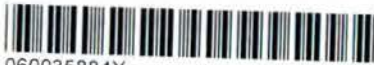


**IMPACT OF BROAD BLACK ECONOMIC EMPOWERMENT ON THE GROWTH OF
SMALL BUSINESSES IN THE RUSTENBURG LOCAL MUNICIPALITY**

MATTHEWS SETALA RAMOTSHO

Dissertation submitted in partial fulfillment of the requirements for the degree of
MASTERS IN BUSINESS ADMINISTRATION at the **NORTHWEST UNIVERSITY**

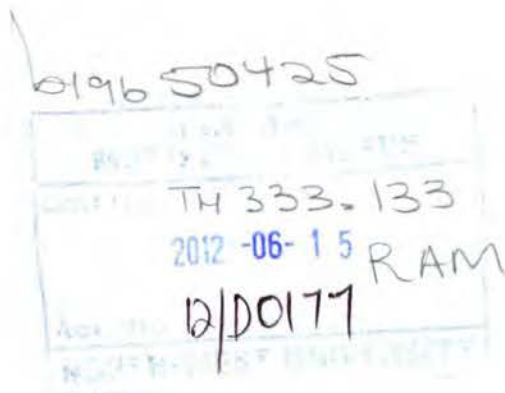


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Declaration

I declare this research is my own work. It is submitted in partial fulfillment of the requirements for degree of Masters of Business Administration at the Northwest University. It has not been submitted before for any degree or examination at any other university. I further declare that I have obtained authorisation and consent to carry out this research.

.....

Matthews Setala Ramotsho

.....

Date

Abstract

The introduction of black economic empowerment legislation marked an important milestone for the economic development of black people. The ANC led government has managed to achieve a shift in the political landscape of South Africa in the 16 years of its rule. However, it remains to be seen if the country would follow the intended changes towards economic development. The political achievement of the forces of change set in motion unto date could be easily reversed if economic parity is not achieved in a constructive manner supported by the will of the nation as guided by the current South African constitution.

The government in its formative years made it its goal to pursue equity and wealth redistribution with the hope of growing the economy. These goals have been difficult to achieve, thus challenging the government of the day in its attempt to eradicate poverty and create a sustainable economy. The government approach to local economic development has mainly been centered on the establishment of small businesses that would hopefully provide employment to a greater part of the population. With the development of small businesses the Asgisa objective of 6% growth would be attained.

Generally, the redistribution of wealth has been a contentious issue, sparking controversies from both the proponent and detractors of BEE alike. There have been mixed reactions towards the implementation of BEE. Some critics regard BEE as a way to benefit mainly connected individuals rather than the mass of the previously disadvantaged. On the other hand, South Africa's corporate sector continues to be dominated, managed and owned by the minority whites. As a whole, whilst affirmative action has progressed, imbalances still exist in that women appear to be still disadvantaged in certain sectors of organisations regarding management positions and shareholding within companies.

Although Black Economic Empowerment tends to increasingly lead to white economic disempowerment (primarily white males), it nevertheless remains evident that for blacks to enter into business is still marred with problems. It is apparent from the critics that not only blacks are affected, also whites need some kind of relief from deprivation; this would avert the next generation of poor whites. The research results reveal some of the effects which BEE has on the growth of small businesses and on black people in general.

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List of Acronyms

List of Acronyms that will always be referred to:

ANC	African National Congress
ASGISA	Accelerated Shared Growth of South Africa
BBBEE	Broad Based Black Economic Empowerment
BBSD	Black Business Supplier Development Programme
BEE	Black Economic Empowerment
BEECOM	Black Economic Empowerment Commission
BOSMess	Black Owned Small and Medium Enterprises
CBO	Community Based Organizations
COSATU	Congress of South African Trade Union
CPPP	Community Public Private Sector Partnership
DBSA	Development Bank of South Africa
DFI	Development Financial Institutions
EAP	Economic ally Active Population
ESC	Entrepreneurial Support Center
ESOP	Employee Share Ownership Programme
GDP	Gross Domestic Product
GEAR	Growth, Development and Redistribution
HDPs	Historically Disadvantaged Persons
IDC	Industrial Development Corporation
ISRDS	Integrated Sustainable Rural Development Strategy
LSBC	Local Business Centre
LED	Local Economic Development
NEDLAC	National Economic Development
PPP	Public Private Partnership
RDP	Reconstruction and Development Programme
SME	Small and Medium Enterprise
SMME	Small, Micro and Medium Enterprise
SR	Social Responsibility
SMED	Small and Medium Enterprise Development Programme

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CHAPTER 1: NATURE AND SCOPE OF THE STUDY.

1. Introduction

Rustenburg is situated in the Southern region of the North West Province, most of the economic activity happens in this part of the province. The province recorded an economic growth rate of 4.9% in 2004/05 compared with 4.5% in 2003/04. The largest contributors to the GDP of the province in 2004 were the mining and quarrying industries (24.9%), finance, real estate and business services (13.6%) and the general government services sector (12.1%).

Of the 3,374,200 people living in the North West, 65% live in the rural areas (Mid-Year Population Estimates, 2006). The official unemployment rate is 31.8% (Labour Force Survey, March 2006) Rustenburg is the economic hub of the Northwest Province. Because of the platinum mines it has attracted migrant workers from as far afield as the neighbouring SADEC countries. Statistics South Africa census of 1996 to 2006 indicates an average annual growth of 1.6%. However, the population was estimated to be in the vicinity of 457,9876 with a population density of 56.11 in 2006. (Global Insight, 2007). If one takes into account the current development in South Africa's economy, it is evident that Rustenburg, like other developing economic locations, is still reeling from the previous economic turmoil, thus aggravating employment statistics which are already at alarming proportions.

While the majority of people are employed in the mining sector, the retail sector provides employment for the majority of woman who had found themselves marginalized by the mining sector. However, the development of this sector in the Rustenburg area is highly dominated by big businesses owned by whites, Indians and foreigners such as Nigerians, Malaysians, Egyptians and Ethiopians involved in small scale business as hawkers. It raises a serious concern about the participation of the previously marginalized population sectors of South African population especially black people residing within the local community. Various pieces of government legislation such Broad Based Black Economic Empowerment (2003),

The Employment Equity Act, the Affirmative Actions Act, Skills Development Act and Competitions Act seems to have had little effect on the growth of small businesses and generally on the development of black people and the eradication of poverty.

2. Problem Statement

The accomplishment of political freedom has improved the need to focus more attention on social challenges. Since the inception of democratic government 1994, Antonites (2003:150) reports that certain vital economic and social challenges, such as unemployment, poverty, and inequality, as well as policies and practices that excluded the majority from participating in the mainstream economy, remain unresolved. The development of small businesses is seen as a solution to the ever-increasing unemployment. However, the failure to sustain the growth of these entities sheds some doubts on whether the implementation of government legislation of BBBEE Act (Act 53 of 2003) has had any impact on the growth of such businesses. It is for this reason that this study on the impact of broad based black economic empowerment on the growth of small businesses in the Rustenburg Local Municipality has been undertaken

The problem statement is, therefore, worded as follows:

'The impact of Broad Based Black Economic Empowerment on small business development (SMME's) in the Rustenburg Local Municipality area'

3. Nature of the problem

The Rustenburg local municipality had to deal with the ever increasing problems of providing proper service delivery to its communities. However, the problem has been aggravated by higher number of people who came from various parts of the country to look for employment. The government approach to redress economic disparity created by the apartheid regime was translated into various strategies which did not do enough to alleviate the high levels of inequality and poverty. After seventeen years of democracy people still have the expectations similar to time prior to 1994.

The legislative provisions of the Broad- Based Black Economic Empowerment Act (No.53 of 2003) provided certain premises under which a just society would be achieved. Black Economic Empowerment is defined as a means to the economic empowerment of all black people, including women, workers, youth, people with disabilities and people living in rural areas, through diverse but integrated socio-economic strategies that include, but are not limited to

- increasing the number of Black people that manage, own and control enterprises and productive assets;
- facilitating ownership and management of enterprise 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.

The definition above provides a bench mark on which the success of the Public Private Partnership, in this case the Rustenburg Local Municipality and the private sector have been able to achieve success in terms of improving the economic conditions of the blacks. The study undertook to investigate the impact of black economic empowerment on the development of small businesses as a means to improve the lives of the people. The support for the growth of SMMEs is regarded as being an essential component towards achieving equity in the development of the South African nation. Their contribution towards employment, GDP and export growth could be enormous. They are regarded as having been one of the best contributors to growth in developing countries.

4. Objectives of the study

4.1 Primal Objective

To evaluate the impact of broad based black economic empowerment on the growth of small businesses in Rustenburg Local Municipality.

4.2 Sub-objectives

- a) To evaluate the contribution of BEE in the economic transformation of black people through acquisition and transfer of wealth to eradicate disparity;
- b) To determine whether the policy is succeeding in general in the economic empowerment of black people.

5. Primal and Sub-research Questions

The primal research question for this study is formulated as:

What impact does BBBEE and government support have on the creation and sustainability of SMMEs in addressing economic imbalances within the previously marginalised population of South Africa in the Rustenburg area?

The sub-research questions formulated below are developed in an attempt to provide answers to the primal research question and achieve the objectives of this study.

Research Question 1

Has there been adequate support for black people to develop their own small businesses in the Rustenburg Local Municipality?

Research Question 2

Has the policy of Black Economic Empowerment assisted in growing the number of marginalised woman, youth and the disabled in the Rustenburg Local Municipality?

Research Question 3

Has the implementation of BEE led to changes in appointment of black people in key executive positions?

Research Question 4

Has the level technical and business skills acquisition improved the lives of black people since the introduction of Black Economic Empowerment?

Research Question 5

Have previously marginalised people sufficient access to basic education for their development?

6. Scope of the study

The scope of the study related to the extent to which the research was covered, since the study was a concentrated effort on aspects of broad based black economic empowerment. The scope was narrowed down to the evaluation of the impact of black economic empowerment on the economic growth of small businesses owned by blacks in the Rustenburg Local Municipality. However, by providing a descriptive analysis the reported investigation within this dissertation of limited scope is merely to provide an overview of preliminary findings and further future avenues for exploration. The time-span granted for this study is fairly short and does not allow for an in depth analysis of the selected case-study nor a comparative analysis with other developing countries. Because the findings of this study relates specifically to South Africa, these findings should not be considered valid for other developing countries who may find themselves in a similar situation.

The motivation for this study stems from the dynamic nature with which disproportionate redistribution of wealth and empowerment of blacks appears to continue to prevail even after seventeen years of democracy in South Africa. The introduction of government legislation to redress the legacies of apartheid created

another class of elite people, black people who are referred to as the black diamonds, leaving the majority of black people in dire poverty.

7. Importance of the study

It appears evident that, after seventeen years of democracy in South Africa, the larger majority of people who had been deprived of an economic livelihood have up to now not been sufficiently uplifted economically. The government's attempt of 'black economic empowerment' (BEE) had had minimal success. For this reason it was important to determine the impact of 'broad based black economic empowerment' (BBBEE) on the economic advancement of black people.

The study assessed the programmes of intervention and actions at overcoming economic disparities and entrenched inequalities, which continue to characterise the economy and act as deterrents to growth, economic development, employment creation and poverty eradication.

The investigation, therefore, determined whether 'broad black based economic empowerment' has brought about an increase in the number of black people who have a shared or full ownership and control of businesses, whilst, at the same time, also establish whether black people, including women in rural areas, are employed and appointed to executive positions.

8. Study environment

The research focuses on the Rustenburg Local Municipality as a case study and the impact of broad based black economic empowerment on the economic growth of black people. Issues of procurement, employment equity and enterprise development will be investigated. People of diverse racial origin and gender, comprising women and men, employers and employees, employed and unemployed, urban and rural people are to be included in the study.

9. Clarification of Concepts

The concept “**black people**” is a generic term which means Africans, Coloureds and Indians.

The use of the term “**broad based black economic empowerment**” means economic empowerment of black people including women, workers, youth, people with disabilities and people living in rural areas through diverse but integrated socio-economic strategies that include, but are not limited to:

- (a) increasing the number of black people that manage, own and control enterprises and productive assets;
- (b) facilitating ownership and management of assets by communities, workers, cooperatives and collective enterprises;
- (c) human resources and skills development;
- (d) achieving equitable representation in all occupational categories and levels in the work force;
- (e) preferential procurement;
- (f) Investment in enterprises that are owned or managed by black people.

“**Council**” refers to the black economic empowerment Advisory Council established by Section 4 of the Broad Based Black Economic Empowerment Act, 2003. “Black Economic Empowerment “(BEE) is best defined as a coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings about a steady increase in the number of black people who participate, manage, own and control portions of the country’s economy as well as bring some balance to previous income inequalities.

“**Tenderpreneurship**” is a new concept that refers to a form of economic participation whereby ‘emerging’ entrepreneurs and some government officials amass government contracts to enrich themselves at the expense of the previously disadvantaged masses of the society

10. Summary

The study is structured to follow a coherent sequence in order to provide some answers to the defined problem and posed research questions. Chapter 1 has provided an orientation and background to the problem of black economic empowerment and the need for an evaluation of the impact of broad based black economic empowerment on the growth of small businesses. The chapter also covered the objectives of the study, the research problem and the investigative questions to be answered by the investigation.

The next chapter covers an appropriate literature review of historical analysis of economic transformation of South Africa and a descriptive account of the political transition to economic development and the necessary background and theoretical foundation for this case study. This will be followed by chapters covering the research methodology and design, the data analysis, and final conclusions and recommendations.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter explores literature on the Broad Based Black Empowerment Economic impact on the growth of small businesses. However, pertinent to this study is government legislation relating to black economic empowerment. The South African National Strategy for the development and promotion of small businesses remains in the forefront of the economic development of South Africa. Job creation and growth of the small business sector will remain South Africa's most urgent need. According to the study there seems to be consensus that black economic development ranks among the country's most urgent priorities. Since political transformation has been achieved, it remains for economic transformation to redress major challenges that plague South Africa.

It has to be noted right from the beginning that, since 1994, the ANC-led government has pursued several important goals, emphasizing equity, redistribution of wealth. However, proponents of this process have become sceptical, partly because the implementation of BEE has mainly benefited politically connected individuals rather than the mass of the previously disadvantaged, and partly because South Africa's corporate sector continues to be dominated, managed and owned by minority whites (Innes, 2007:70-17).

A major challenge that plagues South Africa is the inequality between the different races. This inequality, which is perpetually reflected in wealth redistribution and economic status, leads to enmity and tension amongst them. The legacy of apartheid resulted in a significant imbalance in the redistribution of wealth, land and assets in South Africa. In this chapter, the necessity of BEE will be placed in context. The role of the government to implement BEE remains the focal point of every component of government strategy to alleviate poverty and to bring about parity amongst various racial groups (Gqubule 2006:23). The majority of blacks still live in dire poverty, however. Progress has been achieved in other circles of black economic empowerment amid inconstancies and the refusal by some entities to acknowledge the irreversibility of this transformational process. There are some

concerns that the process enriches those close to the ruling party, the ANC. On the other hand, the process has unintended repercussions by contrarily benefiting whites. There is a general outcry that the system does not benefit the majority of black people.

2.2 Historical origins of aspirations about empowerment

South Africa has a rich history of political debate and participatory democracy, and this offers a number of possibilities for alternatives to the neoliberal paradigm. The aspirations of the masses and the working class were undeterred in defeating the tyrannical apartheid regime. However, this defeat did not go without a price on its head. The masses of people and the working class demanded not only the abolition of institutionalized racism. They also claimed the real redistribution of resources to empower people and communities in meeting their basic needs and in addressing the historical imbalances created by racial capitalism. This demand aimed at things such as proper housing, water and proper electricity services, the recognition of an adequate education as a social right up to tertiary level, meaningful land reform, and the end to oppressive and discriminatory practices in the workplace and the implementation of world-recognised labour standards.

The extent of participation by black South Africans in an economy from which they have historically been excluded has been an innermost aspiration of South African policy makers since 1994. However, the existing literature has differed sharply on whether or not black capitalist class could have developed in South Africa and prospered while apartheid was still in existence. There have mainly been three bodies of literature, namely the liberal-modernization theory, the dependency theory and the Marxist theory (Maseko, 2007:74). According to Maseti (2005:2), the debate in the country raged ever since 1994 and was also joined by the ruling African National Congress through its then Secretary General, Mr Kgalema Mohlante who also affirmed the need for the review of BEE application. This debate pitted former comrades against one another, those who are the beneficiaries and those who are calling for more visible participation of the poorest of the poor.

Mbeki (1994:2) argued that “non racialism in politics has to be accompanied by non-racialism in the economy”. By the time he became state president, however, he was associated with the more specific argument that “as part of the realization of the aim to eradicate racism in our country, we must strive to create and strengthen a black capitalist class” (Mbeki 1999). The emergent black middle class is the largest component in an increasing multiracial, national, middle class.

The BEE debates were also joined by those who always to resist change and fundamental socio-economic transformation. They always argue that BEE is nothing but a reversal of the apartheid system (Southall 2005:2). The deep-seated structural crises in the South African economy have to be addressed in one way or the other. Southall (2005:2) explains that historically disadvantaged communities still feel the pain 15 years after the dawn of the democratic breakthrough. It is for this reason that this study focuses on the impact of BBEE on the growth of small businesses in the Rustenburg Local Municipality.

2.2.1 Black Economic Empowerment (BEE)

Black Economic Empowerment (BEE), or the narrow-based approach, came into existence in 1994 when South Africa elected its first democratic government. This was followed by the establishment of the Broad-Based Black Economic Empowerment (BBBEE) Commission in 1999 and the subsequent strategies and policies to increase black ownership of businesses and to accelerate black representation in management (Booyesen, 2007). Black Economic Empowerment (BEE), or the narrow-based approach, has been controversial even for those who support its underlying objectives. This legislation came into existence in 1994 when South Africa elected its first democratic government. Having failed dismally to address the disparity created by apartheid, this was followed by the establishment of the Broad-Based Black Economic Empowerment (BBBEE) Commission in 1999 and the subsequent strategies and policies to increase black ownership of businesses and to accelerate black representation in management (Booyesen, 2007).

Most of the studies suggest there has been virtually no change in overall inequality and wealth. The result is that black people remain in poverty and are marginalized from ownership, control and management of economic activities. This crisis hinders growth prospects and competitiveness as a nation (BEEcom Report, 2006:1).

While in 1990 black people occupied 3% of the corporate management positions (Gray & Karp, 1993), in 1995 blacks owned only 1% of the total market value of the Johannesburg Stock Exchange (Cargill, 1999). BEE was introduced not only to rectify the imbalances of the past, but also to implement a growth strategy aimed at realising the country's full economic potential, increasing the skills levels, creating more jobs, and reducing poverty in a short period of time without the redistribution of existing wealth (Republic of South Africa, 2007b). Iheduru (2004) therefore argues that, strategically, black bourgeoisie integration would also foster the creation of a successful capitalist economy in South Africa. The broad-based or the second phase of BEE was introduced because the narrow-based, or the first-phase, approach was found to limit the set objectives.

The second wave of BEE gave rise to reflection on how BEE could be accelerated in a meaningful manner (Jack 2007:107). For instance, Kovacevic (2007) indicates that, in 2003, 60% of the empowerment deals amounting to R25.3 billion went to the companies of only two black businessmen. Kovacevic (2007) argued that although BEE professes to promote the meaningful participation of black people in the economy, it actually fosters a political cronyism that benefits only a few elites. This is also echoed by Du Toit, Kruger and Ponte (2008) in their study on BEE in South Africa's wine industry. It indicates that, while BEE has potentially provided a whole new spectrum of possibilities to established industries, the system of monitoring and verification proposed by the government and the industry charters favours individuals rather than workers collectively or their communities.

2.2.2 Black Economic Empowerment and the Constitution

The true meaning of Black Economic Empowerment has its origin in the formation of FABCOS which was launched in 1998. BEE was about mobilizing black consumption and saving to achieve economic power. In November 1997, The Black Management Forum (BMF) passed a resolution calling for the establishment of a Black Economic Commission (BEECom). The premise under which this commission was established was that the notion of true empowerment as defined by black people does not exist. (Gqubule, 2006:3) The South African Department and Trade and Industry defined Black Economic Empowerment as "an integrated and coherent socio-economic process that directly contributes to the economic transformation of South Africa and brings significant increases in the number of black people that manage, own and control the country's economy, as well significant decreases in inequalities."

The BEECom after intense deliberations, decided to adopt the widest possible definition of empowerment after realising the futility of trying to close the definition of the BEE concept. (Gqubule, 2006:11) The BEE report of 2006 encapsulates this approach by proposing a broader definition of BEE against which a workable and sustainable BEE programme can be designed and implemented as part of a new Growth Plan for the economy. This definition has been tested in debates, in consultations and in the media. It now has broad support. The BEECom, therefore, submits the following as the definition of BEE:

It is an integrated and coherent socio-economic process.

It is located within the context of the country's national transformation programme, namely the RDP.

It is aimed at redressing the imbalances of the past by seeking to substantially and equitably transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of its citizens.

It seeks to ensure broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity. (BEECom Report, 2006:2)

2.2.3 Results of the first phase BEE implementation

The overall ownership targets of BEE suggested that a quarter of the private economy should be owned by Black South Africans within a decade. This led to observers who believe there is no such thing as a "free lunch" and regarded BEE as a mirage. According Cargill (2005:22) the shortage of black capital is the key obstacle to successful BEE. Black business people lack capital and, therefore, must borrow it from third parties and often at high cost. They acquire high risk equity using financial structuring that leaves them vulnerable in the event of economic downturn.

Banks have re-entered the BEE lending market, but they refuse to carry significant risk. Vendor companies increasingly facilitate transactions, providing loan guarantees, price discounts, or internal vendor financing at below market rates, an effective subsidy from established business to BEE investors (Cargill 2005:23). Finance for newcomers remains scarce, and deals continue to depend heavily on the appreciation of target companies' share prices. Jack 2006 warns that while 2005 was a great year for BEE deals, many companies paid high prices and used debt to finance deals. Cargill (2005:23-25) states that BEE companies face escalating debt-service requirements across the terms of their debt. In most cases company earnings will be insufficient to cover interest and capital repayment obliging them to sell down shares at the end of the term.

Wakeford (2004) observes that fronting is likely to migrate down to the supply chain to small and medium sized companies where it will be harder to detect, because "fat and underperforming" big businesses will try to hide their poor ownership, skills, and employment equity performance by boosting empowerment procurement ratings. The explosion of the problem of fronting has relegated black business managers to mere role players without any significant part to play in the operation of the business. BEE will also discourage some of the foreign investment that might otherwise compensate for the savings shortfall. Most importantly, international business may fear the lack of any clear BEE time frame. A period of ten years can

not confidently predict empowerment obligations will not be renewed or even be dramatically intensified.

Empowerment vehicles have already been implicated in the alleged abuse of preferential procurement to bring kickbacks to party funds. Procurement scandals have meanwhile raised the spectre of alleged retro-kick backs to party funds. The then ANC secretary general, Kgalema Motlante, (2005) argued that "the central challenge facing the ANC is to address the problems that arise from the members susceptibility to moral decay occasioned by the struggle to control of and access to resources".

2.3 Broad Based Black Economic Empowerment

2.3.1 Transformation Charters

The South African government successfully developed a multi-faceted approach to achieve Broad-Based Economic Empowerment (BBBEE) that culminated in the release of the Strategy on Broad-Based Economic Empowerment in 2003. (File//E\the dti-News and events –Media Releases (Current)-Article#775htm 5/10/2007). The strategy outlines in detail the government's approach to BBBEE as well as some of the instruments it will implement to accelerate the de-racialisation of the economy and ensure a higher rate of economic growth. In this regard, the Codes of Good Practice and the drafting of the sector charters are primary interventions to promote BBBEE (File//E\the dti-News and events –Media Releases (Current)-Article#775htm 5/10/2007).

BEE legislation is expected to establish broad policy parameters and to facilitate the publication of a strategy document and guidelines to facilitate good corporate governance by companies with regards to BEE. The policy parameters and the strategy documents together will make up the Global Transformation Charter, which is expected to form the core of enabling BEE legislation. The Transformation Charter is an attempt by government to clarify its economic transformation

objectives. Its aim is to avoid uncertainties and instability in the markets similar to those experienced when the Mining Charter document was leaked last year (Epoliticssa Vol. 2 2003).

The Charter is expected to determine sector-specific targets for the transfer of equity into the hands of the previously disadvantaged, provide a broader definition of BEE and spell out actions and outcomes that are within BEE policy parameters. The Minister of Trade and Industry is soon expected to provide specifics for individual charters within each business sector. This may include the incorporation of BEE indicators adopted at the ANC conference. Such indicators include the concept of black ownership of small, medium and large business, participation in and control of firms by black people, the transfer of skills to Black people thus allowing for human development, particularly in senior positions, and contributions to job creation and new employment opportunities (Epoliticssa Vol. 2 2003).

2.3.2 BEE Codes of Good Practice

The Codes of Good Practice on BBBEE were formulated in line with the provisions of the BBBEE Act No. 53 of 2003. The purpose of Codes of Good Practice is to assist and guide the public and the private sectors in their implementation of the BBBEE Act. Essentially, the codes lay down principles and guidelines to facilitate and accelerate meaningful and sustainable implementation of BBBEE (File//E\the dti-News and events –Media Releases (Current)-Article#775htm 5/10/2007). Below is a brief summary of the most important aspects of the Codes. The summary deals with the Codes for the balanced generic score card, sector charters and ownership and management.

The government of South Africa (SA) introduced broad based black economic empowerment (BBBEE) as a nation building strategy. The act intends to empower 'all blacks' listed as Africans, Coloureds and Indians. The strategy is based on the Broad-Based Black Economic Empowerment Act No. 53 of 2003 in conjunction with its Associated Charters, the Codes of Good Practice and various Scorecards. Initially, South African companies used the narrow-based black economic empowerment (BEE) criteria or the draft phase 1 of the Codes, and, as a result of

the nonalignment of the Preferential Procurement Policy Framework Act, several private and government organisations still use the narrow-based approach. However, the implementation of the broad-based economic empowerment (BBBEE) of the Codes has introduced new ways of defining and measuring BEE, which has led to compliance in the companies comparative BEE rankings (Grobler, 2006:25). Grobler (2006:26) suggests that in comparison to their narrow based versions, the broad-based Codes and the Sector Charters not only encourage and formalise broad based empowerment, but they also place more emphasis on the inclusion and participation of women and new sector players, besides accentuating broad-based structures and financial sustainability. Hence, contrary to some claims about the 'failure of BEE' (Slaughter, 1999; Sono, 1999; Turok, 2000), a multiracial middle class, including a black capitalist class, has begun to emerge over the last decade in South Africa (Iheduru, 2004).

The stated purpose of the Codes of Good Practice is to provide principles and guidelines that assist and advise both the public and the private sectors in their implementation of the broad based BEE (Balshaw et al, 2008:75). Every organ of state and the public entity must take into account these codes when engaging in the relevant economic activity. The contents of the Codes of Good Practice are illustrated below:

CODES OF GOOD PRACTICE	Code 000: Conceptual Framework	Statement 000: General Principles and Applicable Scorecard Statement 003: Transformation Charters Sector Code guidelines Statement 004: Scorecard for Specialized Enterprises
	Code 100: Ownership	Statement 100: Measuring Ownership Statement 102: Recognition of the Sale of Assets Statement 103: Recognition of Equity Equivalents for Multinationals
	Code 200: Management Control	Statement 200: Measuring Management Control
	Code 300: Employment Equity	Statement 300: Measuring Employment Equity
	Code 400: Skills Development	Statement 400: Measuring Skills Development
	Code 500: Preferential Procurement	Statement 500: Measuring Preferential Procurement
	Code 600: Enterprise Development	Statement 600: Measuring Enterprise Development
	Code 700: Socio-Economic Development	Statement 700: Measuring Socio-Economic Development
	Code 800: Qualifying Small Enterprises	Statement 800: Framework for Qualifying Small Enterprises Statement 801-807: Specifying the Qualifying Small Enterprises Scorecard and Measurement Principles

Fig: 1.1 Codes of Good Practice

2.3.3 BEE Score Card

According to Janish (2006:11), the DTI published a set of codes in December 2004 in a draft format. These codes were to become the generic scorecard that companies who do not subscribe to an industry charter would use to measure their empowerment status. A balanced scorecard is applied in interpreting and measuring broad based BEE, and it comprises three core measurement Components: Direct Empowerment, Human Resource Development and Indirect Empowerment (Balshaw et al, 2008:77).

2.3.4 Verification Agencies

The Codes of Good Practice oblige the verification agencies to identify and report on fronting. The Dti's South African National Accreditation System in theory withdraws accreditation from agencies that do not comply. Nhlapo (2008:11) states that it is imperative to have effective monitoring empowerment performance. It is for this reason that verification agencies were established. They would help to ensure that companies comply with the broad based black economic empowerment.

2.4 The role of the stakeholders in the mall businesses development

Business organizations should play a pivotal role in economic growth and development. According to BEEcom (2006:53), in South Africa business organizations have come to reflect the apartheid past, and they, therefore, have had limited impact on the economic landscape. The underlying statement that guides the activities of Black Economic Empowerment Commission is the contents of the Reconstruction and Development Programme. It states that the domination of business activities by white business and the exclusion of black people and women from the main stream of the economic activity are major concerns for the progress of reconstruction and development. A central objective of the RDP is to de-racialise business ownership and control completely through focused policies of Black

Economic Empowerment. However, the real purpose is to make it easier for black people to gain access to capital for business development.

To achieve these aims the democratic government must ensure the following:

- that no discrimination occurs in financial institutions;
- that State and para-statal institutions will also provide capital for attainment of BEE objectives;
- that Government must also introduce tendering procedures, which facilitate BEE
- and that special emphasis should be placed on training, upgrading and real participation in ownership.

South Africa's business organizations are structured along racial and ethnic lines. As a result, there are three national chambers and a national business federation, viz the South African Chamber of Business (SACO) representing predominantly English speaking chambers and large corporations, the AHI, representing predominantly Afrikaans speaking chambers, and NAFCOC, representing predominantly black chambers and FABCOS, the federation of mainly trade associations. This fragmentation of business by business chambers is often characterized by fierce competition for membership.

Emerging small businesses are often not members of these chambers and, as a result, have to decide on their mode of survival while those affiliated enjoy the privilege of mammoth support. Trevor Manuel (2005:5) singled out the importance of Small to Medium and Micro Enterprises (SMME's) in alleviating poverty and reducing unemployment. The survival of these business organizations has been marred by problems amid the government initiatives to help with funding and skills development. SMMEs, in the South African context, include business entities ranging from traditional family business and medium-sized enterprises (employing over a hundred people), down to survivalist self-employed business enterprises from the poorest stratum of our population (informal micro-enterprises) (Nhlapo 2008:17).

The development of this business sector has made an immense contribution to the growth of the economy which, according to the government programmes of ASGISA and JIPSA, has to reach the 6% growth rate. According to Ntsika (2000) SMMEs provide a large part of employment services thus contributing considerably towards economic growth. The same sentiments are echoed by the Department of Trade and Industry (2003:19). The SMMEs contribute about 50% of formal employment and contribute almost 37% of the country's GDP.

The Enterprise Development Element of the scorecard was introduced to assist and accelerate the development of the operational and financial capacity of entrepreneurial enterprises that then contribute towards broad based BEE (Balshaw & Golberg, 2008:82). According to Nhlapo (2008: 18) this element would investigate investment made by co-operation amongst SMMEs that are owned and managed by previously disadvantaged individuals, and to ensure that BEE programmes contribute to growth. According to Balshaw & Golberg (2008:82), the measures range from direct financial assistance, including loans, to non-monetary support provided to entrepreneurial enterprises. After approximately fifteen years of democracy it is evident that not much had been done to mobilize economic transformation. This is the reason why this study on the impact of broad based black economic empowerment is being conducted.

2.4.1 Municipalities and BBE

The Constitution (Act 108 of 1996) of the South Africa (sections 152c and 153a) states that a local government must give priority to the basic needs of the community and should promote social and economic development of the community. The Local Government Transition Act 200 of 1993 (LGTA) and the Amendment Act of 1996 require municipalities to promote economic and social development. The (Integrated Development Plan) IDP is a general framework under which all planning for key social, economic and environmental sectors falls (Makumula 2006:85). Local government is a vehicle by which reconstruction and development could be realised. The establishment of local municipalities provides a broader platform on which small

businesses could thrive. As a result, municipality service delivery must be effected bearing in mind the government policy of broad based black economic empowerment.

2.4.2 Restructuring ,PPPs and Licensing

The Ministry of Finance issued a Code of Good Practice for BEE in PPPs in August 2004. It concludes by acknowledging the government's further commitments to taking BEE in PPPs forward. The Code of Good Practice for BEE in PPPs was issued in terms of the Public Finance Management Act as National Treasury PPP Practice Note 3 of 2004. In recognition of the current challenges to BEE in PPPs, the positive BEE impact that PPPs can achieve, and complementary to the commitment of the Financial Sector Charter, the government undertakes proactively to achieve the following initiatives:

- to establish a PPP BEE equity facility that lowers the cost of capital to black shareholders in PPPs;
- to provide for a facility to support independent financial and legal advice to black enterprises bidding for, negotiating and implementing PPP projects and
- to establish an internship programme to grow the number of experienced black transaction advisors in South Africa's PPP market.

The implementation of these three steps will establish PPPs as leading contributor to South Africa's BEE over the coming years. (Ministry of Finance: 30/11/2004)

2.4.3 Role of the Private Sector

The Gauteng Provincial Government strategy of BBBEE stresses private sector participation to promote sector growth (BBBEEStrategy_v16final6). Amongst others the following are envisaged:

- The implementation of sector transformation charters where these exist and the Dti Codes of Good Practice on BBBEE where charters are not in place;
- Commitment to enhance the impact of BBBEE in its contractual arrangements with the provincial government;

- Support for the growth of small and micro enterprises in the province through enterprise development programmes in partnership with the local government;
- Active participation in business organizations and similar stake holders – driven structures;
- The design of innovative financing options to enable the growth of small businesses;
- The enhancement of human resource development through comprehensive programmes within companies, through industry working groups, the SETAs, and in partnership with academic institutions.

2.4.4 Role of Civil Society

The role of the civil society in promoting BBBEE is of vital importance and to ignore this role would be seriously detrimental. However, this must include:

- Organizational development and capacity building of community-based organizations and other non-governmental organizations
- Active facilitation of community groups, labour and broad based groupings to participate in and benefit from BBBEE.

2.5 Factors of Black Economic Empowerment

When considering to what extent the Rustenburg Municipality has succeeded with the “transformation project” in promoting the goals of BEE in creating a more equitable society since the first democratic elections in 1994, we look at both (i) the redistribution of economic resources and control, in the form of changes in the distribution of income, employment equity, ownership and control of the economy, and (ii) the empowerment of South Africans for meaningful participation in the economy through human resource development.

2.5.1 Ownership of the economy

A strategy for Broad-Based Economic Empowerment for the Gauteng provincial government affirms the fact that South Africa is characterized by vast gender and racial inequalities in property ownership. Historically, black people were denied access to productive land and could not own or effectively trade in properties (BBBEE Strategy_v6final). These laws have affected the ability of black people to create or accumulate wealth, which has had a fundamental impact on the economic potential of South Africa and black people and women in particular. (BBBEE Strategy_v6final) During the formative years of our democracy, South Africa's capital policies were a miserable failure, with unencumbered black ownership at well below 1% the JSE Securities Exchange's market capitalization.

According to Gqubule, (2006:103), the capital reform project is in a state of crisis, and there is a need for deep introspection to answer the question as to why so much effort and resources deployed over decade have yielded so few results. It is clear that ownership is by far the most difficult indicator of the government's balanced BEE score card to achieve, which implies that the issue should get more, not less, prominence. He further argues that although a lot happens outside the JSE, listed companies (with a market capitalization that is double the country's annual GDP) account for a significant portion of the country's economy. Such companies have better disclosure than non-listed companies, which are impossible to monitor. The state of capital reform on the JSE is as good a proxy as will ever be obtained to determine the level of black ownership across the whole economy. Gqubule (2006:103) concludes that what is true for the JSE will generally be true for the whole economy, viz. that black ownership in most sectors of the economy is less than 1%. Black people own hardly anything in the South African economy.

According to De Klerk (2006:22), efforts to increase black share ownership in companies on the Johannesburg Securities Exchange have been disappointing. According to McGregor's 'Who owns whom in South Africa' (see De Klerk 2006:22). Blacks owned only 4% of the shares on the JSE compared to 69% for Whites and

27% for foreign interests. Much of the foreign-owned equity represented former South African companies that had listed overseas since 1994. However, these figures do not include shares owned in listed companies by state owned corporations, or the black interest represented by pension funds, insurance companies and other institutional investors. Black controlled companies accounted for about 7% of the market capitalization in 1998, which declined rapidly to 2.2% in 2002. In 2002, BusinessMap conversely reported that 10% of the JSE by value is currently in black hands. BEE transactions involved investment portfolios rather than operational control over productive assets, since it is estimated that over 80% of the 260 previously disadvantaged individuals that held 387 JSE listed companies in September 2002 were non-executive.

The current list of beneficiaries of empowerment transactions is refuted by Gqubule (2006:108) as being false; he alludes to the widely held perception that the ANC politicians have looted the economy as being equally false, and avers that the reality is that black people, including almost every ANC politician, own virtually nothing in the South African economy. Of the less than 1% encumbered equity owned black people in the JSE the bulk is owned by more than 2000 black managers at MTN, all of whom were never high profile ANC politicians.

De Klerk (2006:22) provides a useful list of business men who are the main beneficiaries to empowerment transactions. According to this report 60% of empowerment deals during 2003 (R25.3 billion) accrued to the companies of two men, Tokyo Sexwale and Patrice Motsepe. Tokyo Sexwale's Batho Bonke company derived 10% of the value of the ABSA empowerment deal which was valued at between R3.5 and R5 billion, compared with only 1% that was set aside for workers as part of the employee share holder initiative. The directors at MTN have received 70% of the benefit arising from the empowerment purchase by their company Newshelf 664 of Transnet's 18.7% interests in MTN at the end of 2002. Phutuma Nhleko owns 7.9% of Newshelf valued at R655 million. Three other directors of Newshelf 664 have shares valued at R456 million each. In November 2004 it was announced that 15.1% of Telkom would be sold to a consortium

including Andile Nqabela (Chairman of Didala and former DG of the Department of Communications), Gloria Serobe (former FD of Transnet), and Smuts Ngonyama (ANC skills). The consortium would buy 15.1% share of Telkom owned by Thintana (the former US-Malaysian strategic equity partner). This situation has been the cause of considerable introspection within the Black community and particularly with in COSATU which insists that workers should derive greater benefits from the process.

Although the Black Empowerment Commission set the goal of transferring 30% of the productive land of South Africa to Black South Africans by 2011, little has been achieved. According to the report, 70% of productive agricultural land remains in the hands of the whites. The government land programmes have succeeded in redistributing less than 3% of the country's land. In July 2004, the Minister of Agriculture, Thoko Didiza, announced a draft agricultural charter that set goals for Black South Africans to own 35% of agricultural business by 2008 and 50% of farm land by 2014. Farmers were expected to procure 70% of their inputs from black owned own crops and livestock. The proposals drew a negative response from farmers' organizations which complained that they did not reflect the consultations that had taken place, that the goals were unrealistic and created expectations that could not possibly be reached. The government recently announced steps to make more than 15 million hectares in the former homelands available for freehold ownership (De Klerk 2006:22-26)

2.5.2 Start up businesses

BEE has played a major role in facilitating the increase of black start up businesses; some have graduated to become sustainable businesses that are playing significant role in our economy today. However, there are several factors that have held the majority of small businesses down. According to Strydom (2006:50) the financial industry charter regards a black small medium enterprise SME with a turn over of R500 000 per annum to R20 million per annum as being a black company. A black company is more than 50% owned and controlled by black people. A black

empowered company is one that is more than 25% owned by black people and where substantial participation in control is vested in black people.

A BusinessMap report (2005:15) highlighted the following as the shortcomings after the first five years of black empowerment:

- Empowerment has been too narrow, and focuses only on corporate ownership and control;
- BEE benefited only a limited pool of beneficiaries, hence the criticism that it has resulted only in the “enrichment of the few”;
- A number of beneficiaries have shares in more than one company and hold positions as directors.
- Since empowerment is premised on acquisitions, there has been lack of organic growth in wealth and, therefore, a lack of the necessary sustainability over time;
- Too little attention has been paid to transforming corporations and transferring skills;
- Most black shareholders have not taken part in the running of the business and are, therefore, unable to understand the operations of these companies, with strategic decisions being left in the hands of white people;
- Venture capital was not made available to black businesses. This resulted in the use of complicated fund structures introduced to help black shareholders without capital to acquire large amounts of shares. More emphases fell on transferring control of major corporations to experienced black companies, with the old control structures remaining intact;
- The distortions of or deviations from business principles and practices have been considerable. In order to accommodate BEE, certain business rules and regulations, such as company law, had to be contravened;
- In an attempt to give previously disadvantaged individuals access to the business sector financiers and established white owned companies paid less attention to the conditions and requirements which prevail in any regular investment. Risk taking, reporting mechanism and performance

linked remuneration played little role in the corporate-related BEE arena; and

- The government has been the primary motivator for empowerment related investments and forced companies to enter into equity relationships with black companies by specifying empowerment conditions for state contracts. While government has used its buying power to encourage commitments to training and affirmative action as well as small enterprise and community development, its own approach to empowerment has been *ad hoc* and without a coherent strategic framework. This has led to an increase in fronting tactics rather than proper implementation.

According to Nhlapo (2008:9) given these failures and criticisms, the government strategy has been seen as a failure in meeting the envisaged objectives of poverty alleviation and reducing unemployment. Government has seen the need to change its strategy and introduced Broad Based Black economic Empowerment Act.

2.5.3 The funding mechanism of businesses

BEEcom (2001:19) states that the history of Apartheid and colonialism is one of the systematic destruction of productive assets owned by the black majority with the aim of making black people completely reliant on the sale of labour. Rural people, who had built up a limited asset base before the dawn of colonialism, saw a progressive destruction of their productive assets. Viable economic activity and, therefore, black business was restricted to their type, area, size and the choice of their trading partners.

According to Cargill (2005:22) the scarcity of black capital is the key complication to successful BEE. Black business people lack capital and, therefore, must borrow it from third parties and often at high cost. Cargill (2005:23) indicates that banks have re-entered the BEE lending market at a time when they have realized that several empowerment charters have enforced empowerment transactions with major players, but they now refuse to carry significant risks. Vending companies increasingly “facilitate” transactions, providing loan guarantees, price discounts, or

internal vendor financing at below market rates as an effective “subsidy” from established business to BEE investors.

BEE companies face escalating debt-service requirements across the terms of their debt. In most cases company earnings will be insufficient to cover interest and capital repayments, obliging them as Cargill (2005, 23-5) observes, to sell down shares at the end of the term. The draft score card introduces “realization points” to ensure that the value accruing to empowerment actors is genuine. Points are to be awarded according to a degree to which BEE investments are realised, measured in terms of the net value of the shares.

The principle of “once empowered always empowered” as expounded and included in the gazette in April 2007, did not stand the test of time. Jack(2005,30) observes that even ‘net equity’ is ‘merely a paper wealth’ in that lock- in provisions prevent the sale of shares, in order to prevent strength of black equity that would lead to a loss of BEE credentials. It is also worth noting that many of the companies that have concluded BEE deals are large and relatively mature companies. These businesses have a comparatively low profile but also tend to grow more slowly over time. This further complicates the growth against interest challenge raised earlier. The direct implication is either that the economy needs to grow at a significantly faster rate than it currently is (while maintaining relatively low interest and inflation rates), which in turn improves the growth and the internal rate return of these companies, or we will not make the empowerment targets we have set ourselves. (Lucas-Bull 2007:134)

2.5.4 Distribution of Income

The vital issue to look into is what happened to the general welfare and wealth of individuals in the different classes since 1994. Given the inadequacy of available data it is difficult to analyze the extent to which specific classes have benefited or, indeed, lost. Speaking with certainty about the distribution of income the HSRC reports that South Africa ‘S Gini coefficient, rose from 0, 69 in 1996 to 0, and 77 in 2001. In 2004, 57% of South Africans were living below the poverty line of R1 290

for a family of four (Mail & Guardian.21/07/2004). Fewer than 10% of Africans, 20% of Coloureds and 40% of Indians have a monthly per capita income level of R10 000 more, while the equivalent proportion of whites is just fewer than 80%. (Leibbrandt et al 2004). The gap between the rich and poor has grown since 1994. This has been shown by a significant increase in the income gap within the black community. The main cause of black poverty is unemployment, which increased for the black population from 36.2% in 1995 to 46.6% in 2002. Less than 10% of the total number of people in the poorest decile of the population is employed compared with more than half the total number of people in the top income decile (De Klerk, 2006:16).

According to data provided by Van der Berg and Louw 2003, the decile of the black population had a per capita annual income of R36 000 in 2000; which is more than the per capita incomes of the bottom four deciles in the white population. Another study conducted by BMR indicated that by 2007 black households would have a larger share of personal disposal income (46.4%) than whites (40.4%), which is a turn –about from 1960 when whites had 69.4% of the total income and blacks a mere 23%. (De Klerk, 2006:16). The distinctions indicated here about class definitions are based on occupational categories. In Gqubule (2007:188) the above revelation is disputed as baseless as the information used is gathered and reported on with respect to individual household incomes gathered in income bands that are not typically comparable across time (because of inflation) and between different surveys; secondly, constructing classes on the basis of income categories is inevitably quite arbitrary and suppresses most of the important questions about class and distribution. Black South African women are still seriously under-represented in top and senior management posts (De Klerk (2006:19).

2.5.5 Employment Equity

Colonial and Apartheid policies had a devastating impact on the development of black human capital. According to the BEEcom Report 2001, the result of the research that was conducted showed that 24.3% of Africans are illiterate and 43% functionally illiterate; 3% of Africans over the age of 20 have a tertiary qualification;

12.1% of Africans over the age of 20 have a matriculation qualification. These disproportionate statistics indicate the crisis the country faces. The country does not have the human capital required to attain sustained high levels of economic growth at a time when competitiveness is no longer based on mass production of standardised goods, cheap raw material inputs and low skill, low wage labour. However, these shortfalls do not preclude blacks from benefitting from the economic overhaul of the South African economy (BEEcom 2001:13).

The key findings of the 2002/3 Employment Equity report prepared by the Commission for Employment Equity for the National Department of Labour were as follows:

- While blacks constituted the majority of the total workforce covered in Employment Equity Reports, their representation in key positions remained very low;
- Black people accounted for only 19% of all top management positions (of whom only 4% were black females);
- Black people accounted for 22% of all senior management positions (of whom only 5% were black females);
- Blacks accounted for 31% of professionally qualified positions, with black females contributing 10% to this total;
- Blacks accounted for 83% of unskilled employees;
- (Black and white) females remain underrepresented in top positions, accounting for only 14% of all top management positions and 21% of all senior management positions.
- Data on people with disabilities remain unsatisfactory. Available data suggest that people with disabilities represent about 1% of the total workforce. People with disabilities accounted for only about 1% of all recruits and 0.5% of all promotions of black people in the three highest occupational levels.

In the Commission for Employment Equity's Annual Report for 2004/5, progress was noted in the following areas:

- The representation of black people in the three highest occupation levels (Top, Senior, Professional and Middle Management) has marginally improved, and it is now at 21,1% (Top Management), 25.7% (Senior Management) and 51,2% (Professionally Qualified and Middle Management);
- The representation of black females has improved marginally, and black women now account for 4.4% of Top Management positions, 6.6% of senior management positions and 22.2% of professionally qualified employees;
- The representation of women (black and white) in top and senior management improved to 15.1% and 23.7% respectively

The under representation of women in all management positions was confirmed in a 2005 census by the Businesswomen's Association, which showed that:

- Although women represent 52.1% of South Africa 's adult population and 41.3% of the worker population, only 19.8% of all executive managers, 10.7% of all directors , and 6.2% of all chief executives officers and board chairs are women. The figure for woman executive managers and directors increased respectively by 5.1%and 3.6 % points from 2004.
- Women held only 306 of a total of 2851 directorship, whilst 48.4% of these directorships were held by black women, 43.8% by white women, 4.6% by coloured and 3.2% by Indian women.

2.5.6 Skills Development

Fifteen years after South Africa's first democratic elections, the country is still experiencing low economic growth. This has resulted in huge development backlogs and rising levels of unemployment and poverty. The jobs losses have reduced black participation in the economy and increased levels of inequality. The country's rural areas are trapped in a circle of underdevelopment, crushing poverty and dismal levels of new investment in social, physical and human capital, with black women most acutely affected by rural conditions (BEEcom 2001:10).Despite Government success in stabilizing the economy and creating an investor-friendly environment, private sector confidence remains low largely because of the continued poor levels

of economic growth. In turn, low private sector investment in expansion, jobs, human resource development, small business and infrastructure reinforces the low cycle. The demand of creating a viable domestic market involves also the pursuit of opportunities offshore. However, the imperative of globalization requires the development of world class local industries. This is not viable in the current environment unless South African companies make significant investment in human capital and infrastructure. Furthermore, globalisation increases competition from imports, and foreign investors in South Africa require local firms to improve productivity continually (BEEcom 2001:10)

In order to address the challenges facing the country, the key stakeholders need to act to steer investments towards areas of national priority as has been done by governments throughout the world. De Klerk (2006:24-25) states that it is widely recognized that the success of the transformation project is dependent on the success of our attempts to improve the knowledge and skills of the participants in the South African economy.

2.5.7 Human Resource Development

The transformation process in South Africa has been long and complicated, and the situation may persist for several more decades. The government has progressed slowly in the promulgation of legislation, whereas various other industries have progressed slightly more rapidly in striving to attain goals that are prescribed in the legislation. Human Resource Development is a key factor in broad-based black economic empowerment. Clearly, it will be very difficult to reach many BEE targets if there is not a sufficiently large pool of trained black South Africans to fill empowerment posts. However, despite the high general unemployment level in South Africa there is a high shortage of skilled workers. Despite the allocation of resources to schools, the IJR's Transformation Audit of 2004 reveals that international tests indicate that South African students perform weakly, even when compared with much poorer countries with far fewer resources than those that were available to African schools under apartheid. On the other hand, South Africa

has been experiencing a brain drain since the 1990s. At the same time, the flow of skilled immigrants into the country has slowed down.

2.5.8 Affirmative Procurement

Organized and institutionalized racism in South Africa continues to hamper black businesses access to the public and private sector contracts required to grow black businesses into a new dynamic force in the country (BEEcom 2001:31). Government departments (national, provincial and local) and SOEs procure goods and services worth more than R110 billion a year, Government has recognized that these budgets could be utilized as a powerful mechanism to promote the development of small and medium businesses and the broader objectives of the RDP. (BEEcom 2001:31). However, current government procurement policy and legislation has proved inadequate. Firstly, it is difficult to estimate what portion goes to small and medium businesses and black entrepreneurs because of poor, and, in many instances, non existent monitoring and evaluation of contracts. Secondly, there are inconsistent defining yardsticks against which to monitor performance. Government departments and SOEs use different criteria of what constitutes a black company. Thirdly, there are major institutional weaknesses within tender boards, procurement offices and government departments which contribute to the abuse of the system and ineffective empowerment.

2.5.9 Rural Development and Access to Land

The country has extremely high levels of poverty, with 30%-50% of the population classified as poor. Poverty levels are the highest in rural areas with women the most affected. BEEcom (2001:48) reports that, using a household poverty line of R800 a month, the percentage of poverty is put at 28.5%. However, when use is made of income figures returned in the 1996 census, the proportion of those who live in poverty is 52.2%. Most of the country's poor people live in rural areas, with about 71% of rural people classified as poor. Rural households account for 72% of the total

poverty, although they make up only half the population. About 53.4% of South Africans (20.3 m people) live in rural areas.

2.6 Summary

Empowerment remains a political and moral imperative that holds out the hope of a dynamic economy built upon the full participation of South Africans of all races. We should be realistic, however, about the limits of the government's power to effect empowerment. Black economic advance will be driven primarily by the actions of individuals. However, it is not easy to measure the outcomes of the BEE policies and programmes. Many of the outcomes are not necessarily straightforward. One could use as a criterion for the achievement of the number of black managers recorded by the Department of Labour and the extent of black ownership of companies listed on the JSE. Nevertheless, the extension of black ownership has been progressing fairly slowly.

A number of challenge and benefits of BEE have been identified from the BEE literature. These challenges include the costs associated with BEE which have escalated (Jack2006:19-23; Turok 2006:59-64; IDC&ABC 2008:139&141); BEE is seen as being unfavourable to foreign investments as it would discourage foreign companies from investing in South Africa since their return on investment would be affected (Butler 2006:80-85). There is a general outcry that BEE partners often add little value to BEE deals. Some BEE investors amass numerous investments without developing the necessary expertise and skills to make a significant contribution to all of their investments (BusinessMapFoundation 2004).

There is an increasing tendency for companies to partner with prominent politicians and government officials thereby gaining unfair access to government business via contracts and tenders (Balshaw &Goldberg 2005; Turok 2006: 59–64; Naidu 2008: 6), although the recent Public Administration Management Bill aims to curtail the practice of civil servants being awarded lucrative government tenders (Mkhabela 2009: 1–2). The contemptible practice of “fronting” is merely window dressing and involves the creation of BEE special purpose vehicles for short-term gains (Balshaw

and Goldberg 2005; Naidu 2008: 6). Furthermore, the dti does not have the human resources or the will to monitor fronting (Peacock 2007b: 17), although Fauconnier and Mathur-Helm (2008: 1–14) found that there is an increased focus on ensuring real and sustainable BBBEE in South Africa.

Government strategy, through various empowerment initiatives coupled with legislation such as Affirmative Action Act, Employment Equity Act of 1998, the Skills Development Act, 97 of 1998, Competitions Act, to promote black advancement has yielded inadequate results. However, concerted efforts through private and public partnership could serve as a viable mechanism to eradicate unemployment and poverty. The most recent issue of nationalization of certain sectors of the economy, resulting in some outcry, comes as a means to redress inequalities of the past. This is a clear indication that the majority of people are still concerned about the ineffective measures about bringing transformation.

The next chapter will cover the research design, the sampling methodology and data capturing instruments, and data analysis design.

CHAPTER 3: RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction

This chapter describes aspects and concepts such as population size, sampling, the data collection method, validity and reliability of the research study and statistical analysis. Research findings were also interpreted in this chapter. A central part of research activity is, according to Churchill (1992:102), to develop an effective research strategy and plan. This section on methodology is a key element in this study.

3.2 Research Design

For the purpose of this study the qualitative approach to research was implemented. This research design connected the research questions to data. However, this research design lied in between research question and the data showing how the research was connected to the data and what tools and procedures were used in answering them. It became a blue print for the collection, measurement and analysis of data since research design is the overall plan according to which the researcher obtains the participants and collects information (Welman & Kruger, 1991)

A descriptive research is one that attempts to explain the characteristics of the population by examining the use of both qualitative and quantitative research methods (Glatthorn, 1998:75). According to Creswell (2003:211) this research method is a mixed approach which means the researcher collects qualitative and quantitative data. A preliminary qualitative study was conducted to enable the researcher to be familiar with the problem while it is a useful method in compiling the questionnaire

The empirical study involved conducting interviews with the following.

- Owners of small businesses
- Employees
- Labour representatives

The initial questions covered the role played by small businesses in the implementation of black economic empowerment and the challenges encountered as a result. This form of a questionnaire strengthened the validity of the study.

3.2.1 Problem Definition

The growth of the Rustenburg City has attracted people from far afield as the SADEC countries. The expansion of the mining industry provided employment to the majority of these people. The Rustenburg area has become the economic hub of the North West Province. However, the majority of local dissidents are still expecting to benefit from these lucrative mines. The development of this sector led to the increase in growth of the retail sector which accounts for the employment of large percentage of employed women. Nevertheless, this unsurpassed economic growth is accompanied by high levels of unemployment, disparity in terms of employment equity in various sectors of the economy. The rural villages which border around this town derive less benefit. From the above situation salient questions arise, the government initiative as expounded in the Reconstruction and Development Programmes (RDP) of the government became the base from which citizens of this country started to question the empowerment initiatives. It is out of this circumstance that the impact of black economic empowerment on the growth of small businesses is investigated.

The development of SMMEs could be a measure to be used to redress the inequalities of the past. The growth of the economy depends on the growth of this sector. Poverty eradication could among other things be eradicated through the development of this sector.

3.3 Population and Sampling

A population is defined as all members of any well defined class of people, events or objects (Kerlinger, 1966:52). Avry et al. (1985:138) state that the small group that is observed is called a sample and a large group about which the generalisation is made is called a population. Welman and Kruger (1999:46) define population as the study object which could be individuals, groups, organizations, human products and events, or the conditions to which they are exposed (namely. a total group that is

eligible to participate in research). The population in this study constitutes 406 SMME's with the retail and service sectors. .

Sampling involves decisions about which people, setting, events, behaviour and / or social processes to observe (Terre Blanche & Durrheim, 2002:44). Kothari (1995:69) refers to a sampling frame as a 'source list' from which samples are to be drawn. In actual practice, the sample will be drawn from the list of population elements that is often somewhat different from the defined target population.

Statistics South Africa census of 1996 to 2006 indicates an average annual growth of 1.6%. However, the population of the Rustenburg Local Municipality was estimated to have grown to the size of 457, 9876 with a population density of 56.11 in 2006.(Global Insight, 2007). The population in this study constitutes 406 SMME's with the retail and service sectors.

Given factors such as the time span for this study, it is imperative to consider a sample which will fulfil the requirements of efficiency, representativity, reliability and validity. The absolute size of a sample is more important than its size compared to the population. What matters most is the precision needed by the researcher (Cooper & Emroy, 1995:206).

As mentioned in Chapter 1, the target population for this research study will be the Rustenburg Local Municipality which forms the integral part of the Central Business District. Members of the business community of this town consisted of people from as far as Nigeria, Ethiopia, and China. However, the majority of black South Africans have being left out of the main stream economy. The population includes small businesses run by whites, blacks, coloureds and Indians. The foreign nationals are included as part of the population for the purpose of the investigation of economic empowerment.

3.3.1 Sample size and Sampling Method

In theory, the process of sampling involves using a small number of items or parts of the population to make conclusions regarding the whole population. For this study a probability sampling technique will be adopted. Random sampling is a sampling procedure that assures that each element in the population would have an equal chance of being included in the sample.

The sampling method to be followed for this research will comprise of a multistage procedure. The researcher will first sample groups or organisations (or clusters), and obtain names of individuals within each group or cluster and then draw a sample within the cluster. In drawing the names, each person has an equal opportunity of being selected.

This final stage sampling method used is defined as 'purposive sampling', namely, choosing people who are 'typical' of a group, or those who represent diverse perspectives on an issue.

For purposes of this investigation, a specifically designed research questionnaire will be distributed to the selected sample of 50 respondents.

3.4 Data Collection Methodology

Primary data will be collected using 'mixed methodologies' namely, through a semi-structured, open-ended and in-depth interviews and the distribution of a specifically designed survey questionnaire. The purpose of the interviews will be to cover a broader scope of themes and give the interviewee an opportunity to offer information outside of the initial themes explored within the structured designed survey questionnaire whose investigative questions will be aligned to the sub-research questions to be answered by this study.

Using multiple, but independent measures is known as triangulation. Researchers refer to four categories that can be recognised, namely, theoretical triangulation, data triangulation, investigator triangulation and methodological triangulation

(Easterby-Smith, Thorpe & Lowe, 1996: 133-134). Methodological triangulation will be used for this study as both qualitative and quantitative research approaches are being used for data collection.

3.4.1 Preliminary Study

Literature related to this discourse served to provide ample perspective on the approach to this study. However, a preliminary study through unstructured interviews was conducted so as to have a clearer understanding of the challenges faced by businesses as a result of the implementation Black Economic Empowerment Act.

3.4.2 Design of Questionnaires

Personal Interviews

A positivistic approach will be retained in the questionnaire design since interviews follow a standardised set of questions, whilst offering some flexibility and allowing the views of the interviewee to become known.

The respondents will be personally contacted by the researcher and invited to volunteer to participate in the research. The objectives of the research will be explained and respondents will be assured that the data would be treated with confidentiality. Not all respondents who will be approached may agree to participate. The aim is to obtain additional in-depth information other than the use of a standard mail administered survey questionnaire. (For questionnaire see appendix A).

Standard Mail Survey Questionnaire

This part of the survey will rely mostly on the efficiency of the written word rather than the interview. Investigative questions aligned to the sub-research questions posed in chapter one will be formulated and the final questionnaire will either be sent through electronically, or hand delivered to the sample respondents. The questionnaire design will cover two sections, namely, a biographic section and a section covering investigative questions within the themes of the sub-research questions. For the latter part a mix of various interval rating scales will be used. (See appendix A).

3.4.3 Pilot test run

Before conducting the interviews with the sample of respondents as well as distributing the survey questionnaire, a number of persons who do not form part of the research sample will be requested to comment on the wording and content of the questions. Where lack of clarity regarding wording is found, final modifications will be made prior to proceeding with the data capturing.

3.5 Procedures to be used for Data Analysis

Analysis of data involves a process of inspecting, cleaning, transforming, and modelling data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making. Data analysis has multiple facets and approaches, encompassing diverse techniques under a variety of names.

3.5.1 Data preparation

Once data collection is completed, the analysis stage takes place. This will involve editing, handling blank responses, coding and processing.

- **Editing on data cleaning.** A check will be done to discover whether decisions influenced the distributions of variables. The distribution of the variables before data cleaning will be compared to the distribution of the variables after data cleaning to see whether data cleaning has unwanted effects on data.
- **Analysis of missing observations.** A check will be done to ascertain missing values and to check whether the values are missing at random. The missing observations will be analysed to see whether more than 25% of the values are missing at random and whether some of the statistics will be needed.
- **Outlying observations** in the data will be analysed to see whether they seem to disturb the distribution.

- **Comparison and correction of differences in coding schemes.** Variables will be compared with coding schemes of variables external to the data set, and possibly if the coding schemes are not comparable.

3.6 Summary

This chapter covered the research methodology and design for this study, the sampling method and data capturing instruments to be used, and the procedure to be used for data analysis prior to the next chapter which will cover the discussion and interpretation of the data provided by the respondents.

CHAPTER 4 DATA ANALYSIS

4.1 Introduction

This chapter covers the analysis and interpretation of the summated captured data from a response rate of 35 completed and usable returns (70%) of the original sample of 50 distributed questionnaires. The first section will cover an analysis of the data of the biographical aspects of the questionnaire followed by an analysis and interpretation of the investigative questions which were posed within each of the five themes that formed the research questions formulated in Chapter 1 (see section 2.3). The summated results of the entire questionnaire appear in Appendix A.

4.2 Analysis of biographic data (Section 1 of Questionnaire)

When analysing the data of the 35 respondents, it was found that in some sections the data was incomplete. This implied that the frequency distributions would vary between 33 and 35 respondents as interpretations of the data take place.

Table 4.1 reflects the results by type of company and table 4.2 reveals the economic sector of these organisations.

4.2.1 Distribution by organisational type and economic sector

Table 4.1: Distribution by type of organisations

Closed Corporation	64% (21)	Private Company (Pty) Ltd	24% (8)
Public Company (Ltd)	0	Other (Unspecified)	12% (4)

The data above reflects that 21 respondents (64 %) are from closed corporations, whilst the private sector companies make up 8 respondents (24%) and 4 respondents (12%) fall within the category of unspecified 'other'.

Table 4.2: Number of organisations by Economic Sector

	Totals
Agriculture, Forestry and Fishing(Primary Sector)	1
Mining, Minerals and Quarrying (Primary Sector)	3
Engineering and Construction- Contractors (Secondary Sector)	3
Wholesale , Retail Trade, Catering and Accommodation (Tertiary Sector)	14
Financial intermediation, Banking, Insurance, Real Estate & Business Services (Tertiary Sector)	6
General Government Services (Local, provincial or national)	2
Unemployed	2
Self-employed	1
Other	2

Eleven respondents (33%) indicated that their organisation has a BBBEE rating whilst the remainder, twenty two respondents (67%) mentioned that their organisation does not have one. When questioned at what provider level they want their business to be within the next three years, only 73% of respondents replied.

Table 4.3: Desired organisational level within 3 years

Totals			
Yes	33% (11)	No	67% (22)

4.2.2 Length of service, educational qualifications, and racial group

For purposeful analysis, sections 1.6 to 1.8 are grouped.

Table 4.4: Length of service in industry sector

Length of service	Totals	Percentage
6 months-2years	5	14,7
3-5years	11	32,4
6-10years	7	20,6
11-15years	5	14,7
16-20years	1	2,9
21-25years	2	5,9
26-45years	1	2,9
Unemployed	2	5,9

Table 4.5: Highest qualifications

Qualifications	Totals	Percentage
Secondary School	3	8,8
Grade 12 or equivalent	7	20,6
Post-matric qualification	5	14,7
National Diploma or National High Diploma	14	41,2
Bachelors' Degree or equivalent	3	8,8
Honours Degree or equivalent	2	5,9

Table 4.6: Sample distribution by population group

Race	Totals	Percentage
African	29	82,8
White	4	11,4
Coloured	1	2,9
Indian	1	2,9

4.2.3 Number of employees by age and gender distribution

For this section analysis questionnaire items number 1.9 to 1.11 are grouped.

Table 4.7: Number of employees within the organisation

Number of Employees	Totals	Percentage
1-100	21	63,7
101-200	1	3,0
201-300	1	3,0
301-1000	1	3,0
More than 1000	9	27,3

From the summated data the majority of the participating organisations have between 1 – 100 employees (63, 7%) whilst 27, 3% respondents (9) indicated that their organisation comprises more than 1000 employees. The remainder of the sample (9%) indicated that the employee numbers ranged from 101-1000). Two respondents of the sample are unemployed. Thus there is no data for their organisation available. The research sample consisted of 12 females (34%) and 23 males (66%), and their ages ranged from 18 to 54 with the greater number being aged between 35 -44 followed by 25-34, 18-24, and 45-54.

4.2.4 Provincial residence and type of settlement

For this analysis questionnaire items 1.12 and 1.13 are grouped.

The sample distribution results are reflected in table 4.8.

Table 4.8: Province and type of settlement

Province/type of settlement	North West	Percentage
Rural	1	2,9
Urban	30	85,7
Peri-urban	3	8,5
Informal	1	2,9

As reflected by the results, clearly, the majority of the respondents (85,7%) fall within urban areas.

4.3 Analysis of responses to BBBEE (Section 2 of Questionnaire)

In this section of the questionnaire the researcher explored the respondents' perceptions regarding the overall concept of BEE and BBBEE. The key findings are summarised below:

- The responses ranged from 'very important' with 49%, to 'more important' with 37%, 'less important' 11% and 'not important' with 3%. Clearly, the respondents indicate that this is an important issue.
- Regarding the current approach to BEE, 37% of the respondents approved of BEE whilst 29% disapproved of BEE, and 34% were undecided. This result reflects mixed feelings and suggests that the issue needs further independent investigation in a separate much larger study.
- Addressing the question of approving of BEE, the sample of respondents was once more divided and undecided; 40% approved; 29% disapproved; and 31% indicated 'unsure'.
- Regarding the revision of the BEE application in practice, 33% respondents held the view that the practice must be overhauled, 52% felt that reform is needed, 9% indicated that a minor reform is required, whilst 6% suggested

that no change should be made. This finding suggests that BEE practice is not necessarily working effectively and may require serious revision.

- The majority of the respondents perceived BEE to be a major opportunity 83% whilst 17% perceived it to be a threat.
- Regarding BEE compliance for contracting (using 'fronting'), only 26% respondents felt that it was a good idea. The remainder of the sample perceived it to be 'a bad idea' (40%); 20% had no opinion, and 14% were 'not sure'. Clearly there are mixed perceptions about the BEE issue in society
- The sample had mixed perceptions/beliefs about whether the standard of the economy. The responses range from 'getting better' (29%); 'getting worse' (37%); 'staying about the same' (14%), and 17.1% had no opinion and one (2.9%) was unsure.
- When regarding themselves as proponents/participants of transformation, 40% held a strong belief that they are proponent participants whilst 34% held a moderate belief, and 26% were 'somewhat-to-very conservative'
- The majority of the sample (60 %) indicated that their organisations had started implementing BEE whilst also indicating opposing views whether or not it should be applied to all organisations (54% said yes whilst 37% said no and 9% was unsure).
- Regarding the elements of the BEE scorecard 20% of the respondents indicated that their organisation had equity ownership; 43% had management employees; 23% had preferential procurement; 20% had enterprise development, and 14% indicated that there was a social and skills development plan.

Drawing conclusions from the above analysis it would appear that the way BEE is being implemented is not working satisfactorily and people have a lot of concerns about this issue.

4.4 The role of stakeholders in the small business development (Section 3 of Questionnaire)

This part of the analysis links back to research question 1 posed in chapter 1 (see 3.2) and comprises investigative questions 3.1.1 to 3.1.4. The section covers:

- Municipalities and BEE
- Restructuring PPP's and Licences
- Role of private sector
- Role of civil society

Table 4.9 contains the summated responses of the sample for each of the above category and their investigative questions.

Table 4.9: The role of stakeholders in small business development

	The role of stakeholders in small business development	Very High	High	Moderate	Low	No impact
4.4.1	Municipalities and BEE					
	(a)Local government gives priority to the basic needs of the community such as social and economic development of the community.	7 20%	6 17,1%	7 20%	8 22,9%	7 20%
	(b).Local government plays a vital role in promoting small business development.	2 5,7%	8 22,9%	14 40%	5 14,3%	6 17,1%
	(c).Business experienced growth as result of local government involvement.	5 14,3%	5 14,3%	6 17,1%	8 22,9%	11 31,4%
4.4.2	Restructuring,PPPs and Licences					
	(a).The use of scorecard as a measure to promote preferential procurement.	7 20%	6 17,1%	8 22,9%	8 22,9%	6 17,1%
	(b)The shareholding capacity of blacks as a measure to redress economic disparity.	5 14,7%	7 20,6%	10 29,4%	5 14,7%	7 20,6%
	(c). Improved communication between the business, its shareholders and other stakeholders.	4 11,5%	9 25,7%	9 25,7%	6 17,1%	7 20%
	(d).The implementation of scorecard has since improved business	5 14,3%	7 20%	7 20%	7 20%	9 25,7%
4.4.3	Role of Private Sector					
	(a)Do you regard sector charter as effective means to provide BBBEE?	7 20%	6 17,1%	6 17,1%	6 17,1%	10 28,7%
	(b)Do you see the role of the private sector as important towards the economic transformation of this country?	9 25,7%	6 17,2%	6 17,1%	5 14,3%	9 25,7%
	(c)Do you consider the company you work in to be providing enough bases for the development of black small business development?	5 14,3%	7 20%	6 17,1%	7 20%	10 28,6%
4.4.4	Role of Civil Society					
	(a)Do you regard the role of civil society as important in the development of small business?	8 22,9%	6 17,1%	10 28,6%	5 14,3%	6 17,1%
	(b)You regard the participation of community groupings as effective participating and benefitting from BBBEE.	5 14,3%	6 17,1%	10 28,6%	7 20%	7 20%

Interpreting the results reflected in table 4.9, the perceptions and opinions provided by the sample respondents are as follows:

- **Municipalities and BEE.** The majority of the sample (57,1%) hold the view that local government gives priorities to the basic needs of the community such as social and economic development.

- The sample was divided on the issue of whether or not the local government plays a vital role in promoting small business development, namely, 68,6% (24) viewed this as positive whilst the remainder of the sample (31.4%) perceived that there is little impact).
- The sample was divided on the issue of growth of businesses from government involvement (54% negative and 46% positive).

In summary it can be concluded that the concept of BEE in its application from local government is not effective.

- **Restructuring PPPs and Licences.** The majority of the sample (60%), rating from 'moderate' to 'very high', hold the view that Restructuring PPPs and Licences gives priorities to the use of a scorecard as a measure to promote preferential procurement. The remainder of the respondents combined (40%) regard it as low or having no impact.
- Regarding shareholding capacity of blacks as a measure to redress economic disparity, the majority of respondents (64,7%) viewed this as positive whilst 35,3% held the opposite view.
- The majority of the respondents (62,9%) rated from 'moderate to very high' that restructuring, PPPS and Licenses leads to improved communication between the business, its shareholders and other stakeholders. The remainder of the respondents (37,1%) combined regard communication as low or having no impact.
- On whether the implementation of the scorecard has improved business since its inception, the majority of respondents (54,3%) hold a positive perception whilst the remainder of the respondents (45,7%) view it negatively.

It can be concluded that the relationship between the public and the private sectors to work together to improve the development of small business has had results to a certain extent. This is evident from the majority of the responses which affirm participation of both the public and the private sector to be positive towards small business development.

- **Role of private sector.** The majority of the sample (54,2%) provided a rating from moderate to very high, regarding the sector charter as an effective means to provide BBBEE whilst the remainder of the respondents (45,8%) held the opposite view. Clearly the respondents are divided in their perception, and this requires a further independent investigation as to why?
- The majority respondents (60%) see the role of the private sector as important with regards the economic transformation of this country whilst the remainder (40%) respondents regard it as having low or no impact. Again, this divided perception needs a further independent investigation.
- The majority of respondents (51,4%) consider the company they work in to be providing enough bases for the development of black small business development whilst the remainder of respondents (48,6%) held the opposite view. This disparate perception requires an independent larger study as it appears that some companies are making a constructed contribution whilst others are not.

In summary it can be concluded that the role of the private sector may play an important part in the implementation of BBBEE.

- **Role of civil society.** A majority of respondents (68,6%), - combining the ratings from moderate to very high, - regard the role of civil society as important in the development of small business whilst the remainder (31,4%) regard it as low or of having no impact.
- A majority of respondents (60%), - combining the ratings from moderate to very high, - regard the participation of community groupings as effective and benefitting from BBBEE whilst the remainder (40%) regard it as low or of having no impact.

In drawing conclusion of the overall analysis, the implementation of BBBEE could be achieved only if the role of every stakeholder is defined and observed. BEE without the proactive involvement of various stakeholders would lead to conflict that may hamper progress already achieved.

4.5 Factors of Black Economic Empowerment (Section 4 of the Questionnaire)

This part of the analysis covers a greater part of this research since it covers the five research questions posed in chapter 1 (see section 4) and comprises investigative questions 4.1 to 4.9. The section covers:

- Ownership within the economy
- Start-up business
- Funding mechanism
- Distribution of income
- Employment Equity
- Skills Development
- Affirmative Procurement
- Rural Development and Access to Land

Table 4.10 contains the responses of the sample of the perception about ownership within the economy and their investigative questions (see 4.1 research questionnaires).

Table 4.10 Perception towards ownership within the economy

4.5 .1 OWNERSHIP WITHIN THE ECONOMY	Strongly Disagree	Disagree	Agree	Strongly Agree
4.5.1.1 BEE transactions have been able to transfer economic benefits to previously disadvantaged individuals (PDI's).	8 22,9%	5 14,3%	20 57,1%	2 5,7%
4.5.1.2 BEE transactions contributed positively to transformation and sustainable economic growth in South Africa.	2 5,7%	7 20%	18 51,4%	8 22,9%
4.5.1.3 BEE transactions were successful in supporting the BEE objectives of reducing unemployment and eliminating poverty in SA.	5 14,3%	7 20%	13 37,1%	10 28,6%
4.5.1.4 BEE transactions are able to distribute benefits to the broader community and majority of South African PDIs as opposed too few elites.	7 20%	8 22,9%	13 37,1%	7 20%
4.5.1.5 BEE funding models used to fund BEE transactions will or have created sustainable wealth for PDIs.	7 20%	5 14,3%	16 45,7%	7 20%
4.5.1.6 BEE funding models are able to encourage empowerment through transfer of ownership.	3 8,6%	4 11,4%	22 62,9%	6 17,1%
4.5.1.7 The newly applied funding models used during the second phase are much better than those used during first phase.	4 11,4%	5 14,3%	21 60%	5 14,3%

- Ownership of the economy. Combining the 'agree to strongly agree' responses, the majority of the sample respondents (62,8%) perceive BEE transactions as having been able to transfer economic benefits to previously disadvantaged individuals (PDI's). A smaller number (37,2%) do not hold the same perception (see 4.5.1.1).
- The greater majority of respondents (74,3%) hold the opinion that BEE transactions contributed positively to transformation and sustainable economic growth in South Africa whilst 25,7% disagreed (see 4.5.1.2).
- The majority of respondents (65,7%) regard BEE transactions as successful in supporting the BEE objectives as these appear to be reducing unemployment and poverty in SA. A combined 34,3% of respondents hold the opposite view (see 4.5.1.3).
- Regarding whether BEE transactions distribute benefits to the broader community and the majority of South African PDIs as opposed only a few elites, the majority of respondents (57,1%) 'agreed' to "strongly agreed" as opposed to 42,9% who "disagreed" to "strongly disagreed" (see 4.5.1.4). A plausible explanation for the disparate perception or beliefs may be attributable to the fact that some of the sample respondents are employed in organisations that may not yet have adopted a BBEE strategy.
- The majority of respondents (65,7%) believe that BEE funding models used to fund BEE transactions will create or have created sustainable wealth for PDIs whilst 34,3% hold the opposite perception (see 4.5.1.5).
- The majority of respondents (80%) believe that BEE funding models are able to encourage empowerment through transfer of ownership whilst the minority (20%) hold the opposite view (see 4.5.1.6).
- The majority of respondents (74,3%) 'agree' to 'strongly agree' that the newly applied funding models used during the second phase are much better than those used during first phase whilst 25,7% were in disagreement.' (see 4.5.1.7).

Whilst the positive perception/belief is being held that BEE funding models used to fund BEE transactions can possibly encourage empowerment through transfer of

ownership, the South African national BBBEE second phase strategy is being viewed as being better than the first phase.

From the data analysis above, it is evident that the majority of respondent organisations agree that there has been progress in terms of wealth redistribution. But these captured results can not be generalised because the population sample for this research (35 respondents) is not fully representative of all business organisations. However, in the researcher's experience there are cases where the majority of the people have not been able to benefit directly from the BBBEE initiatives. Salient factors like job creation are addressed. In the distribution of benefits to a broader community there is also a remarkable movement. Funding mechanisms are also purposefully trying their best to contribute towards realising the success of BEE, and there is agreement that second phase BEE funding models appear to be better than the first phase initiatives that were launched.

4.5.2 Start-up business

The summarised information contained in tables 4.11 to 4.18 provides an analysis which is termed 'start-up business.'

Table 4.11: Experience of small business failure.

Business Failure	Frequency	Percentage
YES	7	20
NO	26	74,3
If "YES" how many times?	2	5,7

As reflected by the results, clearly the majority (74,3%) of business organisations had never failed. Only 20% of the respondents had experienced failure. Although some organisations had failed once, there are 5,7% which had failed twice.

Table 4.12: Factors that impact on small businesses

	Factors that impact on small businesses	Very High	High	Moderate	Low	No impact
1	Shortage of money	15 42.3%	3 8.6%	3 8.6%	4 11.4%	8 22.9%
2	Inadequate information and knowledge	5 14.3%	8 22.9%	10 28.6	5 14.3%	9 25.5%
3	Government laws and policies	5 14.3%	6 17.1%	9 25.7%	4 11.4%	8 22.9%
4	Quality of employees	8 22.9%	5 14.3%	10 28.6%	3 8.6%	7 20%
5	Lack of turnover	2 5.7%	8 22.9%	11 31.4%	3 8.6%	9 25.7%
6	Competition	6 17.1%	4 11.4%	10 28.6	3 8.6%	10 28.6
7	Stock control	6 17.1%	4 11.4%	10 28.6	3 8.6%	10 28.6
8	Crime	10 28.6%	3 8.6%	4 11.4%	4 11.4%	12 34.3%
9	Business planning	10 28.6	5 14.3%	10 28.6%	0	8 22.9%
10	Personal entrepreneurial capacity	8 22.9%	5 14.3%	10 28.6%	3 8.6%	7 20%
11	Politics, Society and Institutions	4 11.4%	6 17.1%	6 (17.1%	4 11.4%	13 37.1%
12	Rates and taxes	7 20%	4 11.4%	6 7.1%	8 22.9%	8 22.9%
13	Labour laws	7 20%	4 11.4%	8 22.9%	4 11.4%	10 28.6

- A majority sample of 63,6% (21) business organisations regard shortage of money to have a major impact on the development of small business. Only 36, 4% (12) of the respondents regard this to have a 'low' or 'no impact' at all (see 1).
- Most of the respondents (62, 2%) regard inadequate information and shortage of knowledge as affecting business organisations negatively whilst 37,8% of the respondents held the opposing view (see 2).
- The majority of respondents (62,5%) regard government laws and policies to have negative impact on the development of small business organisations whilst 37,5% held an opposing view (see 3).
- A majority of respondents 69,7% regard the quality of employees to have severe impact on the development of business organisations whilst 30,3% held an opposing view (see 4).

- The majority 63,3% of the sample respondents perceive a lack of turn over as having a serious impact. This aspect relates to item 4 (the quality of employees), - (see 5). Plausible reasons for these results are as follows: employees don't turn up for work; labour laws make it difficult to terminate poor performers; and employment contracts are not specific to enable the employers to act swiftly. Another is that the business does not have a sustainable customer base.
- The Majority of the sample (60,6% respondents) regards competition and stock control of businesses to have a negative impact whilst 39,4% of the respondents held the opposite view (see 6, 7 & 8). This result suggests that small business owners and their employees require training in competition based strategies and the importance of stock control amongst other areas. The factor of stock control is linked to crime (see 6) where 51,5% of the respondents versus 49,5% held directly opposing opinions.
- According to perceptions held about 'business planning' (75,6%) and 'personal entrepreneurial capacity' (69,7%) the majority of the sample viewed these aspects to be vital for business success (see 9 & 10). Other, than BBBEE, it appears that lack of training and experience are important contributory factors to small business failure.
- Regarding rates and taxes there are mixed feelings about whether those affect businesses negatively or positively. Over half of the respondents, namely, 51,5% versus 49,5% held opposing perceptions. This result indicates that rates and taxes may or may not be perceived as a threat to the development of small businesses. (see 12)
- The majority of respondents (57,6%) regard labour law to have an impact on small business organisations whilst 42,4% of the respondents held the opposite view. (see 13)

From this analysis it can be concluded that there are several serious problems which both the public and the private sector have to deal with to achieve small business development. All the business organisations are affected in one way or the other. These listed factors clearly contribute to business failure or the success thereof and require more analysis on a larger scale.

Table 4.13: Impact of capital on small business development

Impact of Capital	Frequency	%
Availability of capital	6	17,1
Too fast growth rate	3	8,6
Too much debt	7	20,0
Credit terms	3	8,6
Interest rate	3	8,6
Cash flow	10	28,5
Other (unspecified)	3	8,6

The analysis above reflects that debt (20%), poor cash flow (28,5%) and unavailability of capital (17,1%) has a negative impact on small business development and remains to be a major challenge. The aspects of too fast a growth rate (8,6%), credit terms (8,6%) and interest rates (8,6%) all received lesser ratings. Only 8,6% did not specify areas of challenges.

Table 4.14: Record of possible competitors

Competitors	Frequency	%
Small business	15	45,5
Large business	15	45,5
e-business	2	6,0
Other specify	1	3,0

This analysis indicates that competition to organisations comes from both small business and large business with 45,5% from each sector. Only 6% are e-business related and 3% is from an unspecified competitor.

Table 4.15: The effect of BEE legislation on business organisations

Response	Frequency	%
YES	5	14,3
NO	30	85,7

The majority of the respondents (85,7%) did not perceive any negative impacts from BEE legislation on their business organisation.

Table 4.16: The impact of the quality of employees on start-up business

Employee Impact Factors	Frequency	%
Availability	5	15,6
Affordability	7	21,9
Degree of education and training	11	34,4
Ethical values	9	28,1

The majority of respondents (34,4%) believe that the degree of education and training quality employees possess as having a considerable impact on the start-up of a business. The remaining respondents regarded regard ethical values (28,1%), affordability of employees (21,9%) and their availability (15,6%) to also impact on the start up of a business.

Table 4.17 General perceptions about entrepreneurs

	General perceptions about entrepreneurs	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Entrepreneurs are born, not made	14 40%	8 22,9%	6 17,1%	4 11,4%	3 8,6%
2	Some have to provide you with a job	6 17,1%	19 54,3%	4 11,4%	5 14,3%	1 2,9%
3	Starting a business is risky and often ends in failure	4 11,4%	17 48,6%	5 14,3%	6 17,1%	3 8,6%
4	Any one can start a business	10 28,6%	17 48,6%	3 8,6%	2 5,6%	3 8,6%
5	Assets are the most important start-up commodity	14 40,0	11 31,4%	7 20,0	1 2,9%	2 5,7%

- Regarding whether 'entrepreneurs are born not made', the majority of respondents (62,9%) agreed with the statement. Only 17,1% of the respondents remained neutral whilst 20% held the opposite view. The literature has conflicting schools of thought on this matter. Evidence prevails that training people in leadership or management practices does not guarantee that they will be superior at this task (Kolbe, 1997). The latest research evidence provided by Kolbe (1990-1997) suggests that people who excel in these roles have natural inborn talent. Leadership is not trainable. Therefore, training does not change learners but only adds to their cognitive knowledge; it only inculcates non-sustainable learnt behaviour.
- A majority of 71,4% held the perception that business organisations have to provide jobs. Only 11,4% remained neutral and 17,2% held an opposing view. These results suggest that more is required to boost small business entrepreneurship to be able to create jobs. In the USA this was the forerunner to building the American economy.

- A majority of 60% agreed that starting a business is risky and often ends in failure, whilst five (14,3%) of respondents remained neutral and nine (17,2%) disagreed.
- The majority respondents 77,2% agreed that any one can start a business. Only 8,6% (3 respondents) remained neutral and five (14,2%) disagreed.
- A majority of 71,4% agreed that assets are the most important start-up commodity while 20% respondents remained neutral and 8,6% (3 respondents) disagreed.

According to this analysis, it can be concluded that one needs to have inborn character traits, training and experience to establish a successful business. There is a general agreement that businesses that have financial problems nevertheless still have to provide employment opportunities. However, when opening any business it is perceived to be a risk and possible that it could end in failure. Assets are essential to lay the foundation for successful business.

Table 4.18: The services small businesses would benefit from.

Beneficial services and training	Frequency	%
Business management training for owners	11	32,4
In-service training for employees	12	35,2
Business consultancy/advisory services	11	32,4

The above information reveals that there is almost an equal demand of all services to small business development. The sample shows that respondents rated business management training for owners and business consultancy/advisory services equal at 32,4% and in-service training for employees at 35,2% exceeding the former by a slight. However, the economic development of these organisations depends on the level of skills they have. Small businesses need to be developed.

Table 4.19: Government support to small business.

Government support	Frequency	%
YES	6	18,2
NO	27	81,8

A majority of respondents 81,8% are of the opinion that government support does not contribute enough towards small business development. Only 18,2% respondents (6) felt that it did. This response may be from organisations which have already benefited from BEE transactions. This indicates that people have negative feelings regarding government involvement in business. They may be looking forward to seeing positive involvement without discrimination in economic development without focussing on the economic growth of certain individuals known to be connected to the government.

4.5.3 Funding mechanism

Table 4.20 contains the responses of funding mechanism of BEE transactions.

Table 4.20: Funding mechanism of BEE transactions.

4.5.3.1 The most efficient BEE funding model/ structure used for BEE transactions funding.	Strongly Disagree	Disagree	Agree	Strongly Agree
a) Vendor Finance- The Hosting Company (<i>company selling shares</i>) provides finance or collateral for a BEE partner to buy shares.	2 5,7%	9 25,7%	20 57,1%	4 11,4%
b) Third Party Finance - Finance provided by a financial institution (e.g. banks) or government funding	0	6 17,1%	20 57,1%	9 25,7%
c) Derivatives - e.g. Option - The holder obtains an option to buy shares in the BEE Company within a certain time period.	2 5,7%	7 20%	19 54,3%	7 20%
d) Performance based: Shares provided based on performance of the BEE.	0	5 14,3%	22 62,9%	8 22,8%
e) Special Purpose Vehicle - Separate legal structures used to acquire shares in the target company.	3 8,6%	8 22,8%	19 54,3%	5 14,3%
4.5.3.2. Most funding structures are successful in supporting BEE objectives of including previously disadvantaged individual into mainstream of economy.	4 11,4%	7 20,0%	18 51,5%	6 17,1%
4.5.3.3 BEE partners will experience real economic benefits once the debt has been paid up.	3 8,6%	5 14,3%	18 51,4%	9 25,7%
4.5.3.4 The ability of the BEE partner to service loan repayment in any of the funding models is determined by future financial projection.	4 11,4%	5 14,3%	18 51,5%	8 22,8%
4.5.3.5 The success of BEE transaction depends on the performance of share price of the company in which the BEE partner has acquired stake.	7 20,0%	5 14,3%	19 54,3%	4 11,4%
4.5.3.6 Commercial banks require collateral or guarantee for funding provided.	5 14,3%	6 17,1%	17 48,6%	7 20%
4.5.3.7 Commercial banks normally regard BEE as higher risk.	5 14,3%	7 20,0%	14 40%	9 25,7%

- This analysis indicates the most effective BEE models/structures used for BEE transaction funding. A majority sample of 74,3% respondents agreed that Vendor Finance is the most efficient BEE funding model while a sample majority of 82,8% respondents also felt that Third Party Finance was preferable. On the other hand, a majority of 74,3% respondents favoured Derivatives, 85,7% respondents chose Performance based shares and 68,6% respondents preferred Special Purpose Vehicle (see 4.5.3.1;a-e).

The high level of positive responses by the majority of small businesses indicates that there is a great need for funding of small businesses if the BEE funding/structure is to be efficient

- A sample majority of 68,6% respondents('agree to strongly agree') think that most funding structures are successful in supporting BEE objectives of including previously disadvantaged individuals into the mainstream of the economy. Only a small number of 31,4% percent respondents held an opposing view (see 4.5.3.2).
- The majority of the respondents 77,1% had a hope that BEE partners would experience real economic benefits once debts have been paid up. Only eight (22,9%) disagreed (see 4.5.3.3).
- A sample majority of 74,3% agreed that the ability of the BEE partner to service loan repayment in any of the funding models is determined by future financial projection. Only 25,7% of the respondents held an opposing view (see 4.5.3.4).
- The analysis above indicates a sample majority of 68,6% ('agree to strongly agree') regard the success of BEE transaction as depending on the performance of the share price of the company in which the BEE partner has acquired a stake. Only 31,4% respondents held an opposing view (see 4.5.3.5).
- The majority of respondents (75,7%) agreed that commercial banks required collateral or guarantees for funding provided (see 4.5.3.6).

- A sample majority (63,9%) 'agree' to strongly agree' that commercial banks regard BEE as high risk whilst 36,1% disagreed (see 4.5.3.7).

According to the overwhelming responses received regarding funding mechanisms, clearly the funding of small businesses remains a serious challenge. The efforts by both the government and the private sector have not borne fruit. Most of small businesses are still without adequate funds to be run properly. Companies which are able to get funding are those with a track record that convinces funders that given a loan they would be able to repay it.

In drawing conclusions from the above analysis it is clear that BEE funding mechanisms are in place. What remains to be seen is how effective they are. There are beneficiaries from these schemes, but, on the other hand, there are reservations about their effectiveness.

4.5.4 Distribution of the income

Table 4.21 contains responses of the distribution of income of employees.

Table 4.21: Distribution of Income

Distribution of Income	YES	NO
4.5.4.1 Has the gap between the rich and poor grown since 1994?	24 68,6%	11 31,4%
4.5.4.2 Do you regard unemployment as the main contributing factor towards income gap?	31 88,6%	4 11,4%
4.5.4.3 Do you regard the redistribution of income as more favourable to whites than to blacks?	24 68,6%	11 31,4%
4.5.4.4 Do you attribute the emergence of black middle class to black economic empowerment?	22 62,9%	13 37,1%
4.5.4.5 Do women in your company receive the same preferential treatment as their male counter parts?	32 91,4%	3 8,6%

- The majority of the respondents (68,6%) regard the gap between the rich and poor to have grown since 1994. Only 31,4% of the respondents held the opposite perception (see 4.5.4.1).

- A majority 88,6% respondent's regard unemployment as the main contributing factor towards income gap. Only 11,4% held an opposing view (see 4.5.4.2).
- The majority 68,6% respondents regard the redistribution of income as being more favourable to whites than to blacks. Only 31,4% respondents held opposing view (see 4.5.4.3).
- A majority of 62,9% percent to 37,1% attribute the emergence of the black middle class due to black economic empowerment (see 4.5.4.4).
- A sample majority of 91,4% as opposed to 8,6% consider women in the company in which they are based to receive the same preferential treatment as their male counterparts (see 4.5.4.5).

In conclusion, the above analysis shows that there appears to be still disproportionate wealth redistribution. While there is empowerment of woman as referred in the sample it can not be generally assumed that there is complete empowerment of woman as required by legislation. Although there are jobs provided, there are a large number of people who remain unemployed. Inequality still prevails in most sectors of the economy, however, and this may take many years to redress.

4.5.5 Employment Equity

Table 4.22 reflects the results of gender participation in entrepreneurship development. The frequency scores from 'average to high' will be combined for the interpretations provided.

- A majority of 70,6% consider self- employment amongst the male population to be higher than for women in the area they live in. Only 29,4% respondents viewed it differently (see 4.5.5.1).
- The majority of respondents (81,8%) perceive women still to be seriously underrepresented in top and senior management positions. Only 18,2% of the respondents held the opposite view (see 4.5.5.2).

Table 4.22: Gender participation in entrepreneurship development

	EMPLOYMENT EQUITY	Very High	High	Average	Low	No impact
4.5.5.1	Do you consider self employment higher amongst male population in comparison to the female population in the area you live in?	17 48,6%	2 5,7%	6 17,1%	3 8,6%	7 20%
4.5.5.2	Do you see women still seriously under represented in top and senior position management positions?	8 22.9%	11 31.4%	8 22.9%	5 14.3%	3 8.6%
4.5.5.3	Do you regard progress with regard to black participation in professional, technical and middle management as satisfactory?	4 11.4%	9 25.7%	14 40%	6 17.1%	2 5.7%
4.5.5.4	Do you consider self employment higher amongst the female population in comparison to the male population in the area you live in?	2 5.7%	7 20%	9 25.7%	12 34.3%	5 14.3%
4.5.5.5	Do you consider self employment higher amongst the male population in comparison to the female population in the area you live in?	12 34.3%	7 20%	10 28.6%	5 14.3%	1 2.9%
4.5.5.6	Do you consider self employment higher amongst disabled males in comparison to the disabled women in the area you live in?	6 17.1%	7 20%	9 25.7%	5 14.3%	8 22.9%

- A majority of (71,4%) respondents regard progress with regard to black participation in professional, technical and middle management as satisfactory. The remainder (28.6%) perceive the opposite (see 4.5.5.3).
- An issue of whether self-employment is higher amongst the female population in comparison to the male population in the area lived in was met with a mixed response (51.4% versus 48.6%). The sample has disparate perceptions. The reason for the almost equal opposing views requires further independent investigation (see 4.5.5.4).
- A majority of 82,6% consider self-employment amongst the male population to be higher than for women in the area they live in. Only 17,4% respondents viewed it differently (see 4.5.5.5). These appear to be clearly contradictory responses between questions 4.5.5.4 and 4.5.5.5. The contradictory results could possibly be attributed to the fact that the respondents may not have clearly understood the questions.
- A majority of 63.4% consider self-employment to be higher amongst disabled males in comparison to disabled women in the area in which they live. Only 36,6% respondents considers it to be low or having no impact. Apparently, a

greater number of disabled males are perceived to be self-employed. The result is confusing as in reality many disabled people are not being employed (see 4.5.5.6).

Drawing conclusions from the above analysis it would appear that in the way BEE is being implemented there are several areas of need which should be identified so as to be addressed. However, there are successes and failures in the whole process of planning and implementing of BEE.

4.5.6 Skills Development

Table 4.23 reflects the summated responses of the Skills Development of entrepreneurship. For interpretation the responses 'average to high' are combined.

Table 4.23: Skills Development of entrepreneurship

	Skills Development of entrepreneurship	Very High	High	Average	Low	No impact
4.5.6.1	Do you consider teaching in primary and secondary education to be encouraging creativity, self-sufficiency and personal initiative?	9 25.7%	8 22.5%	9 25.7%	6 17.1%	3 8.6%
4.5.6.2	Do you consider teaching in primary and secondary education to be providing adequate instruction in market economic principles?	6 17.1%	6 17.1%	10 28.6%	8 22.5%	5 14.3%
4.5.5.3	Do you consider teaching in primary and secondary education to be providing adequate attention to entrepreneurship?	10 28.6%	6 17.1%	9 25.7%	8 22.5%	2 5.7%
4.5.6.4	Do you believe colleges and universities of education provide good and adequate preparation to starting-up and growing new firm?	7 20%	8 22.5%	12 34.3%	5 14.3%	3 8.6%
4.5.6.5	Do you think that the level of business and management education provides good and adequate preparation for starting up and growing new firms?	9 25.7%	7 20%	9 25.7%	7 20%	3 8.6%
4.5.6.6	Do you believe vocational, professional and continuing education provides good and adequate preparation for starting up and growing new business enterprise?	5 14.3%	8 22.5%	16 45.7%	4 11.4%	2 5.7%
4.5.6.7	Do you think that people believe that creating a new /high growth business enterprise is easy?	7 20%	6 17.1%	11 31.1%	10 28.6%	1 2.9%
4.5.6.8	Do you think that many people know how to manage small business?	8 22.5%	6 17.1%	7 20%	8 22.5%	4 11.4%
4.5.6.9	Do you think many people have the experience in starting a new business?	5 14.3%	7 20%	9 25.7%	11 31.1%	3 8.6%
4.5.6.10	Do you consider many people react quickly to good opportunities for business enterprise?	7 20%	5 14.3%	11 31.1%	10 28.6%	2 5.7%
4.5.6.11	Do think many people have the ability to organise the resources required for a new business enterprise?	7 20%	5 14.3%	12 34.3%	9 25.7%	2 5.7%

- The above analysis indicates that the sample majority (74,3%) consider teaching in primary and secondary education to be encouraging creativity leading towards greater self-sufficiency and personal initiative. Only nine respondents (25,7%) held an opposing view.
- A sample majority of 62,9%) consider teaching in primary and secondary education to be providing adequate instruction in market economic principles. Only 37,1% of the respondents perceive this to have low or little impact.
- A majority of 71,4% consider teaching in primary and secondary education to be providing adequate attention to entrepreneurship whilst 28,6% of the respondents consider this to have low or little impact.
- The sample majority of 77,1% believe that colleges of education and universities provide good and adequate preparation to starting-up and growing a new firm whilst 22,9% perceived this to have low or little impact.
- The majority of 71,4% believe that the level of business and management education provides good and adequate preparation for starting up and growing a new firms, whilst 28,6% respondents view it as having low or no impact.
- The majority of 71,4% believe that vocational, professional and continuing education provides good and adequate preparation for starting up and growing a new business enterprise, while 28,6% respondents view it as having low or no impact.
- A majority of the respondents (68,6%) think that people believe that creating a new /high growth business enterprise is easy.
- According to the sample majority, 63,6% of respondents hold the perception that many people know how to manage a new business and 60% of the respondents also believe that these people have experience in starting a new business.
- The majority of respondents (65,7%) hold the perception that people react quickly to good opportunities for business enterprise, and 68,6% believe that these people have the ability to organise the resources required for a new business enterprise. The remainder of respondents hold the opposite view.

In drawing conclusions from the above analysis, skills development remains the basis of economic transformation. To develop a self sustaining society all sectors of the population need to be developed through education to enhance effective participation in the economy to realise the objectives of BEE. The development of small businesses forms a cornerstone of a better economy in which everybody would be able to benefit.

4.5.7 Human Resource Development

Table 4.24 provides the summated results regarding the general perception about human resource development.

Table 4.24: General perception about Human Resources Development

	Human Resource Development	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
4.5.7.1	Access to education is a significant resource enabling human resource development	20 57,1%	8 22,9%	3 8,6%	2 5,7%	2 5,7%
4.5.7.2	Access to education is a significant resource enabling entrepreneurs to initiate new enterprise.	18 51,4%	7 20,0%	6 17,1%	2 5,7%	2 5,7%
4.5.7.3	Department of Labour does good work to develop skills base for human resource development.	10 28,6%	9 25,7%	9 25,7%	7 20,0%	0
4.5.7.4	The introduction of SETAs helps to create the required skill base for entrepreneurial development.	11 31,5%	9 25,7%	9 25,7%	4 11,4%	2 5,7%
4.5.7.5	Human Resource Development so far helps to accelerate BBBEE and Employment Equity.	11 31,4%	11 31,4%	10 28,6%	3 8,6%	0

Analysing the responses to questions 4.5.7.1-4.5.7.5 the summated data reveals that:

- The majority of respondents (80%) regard 'access to education' as a significant resource enabling human resource development. Only 11,4% of the respondents disagreed whilst 8,6% remained neutral.

- The majority of respondents (71,4%) consider access to education to be a significant resource enabling entrepreneurs to initiate new enterprise. Only 11,4% of the respondents disagreed and 17,1% remained neutral.
- According to 54,3% of respondents, the work of the Department of Labour adds to the development a skills base for human resource development. Only 20% of the respondents viewed this as having little or no impact whilst 25,7% remained neutral on this issue. Clearly, the sample respondents are divided on this issue.
- Of the sample, 57, 2% of the respondents regards the introduction of SETAs as an aid to the required skill base for entrepreneurial development whilst 17,1% held the opposite opinion and 25,7% remained neutral. The opposing views could be attributable to the possibility that numerous respondents do not understand the functions of the SETAs or have never heard of these.
- Twenty two respondents (62, 8%) regard Human Resource Development to be necessary to accelerating BBBEE and Employment Equity. Only 8, 6% of the respondents held the opposing view whilst 28.6,7% remained neutral.

The analysis reveals that education and human resource development are perceived to be essential for developing a skills base without which neither entrepreneurship, employment equity nor BBBEE can be accelerated and fully achieved.

4.5.8 Affirmative Procurement

Table 4.25 provides the summated results regarding affirmative procurement

Table 4.25: Affirmative Procurement

	Affirmative Procurement	Very High	High	Average	Low	No Impact
4.5.8.1	Systematic and institutionalised racism in South Africa continues to restrict black businesses access to the public and private contracts to grow black businesses into a new and dynamic force in the country.	14 40,0%	12 34,2%	7 20,0%	1 2,9%	1 2,9%
4.5.8.2	Government procurement budget is used as a powerful mechanism to promote the development of small and medium business and the broader objectives of the RDP	10 28,6%	11 31,4%	9 25,7%	5 14,3%	0
4.5.8.3	It is difficult to estimate what portion or procurement goes to small and medium businesses and black entrepreneurs because of poor, non existent monitoring and evaluation of contract awards.	10 28,6%	10 28,6%	11 31,4%	2 5,7%	2 5,7%
4.5.8.4	The awarding of tenders as a form of procurement is filled with lack of skills and corruption.	19 54,3%	9 25,7%	5 14,3%	2 5,7%	0

- The sample majority (91,2%) believes that systematic and institutionalised racism in South Africa continues to restrict black businesses' access to the public and private contracts in order to grow black businesses into a new and dynamic force in the country.
- The majority of respondents (85,7%) hold the perception that the government procurement budget is used as a powerful mechanism to promote the development of small and medium business and the broader objectives of the RDP.
- The majority of respondents (88,6%) regard it to be difficult to estimate what portion or procurement goes to small and medium businesses and black entrepreneurs because of poor, non existent monitoring and evaluation of contract awards.
- The sample majority of 94,3% regard the awarding of tenders as a form of procurement as being filled with corruption and lack of skills to know to whom they ought to be awarded.

Drawing some conclusions from the above analysis, the responses provided indicate serious challenges for BEE. These challenges range from either covert or overt racism, government procurement which seems not to be favourable to everybody, and corrupt practices in the awarding of tenders as well as lacking in the skill to know to whom they ought to be awarded.

5.5.9 Rural Development and Access to Land

Table 4.26 reflects the summated results regarding affirmative procurement

Table 4.26: Rural Development and Access to Land

	Rural Development and Access to Land	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
4.5.9.1	The government must speed up, design and see to the implementation of comprehensive social security system including income basic grants to alleviate poverty.	19 54,3%	10 28,6%	2 5,7%	4 11,4%	0
4.5.9.2	The government must use a portion of privatisation proceeds to stimulate rural economies by investing in labour intensive infrastructure projects.	15 42,8%	12 34,3%	5 14,3%	3 8,6%	0
4.5.9.3	If the government streamline the mandates and devise targets for the land Bank and other institutions in rural development.	14 40,0%	11 31,4%	7 20,0%	3 8,6%	0
4.5.9.4	If the government develop a framework for the transfer of public and private land to black people with clear guidelines and timeframes.	14 40,0%	9 25,7%	7 20,0%	5 14,3%	0

Analysing 4.5.9.1 to 4.5.9.2 the following aspects are revealed:

- The majority of respondents (82,9%) agree that the government must speed up, design and implement a comprehensive social security system including basic income grants to alleviate poverty. Only 11,4% respondents disagreed.
- The majority of respondents (77,1%) agreed that the government should use a portion of privatisation proceeds to stimulate rural economies by investing in

labour intensive infrastructure projects whilst 22,9% remained neutral or disagreed.

- According to 71,4% respondents the government should streamline mandates and devise targets for the Land Bank and other institutions in rural development. The remaining respondents (28,6%) remained neutral or disagreed.
- The majority of 65,7% of the respondents agreed that the government should develop a framework for the transfer of public and private land to black people with clear guidelines and timeframes. Only 14,3% respondents disagreed.

From the above analysis, rural development and access to land remains a big challenge. The government should initiate a programme of action to deal with this issue. Redistribution of wealth may not be possible without the redistribution of land, and this could, in the long run, create conflict among those affected. In spite of this, land management must be made productive if land redistribution is going to work.

4.6 Summary

The study covered an analysis of the impact of black economic empowerment on the development of small businesses. However, this could not be treated as an exclusive phenomenon since the inception of the concept 'black economic empowerment' was meant to impact on the lives of the previously disadvantaged. This study touched on small business organisations and the extent to which they were able to effect change in the lives of people. Several conclusive results were derived. These may serve as a basis for future research in this field. The following conclusions were reached after a careful scrutiny of the captured research data.

- The above analysis reveals high levels of discontent. People have many concerns about BEE. The way BEE is being implemented appears not to be working satisfactorily.
- The support from local government for the concept of BEE is not effective.

- It can be concluded that the relationship between the public and the private sectors in working together to improve the development of small business to a certain extent has not had profound results. This is evident from the majority of the responses which affirm participation of both the public and the private sector to be positive but minimal towards small business development. This is indicated by business to business transactions which benefitted only black owned companies. This, in itself, created a problem amongst white businesses to engage in strategies such as fronting.
- The implementation of BBBEE can be achieved only if the role of every stakeholder is defined and observed. BEE without a proactive role of various stakeholders will lead to conflict that may affect the progress already achieved.
- It is evident that there are some organisations which agree that there has been progress in terms of wealth redistribution. However, it appears that a fair percentage people have not been able to benefit directly from BBBEE initiatives. Salient factors, like job creation, have not been adequately addressed. The distribution of benefits to the broader community is taking place at a snail's pace and the majority of people still live in dire poverty.
- The analysis revealed that there are several serious problems which both the public and the private sector have to deal with to achieve small business development. Issues such as affirmative action and employment equity are continuing aspects with which both the private and public sector have to deal. Issues of black economic empowerment remain everybody's concern and all business organisations are affected in one way or the other.
- The need to have the right character traits to run a business is of vital importance. There is a general perception that business has to provide employment opportunities. It is a fundamental aim of government to realise more job creation. To achieve this noble objective small business should have sufficient competent resources including capital. However, this appears not to be the case as has been revealed in the analysis. There is shortage of resources, including the level of skills development, which is at its lowest ebb. The respondents revealed that there should be capacity building for both the employers and employees if the objectives of BEE are to be realised.

- Skills development remains the basis of economic transformation. To develop a self sustaining society all sectors of the population need to be developed through education to enhance effective participation in the economy to realise the objectives of BEE. The development of small businesses forms a cornerstone of a better economy in which everybody would be able to benefit.
- There is consensus from this analysis that BEE funding mechanisms appear to be in place. What remains to be seen is how effective they are. There are many beneficiaries from these schemes. On the other hand, there are reservations about their effectiveness since many emerging small businesses have not been able to benefit directly.
- From the responses drawn from the above analysis, rural development and access to land remain a bigger challenge. The government should initiate a programme of action to deal with this issue. Redistribution of wealth may not be possible without the redistribution of land. This could, in the long run, give rise to conflict among those affected.
- Drawing from the above analysis, the responses provided indicate serious challenges for BEE. Those challenges range from either covert or overt racism, government procurement which seems not to be favourable to everybody, corrupt practices in the awarding of tenders to politically connected suppliers, and lack of skills.

In conclusion, the development of black economic empowerment initiatives would be seen by whites as reverse discrimination if not well planned and fairly implemented. This should not create a view that the government is bent to empower blacks only at the expense of the whites. A programme to alleviate the fear that crippled the economy in the past by forcing a lot of skilful whites to emigrate from the country should be developed. This can only happen if the aspirations of the broader society are considered. While the progress so far is acknowledged, corruption and improper tender practice appears to have the largest crippling effect on the growth of small businesses. The next chapter will deal with conclusions and recommendations

CHAPTER 5: SUMMARY CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This dissertation has been a limited study on the impact which government legislation on Black Economic empowerment has had on the growth of small businesses (SMMEs) within the Rustenburg area, and, to a limited extent, how it has affected the lives of people around the Rustenburg Local Municipality.

The dissertation of limited scope has provided information gathered from an available literature review and contains the interpreted results of the summated data that was captured from a small sample of 50 selected organisations comprising 35 respondents. In the process of this research salient themes were discussed, such as the historical origins of aspiration about empowerment, broad based black economic empowerment, the role of stakeholders in small business development and factors that affect black economic empowerment. The following recommendations and conclusions are made, based on both the literature review and research analysis.

5.2 Summary- overview of the Chapters

The first three chapters of this investigation provided an orientation and background to the study as well as a delineation of the problem to be researched, the objectives of the study, and the research questions to be answered. This was followed by a supporting literature study and the research design and methodology to execute the investigation within the demarcated area of the study.

In chapter four the summated results of the captured data were analysed in an attempt to answer the sub-research questions which have been posed as part of the primal research question and, so, attain the set objectives of the study.

In this final integrative chapter the summary conclusions and recommendations are presented.

5.3 Objectives and Research Questions of the Study

The primary objectives and research questions which were formulated in Chapter 1 have all been met. In essence the analysed data of the study highlighted the current impact of black economic empowerment legislation on the growth of small businesses (SMMEs) and, in general, on the lives of people within the Rustenburg Local Municipality demarcated area in which the study was executed.

5.4 Shortcomings of the study

This research is of limited scope and, as a result, several shortcomings were experienced. Owing to the diverse nature of the population sample, the issuing of research questionnaires and their collection was severely affected. Respondents did not comply with the answering of questions swiftly. The designed data capturing instrument (questionnaire) was far too long for a study of this kind which falls within the ambit of a dissertation of limited scope and the sample size. During the data analysis it became apparent that some subjects, because of their educational levels and possible lack of experience and problems of language, may have had problems understanding the questions posed (evident in the section pertaining to research question 3). In this study the majority of the respondents were blacks. Businesses owned by other racial groups which are currently successful did not have time to attend to the completing the research questionnaire as they were continually preoccupied with business endeavours.

The time factor for data capturing presented a major problem. There are cases where respondents had not been deeply probed to bring forward the much needed information. However, much of the information required to further this study was provided.

Lastly, the interpreted results derived from the analysed data of this limited survey of a sample of participants could be skewed and must, therefore, not be taken as a true reflection of the entire BBBEE and BEE impact of national government strategy throughout the entire South Africa.

5.5 Key findings and recommendations

The only way the government could benefit the majority of South African people by its own legislative initiatives is by ensuring equitable redistribution of wealth amongst all South African people (see 4.5.1 of data analysis). This has been difficult to achieve in the region investigated in this study. It can be argued that, if, in the long term, the black population becomes more advantaged than the whites, the present government stands to alienate the white sector of the population. This is already evident by the wave of emigration of white people to other parts of the world, leaving the country with a huge skills' drain. Emigration has stripped the country of valuable human resources that would serve as the empowerment base of the majority of the population. The government should review the tendering policy system and the entire preferential procurement policies to be friendly to all sectors of the population.

The government's local economic policy is a vehicle to promote the application of BEE at the level of the local government. This concept of BEE and its application by local government does not appear to be effective within the Rustenburg municipal area. The local government level is where service delivery happens. This is also the level where a lot of economic disparity occurs. This is the level where the opportunity for the public and the private sectors to work together to improve the development of small business (SMEE's) had to some extent not had much impactful results. This appears evident as the majority of the summated responses from the research sample affirm participation of the public and the private sector to be positive yet having a minimal impact on small business development. This is evidenced by business to business transactions which appear to have benefited only black owned companies because of their political connections. This, in itself, creates a problem amongst white businesses that then embark on a strategy of fronting. The government should create an inclusive approach towards the implementation of BEE.

The implementation of BBBEE can be achieved only if the role of every stakeholder is defined and observed. BEE, without the proactive role of various stakeholders,

would lead to conflicts that may impact negatively on the progress already achieved. From the data analysis in Chapter 4, it is evident that there are some organisations which agree that there has been progress in terms of wealth redistribution. However, the majority of people have thus far not been able to benefit directly from the BBBEE initiatives. Salient factors, like job creation, have not been adequately addressed. With regard to the distribution of benefits to a broader community there has also been very slow progress since the majority of people still live in dire poverty. The government should work together with the private sector to deal with legislative issues regarding matters such as employment equity and affirmative action.

There is a general perception that businesses have to provide employment opportunities. There is a fundamental aim of government to reduce unemployment and see many people having jobs. To achieve this noble objective SMME businesses require skilled resources including sustainable capital to run. However, this is not the case as is revealed in the analysis. There is shortage of resources including the level of skills' development which is at its lowest ebb. The data analysis of the respondents indicated that there should be capacity building for both the employers and employees if the objectives of BEE are to be realised. The government has to prioritise skills development and the provisioning of high level education starting at school level up to the universities.

Although through public and private partnerships there has been some success, there is consensus that such partnerships are not fully effective. Many beneficiaries are those who have previously established a reputation while small organisations have not been assisted.

5.6 Areas for further research

Further research that can be conducted includes the following:

- A national study could be undertaken to determine whether the implementation of Black Economic Empowerment (BEE) has really positively changed/impacted on the lives of the people as it had intended.
- Black economic empowerment is a very broad area of study. However, researchers could still isolate areas of importance and choose one specific area of interest and pursue a study of it, for example, a study of the effect of preferential procurement on the economic development of SMME's.

5.7 Conclusion

The introduction of Affirmative Action, BEE, and BBBE legislation to redress economic disparity which has resulted from some 48 years of separate development (the apartheid era) has initially been a good step in the right direction. However, the few years of democracy since May 1994 are insufficient to have achieved economic parity as envisaged. It may take a century or more to see the current economic inequality addressed. This does not preclude the fact that the majority of South Africans should be enabled and encourages to engage in endeavours that will gradually see this country moving towards that end.

The Public Private Partnership should form the basis of any programme relating to the implementation of black economic empowerment. The legislative prerogative of this programme should take the interest of the business sector to heart. Nevertheless, any initiative should work within an understandably realistic evolutionary framework requiring abundant time. The feelings of the destitute should always be considered as these could lead to frustration and result in social discord or violence. The government and the private sector should give all the support necessary to grow small businesses as these have been shown in the USA to be the prime vehicles for job creation and the building of a thriving economy.

The fifteen years of this young democracy in which this transformation has received emphatic attention constitute far too short a period of time. This process requires much more time to mature. In the USA, whilst disadvantaged blacks are in far smaller numbers, the country has been achieving its BEE goals over a systematic period of time stretching from 100 to 140 years. Attempts to monitor this process sensitively have often caused conflict amongst various stakeholders. Above all, the level of greed and corruption which has accompanied this process has seen only a few elite blacks emerging from the black population whilst the entire South African population was supposed to be empowered. This has further opened the gap between the rich and the poor. It may be argued that using labels such as 'Black' in front of Economic Empowerment could further polarise the entire population of South Africa. Surely, the broad based national strategy for building both a prospering economic and united nation should encompass a joint government and business strategy of Broad Based Economic Empowerment for all peoples of South Africa and not just one sector of the nation. Placing the label 'Black' in front of EE (Economic Empowerment) leads to reverse discrimination similar to what existed before May 1994 where 'Whites' dominated and marginalised other sectors of the population.

In conclusion it suffices to say that this limited analysis has revealed that there has been no real empowerment of the people. It is now in the hands of the government to review and assess the impact that BEE has thus far had, and perhaps to rethink this strategy after conducting an honest national survey.

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APPENDIX A: RESEARCH QUESTIONNAIRE

SECTION 1: BIOGRAPHIC

Mark the applicable block with a cross (X). Complete the applicable information.

Give one answer per item unless instructed otherwise. Please answer ALL the questions.

1.1 What is the name of your organization?

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1.2. Type of Company

☐ Close Corporation (CC)	☐ Private Company (Pty) Ltd
☐ Public Company (Ltd)	☐ Other Type

1.3. In which economic sector/industry is your organization?

Agriculture, Forestry and Fishing(Primary Sector)	1
Mining, Minerals and Quarrying (Primary Sector)	2
Manufacturing and Processing (Secondary Sector)	3
Electricity, Gas and Water (Secondary Sector)	4
Engineering and Construction- Contractors (Secondary Sector)	5
Wholesale , Retail Trade, Catering and Accommodation (Tertiary Sector)	6
Transport and Storage (Tertiary Sector)	7
Financial intermediation, Banking, Insurance, Real Estate & Business Services (Tertiary Sector)	8
Tourism and Hospitality (Tertiary Sector)	9
Information Systems, Electronics and Telecommunications (Tertiary Sector)	10
General Government Services (Local, provincial or national)	11
Media , Publishing and Printing (Tertiary Sector)	12
Unemployed	13
Self-employed	14
Other(Please specify)	15

1.4. Does your company have a current BBBEE rating?

☐ YES	☐ NO
------------------------------	-----------------------------

If yes, what is it?

--

1.5. Which level provider would you want your business to be within the next three years?

Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7
☐	☐	☐	☐	☐	☐	☐

1.6. How long have you worked in the sector/industry?

0-6 months	1
6 months-2years	2
3-5years	3
6-10years	4
11-15years	5
16-20years	6
21-25years	7
26-45years	8
Unemployed	9

1.7. Please indicate your highest qualification.

Secondary School	1
Grade 12 or equivalent	2
Post-matric qualification	3
National Diploma or National High Diploma	4
Bachelors' Degree or equivalent	5
Honours Degree or equivalent	6
Masters Degree or equivalent	7
Doctoral Degree or equivalent	8

1.8. Please indicate the population group you belong to

Race	African	1	White	2	Coloured	3	Indian	4
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1.9. How many employees are there in your organisation?

0-100	1
101-200	2
201-300	3
301-1000	4
More than 1000	5

1.10. Please which gender category you fall in.

Gender	Female	1	Male	2
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1.11. Please specify which age group you belong to.

18-24	1
25-34	2
35-44	3
45-54	4
55-64	5

1.12 Specify in which province you are based.

Eastern Cape	1
Free State	2
Gauteng	3
KwaZulu Natal	4
Limpopo	5
Mpumalanga	6
North West	7
Northern Cape	8
Western Cape	9
Other (Please Specify)	10

1.13 Please specify the type of settlement you dwell in.

Rural	1
Urban	2
Peri-Urban	3
Informal Settlement	4
Other (Please specify below)	5

SECTION 2: BROAD BASED BLACK ECONOMIC EMPOWERMENT

2.2.1 Does your company comply with the requirements of BEE?

YES	01
NO	02

If "YES" motivate _____

2.2.2 Please indicate to what extent do BEE regulations affect your business, **where**
(1) = Very High, (2) =High, (3) =Average, (4) Low and (5) =No impact

		1	2	3	4	5
1	Simplifies the process of obtaining capital					
2	Simplifies the process of developing new markets for products					
3	Other specify					

2.2.3 Indicate what you think about the implication of BEE.

Not important	1
Less important	2
More important	3
Very important	4

2.2.4 In general do you approve of the current approach to BEE?

Approve	01
Disapprove	02
Not sure	03

2.2.5 Do you generally approve or disapprove of the way the BEE scorecard is emphasised?

Approve	01
Disapprove	02
Not sure	03

2.2.6 Do you think the current approach to the implementation of BEE needs to be overhauled or reformed or is there no need for change? (By 'overhaul's meant abolished).

A complete overhaul	01
Major Reform needed	02
Minor Reform needed	03
No need for change	04

2.2.7 Do you consider BEE as a;

Threat	01
Opportunity	02

2.2.8 From what you know about fronting, do you think this is a good idea or bad idea? If you do not have an opinion either way, please just say so.

Good idea	01
Bad idea	02
No opinion	03
Not sure	04

2.2.9 From what you know about BEE, do you believe it will result in the standard of the economy getting better, worse or staying about the same as now? If you do not have an opinion, please just say so.

Getting better	01
Getting worse	02
Staying about the same	03
No opinion	04
Not sure	05

2.2.10 Do you regard yourself as a proponent of transformation and prepared to participate in equity share holding schemes.

Strongly belief in transformation	01
Moderate	02
Somewhat conservative	03
Very conservative	04
Not sure	06

2.2.11 Has your business started implementing BEE?

YES	01
NO	02

In what year? _____

If "YES" motivate _____

2.2.12 Do you think BEE should apply to all business?

YES	01
NO	02

If "YES" motivate _____

2.2.13 Indicate if your business complies with any of the following elements of the BEE scorecard.

Equity ownership	01
Black management employees	02
Preferential procurement	03
Enterprise Development	04
Skills and social development plan	06

SECTION 3:THE ROLE OF STAKEHOLDERS IN THE SMALL BUSINESS DEVELOPMENT

3.1 Please indicate the extent to which the following factors impacted on your business, **where (1) =Very High, (2) =High, (3) =Moderate, (4) = Low and (5) = No impact.**

		1	2	3	4	5
3.1.1	Municipalities and BEE					
	(a)Local government gives priority to the basic needs of the community such as social and economic development of the community					
	(b)Local government plays a vital role in promoting small business development.					
	(c)Business experienced growth as a result of local government involvement.					
3.1.2	Restructuring, PPPs and Licences					
	(a)The use of a score card as a measure to promote preferential procurement.					
	(b)The share holding capacity of blacks as a measure to redress economic disparity.					
	(c)Improved communication between the business, its shareholders and other stakeholders.					
	(d)The implementation Codes of Good Practice has since improved business.					
3.1.3	Role of Private Sector					
	(a)Do you regard sector charter as effective means to provide BBBEE?					
	(b)Do you consider the role of the private sector as more significant towards the economic transformation of this country?					
	(c)Do you consider the company you work in to be providing enough bases for the development of black small business development?					
3.1.4	Role of Civil Society					
	(a)Do you regard the role of civil society as important in the development of small businesses?					
	(b)You regard participation of community groups, labour and broad based groupings as effective participating and benefiting from BBBEE.					

SECTION 4: FACTORS OF BLACK ECONOMIC EMPOWERMENT

4.1 OWNERSHIP OF THE ECONOMY	Strongly Disagree	Disagree	Agree	Strongly Agree
4.1.1. According to the definition of ownership on broad based black economic empowerment "DEPARTMENT OF TRADE AND INDUSTRY codes", BEE transactions have been able to transfer economic benefits to previously disadvantaged individuals (PDI's).				
4.1. 2 BEE transactions contributed positively to transformation and sustainable economic growth in South Africa.				
4.1.3 BEE transactions were successful in supporting the BEE objectives of reducing unemployment and eliminating poverty in SA.				
4.1.4 BEE transactions are able to distribute benefits to the broader community and majority of South African PDI's as opposed too few elites.				
4.1.5 BEE funding models used to fund BEE transactions will or have created sustainable wealth for PDI's.				
4.1.6 BEE funding models are able to encourage empowerment through transfer of ownership.				
4.1.7 The newly applied funding models used during the second phase are much better than those used during first phase.				

4.2 START-UP BUSINESSES

4.2.1 Have you experienced small business failure in the past?

YES	01
NO	02
If "YES" how many times?	03

4.2.2 Please indicate the extent to which the following factors impacted on your business, **where (1) =Very High, (2) =High, (3) =Moderate, (4) = Low and (5) = No impact.**

		1	2	3	4	5
1	Shortage of money					
2	Inadequate information and knowledge					
3	Government laws and policies					
4	Quality of employees					
5	Lack of turnover					
6	Competition					
7	Stock control					
8	Crime					
9	Business planning					
10	Personal entrepreneurial capacity					
11	Politics, Society and Institutions					
12	Rates and taxes					
13	Labour laws					
14	Other specify					

4.2.3 If a shortage of capital has negative effect on your business. Give the reason.
(Choose ONLY ONE)

Availability of capital	01
To fast growth rate	02
Too much debt	03
Credit terms	04
Interest rate	06
Cash flow	07
Other specify	08

4.2.4 If competition has a negative impact on your business state from whom as well as the reason why. **(Choose ONLY ONE)**

Small business	01
Large business	02
e-business	03
Other specify	04

Motivate _____

4.2.5 Does the government legislation of BEE have negative influence on your business?

YES	01
NO	02

If "YES" motivate _____

4.2.6 If the quality of employees has negative impact on the start of your business, give the reason. (**Choose ONLY ONE**)

Availability	01
Affordability	02
Degree of education and training	03
Ethical values	04
Other specify	05

4.2.7 If government regulations and policies have a negative impact on the start of your business, state the type. (**Choose ONLY ONE**)

Minimum wages	01
Black economic empowerment	02
Income tax	03
Legal aspects	04
Other specify	05

4.2.8 Evaluate the following statements regarding general perceptions about entrepreneurs, **where (1) = Strongly agree, (2) = Agree, (3) = Neutral, (4) = Disagree and (5) = Strongly Disagree.**

		1	2	3	4	5
1	Entrepreneurs are born, not made					
2	Some have to provide you with a job					
3	Starting a business is risky and often ends in failure					
4	Any one can start a business					
5	Assets is the most important start-up commodity					

4.2.9 From which of the following services will small businesses in your area benefit the most? (Choose ONLY ONE)

Business management training for owners	01
In-service training for employees	02
Business consultancy/advisory services	03
Other specify	04

4.2.10 Do you feel government support contributes positively towards small business development in the Rustenburg Local Municipality?

YES	01
NO	02

If "YES" motivate _____

4.3 FUNDING MECHANISM	Strongly Disagree	Disagree	Agree	Strongly Agree
4.3.1 The most efficient BEE funding model/ structure used for BEE transactions funding.				
a) Vendor Finance- The Hosting Company (<i>company selling shares</i>) provides finance or collateral for a BEE partner to buy shares.				
b) Third Party Finance - Finance provided by a financial institution (e.g. banks) or government funding				
c) Derivatives - e.g. Option - The holder obtains an option to buy shares in the BEE Company within a certain time period.				
d) Performance based: Shares provided based on performance of the BEE.				
e) Special Purpose Vehicle - Separate legal structures used to acquire shares in the target company.				
4.3.2. Most funding structures are successful in supporting BEE objectives of including previously disadvantaged individual into mainstream of economy.				
4.3.3 BEE partners will experience real economic benefits once the debt has been paid up.				
4.3.4 The ability of the BEE partner to service loan repayment in any of the funding models is determined by future financial projection.				
4.3.5 The success of BEE transaction depends on the performance of share price of the company in which the BEE partner has acquired stake.				
4.3.6 Commercial banks require collateral or guarantee for funding provided.				
4.3.7 Commercial banks normally regard BEE as higher risk.				

4.4 DISTRIBUTION OF INCOME

	YES	NO
4.4.1 Has the gap between the rich and poor grown since 1994?		
4.4.2 Do you regard unemployment as the main contributing factor towards income gap?		
4.4.3 Do you regard the redistribution of income as more favourable to whites than to blacks?		
4.4.4 Do you attribute the emergent of black middle class to black economic empowerment?		
4.4.5 Do women in your company receive the same preferential treatment as their male counter parts?		

4.5 To what extend does gender participation in entrepreneurship development activities comply with the following statements? Where (1) = **Very High**, (2) = **High**, (3) = **Average**, (4) **Low** and (5) = **NO impact**

	EMPLOYMENT EQUITY	1	2	3	4	5
4.5.1	Do you consider self employment higher amongst male population in comparison to the female population in the area you live in?					
4.5.2	Do you see women still seriously under –represented in top and senior management posts?					
4.5.3	Do you regard progress with regard to black participation in professional, technical and middle management as satisfactory?					
4.5.4	Do you consider self employment higher amongst the female population in comparison to the male population in the area you live in					
4.5.5	Do you consider self employment higher amongst the male population in comparison to the female population in the area you live in?					
4.5.6	Do you consider self employment higher amongst the female population in comparison to the male population in the area you live					
4.5.7	Do you consider self employment higher amongst disabled males in comparison to disabled females in the area you live in?					

4.6 To what extent does the intellectual capital base (skills development) of entrepreneurship comply with the following statement? Where (1) = **Very High**, (2) = **High**, (3) = **Average**, (4) = **Low** and (5) = **NO impact**

	SKILLS DEVELOPMENT	1	2	3	4	5
4.6.1	Do you consider teaching in primary and secondary education to be encouraging creativity, self-sufficiency and personal initiative?					
4.6.2	Do you consider teaching in primary and secondary education to be providing adequate instructions in market economic principles?					
4.6.3	Do you consider teaching in primary and secondary education to be providing adequate attention to entrepreneurship?					
4.6.4	Do you believe colleges and universities of education provide good and adequate preparation for starting-up and growing new firm?					
4.6.5	Do you think that the level of business and management education provides good and adequate preparation for starting up and growing new firms?					
4.6.6	Do you believe vocational, professional and continuing education systems provide good and adequate preparation for starting up and growing new firms?					
4.6.7	Do you consider that people believe that creating a new or high growth business enterprise is easy?					
4.6.8	Do you consider that many people know how to manage a small business?					
4.6.9	Do you consider that many people have experience in starting a new business enterprise					
4.6.10	Do you consider many people react quickly to good opportunities for business enterprise?					
4.6.11	Do you consider many people have the ability to organise the resources required for a new business enterprise					

4.7. Evaluate the following statements regarding general perceptions about human resource development, where (1) = **Strongly agree**, (2) = **Agree**, (3) = **Neutral**, (4) = **Disagree** and (5) = **Strongly Disagree**.

	HUMAN RESOURCE DEVELOPMENT	1	2	3	4	5
4.7.1	Access to education is a significant resource enabling human resource development					
4.7.2	Access to education is a significant resource enabling entrepreneurs to initiate new enterprises.					
4.7.3	Department of Labour does good work to develop a skills base for human resources development.					
4.7.4	The introduction of SETAs helps to develop the required skill base for entrepreneurial development.					
4.7.5	Human resource development so far helps to accelerate BBBEE and Employment Equity.					

4.8 To what extent does affirmative procurement comply with the following statement? Where (1) = **Very High**, (2) =**High**, (3) =**Average**, (4) **Low** and (5) = **No impact**

AFFIRMATIVE PROCUREMENT		1	2	3	4	5
4.8.1	Systematic and institutionalised racism in South African society continues to restrict black business access to the public and private sector contracts required to grow black businesses into new and dynamic force in the economy.					
4.8.2	Government procurement budget used as a powerful mechanism to promote the development of small and medium business and the broader objectives of the RDP.					
4.8.3	It is difficult to estimate what portion of procurement goes to small and medium businesses and black entrepreneurs because of poor, non existent monitoring and evaluation of contract awards.					
4.8.4	The awarding of tenders as a form of procurement is filled with lack of skills and corruption.					

4.9 Rural Development and Access to Land can only be achieved if the following achievements are considered. Where (1) = **Strongly agree**, (2) =**Agree**, (3) =**Neutral** (4) =**Disagree** and (5) = **Strongly Disagree**.

RURAL DEVELOPMENT AND ACCESS TO LAND		1	2	3	4	5
4.9.1	The government must speed up, design and implementation of comprehensive social security system including income basic grant to alleviate poverty.					
4.9.2	The government use a portion of privatisation proceeds to stimulate rural economies by investing in labour intensive infrastructure projects.					
4.9.3	If the government streamline the mandates and devise targets for the Land Bank and other institutions in rural development.					
4.9.4	If the government develops a framework for transfer of public and private land to black people with clear guidelines and time frames.					

**APPENDIX B: THE GENERIC SCORECARD AND QUALIFYING SMALL
ENTERPRISE SCORECARD.**

The Generic Scorecard and Qualifying Small Enterprise Scorecard

The Generic Scorecard

Code 100 Ownership Element (20 points +3 bonus points)

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Voting Rights:		
Exercising Voting Rights of Black people	3	25%+1 vote
Exercising Voting Rights of women	2	10%
Economic Interest:		
Economic interests of Black people	4	25%
Economic interests of Black women	2	10%
Economic interests of Black natural people in Designated groups; Employee Ownership Schemes; Broad- Based Ownership Schemes; Co-Operatives	1	2.5%
Realisation Points:		
Ownership fulfilment	1	No restrictions
Net value	7	25%
Time-based graduation factor • 10% of Target (Year 1) • 20% of Target (Year 2) • 40% of Target (Year 3-4) • 60% of Target (Year 5-6) • 80% of Target (Year 7-8) • 100% of Target (Year 9-10)		
Bonus Points		
Involvement in ownership of black new entrants	2	10%
Involvement in ownership of black participants in Employee Ownership Schemes; Broad- Based Ownership Schemes; Co-Operatives	1	10%

The Generic Scorecard

Code 200 Management Control Element (10 points+1 bonus point)

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Board Participation:		
Exercisable Voting Rights of black Board members using Adjusted Recognition FOR Gender	3	50%
Black Executive Directors using Adjusted Recognition FOR Gender	2	50%
Top Management:		
Black Top Senior Management using Adjusted Recognition FOR Gender	3	40%
Black Other Top Senior Management using Adjusted Recognition FOR Gender	2	40%
Bonus Points		
Black Independent Non-Executive Board Members	1	40%

Code 300 Employment Equity Element (15 points + 3 bonus points).

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Black Disabled employees as a percentage of all employees using Adjusted Recognition for Gender.	2	Years 0-5 2% Years 6-10 3%
Black employees in Senior Management as a percentage of all employees in measurement category using Adjusted Recognition for Gender	5	Years 0-5 43% Years 6-10 60%
Black employees in Middle Management as a percentage of all employees in measurement category using Adjusted Recognition for Gender	4	Years 0-5 63% Years 6-10 75%
Black employees in Junior Management as a percentage of all employees in measurement category using Adjusted Recognition for Gender	4	Years 0-5 68% Years 6-10 80%
NOTE: Bonus for meeting or exceeding the Economically Active Population (EAP) target in each of the above categories	3	

The Generic Scorecard

Code 400 Skills Development Element (15 points)

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Skills development spend on Learning Programmes		
Skills development spend on Learning Programmes specified in the matrix for black employees as a percentage for leviabale amount using the Adjusted Recognition for Gender	6	3%
Skills development expenditure on Learning Programmes specified in the matrix for black employees with disabilities as a percentage for leviabale amount using the Adjusted Recognition for Gender	3	0.3%
Learnerships		
Number of black employees participating in Learnerships or Category B,C and D programmes specified in the Learning Matrix as a percentage of total employees using the Adjusted Recognition for Gender	6	5%

Code 500 Preferential Procurement Element (20 points)

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Broad-based BEE procurement spend from all suppliers based on the broad based BEE Procurement Recognition levels as a percentage of Total Measured Procurement Spend of the enterprise.	12	Years 0-5 50% Years 6-10 70%
Broad-based BEE procurement spend from all Qualifying Small Enterprises or Exempted Micro-Enterprises based on the applicable broad-based BEE Procurement Recognition levels as a percentage of Total Measured Procurement Spend of the enterprise.	3	Years 0-5 9% Years 6-10 12%
Broad-based BEE procurement spend from any of the following suppliers as a percentage of Total Measured Procurement Spend of the enterprise.		
suppliers that 50% black owned;	3	Years 0-5 9% Years 6-10 12%
suppliers that are 30% black women owned.	2	Years 0-5 6% Years 6-10 8%

Code 600 Enterprise Development Element (15 points)

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Average annual value of all Enterprise Development Contributions and Sector Specific Programmes made a percentage of the target, using Code 600 Benefit Factor Matrix.	15	3% of net profit after tax (NPAT)

Code 700 Socio –Economic Development Element (5 points)

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Average annual value of all Socio-Economic Development and Approved Socio-Economic Development Programme Contributions as a percentage of the target, using the Code 700 Benefit Factor Matrix	5	1% of net profit after tax(NPAT)

The Qualifying Small Enterprise Scorecard (Code Series 800).

Statement 801 QSE Ownership Element (25 points + 3 points).

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Voting Rights:		
Exercising Voting Rights of Black people	6	25%+1 vote
Economic Interest:		
Economic interests of Black people	9	25%
Realisation Points:		
Ownership fulfilment	1	No restrictions
Net value	9	25%
Time-based graduation factor 10% of Target (Year 1) 20% of Target (Year 2) 40% of Target (Year3-4) 60% of Target (Year 5-6) 80% of Target (Year 7-8) 100% of Target (Year 9-10)		
Bonus Points		
Involvement in ownership of black women	2	10%
Involvement in ownership of black participants - Employee Ownership Schemes; - Broad- Based Ownership Schemes; - Co-Operatives	1	10%

Statement 802 QSE Management Control Element (25 points + 2 bonus points).

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Management Control		
Black representation at Top Management level using Adjusted Recognition for Gender.	25%	50%
Bonus Points		
Black women representation at Top Management level	2	25%

Statement 803 QSE Employment Equity Element (25 points + 2 bonus points).

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Black employees who are Management as a percentage of all Management adjusted using the Adjusted Recognition Gender.	15	Years 0-5 40% Years 6-10 60%
Black employees as a percentage of all employees adjusted using the Adjusted Recognition of Gender.	10	Years 0-5 60% Years 6-10 70%
Bonus points for meeting or exceeding the Economically Active Population (EAP) targets in each category above.	2	

Qualifying Small Enterprise Scorecard (Code Series 800)**Statement 804 QSE Skills Development Element (25 points).**

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Skills development spend on Learning Programmes for black employees as a percentage for leviable amount using the Adjusted Recognition for Gender	25%	2%

Statement 805 QSE Preferential Procurement Element (25 points).

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Broad-based BEE procurement spend from all suppliers based on the broad based BEE Procurement Recognition levels as a percentage of Total Measured Procurement Spend of the enterprise.	25%	Years 0-5 40% Years 6-10 50%

Statement 806 QSE Enterprise Development Element (25 points).

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Average annual value of all Qualifying Contributions made as a percentage of the target.	25%	2% of the net profit after tax (NPAT)

Statement 807 QSE Socio Economic Development Element (25 points).

CRITERIA/INDICATOR	WEIGHTING POINTS	COMPLIANCE TARGET
Annual average value of all Socio –Economic Development and Approved Socio-Economic Development Programme Contributions made as a percentage of the target.	25%	1% of the net profit after tax (NPAT)