

Is BBEE fulfilling the intended purpose?

Page Link: <https://wormwoodpictures.co.za/2023/01/22/is-bbbee-fulfilling-the-intended-purpose/>

Title: Is BBEE fulfilling the intended purpose?

Meta descriptions: The Black Economic Empowerment initiative (BEE) is meant to help black South Africans to become economically more successful through BEE. However, many people have raised questions about the effectiveness of the initiative and whether it has been well managed.

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Photo by [Christina Morillo](#)

Introduction

BBEE has been the law in South Africa since 2003 and is intended to promote economic transformation. It requires companies with more than 50 employees to classify their workforce into three groups: black African; white; and coloured or Indian/Asian. BBEE scorecards are

then calculated based on this information, with higher scores meaning better representation of historically disadvantaged groups at management level (and therefore greater compliance with legislation).

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It can only do so much. It cannot address the historical imbalances that still exist between South Africa's majority black population and its white minority. Its other limitations have been well documented elsewhere.

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The reality is that many of the companies that have achieved a Level 2 or above rating are multinationals with significant resources and operations in South Africa. For example, very few companies have managed to achieve a Level 2 or above rating. There is no reason why they should not be able to achieve this level of transformation, but the irony is that they do not need it. They already meet BEE requirements through their foreign ownership and listing requirements.

That said, there are several examples where local businesses have acquired equity stakes in large listed companies as part of their BBBEE compliance programmes – as was the case with Remgro Limited's acquisition of 15% equity interest in Eskom Group Holdings Limited (Eskom). Eskom has also introduced an employee share scheme which allows its black employees to participate passively in its growth while creating economic value for them

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In fact, according to Transformation Alliance CEO Ephraim Mphande, only about 7% of companies are Level 2 or above. As a result, Mphande believes that BBBEE has not been effective in its intended purpose of advancing racial equity.

Mphande explains that BBBEE legislation was put in place to achieve certain goals: "You can't continue treating people like they're second-class citizens and expect them to respond positively," he says. "You need to give them an opportunity for growth."

The reason for this is because the BBBEE scorecard has produced unintended outcomes.

The reason for this is because the BBBEE scorecard has produced unintended outcomes. The intention behind BBBEE was to promote transformation in a way that would be fair and equitable. However, the unintended consequences of BBBEE have been far from what was intended.

The main problem with the Black Economic Empowerment (BEE) initiative is that it creates an environment where economic empowerment is based on race instead of meritocracy. This creates a culture where individuals are judged by their skin colour rather than their skill set or ability to perform well at work

A lot has been achieved along the way with regard to economic transformation, but it would be folly not to recognise that there are significant shortcomings and unintended consequences.

BBBEE is not the end-all of transformation. It has produced many unintended outcomes and is therefore not relevant, current and effective for our times. The legislation needs to be addressed.

The crux of the matter is that many companies have invested cash and other benefits in such a way as to satisfy BEE requirements and boost their scores (and thus their competitiveness for business), but have failed to truly transform their companies and employees.

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Companies that are successful in this regard are few and far between, with most BBBEE beneficiaries having simply been able to use government policies to gain an unfair advantage over competitors that do not participate. Interestingly, it's often smaller companies—those who would be unlikely to qualify under normal circumstances—that tend to benefit most from these policies. As a result, many firms find themselves more competitive than they actually would be if you took into account all the other factors at play. This has meant that some firms have been able to "buy" market share by offering preferential treatment or lower prices than they otherwise could afford; others may even resort to engaging in unethical practices (such as bribery) just so

they can meet government targets without making any real changes within their organizations' culture or structure.

These practices aren't necessarily new; businesses throughout history have had similar motivations for pursuing certain policies over others: increased profits through cost savings; increased revenue through strategic partnerships; improved brand recognition through advertising campaigns, etc. But what makes BBBEE unique among these examples is its veiled intentions behind them—namely: fulfilling quotas set forth by law rather than providing actual job opportunities for black South Africans who need them most!

There are a number of reasons why this has happened.

Companies have not invested enough in transformation.

The BBBEE Act requires that 13% of a company's share capital be held and 4% of its board members be black businesspeople. This has resulted in companies buying their own shares, which is not what the law intended.

Companies have not invested in the right areas.

There is an expectation that every year, companies will increase their black ownership stake by 1%. But this does not mean that blacks should be given preference for positions within these companies; instead, they should be given opportunities to grow into leadership roles through education and training programmes or apprenticeships, etc., rather than just being given jobs without having been trained first hand on how to perform them effectively.

Companies did not invest in the right people when they were needed most during their respective growth periods; instead they preferred hiring new employees who had little experience over promoting existing ones who could contribute positively towards growing businesses further down the line by helping with strategy development as well as other tasks such as conducting research before making decisions based on previous experiences gained while working together previously at other organisations where both parties currently work now under different circumstances - one being paid more than others due to personal attributes like race/sex whereas another may receive less payouts because it falls outside those categories which inherently affects job performance negatively over time due solely based upon perceived perceptions created by past experiences which lead management teams make unfair decisions based out prejudice towards certain groups rather than meritocracy principles which should guide all hiring practices within organisations regardless whether someone belongs group A versus group B when applying for jobs within industry sectors across South Africa today!

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This would entail an understanding of the changing environment in which we find ourselves operating. The speed at which change occurs has become such that we cannot rely on old solutions to new problems anymore. We need more flexible legislation that will allow us to continue growing despite changes in circumstances and external challenges.

It is important for our government to implement policies that are fair, equitable, inclusive and address challenges faced by all stakeholders irrespective of their race or gender so as not to impede on growth potentials for future generations

In order to ensure this relevance and effectiveness, Government needs to facilitate an open debate on BBBEE amongst roleplayer stakeholders so these issues can be identified and resolved.

It is clear that BBBEE needs to be addressed and relevant. It needs to ensure that transformation is not only taking place, but also effective. The importance of ensuring that the intended purpose of BBBEE is being fulfilled cannot be overstated. In order to ensure this relevance and effectiveness, Government needs to facilitate an open debate on BBBEE amongst roleplayer stakeholders so these issues can be identified and resolved.

Conclusion

BBBEE is a good thing. It has helped South Africa make progress towards economic transformation, and it helps businesses to compete in an increasingly competitive world. However, there are many shortcomings in the system that need to be addressed if we are going to make sure that the process will continue to benefit all stakeholders at all levels of business.