		

BEE Understanding

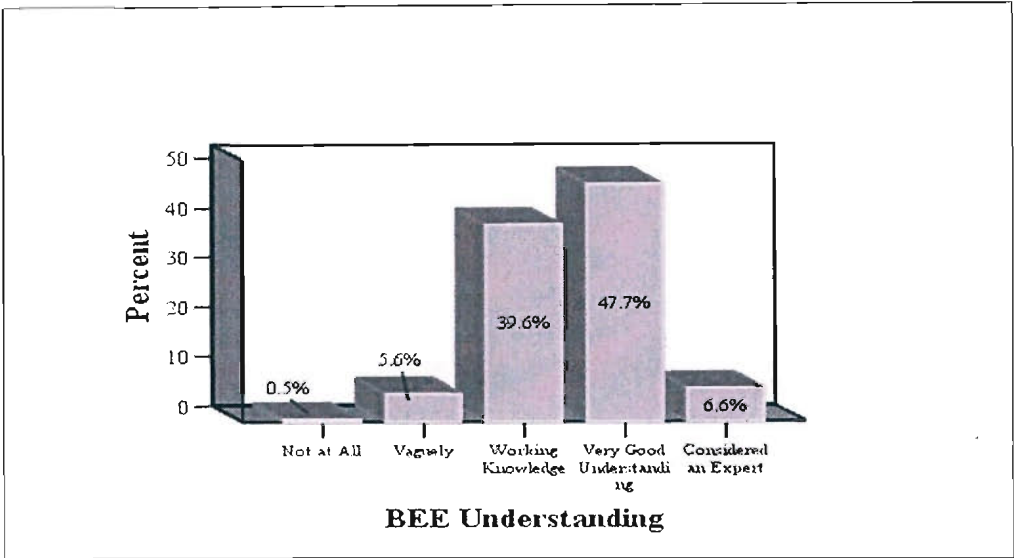


Figure 5.2.2.9 BEE Understanding

With regards to the above statement, 0.5% did not know about BEE at all, with 5.6% stating that they had a vague idea of it and 39.6% acknowledging a working knowledge. 47.7% had a very good understanding with 6.6% considering themselves as experts. Although many respondents believed they have a working knowledge of BEE, this is a subjective answer as opinions differ from one individual to another.

5.2.2.10 What change management your company been through to implement BEE?

Table 5.2.2.10 Change Management

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Formal Process	66	32.7	34.7	34.7
	2.00 Informal ad-hoc Process	124	61.4	65.3	100.0
	Total	190	94.1	100.0	
Missing	System	12	5.9		
Total		202	100.0		

Change Management

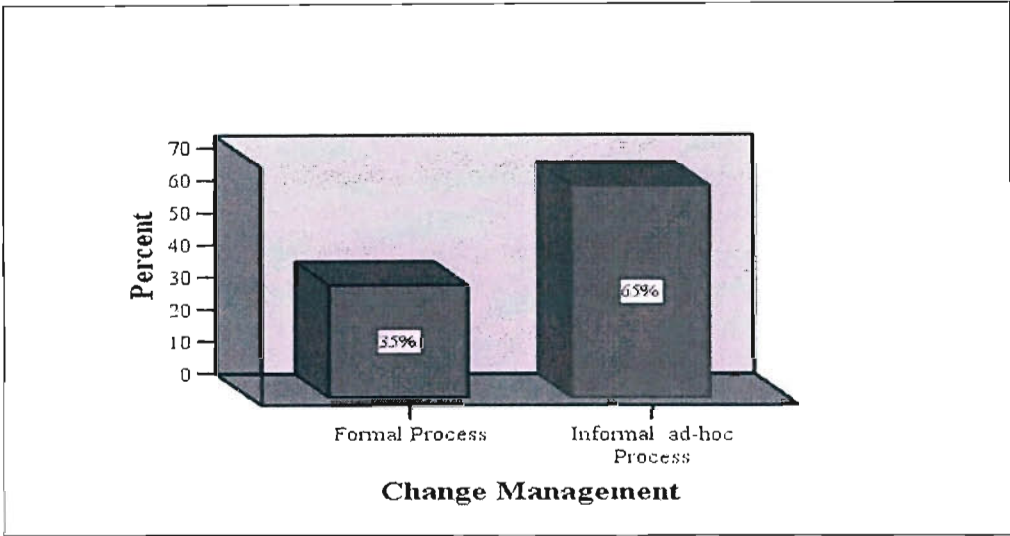


Figure 5.2.2.10 Change Management

From the table and figure above, 35% of respondents indicate that their company has a formal process for BEE which 65% stated that there was an informal ad-hoc process in place in their organization. 5.9% represented missing data and was coded as such. This picture illustrates that informal ad-hoc processes are mostly followed suggesting that BEE is not taken seriously or the change management process would have been more formal.

5.2.2.11 How supportive is your team of BEE implementation?

Table 5.2.2.11 Staff Support

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Very Resistant	3	1.5	1.5	1.5
	2.00 Somewhat Resistant	26	12.9	13.1	14.6
	3.00 No Change	50	24.8	25.3	39.9
	4.00 Supportive	102	50.5	51.5	91.4
	5.00 Very Supportive	17	8.4	8.6	100.0
Total		198	98.0	100.0	
Missing	System	4	2.0		
Total		202	100.0		

Staff Support

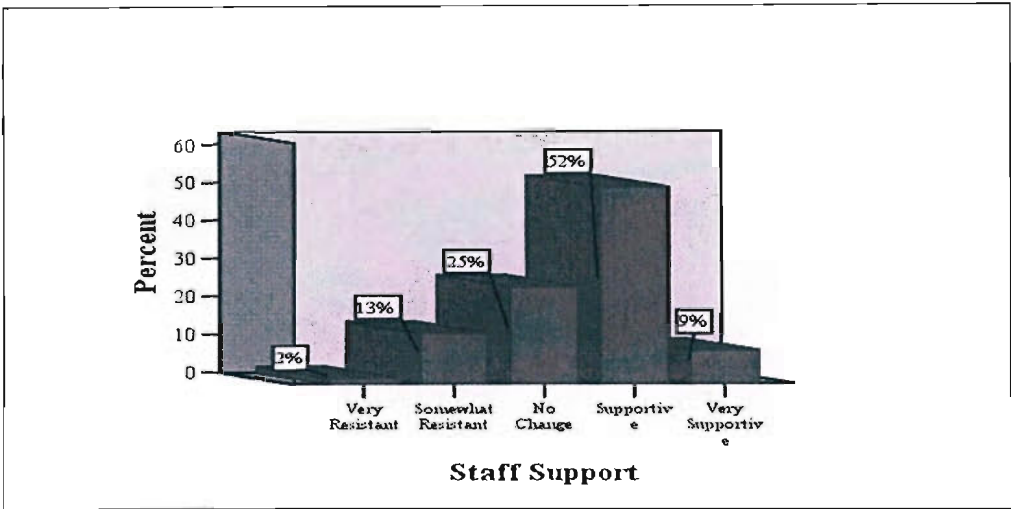


Figure 5.2.2.11 Staff Support

In relation to the above question and the subsequent table and graph, 2% of respondents found that their team was very resistant to accommodating BEE requirements, with 13% being somewhat resistant. 25% of the respondent saw no change in their team and 52% indicated that their teams were supportive. 9% of respondents felt that their teams were very supportive.

5.2.2.12 What changes has your company made to accommodate BEE requirements?

Table 5.2.2.12 Changes made to Implement

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 No Changes	31	15.3	15.7	15.7
	2.00 Some Changes	107	53.0	54.3	70.1
	3.00 Many Changes	59	29.2	29.9	100.0
Total		197	97.5	100.0	
Missing	System	5	2.5		
Total		202	100.0		

Changes made to Implement

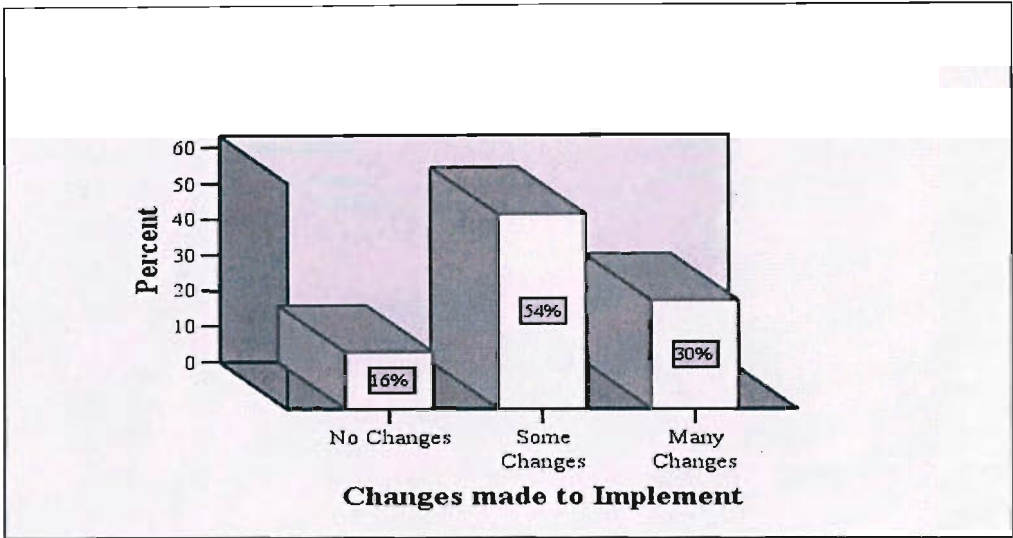


Figure 5.2.2.12 Changes made to Implement

The above table and figure, indicate that respondents were of the view that 16% saw no changes in implementation of BEE, 54% saw some changes while 30% indicated many changes within their organization to implement BEE. The above data suggests that most individuals in companies have seen many changes for BEE within their organizations that would not have been implemented if BEE was not an issue.

5.2.2.13 How difficult is it to find suitable BEE suppliers?

Table 5.2.2.13 Find BEE Suppliers

			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00	Very Difficult	25	12.4	12.6	12.6
	2.00	Difficult	108	53.5	54.3	66.8
	3.00	No Difference	57	28.2	28.6	95.5
	4.00	Easy	9	4.5	4.5	100.0
	Total		199	98.5	100.0	
Missing	System		3	1.5		
Total			202	100.0		

Find BEE Suppliers

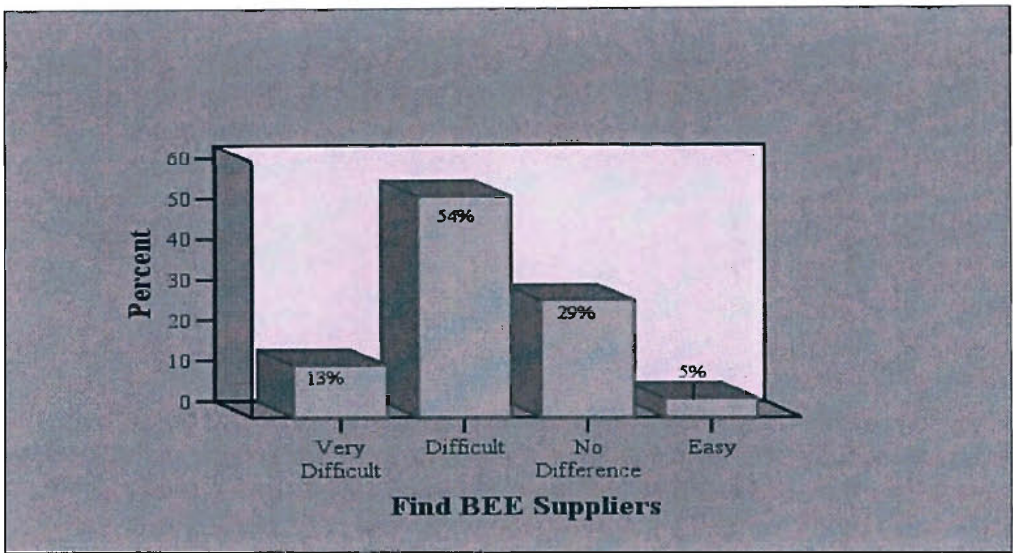


Figure 5.2.2.13 Find BEE Suppliers

In answering the above, 13% indicated that it was very difficult to find suitable BEE suppliers, while 54% found it difficult. 29% did not find any difference from finding other suppliers and 5% indicated that it was easy to find suitable BEE suppliers. This suggests that most respondents already were of the mind-set that finding BEE suppliers are difficult and this perception is possibly carried throughout their dealings with BEE suppliers.

5.2.2.14 How difficult is it to comply with your customers BEE requirements?

Table 5.2.2.14 Compliance to Customer Requirements

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Very Difficult	19	9.4	9.6	9.6
	2.00 Difficult	101	50.0	51.3	60.9
	3.00 No Difference	40	19.8	20.3	81.2
	4.00 Easy	37	18.3	18.8	100.0
Total		197	97.5	100.0	
Missing	System	5	2.5		
Total		202	100.0		

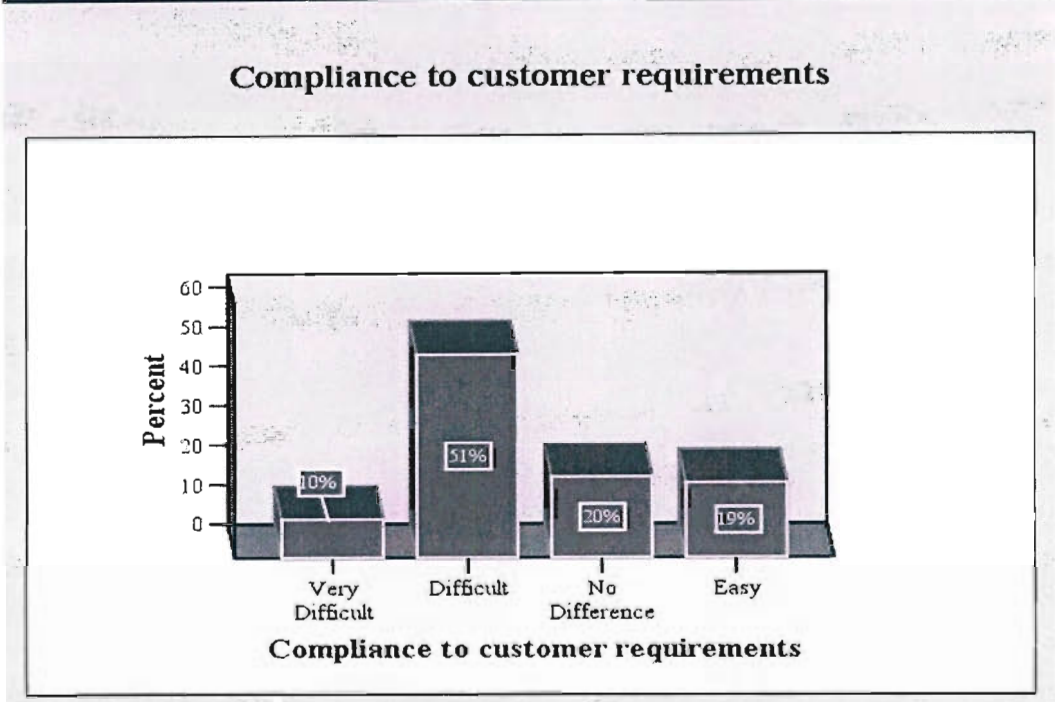


Figure 5.2.2.14 Compliance to Customer Requirements

The statistics reveal that 10% of the respondents indicated that it was very difficult to comply with customer BEE requirements, while 51% admitted to it being difficult. 20% felt that there was no difference with 19% stating that it was easy. Due to most respondents indicating that complying to their customer BEE requirements is difficult, they are suggesting that they will do as much as possible to make compliance easier...even go to the extent of having BEE policies for business sake.

5.2.2.15 Does your company have a strategy for developing BEE suppliers?

Table 5.2.2.15 Strategy for Supplier Development

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 YES	57	28.2	29.1	29.1
	2.00 NO	127	62.9	64.8	93.9
	3.00 Don't Know	12	5.9	6.1	100.0
	Total	196	97.0	100.0	
Missing	System	6	3.0		
Total		202	100.0		

Strategy for supplier development

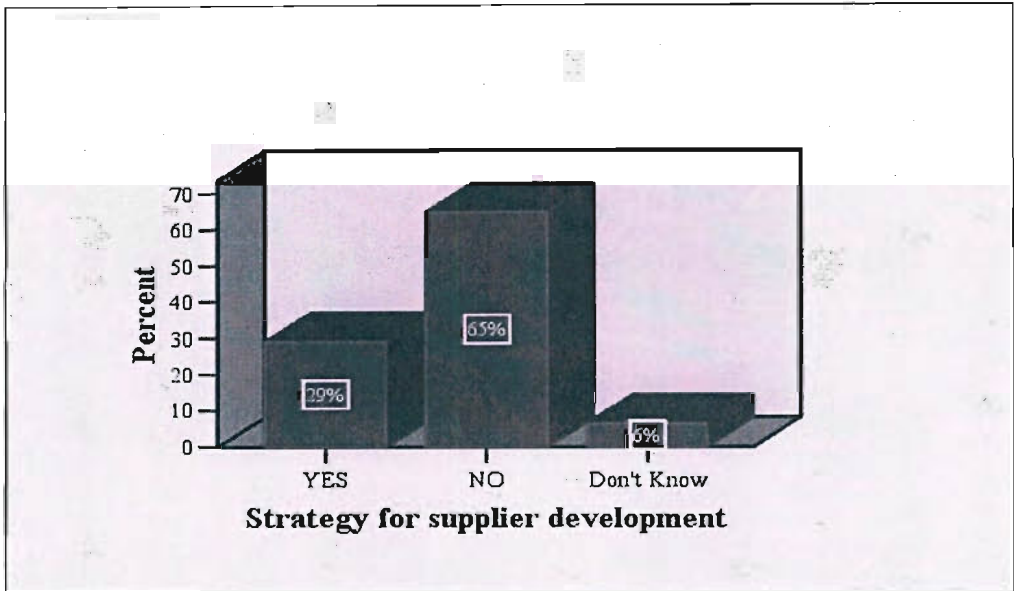


Figure 5.2.2.15 Strategy for Supplier Development

The results indicate that 29% of the respondents stated "Yes" to having a BEE supplier strategy in place with 65% indicating No, while 6% did not know if they had a policy. Developing suppliers is one of the many ways to ensure BEE impacts at the grass roots level. Since the majority does not have strategies, they do not see much value in implementing one.

5.2.2.16 Was BEE implementation a costly exercise?

Table 5.2.2.16 BEE Implementation Costly

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 YES	126	62.4	65.3	65.3
	2.00 NO	25	12.4	13.0	78.2
	3.00 Don't Know	42	20.8	21.8	100.0
	Total	193	95.5	100.0	
Missing	System	9	4.5		
Total		202	100.0		

BEE implementation costs

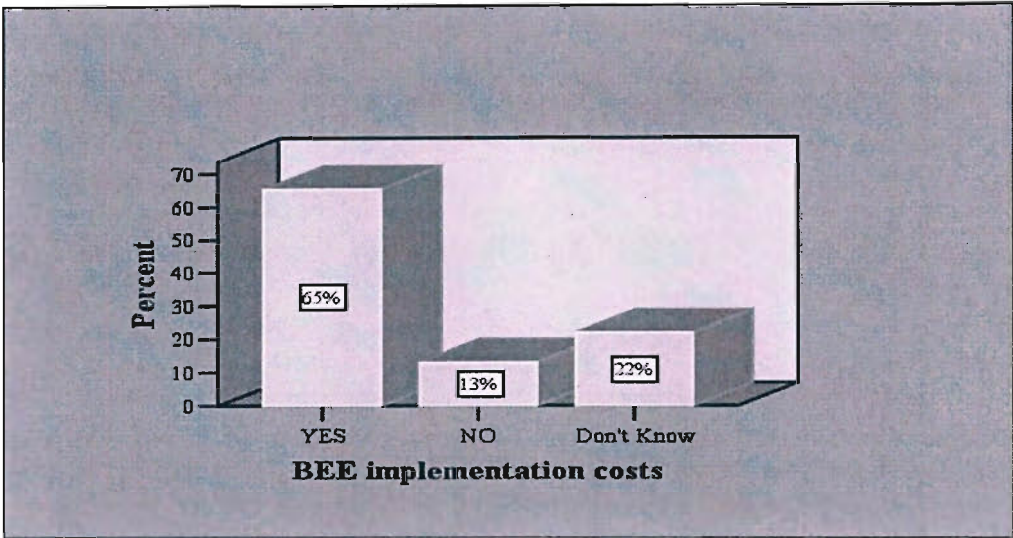


Figure 5.2.2.16 BEE Implementation Costs

65% of respondents indicated that BEE implementation was a costly exercise with a further 13% stating that it was not a costly exercise to implement BEE. 22% did not seem to know. This suggests that as BEE is seen to be a costly undertaking, organizations may be reluctant to execute BEE policies and procedures.

5.2.2.17 Do you see BEE as having a lasting impact?

Table 5.2.2.17 BEE Lasting Impact

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Yes	104	51.5	52.0	52.0
	2.00 No	56	27.7	28.0	80.0
	3.00 No Opinion	40	19.8	20.0	100.0
	Total	200	99.0	100.0	
Missing	System	2	1.0		
Total		202	100.0		

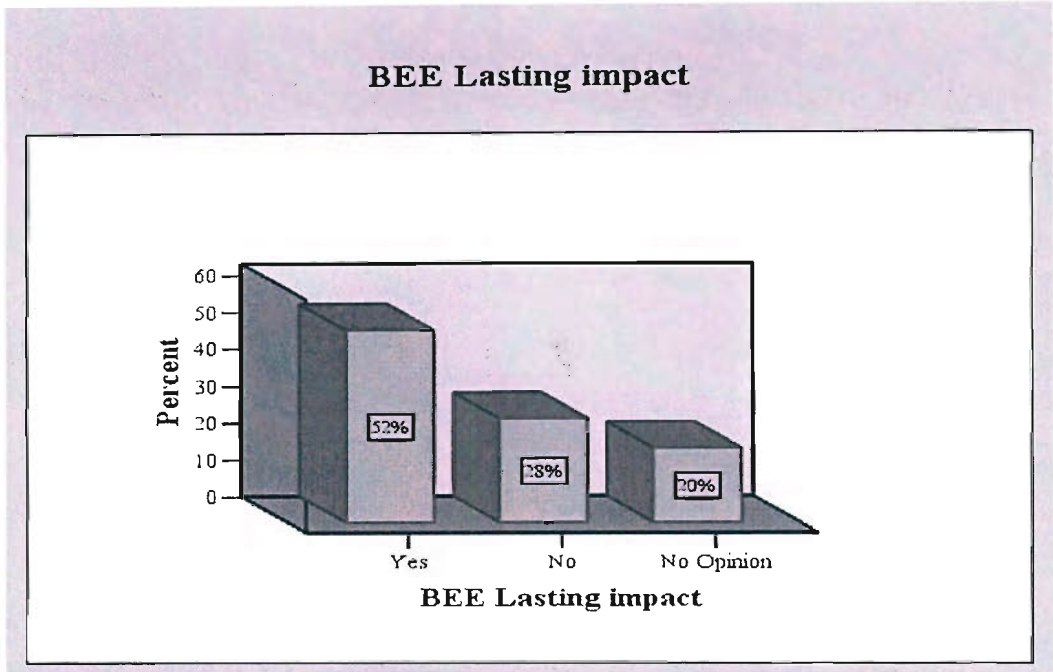


Figure 5.2.2.17 BEE Lasting Impact

BEE has a lasting impact as indicated by 52% of the respondents. 28% indicated No and 20% had no opinion on this question. Although many respondents see BEE as having a lasting impact, a significant number also thought that BEE will not have a lasting affect which could impact on the long term sustainability of BEE in South Africa.

5.2.2.18 Does your company have specific targets for BEE?

Table 5.2.2.18 BEE Targets

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Yes	141	69.8	70.9	70.9
	2.00 No	58	28.7	29.1	100.0
	Total	199	98.5	100.0	
Missing	System	3	1.5		
Total		202	100.0		

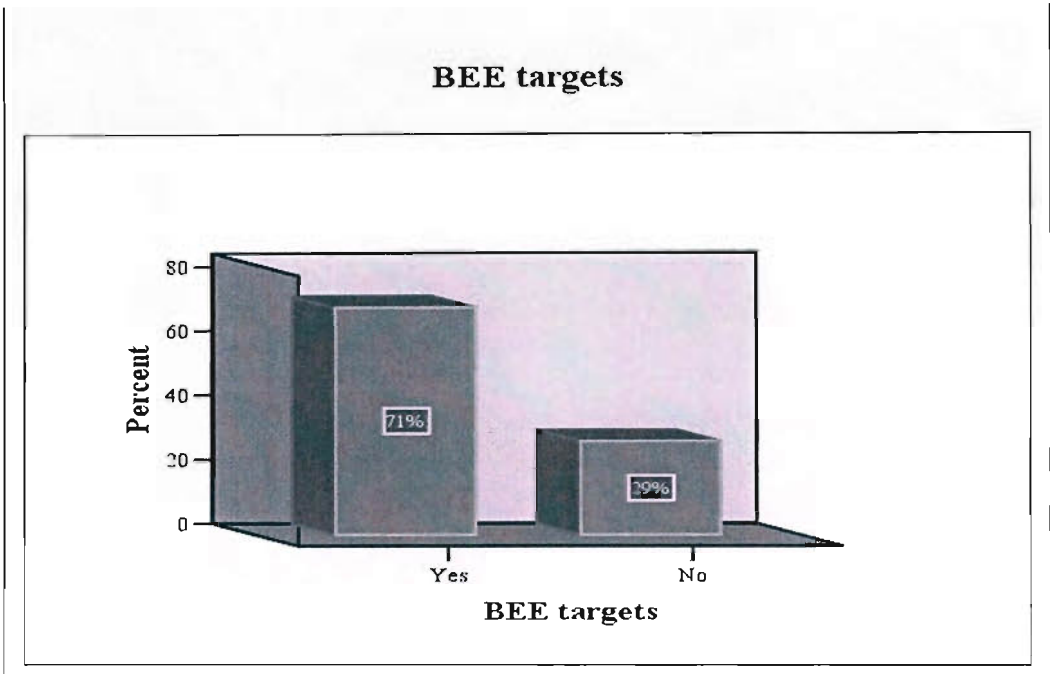


Figure 5.2.2.18 BEE Targets

It can be concluded from the above table and graph, 71% of respondents stated that they had BEE targets with 29% indicating that there were no BEE targets in their company. To have BEE targets is important to implement BEE in a focus manner. Without targets, there is not real effort or reason to put BEE into practice.

5.2.2.19 How would you describe the culture of your organization?

Table 5.2.2.19 Culture

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Hostile	1	.5	.5	.5
	2.00 Friendly	39	19.3	19.5	20.0
	3.00 Team Oriented	77	38.1	38.5	58.5
	4.00 Fun	6	3.0	3.0	61.5
	5.00 Hard Working	70	34.7	35.0	96.5
	6.00 Tolerant	7	3.5	3.5	100.0
	Total	200	99.0	100.0	
Missing	System	2	1.0		
Total		202	100.0		

Culture

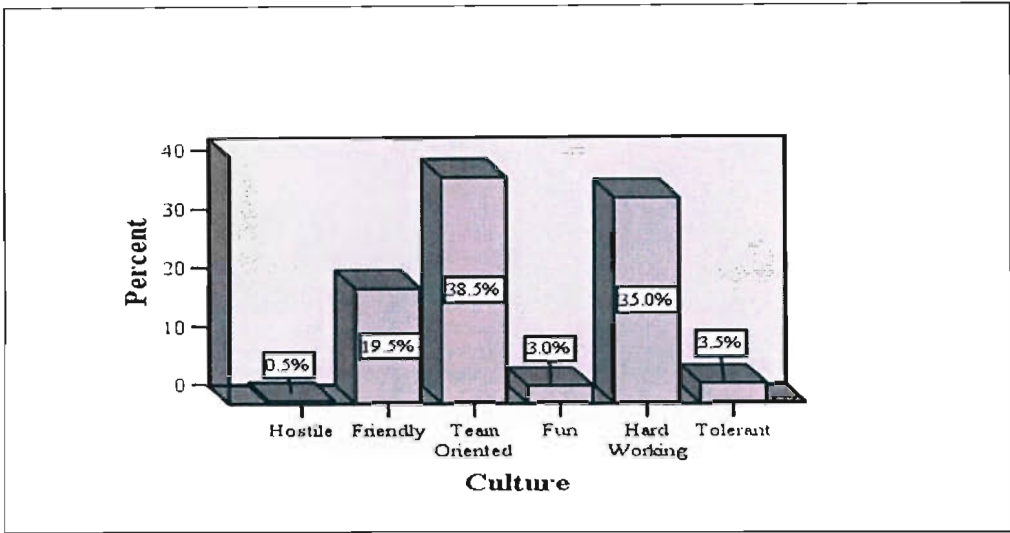


Figure 5.2.2.19 Culture

With regards to above graph, 0.5% of respondents felt that their organizational culture was hostile, while 19.5% though that their culture could be seen as friendly. Also 38.5% saw their organizational culture as being team oriented. 3% thought their company was fun with a further 35% claiming that their organizational culture could be perceived as hardworking. Finally 3.5% believed that their organizational culture was tolerant.

5.2.2.20 How would you describe the leadership in your company?

Table 5.2.2.20 Leadership

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1.00 Visionary	24	11.9	12.0	12.0
	2.00 Operational	99	49.0	49.5	61.5
	3.00 Strategic	65	32.2	32.5	94.0
	4.00 Tactical	10	5.0	5.0	99.0
	5.00 Poor	1	.5	.5	99.5
	6.00 Cannot Say	1	.5	.5	100.0
	Total	200	99.0	100.0	
Missing	System	2	1.0		
Total		202	100.0		

Leadership

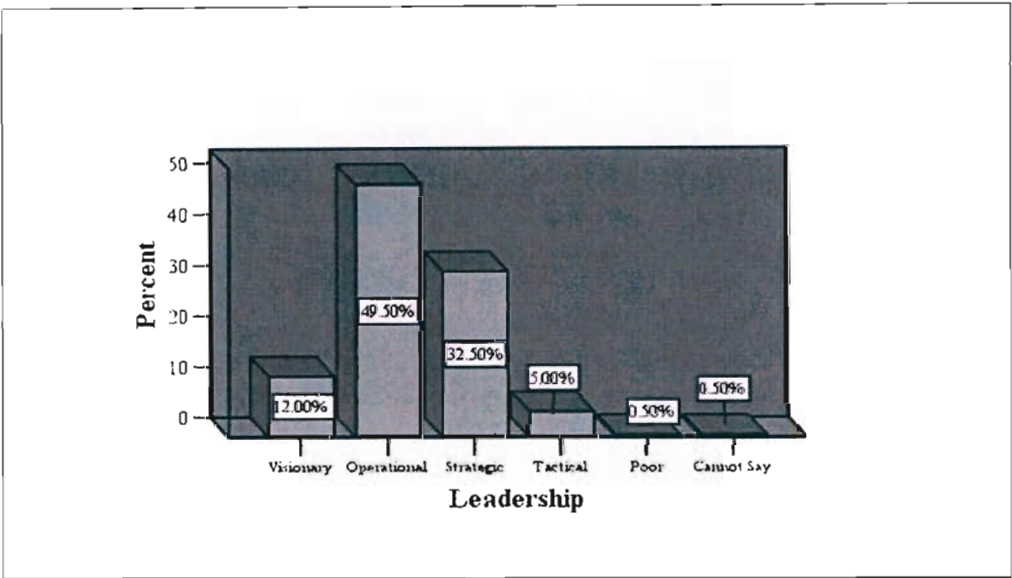


Figure 5.2.2.20 Leadership

12% of respondents believed that the leadership in their company was visionary with 49.5% stating that the leadership was operationally focused. 32.5% thought their leadership was at a tactical level and 0.5% stating poor leadership in their company. Another 0.5% indicated that they could not say what type of leadership was in their company.

5.3 Chi-Square or Fisher Exact Tests

All chi-square tests are detailed in full in the appendix.

Chi square is a non-parametric test of statistical significance for bivariate tabular analysis (also known as cross-tabulation). Any appropriately performed test of statistical significance lets you know the degree of confidence you can have in accepting or rejecting a hypothesis. The Chi-Square Test procedure tabulates a variable into categories and computes a chi-square statistic. This goodness-of-fit test compares the observed and expected frequencies in each category. A chi-square probability of .05 or less is commonly interpreted by social scientists as justification for rejecting the null hypothesis that the row variable is unrelated (that is, only randomly related) to the column variable. The Fisher exact test of significance is used in place of the chi-square test in 2-by-2 tables. Fisher's exact test directly computes p automatically in SPSS when the data is in a 2-by-2 format (Connor-Linton, 2003).

Some key assumptions that were made when using chi square or Fishers Exact tests are:

- Random sample data are assumed. In this study the sample is random.
- Adequate cell sizes are also assumed. A common rule is 5 or more in all cells of a 2-by-2 table, and 5 or more in 80% of cells in larger tables. All cells in the study were calculated and only tests meeting this criteria were analyzed as higher any calculations with expected cell count of more than 20% was discarded as being invalid

No assumption is made about level of data. Nominal, ordinal, or interval data may be used with chi-square tests. In this study, almost all data was categorical or interval making the chi square tests the test of choice (Connor-Linton, 2003).

Interpretation: Chi-square Tests

1. If the p value is less than or equal $p \leq 0.05$, then there *IS* a statistically significant relationship and implies an association between the variables being tests.
2. If the p value is greater than $p \geq 0.05$, then there is *NO* statistically significant relationship and implies that there is no association between the variables

Table 5.3.1 BEE Policy Chi Square Tests

Variables being Tested	Tests Performed	Value	df	Asymp. Sig. (2-sided)
BEE Policy Vs BEE value add	Pearson Chi-Square	12.563(a)	2	.002
BEE Policy Vs BEE Lasting impact	Pearson Chi-Square	9.299(a)	2	.010
BEE Policy Vs BEE implementation costs	Pearson Chi-Square	15.503(a)	2	.000
BEE Policy Vs BEE supplier role in company	Pearson Chi-Square	6.772(a)	2	.034
BEE Policy Vs Strategy for supplier development	Pearson Chi-Square	13.118(a)	2	.001

Interpretation of Table 5.3.1

BEE policy in organizations is seen to be value adding with a lasting impact. This is illustrated in tests where the p value of 0.002 and 0.010 respectively are lower than the p value of 0.05 which portrays a significant association. However, organizations also see BEE as being a costly policy to implement with a p value of 0.000 showing a significant association. Furthermore, organizations see BEE policies as being important as they also assist with ensuring that suppliers are seen to play an important role in the firm and the firm should also develop strategies for supplier development. This is evident through the chi square test with results of p 0.034 and 0.001 respectively being lower than p equals 0.05. Many organizations that supply goods and services to the mining industry in South Africa have BEE policies and in principle agree as shown in chi square tests performed. There appears to be a general belief that BEE has many positive aspects and although is costly to implement, has value to add to the organization and that BEE will have a lasting impact.

Table 5.3.2 BEE Policy Chi Square Tests

Variables being Compared	Tests Performed	Value	df	Asymp. Sig. (2-sided)
BEE Policy Vs Pressure from customers for BEE strategy	Pearson Chi-Square	7.881(a)	2	.019
BEE Policy Vs BEE for customer needs	Pearson Chi-Square	25.447(a)	2	.000

Interpretation of Table 5.3.2

Although many companies have BEE policies, there appears to be a significant association between organizations having BEE policies due to pressure from their customers (in this study, this would be the mining companies in South Africa). The p value of 0.019 of a chi square test performed for BEE policies show that policies are being put in place by companies

as they are under pressure from their customers and there appears to be a significant association as revealed by the chi square tests performed. This is further justified by a very significant association (p equals 0.000) between companies having BEE policies to meet customer needs. These two important tests show that although organizations may believe in theory that BEE is a good policy to have, it maybe driven by outside influences and not internal belief in BEE. This pattern of behaviour could be detrimental to the overall success of the BEE initiative in South Africa.

Table 5.3.3 BEE Policy Fisher Exact Tests

Variables Compared	Tests Performed	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
BEE Policy Vs BEE targets	Pearson Chi-Square	23.187(b)	1	.000		
	Fisher's Exact Test				.000	.000
BEE Policy Vs In-charge	Pearson Chi-Square	10.529(b)	1	.001		
	Fisher's Exact Test				.003	.002
BEE Policy Vs Staff Support (BEE)	Pearson Chi-Square	15.677(b)	1	.000		
	Fisher's Exact Test				.000	.000

Interpretation of Table 5.3.3

The above test describe that BEE policies can only be successfully deployed if the person in charge of BEE is committed and believes in BEE as an important strategic policy as shown by the Fisher exact test where the p value is 0.003 being lower than p of 0.05. For BEE policies to be successfully implemented BEE targets must be set and there is a strong relationship between having BEE policies and BEE targets in a firm with the p value being 0.000 shows a significant association between the two variables. Without internal employee (staff) support almost any strategy will fail and BEE policy is no exception, and possibly exposed to more resistance than any other policy due to the sensitive nature of the ideal being addressed. Successful deployment of a BEE policy will need staff support for the policy roll

out internally. This is the case with the p value of the Fishers exact test being 0.000 and less than p equals to 0.05.

Table 5.3.4 BEE Communication Fisher Exact Tests

BEE Communications Vs BEE Support	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.975(b)	1	.008		
Fisher's Exact Test				.012	.009

Interpretation of Table 5.3.4

The above Fisher's Exact Test (Chi-square test) results indicates a p value of 0.012, which is less than 0.05, resulting in there being a statistically significant relationship between BEE communications and BEE support. These two variables appear to be dependent on each other. Zero cells had a count less than 5 which would have invalidated this test. This test shows that if BEE is communicated internally, then it will be supported by all employees of the company.

Table 5.3.5 In-Charge Chi Square Tests

Variables being Compared	Tests	Value	df	Asymp. Sig. (2-sided)
In-charge Vs Pressure from customers for BEE strategy	Pearson Chi-Square	7.469(a)	2	.024
In-charge Vs BEE value add	Pearson Chi-Square	2.357(a)	2	.308
In-charge Vs BEE for customer needs	Pearson Chi-Square	19.200(a)	2	.000
In-charge Vs BEE implementation costs	Pearson Chi-Square	29.966(a)	2	.000

Interpretation of Table 5.3.5

Variables being compared are in relation to leadership and in establishing if there is a significant association between the people in charge of BEE in the organization and those seen to be in leadership positions and could be called the BEE leader. From several chi square tests performed the results are as follows:

- Pressure from customers for BEE strategy where the p value of 0.024
- BEE value-add where the p value is 0.308 and is greater than 0.05.
- BEE for customer needs has a p value of 0.000 showing a significant association since it is less than p equals to 0.05.
- Implementation costs of BEE have a p value of 0.000 showing a significant association as it is less than p equals 0.05.

The test results illustrate that leaders in organizations see the need for BEE. However they appear to be driven by customers BEE requirements and believe that implementing BEE is a costly exercise and furthermore, do not see much value add being generated from having a BEE policy. Although leaders believe that a BEE strategy is necessary, they seem to have a policy because there is pressure from customers to have a policy.

Table 5.3.6 In-Charge Fisher Exact Tests

Variables being Compared	Tests	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
In-charge Vs BEE Implementation	Pearson Chi-Square	3.277(b)	1	.070		
	Fisher's Exact Test				.083	.063
In-charge Vs BEE Policy	Pearson Chi-Square	10.529(b)	1	.001		
	Fisher's Exact Test				.003	.002
In-charge Vs Role of BEE Supplier	Pearson Chi-Square	2.322(b)	1	.128		
	Fisher's Exact Test				.136	.092
In-charge Vs Change Management	Pearson Chi-Square	.391(b)	1	.532		
	Fisher's Exact Test				.602	.324

Interpretation Table 5.3.6

The Fisher’s exact tests in the above table demonstrate that organizations believe that to have a BEE policy is necessary (*p* value is 0.002 which shows a significant association as it is less than *p* equals 0.05) but do not appear to implement BEE nor is there any significant association between leadership driving any change management to implement BEE (*p* value of 0.63 is greater than *p* equals to 0.05 illustrating that there is no significant association between leadership and implementation being driven by leaders).

From these scores, it can be deduced that leadership within the organization is not driving the implementation of BEE since there appears to be no significant relationship between BEE leadership in an organization and the key implementation variables. This feeling is reiterated by leaders (in-charge) not seeing any value to having suppliers playing a key role in their organizations as the *p* value of 0.092 is greater than *p* equals 0.05 showing no association between the two variables. Seeing suppliers as having a role to play in the organization would show that BEE is actually an operational policy as well as a strategic policy. At present, it appears to be only a strategic policy but has no implementation plan to drive it at

an operational level with no change management being driven by the people in-charge of BEE since the chi square test of p at 0.324 being greater than p equals 0.05 showing no significant association between the two variables.

Table 5.3.7 Change Management Chi Square Tests

Variables being Compared	Tests Performed	Value	df	Asymp. Sig. (2-sided)
Change Management Vs BEE value add	Pearson Chi-Square	5.830(a)	2	.054
Change Management Vs BEE strategy necessary	Pearson Chi-Square	1.611(a)	2	.447
Change Management Vs BEE supplier role in company	Pearson Chi-Square	4.024(a)	2	.134
Change Management Vs Compliance to customer requirements	Pearson Chi-Square	8.940(a)	3	.030

Interpretation of Table 5.3.7

For BEE strategies to be successfully implemented with lasting results, change management within the firm must be carried out in such a manner that all stakeholders internally and external to the firm are aware of the changes. The test in the above table depicts the picture between the Change management variable and;

1. BEE value add shows a p value of 0.054 which is greater than p value 0.05 signifying that there is no association between change management implementation for the benefit of BEE value to the organization.
2. BEE strategy being necessary shows a p value of 0.447 which is more than p value 0.05 describing that there is no significant association between the two variables and implies that change management is not done to enable a BEE strategy as it is not seen as being necessary by the organization
3. The role of BEE suppliers in the firm as illustrated in the chi square test show that change management is not done to accommodate a role for BEE suppliers in the company as the chi-square test value p is 0.134 which is more than p equals to 0.05. There is no significant association between these two variables
4. Compliance to customer requirements shows a p value of 0.30 being lower than p value 0.05; therefore there is a significant association between organizations that introduce change management to be compliant with customer needs. This implies that change

management is not voluntarily implementation to ensure that BEE is embraced at all levels within the organization

Table 5.3.8 BEE Lasting Impact Chi Square Test

Variables Tested	Tests Performed	Value	df	Asymp. Sig. (2-sided)
BEE Lasting impact Vs in-charge	Pearson Chi-Square	20.845(a)	2	.000
BEE Lasting impact Vs BEE Understand	Pearson Chi-Square	9.235(a)	2	.010
BEE Lasting impact Vs BEE Strategy Necessary	Pearson Chi-Square	49.227(a)	2	.000
BEE Lasting impact Vs BEE targets	Pearson Chi-Square	12.253(a)	2	.002
BEE Lasting impact Vs BEE Communication	Pearson Chi-Square	7.023(a)	2	.030
BEE Lasting impact Vs BEE support from Staff	Pearson Chi-Square	14.078(a)	2	.001
BEE Lasting impact Vs Role of BEE Supplier	Pearson Chi-Square	12.560(a)	2	.002
BEE Lasting impact Vs Pressure from customers for BEE strategy	Pearson Chi-Square	5.247(a)	4	.263
BEE Lasting impact Vs BEE for customer needs	Pearson Chi-Square	8.597(a)	4	.072

Interpretation of Table 5.3.8

The tests above portrays a significant association between BEE having a lasting impact with other key variables. The results of the tests is an indication that for BEE to have lasting and long term impact in South Africa and to make a difference to historically disadvantaged South Africans.

1. BEE must have a champion within the firm and should be in charge of the BEE strategy. There appears to be a significant association between BEE having a lasting impact and the person in charge driving the process as the *p* value is 0.000.
2. For BEE to be lasting and long term, it must be understood within the firm. There is a significant association between these two variables with a *p* value of 0.010.
3. In order for BEE to be implemented in a manner that creates a lasting legacy, a proper BEE strategy must be in place to ensure successful implementation. This test shows a *p* value of 0.000 signifying a strong association between the variables.

4. Without targets to work towards, BEE will not have a long term effect on South Africa and this is evident in the p value of the chi square test being 0.002 indicating a strong association between these variables.
5. Communication internally and externally of the firms BEE policy will ensure it is embraced and this will lead to there being a lasting effect of BEE in the company and will filter outside the firm as well. This is proven by the chi square test having a p value of 0.030.
6. Staff is key in the implementation and execution of all strategic decisions. With the right level of staff support, BEE will definitely have a lasting impact in the firm. This is seen with a p value of 0.001 for the chi square test which is significant.
7. For BEE to have a lasting impact, it cannot be contained within the firm's internal environment. It needs to be shared through communication with supplier as supplier have a key role to play in companies and are part of the external interaction the company has with its environment. BEE will have a lasting impact if suppliers are seen to have a role to play within the firm's environment. There is a significant association between these two variables as depicted by the chi square test result of the p value being 0.002.
8. however, if firms do not believe in BEE as a policy that will have a lasting impact on South Africa and make a difference to previously disadvantaged people and only implement BEE policies due to pressure from customers and to comply with customer requirements, and have the policies in place without the will to embrace BEE as a radical policy that will enhance their relationship with customers, then BEE is bound to be a failure internally in the firm and externally as well. This amounts to fronting. This appears to be the case with the chi square test showing results of p equals to 0.263 and 0.072 respectively. These are greater than p value of 0.05 showing no association between these variables.

Table 5.3.9 Changes made to Implement BEE Chi Square Tests

Changes made to Implement Vs BEE Understanding	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.142(a)	2	.000

Interpretation of Table 5.3.9

The above Chi-square test results indicate a p value of 0.000, which is less than 0.05; therefore this test reveals that there is a statistically significant relationship between understanding BEE and the changes made to implement BEE internally in the organization. Once companies understand BEE, the correct changes will be made to implement BEE in the correct manner.

Table 5.3.10 BEE Strategy as Necessary Fisher's Exact Test

BEE Strategy Necessary Vs BEE Supplier Strategy	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.479(b)	1	.011		
Fisher's Exact Test				.011	.007

Interpretation of Table 5.3.10

The above Fisher's exact test results indicate a p value of 0.011 that is less than 0.05 resulting in a significant association between an organization having a BEE Strategy and believing that it is necessary to have a BEE supplier strategy as part of the overall strategy.

Table 5.3.11 BEE Supplier Strategy Fisher's Exact Test

BEE Supplier Strategy Vs Role of BEE Supplier	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	12.069(b)	1	.001		
Fisher's Exact Test				.000	.000

Interpretation of Table 5.3.11

The Fisher's exact test results show a p value of 0.000 and this value is below 0.05; therefore it can be deduced that there is a significant association between an organization that has a BEE supplier strategy and the role of BEE supplier in that organization. Table

Table 5.3.12 BEE Implementation Fisher’s Exact Test

BEE Implémentation Vs Change Management	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square Fisher's Exact Test	1.039(b)	1	.308	.350	.214

Interpretation of Table 5.3.12

The above Fisher’s exact test results reveal a *p* value of 0.350 which is greater than 0.000 signifying that there is no relation between the implementation of BEE in a company and the change management activities that go with it. This implies that although companies have BEE policies, they do not necessarily implement any changes at an operational level.

Table 5.3.13 BEE Communication Fisher’s Exact Test

Variables being Compared	Tests Performed	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
BEE Communication Vs BEE Understanding	Pearson Chi-Square Fisher's Exact Test	1.791(b)	1	.181	.237	.135
BEE Policy Vs Change Management	Pearson Chi-Square Fisher's Exact Test	.005(b)	1	.942	1.000	.576
Change Management Vs BEE Understand	Pearson Chi-Square Fisher's Exact Test	.174(b)	1	.676	.755	.398

Interpretation of Table 5.3.13

The above Chi square tests (Fisher Exact tests for 2x2 cells) show no significant association in some key critical areas that will enable successful and lasting BEE policy and implementation within an organization. For BEE to have a lasting impact in South Africa, organizations must diligently and with intent understand BEE and put the best BEE policy in place and communicate this to their employees by implementing the correct change management procedures or it will fail. These tests also imply that BEE policies may be in place but are not acted upon and could have only been executed to the extent of having been written down on paper. This could mean that many companies to a large degree “fronting” or have BEE policies in place due to pressure from external forces. It stands to reason that if a BEE policy was put in place voluntarily, then there would be a significant association between policy, understanding, communication and change management.

However the Fisher's exact test results reveals for BEE communication and BEE understanding a p value of 0.237, which is more than 0.005. This result indicates that there is no significant relationship between BEE communication within the company and BEE understanding. A p value of 1.000 indicates that there is no significant association between organizations having BEE policies and change management being put in place to adopt BEE policies. Again, the Fisher's Exact test results indicate a p value of 0.755, which implies that there is no significant relationship between change management and understanding BEE as the p value is greater than 0.005.

5.4 Cronbach Alpha Test (Reliability Analysis)

Cronbach's alpha is to test a survey's internal consistency. It indicates the extent to which a set of test items can be treated as measuring a single latent variable. As a rule of thumb, an alpha value of 0.70 or higher indicates acceptable reliability.

Table 5.4.1 Cronbach's Reliability Test

Cronbach's Alpha	N of Items
.708	46

Cronbach's Alpha illustrates a calculation of 0.708 for internal consistency and reliability of the survey questionnaire, indicating a high degree of internal consistency and stability amongst the variable tested.

5.5 Conclusion

This chapter explores the findings and went into detail at the analysis of the results captured from the sample population. Through the analysis of the findings in this chapter, the following chapter will concentrate on the conclusion that can be drawn.

Chapter Six

Recommendations and Conclusions

6.1 Introduction

As discussed in the previous chapter, the analysis and findings will be further dissected and used to interpret the findings. This will be done in a manner that will allow for recommendations to be made based on the objective of this study as mentioned in chapter one. The recommendations talk about the importance of BEE to organizations that they must capture it as part of the mission statement or change in South Africa will not be lasting. Operational fit with strategy is an integral part of making BEE implementation a success. It should drive the right behaviours and plans internally with the support of employees and a strong leader to champion the cause. In the South African context, this is not just a business imperative, but should be seen as a moral issue against the backdrop of the previous regime. Furthermore, in this chapter conclusions will be drawn from the recommendations to fulfill the objectives of this study while adding to the body of knowledge that exists on this subject.

6.2 Recommendations

The empirical research conducted as part of this study, sought to answer the objectives set out at the beginning of the study. The following recommendations were concluded based on the findings and analysis of the empirical research. The recommendations in this paper comprehensively answer the objectives set out in chapter one and contributed to further findings that, although not part of the study were very interesting observations. Recommendation one of this paper extensively answers objectives one and two and recommendation two answers objective three.

6.2.1 Recommendation One: Operational Excellence Must Correspond with Strategic Intent to fully embrace Broad-based Black Economic Empowerment and the Codes of Good Practice

According to Collis and Montgomery (1997) corporate executives do not directly make business-level decisions. Instead, they impact the firm by laying down an administrative

content that shapes the definition, championing, and approval of decisions by managers throughout the organization. Often, some operational routines are employed to manage strategic position and operational excellence, resulting in strategic plans that are, at best, devices to control ongoing operations with little or no creativity. With BEE being a radical ground-breaking phenomenon in South Africa, a new conceptualization of strategy and a different approach to strategy formation is required.

Organizations should consider the following four areas of control for delivering an innovative strategy:-

- Assign individuals who are passionate about change and empowerment with the right skills and experience/qualifications, from the right levels of the organization, and motivated by the right incentives, are assigned to develop the strategy
- An appropriately framed mandate from the highest levels of the organization should guide the team to arrive at the resolution for BEE to pierce the very fabric of the organization
- Ensure a fitting plan is developed that speaks to the inspired ideas to be put into practice
- The require resources to accomplish the realization of this task.

Despite having BEE policies and believing that they are value adding, many companies do not appear to be able to unearth a strategic fit between strategic policy and operational roll-out of those policies.

There should be a dedicated resource committed to transformation and have the necessary power to drive change throughout the organization so BEE is felt by every individual in the organization. Progress must be made by the private sector to assist with undoing the legacy of the past and encouraging social and economic transformation. Strategy makers are the key stakeholders in companies and can unlock the potential of their company by sharing economic successes with previously disadvantaged individuals by empowering employees and suppliers to make a positive impact at grass root levels.

To begin with, few changes in business are received well and the movements to create empowered and employee-driven work environments are even harder than normal.

Empowerment offers the potential to tap into underutilized and unrealized human potential in today's increasingly complex and dynamic world. To be world class, organization must educate, enable, empower and communicate effectively. Failure to do so will result in them being unable to create a world class organization that demands equitable treatment of both its customers and suppliers. If individuals understand what BEE is about; it will be the first step in acknowledging and empathizing with suppliers and fellow employees and may go further by taking a positive view outside the organization ensuring a greater tolerance to create a lasting impact of BEE.

Key focus areas should be:-

- Understand BEE in terms of the strategic objectives and direction the organization.
- Understand the impact on business and how implementation will be measured
- The expectations of government and legislature in relation to what the company is doing.
- How BEE integrates into everyday operational and tactical processes.
- Challenge people to take full responsibility for making a difference in South Africa by understanding the challenges faced and the meaning of human freedom, the importance of initiative, and knowing that nothing happens unless they make it happen.

Operationally there are few cardinal points that organizations must pay great attention to for there to be operational fit with strategy. These will be explained in depth and forms part of the recommendation on how organizations can operationally deliver on the high level mission values through meticulous planning and control.

6.2.1.1 Communicate High Impact Strategic Policies like BBBEE to Obtain Buy-in and Support from Employees through Suitable Change Management Processes.

Formal communication and change management plans are vital to ensure successful implementation of BEE as the research findings have illustrated. In Wilfried Kruger's (2004) model, managing change within an organization is compared to an iceberg, with the management of cost, quality and time as the obvious dimensions above the waterline. While important, he points out that these are of lesser importance when compared with the more subtle but profound dimensions that lie beneath: the management of perceptions and beliefs and power and politics management. In order to get the right level of internal support for

BEE policies, organizations are obliged to provide clear understanding of what BEE is and how it fits into the strategic picture of the company.

Before individuals pledge their support for BEE the organization must actively promote BEE internally and externally and must send unambiguous messages through formal communication systems. Currently majority of organizations have informal ad-hoc plans in place for BEE change management with some changes being made to accommodate BEE requirements. Staff support is essential to ensuring the success of BEE implementation. The best intentions of BEE initiatives will be lost if individuals are not convinced of the benefits of BEE for long term sustainability.

6.2.1.2 Empowerment through Training and Knowledge

Training sessions must be conducted internally on what the impact of BEE is to the organization and will continue to have in the future so employees fully grasp the implications of BEE and be aware of the bigger picture in the South African context. In ever-changing environments, it is critical that organizations detect and quickly correct deviation from the planned strategic intentions and correct them and learn in the process to ensure sustainable knowledge transfer. A learning organization supports an incremental strategy and as long as the organization learns. Highly relevant and meaningful learning and development interventions are required to build the capacity, understanding, the level of skill and the level expertise that allows people to be empowered. Introduction of a BEE learning curriculum for new and existing staff throughout the business is essential to achieve BEE targets set by government.

6.2.1.3 Supplier Development should be seen as an Investment by organizations for Long Term Growth.

Supplier development should be seen as an investment in the economy to develop skills and capability. Within organizations, different approaches can be used depending largely on the level of supplier interaction and performance of the supplier. The process of supplier development should focus on sourcing the right supplier through a BEE supplier strategy that follows these main steps



Figure 6.1 Supplier Development Steps

Once the suppliers have been sourced and gone through the process and illustrated above, the benefits will become very tangible when the organization achieves and more often will exceeded their BEE targets. This will mean more business from customers and many respondents have indicated that their current BEE strategies are driven by customer needs and pressure from customers for BEE policies. This pressure drives the wrong behaviour in companies as it makes BEE a strategy drafted under duress.

Companies that do not believe in supplier development believe that BEE is not relevant, will not have a lasting impact nor has a role to play in the company. This attitude is detrimental to the up-liftment and empowerment of South Africa. These views are often from the people who are involved and write up their company’s BEE policies. This, in short translates into an exercise in “fronting.” Some indication of this view is that most organizations have no BEE supplier strategies, openly admit to pressure from suppliers driving their BEE policies, and have poor perceptions and opinions of dealing with BEE suppliers.

6.2.1.4 BEE Strategies need to be translated into Operational Policies with Focused Implementation Plans.

The findings of the study have proven that in theory BEE is viewed as being a very good idea. However, this seems to be where it stops. There is very little evidence in the findings to support that these strategies are translated into operational and tactical implementation plans. This again reinforces the belief that most BEE strategies and policies of many organizations are merely a paper driven exercise for the benefit of customers. The handover from strategic to operational efficiency emphasizes that firms need to be both strategically and operationally efficient. Efficient operations are key enablers of strategic efficiency.

It is imperative that the people involved in creating the strategy remain in touch throughout implementation to ensure that the strategy is successfully implemented. Furthermore, there

should be a nominated and fully empowered transformation manager to ensure the process is continued and sustained. The ability to imagine a future that does not yet exist and then to bring it to life in face of competition, will be the deciding factor in how organizations embrace BEE.

6.2.2 Recommendation Two: Strong Leadership is Mandatory to Establish Broad Based Black Economic Empowerment (BBBEE) into the Mission Statement and Organization Culture

Continued success creates strongly held assumptions and thus a strong culture. If the internal and external environments remain stable, this is an advantage. If an organization has had a long history of success with certain assumptions about itself and the environment, it is unlikely to want to challenge or reexamine those assumptions. These make it difficult for key managers to understand alternative strategies of survival and renewal (Donaldson & Lorsch, 1983). In South Africa, BEE is the alternate strategy for survival and organizations face the choice of rapid transformation of certain beliefs and resulting cultures to ensure BEE is sustainable within its structure or face losing out on business. According to Schien (1992) in this instance, organizations need strong change managers or “transformational leaders” to unfreeze the organization and launch the change necessary. The implications of leadership are multiple. The most important point is that leadership starts the change process in the first place. Leaders must also provide the psychological comfort to get their staff to embrace BEE and accept the need for change and begin the agonizing learning process that is usually involved. It is within the power of leaders to increase and enhance the diversity in their organizations and thus manipulate the direction in which the organization evolved both economically and culturally.

Enforcing BBBEE must be done in a manner that is holistic and is seen as part of the *raison d'être* of the company. The mission statement should reflect the organization's belief in BEE and should be a key part of their defining values. If companies adopt this approach to BEE, it then becomes part of their value proposition for being in South Africa. This value should be seen independently of gaining market share as it addresses a key pillar of transformation. The integrity of defining this value proposition must be the thread that is carried through the

organization and sews together the efforts of all individuals. The importance of BEE should be seen in the same light as the value of generally non-negotiable factors such as safety or environmental sustainability for BEE to have a long term lasting impact. This in turn will drive the internal culture of the organization and ensure it is all pervasive. Philosophically, organizations believe in BEE against the backdrop of South African history, but do not appear to have the resolve or strength of character to aggressively endorse and execute BEE policies. More must be done to ensure that BEE policies are given elevated position at the highest levels within the organization.

Several statistical tests on different variables show a significant relationship between organizations having BEE policies to satisfy customer compliance. Despite implementing BEE policies for the obvious reason of customer compliance, organizations should take this opportunity to implement with a significant level of sincerity and intention to empower. The knock on effect on profitability will be immense as the scorecard will reflect the credentials and commitment to building South Africa. This is the true test of character and belief that South Africa is an economy in its growth phase with great potential and a bright future ahead. The more organizations believe in BEE and implement in the right spirit, the quicker the playing fields can be leveled with all citizens competing on equal footing.

For organizations to do this, leadership plays a pivotal role in driving change and making key far reaching decisions. Based on the demographics of the respondents, they appear to be the right people in the private sector who have the power to unleash a wave of change within South Africa, with particular mention of the mining industry which is considered a key driver of the economy. All participants in this industry have a hand at re-shaping the future of South Africa into one where there is truly a pot of gold at the end of the rainbow. Leaders should be the driving force behind BEE strategies. They are after all, the driving force behind the economy. The mining industry is one of South Africa's primary industries with strategic importance. All activities related to the mining value chain and supply chain, are critical in developing a stronger environment and in creating a lasting value proposition. Mining is a mature industry that was at the cold face of the previous regime and has seen the worst and should make the most of the best South Africa has to offer. South Africa is one of the

world's leading mining countries where great leadership is rewarded by world class standards.

6.3 Other Findings

Two important finds emerged that although not part of this study, are interesting and opens the door for further study. These findings increased the depth and understanding of this very contemporary subject.

6.3.1 The Role of Government

- Leadership and organization is seriously lacking with regards to driving the BEE initiative across all industries in a uniform manner.
- The creation of the various different charters is causing confusion in the private sector and government should consider dissolving charters and make way for one over-riding legislation.
 - Organizations have difficulty complying to a particular charter and are often discouraged and give up on BEE as they operate across several industries providing a cross pollination of talent and linkages of goods and services.
- The government should consider incorporating the Mining Charter into the broad based black economic empowerment and the mining industry should follow the codes of good practice.

6.3.2 Broad based black economic empowerment balanced scorecard

- Analysis of the findings has revealed that many organizations target certain elements of the balanced scorecard they feel easiest to fulfill.
- Most organizations target the ownership and management aspects of the scorecard but by their very nature, these elements create a small closed pocket of wealth and give rise to an elite black upper-class.
- The government has recognized this and hence moved away from black economic empowerment to broad-based black economic empowerment to ensure the wealth and resources of the nation are distributed as widely as possible to touch the lives of the poor and make a positive change to their living standards.

- The study reveals that the least sought after aspect of the scorecard is enterprise development as it is not only costly to implement, but also a very time consuming exercise.
- However, this particular element of the scorecard that perhaps has the most potential to drive the entrepreneurial spirit of South Africa and ensure greater knock-on effects.

6.4 Conclusions

To conclude strategic planning originates with the formation of high level mission or statements of strategic intent, followed by more specific goals/objectives which are accomplished by action plans and programs that are implemented, as envisaged. Implicit in this model is that planning tightly couples organizational implementation into an integrated set of cascaded actions, that when performed will uphold the strategic vitality of the enterprise.

Drawing from this creation of strategic intention, the overriding objective of this study have been answered through the findings and analysis which give weight to the discovery that BEE is indeed a policy that is very much part of the strategic make up of the organization. However, it is not seen as being part of the very fiber of the organization infusing the organizational culture through direct and deliberate actions of its leaders. Forward-thinking leaders can make an impact that will be lasting and long term with robust strategic planning efforts and a proactive organizational change management plan they are in a position to understand and respond to a new environment quickly. This study should have perhaps in hindsight asked the question of whether BEE was seen as a morally defining value pillar of the mission statement.

Implementation of BEE policies at an operational level has been poorly managed and is unquestionably the driving force that will grow the wings BEE needs to fly. As a result, more attention must be paid to the operational aspect of BEE implementation as it is here that the far reaching effects begin to take shape by communicating, informing, and empowering both staff and suppliers.

Leadership is the life-line that centers all activities in the organization and ensures they stay the course. Without effective leadership any organization will lurch and sway off course. This study has shown that leaders need to be more effective and participate.

On the whole, this study has investigated, gathered, interrogated and applied rigorous means and methods to determine and establish the impact and influence broad based black economic empowerment has and will continue to have on a key industry in South Africa.

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Appendixes

Appendix One:	Chi Square Tests
Appendix Two:	Letter of Introduction for Questionnaire
Appendix Three:	Questionnaire
Appendix Four:	Thank You Letter

Appendix One: Chi-Square Tests

BEE Policy Vs BEE value add	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.563(a)	2	.002
Continuity Correction			
Likelihood Ratio	13.404	2	.001
Linear-by-Linear Association	12.027	1	.001
N of Valid Cases	197		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.77.

BEE Policy Vs BEE Lasting impact	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.299(a)	2	.010
Continuity Correction			
Likelihood Ratio	9.200	2	.010
Linear-by-Linear Association	4.381	1	.036
N of Valid Cases	198		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.86.

BEE Policy Vs BEE implementation costs	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	15.503(a)	2	.000
Continuity Correction			
Likelihood Ratio	13.915	2	.001
Linear-by-Linear Association	15.376	1	.000
N of Valid Cases	191		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 3.13.

BEE Policy Vs BEE supplier role in company	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	6.772(a)	2	.034
Continuity Correction			
Likelihood Ratio	6.052	2	.049
Linear-by-Linear Association	6.675	1	.010
N of Valid Cases	196		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 1.86.

BEE Policy Vs Strategy for supplier development	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	13.118(a)	2	.001
Continuity Correction			
Likelihood Ratio	12.722	2	.002
Linear-by-Linear Association	11.914	1	.001
N of Valid Cases	194		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 1.67.

BEE Policy Vs Pressure from customers for BEE strategy	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.881(a)	2	.019
Continuity Correction			
Likelihood Ratio	7.752	2	.021
Linear-by-Linear Association	7.839	1	.005
N of Valid Cases	197		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 4.86.

BEE Policy Vs BEE for customer needs	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	25.447(a)	2	.000
Continuity Correction			
Likelihood Ratio	22.165	2	.000
Linear-by-Linear Association	2.975	1	.085
N of Valid Cases	199		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 4.23.

BEE Policy Vs BEE targets	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	23.187(b)	1	.000		
Continuity Correction(a)	21.081	1	.000		
Likelihood Ratio	21.033	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	23.069	1	.000		
N of Valid Cases	197				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.24.

BEE Policy Vs In-charge	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	10.529(b)	1	.001		
Continuity Correction(a)	8.913	1	.003		
Likelihood Ratio	9.372	1	.002		
Fisher's Exact Test				.003	.002
Linear-by-Linear Association	10.474	1	.001		
N of Valid Cases	190				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.75.

BEE Policy Vs Staff support BEE	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	15.677(b)	1	.000		
Continuity Correction(a)	13.992	1	.000		
Likelihood Ratio	15.583	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	15.597	1	.000		
N of Valid Cases	196				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.95.

BEE Communication Vs Staff support BEE	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.975(b)	1	.008		
Continuity Correction(a)	5.734	1	.017		
Likelihood Ratio	6.852	1	.009		
Fisher's Exact Test				.012	.009
Linear-by-Linear Association	6.939	1	.008		
N of Valid Cases	194				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.64.

In-charge Vs Pressure from customers for BEE strategy	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.469(a)	2	.024
Continuity Correction			
Likelihood Ratio	7.541	2	.023
Linear-by-Linear Association	7.133	1	.008
N of Valid Cases	189		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 8.10.

In-charge Vs BEE value add	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	2.357(a)	2	.308
Continuity Correction			
Likelihood Ratio	2.350	2	.309
Linear-by-Linear Association	.862	1	.353
N of Valid Cases	189		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.83.

In-charge Vs BEE for customer needs	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	19.200(a)	2	.000
Continuity Correction			
Likelihood Ratio	17.548	2	.000
Linear-by-Linear Association	3.448	1	.063
N of Valid Cases	191		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.66.

In-charge Vs BEE implementation costs	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	29.966(a)	2	.000
Continuity Correction			
Likelihood Ratio	28.756	2	.000
Linear-by-Linear Association	28.582	1	.000
N of Valid Cases	187		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.42.

In-charge Vs BEE Implementation	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	3.277(b)	1	.070		
Continuity Correction(a)	2.438	1	.118		
Likelihood Ratio	3.038	1	.081		
Fisher's Exact Test				.083	.063
Linear-by-Linear Association	3.260	1	.071		
N of Valid Cases	188				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.36.

In-charge Vs BEE Policy	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	10.529(b)	1	.001		
Continuity Correction(a)	8.913	1	.003		
Likelihood Ratio	9.372	1	.002		
Fisher's Exact Test				.003	.002
Linear-by-Linear Association	10.474	1	.001		
N of Valid Cases	190				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.75.

In-charge Vs Role of BEE Supplier	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	2.322(b)	1	.128		
Continuity Correction(a)	1.784	1	.182		
Likelihood Ratio	2.241	1	.134		
Fisher's Exact Test				.136	.092
Linear-by-Linear Association	2.310	1	.129		
N of Valid Cases	189				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.95

In-charge Vs Change Management	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.391(b)	1	.532		
Continuity Correction(a)	.203	1	.652		
Likelihood Ratio	.387	1	.534		
Fisher's Exact Test				.602	.324
Linear-by-Linear Association	.389	1	.533		
N of Valid Cases	186				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 17.20.

Change Management Vs BEE value add	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.830(a)	2	.054
Continuity Correction			
Likelihood Ratio	5.984	2	.050
Linear-by-Linear Association	2.566	1	.109
N of Valid Cases	187		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.53.

Change Management Vs BEE strategy necessary	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.611(a)	2	.447
Continuity Correction			
Likelihood Ratio	1.767	2	.413
Linear-by-Linear Association	1.331	1	.249
N of Valid Cases	188		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 3.86.

Change Management Vs BEE supplier role in company	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.024(a)	2	.134
Continuity Correction			
Likelihood Ratio	4.225	2	.121
Linear-by-Linear Association	3.184	1	.074
N of Valid Cases	187		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 4.17.

Change Management Vs Compliance to customer requirements	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.940(a)	3	.030
Continuity Correction			
Likelihood Ratio	9.463	3	.024
Linear-by-Linear Association	.190	1	.663
N of Valid Cases	187		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.65.

BEE lasting impact Vs in-charge	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	20.845(a)	2	.000
Continuity Correction			
Likelihood Ratio	21.258	2	.000
Linear-by-Linear Association	15.131	1	.000
N of Valid Cases	190		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.13.



BEE Lasting impact Vs BEE Understand	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	9.235(a)	2	.010
Continuity Correction			
Likelihood Ratio	9.317	2	.009
Linear-by-Linear Association	6.879	1	.009
N of Valid Cases	195		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 18.46.

BEE Lasting impact Vs BEE Strategy Necessary	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	49.227(a)	2	.000
Continuity Correction			
Likelihood Ratio	50.453	2	.000
Linear-by-Linear Association	19.274	1	.000
N of Valid Cases	200		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.20.

BEE Lasting impact Vs BEE targets	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.253(a)	2	.002
Continuity Correction			
Likelihood Ratio	12.091	2	.002
Linear-by-Linear Association	12.166	1	.000
N of Valid Cases	199		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 11.66.

BEE Lasting impact Vs BEE Communication	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	7.023(a)	2	.030
Continuity Correction			
Likelihood Ratio	7.055	2	.029
Linear-by-Linear Association	4.185	1	.041
N of Valid Cases	196		

a 1 cells (16.7%) have expected count less than 5. The minimum expected count is 4.49.

BEE Lasting impact Vs Staff support(BEE)	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	14.078(a)	2	.001
Continuity Correction			
Likelihood Ratio	14.188	2	.001
Linear-by-Linear Association	13.381	1	.000
N of Valid Cases	196		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 15.72.

BEE Lasting impact Vs Role of BEE Supplier	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	12.560(a)	2	.002
Continuity Correction			
Likelihood Ratio	12.560	2	.002
Linear-by-Linear Association	6.831	1	.009
N of Valid Cases	198		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 10.71.

BEE Lasting impact Vs Pressure from customers for BEE strategy	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	5.247(a)	4	.263
Continuity Correction			
Likelihood Ratio	5.351	4	.253
Linear-by-Linear Association	.877	1	.349
N of Valid Cases	199		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 6.63.

BEE Lasting impact Vs BEE for customer needs	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	8.597(a)	4	.072
Continuity Correction			
Likelihood Ratio	8.149	4	.086
Linear-by-Linear Association	.499	1	.480
N of Valid Cases	199		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 5.83.

Changes made to Implement Vs BEE Understand	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	21.142(a)	2	.000
Continuity Correction			
Likelihood Ratio	22.179	2	.000
Linear-by-Linear Association	18.778	1	.000
N of Valid Cases	192		

a 0 cells (.0%) have expected count less than 5. The minimum expected count is 12.05.

BEE Strategy Necessary Vs BEE Supplier Strategy	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	6.479(b)	1	.011		
Continuity Correction(a)	5.581	1	.018		
Likelihood Ratio	7.131	1	.008		
Fisher's Exact Test				.011	.007
Linear-by-Linear Association	6.446	1	.011		
N of Valid Cases	196				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 13.96.

BEE Supplier Strategy Vs Role of BEE Supplier	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	12.069(b)	1	.001		
Continuity Correction(a)	10.850	1	.001		
Likelihood Ratio	13.933	1	.000		
Fisher's Exact Test				.000	.000
Linear-by-Linear Association	12.007	1	.001		
N of Valid Cases	195				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 14.65.

Change Management Vs BEE Implement	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.039(b)	1	.308		
Continuity Correction(a)	.615	1	.433		
Likelihood Ratio	1.007	1	.316		
Fisher's Exact Test				.350	.214
Linear-by-Linear Association	1.034	1	.309		
N of Valid Cases	188				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.83.

BEE Communication Vs BEE Understand	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.791(b)	1	.181		
Continuity Correction(a)	1.213	1	.271		
Likelihood Ratio	1.788	1	.181		
Fisher's Exact Test				.237	.135
Linear-by-Linear Association	1.782	1	.182		
N of Valid Cases	194				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 9.18

BEE Policy Vs Change Management	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.005(b)	1	.942		
Continuity Correction(a)	.000	1	1.000		
Likelihood Ratio	.005	1	.942		
Fisher's Exact Test				1.000	.576
Linear-by-Linear Association	.005	1	.942		
N of Valid Cases	188				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 7.15.

Change Management Vs BEE Understand	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	.174(b)	1	.676		
Continuity Correction(a)	.068	1	.794		
Likelihood Ratio	.175	1	.676		
Fisher's Exact Test				.755	.398
Linear-by-Linear Association	.174	1	.677		
N of Valid Cases	186				

a Computed only for a 2x2 table

b 0 cells (.0%) have expected count less than 5. The minimum expected count is 27.33.



Appendix Two: Letter of Introduction

Dear Respondent,

Survey of Strategic Policies with interest in Broad-based Black Economic Empowerment Policies

This survey is being carried out to establish what suppliers to the mining industry are doing to comply with the codes of good practice and broad-based black economic empowerment policies (BBBEE). This study was prompted by the awareness of the researcher to the many problems facing suppliers to the mining industry due to several factors. The interest of this study is to investigate the impact of BBBEE on the strategic and procurement aspects of the organization. Companies spend much time and effort in looking for suitably qualified suppliers who can provide a quality service.

Please note that the research related to this questionnaire is for academic purposes and is part fulfillment of a dissertation for part requirement towards a Masters in Business Administration (MBA) degree offered by the University of KwaZulu-Natal and is being supervised by Dr A. Kader whose contact details are as follows:

Tel: (031) 2039401 **Mobile:** 0829010225

E-mail: OMBOverportBM@Nedbank.co.za

As some respondents may consider the information sought as being sensitive, confidentiality of details will be upheld. All information will be treated in the strictest confidence.

It is also important to note that you are under no obligation to participate and can decide to withdraw at any point during participation.

The responses to the questionnaire will be consolidated for analysis purposes, removing links to the individual respondents. This research paper will be completed and submitted by Mid June 2006. The outcomes and recommendations of this research will be shared with all respondents as soon as the report has been appraised.

Please spend a few minutes reading through the questionnaire. It is suggested that you ponder over the questions and concepts for a short period of time and possibly discuss with key individuals and colleagues in your organization. Thereafter, it should take you approximately 15-20 minutes to complete the questionnaire.

**PLEASE RETURN THE COMPLETED QUESTIONNAIRE BEFORE
30th May 2006 via e-mail to address: Shireen.aricksamy@riotinto.com**

Should you have any questions, please do not hesitate to contact me on 082 370 8520 or (011) 884 7642

I would greatly appreciate your help. I thank you in advance

Shireen Aricksamy



Appendix Three: Questionnaire

Dear Respondent,

Please complete in this questionnaire as fully and correctly as possible by inserting an 'X' in the most appropriate box.

Section One

1. Age

Between 20-30	
Between 31-40	
Between 41-50	
Between 51-60	
Between 61-70	
Over 70	

2. Gender

Male	
Female	

3. Position in Company

Director Level	
General Manager	
Manager	
Superintendent	
Supervisor	
Other	

4. Race

White	
Black	
Coloured	
Indian	

5. How many years have you worked at this company?

0-5 years	
6-10 years	
11-15 years	
16-20 years	
21-25 years	
More than 25 years	

6. Number of employees? – Please fill in

--

7. What is the Affirmative Action percentage in your company in these functions?

NB. This must add up to 100%

Line Function	
Staff Function	



Section Two

1. Does your company have a BEE policy?

Yes		No	
-----	--	----	--

2. To which charter does your company subscribe?

Mining Charter	
Construction Charter	
Manufacturing Charter	
Financial Charter	
Other (please specify)	

3. How many point has your company scored on your BEE rating scorecard?

Less than 10	
Between 11-20	
Between 21-30	
Between 31-40	
Between 41-50	
Between 51-60	
Between 61-70	
Between 71-80	
Between 81-90	
Between 91-100	

4. Which element of the scorecard is easiest to achieve for your company?

Direct Empowerment	
Ownership	
Management	
Human Resources Development	
Employment Equity	
Skills Development	
Indirect Empowerment	
Preferential Procurement	
Enterprise Development	
Residual Element	

5. Has the BEE strategy been communicated to you and your colleagues?

Yes	
No	



6. Which element in the scorecard is the key focus in your company?

Direct Empowerment	
Ownership	
Management	
Human Resources Development	
Employment Equity	
Skills Development	
Indirect Empowerment	
Preferential Procurement	
Enterprise Development	
Residual Element	

7. Who is in charge/champion/sponsor/custodian of BEE in your company?

--

8. What is their title/position in your company?

--

9. To whom does this person report?

--

10. Do you understand what BEE is about?

Not at all	
Vaguely	
Working knowledge	
Very Good understanding	
Considered an Expert	

11. Have you been involved in the drafting of your company's BEE policy?

Not at all	
Gave some input	
Was part of the team to draft the strategy?	
The BEE strategy Leader	

12. What change management has your company gone through to implement BEE?

Formal Process	
----------------	--



Informal ad-hoc Process

13. How supportive is your team of BEE implementation?

Very Resistant	<input type="text"/>
Somewhat Resistant	<input type="text"/>
No Change	<input type="text"/>
Supportive	<input type="text"/>
Very Supportive	<input type="text"/>

14. What changes has your company made to accommodate BEE requirements?

No changes	<input type="text"/>
Some Changes	<input type="text"/>
Many Changes	<input type="text"/>

Section Three

Questions	Very Difficult	Difficult	No Difference	Easy	Very Easy
1. How difficult is it to find suitable BEE suppliers?	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
2. What is your perception of dealing/interacting with BEE suppliers?	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
3. What have been your experiences of dealing/interacting with BEE suppliers?	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
4. How difficult is it to comply with your customers BEE requirements?	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

5. How does your company go about finding BEE suppliers?

Internet	<input type="text"/>
Subscribe to Databases eg. Eezedex	<input type="text"/>
Word of Mouth	<input type="text"/>
Other – please specify	<input type="text"/>

6. How much of your BEE implementation been driven by customer needs?

None	<input type="text"/>
Some	<input type="text"/>
All	<input type="text"/>



Questions	Yes	No	Don't Know
7. Does your company have a strategy for developing BEE suppliers?			
8. Do you think that BEE suppliers have any role to play within your company?			
9. Has BEE implementation been a costly exercise?			
10. Does BEE add any value to your company?			
Questions	Yes	No	No Opinion
11. Do you feel that a BEE strategy is necessary?			
12. Do you think it is necessary to obtain accreditation by a BEE agency?			
13. In your opinion do you see BEE as being relevant?			
14. Do you see BEE as having a lasting impact?			
15. Do you believe that your customers have credible and transparent BEE policies?			
Questions	Good	Poor	Don't Know
16. What is your perception of your customers BEE policies			
17. What is your opinion of the kind of service BEE suppliers give your company?			

18. Does your company have specific targets for BEE?

Yes	
No	

19. Have you been accredited by a BEE agency?

Yes	
No	

20. If 'Yes' to above question - what rating did you obtain?

Black Owned	
Black Empowered	
Black Influenced	
Black Managed	
Other – please specify	



Section Four

1. What pressure do your customers put on you to have a BEE strategy?

No pressure	
No different from previous dealings	
A lot of pressure	

2. What more can your company do to promote participation of BEE suppliers?

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3. How would you describe the culture of your organization?

Hostile	
Friendly	
Team oriented	
Fun	
Hard working	
Tolerant	

4. How would you describe the leadership of your company?

Visionary	
Operational	
Strategic	
Tactical	
Poor	
Cannot say	

5. What role do you see BEE playing in your company?

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**THANK YOU FOR YOUR TIME!
IT IS MUCH APPRECIATED!**



Appendix Four: Thank You Letter

Dear Respondent, (Name of respondent to be added to personalize letter)

Survey of Strategic Policies with emphasis on Broad-based Black Economic Empowerment Policies (BBBEE)

I would like to express my sincere gratitude for your time and effort in completing the questionnaire sent to you earlier.

The information you have supplied will enable me to draw very critical conclusions with regards to my area of study in determining the boarder impact of the BBBEE on strategic policies within companies in your industry. I would be honored to share my findings with your company in the hope it will be of some value to you with specific connnotations to your industry.

Once again, thank you very much for your support and for completing the questionnaire that was sent to you. I will be in touch once this research paper has been submitted and share the results with you.

Should you have any questions, please do not hesitate to contact me on 082 370 8520 or (011) 884 7642

*Yours sincerely,
Shireen Aricksamy*