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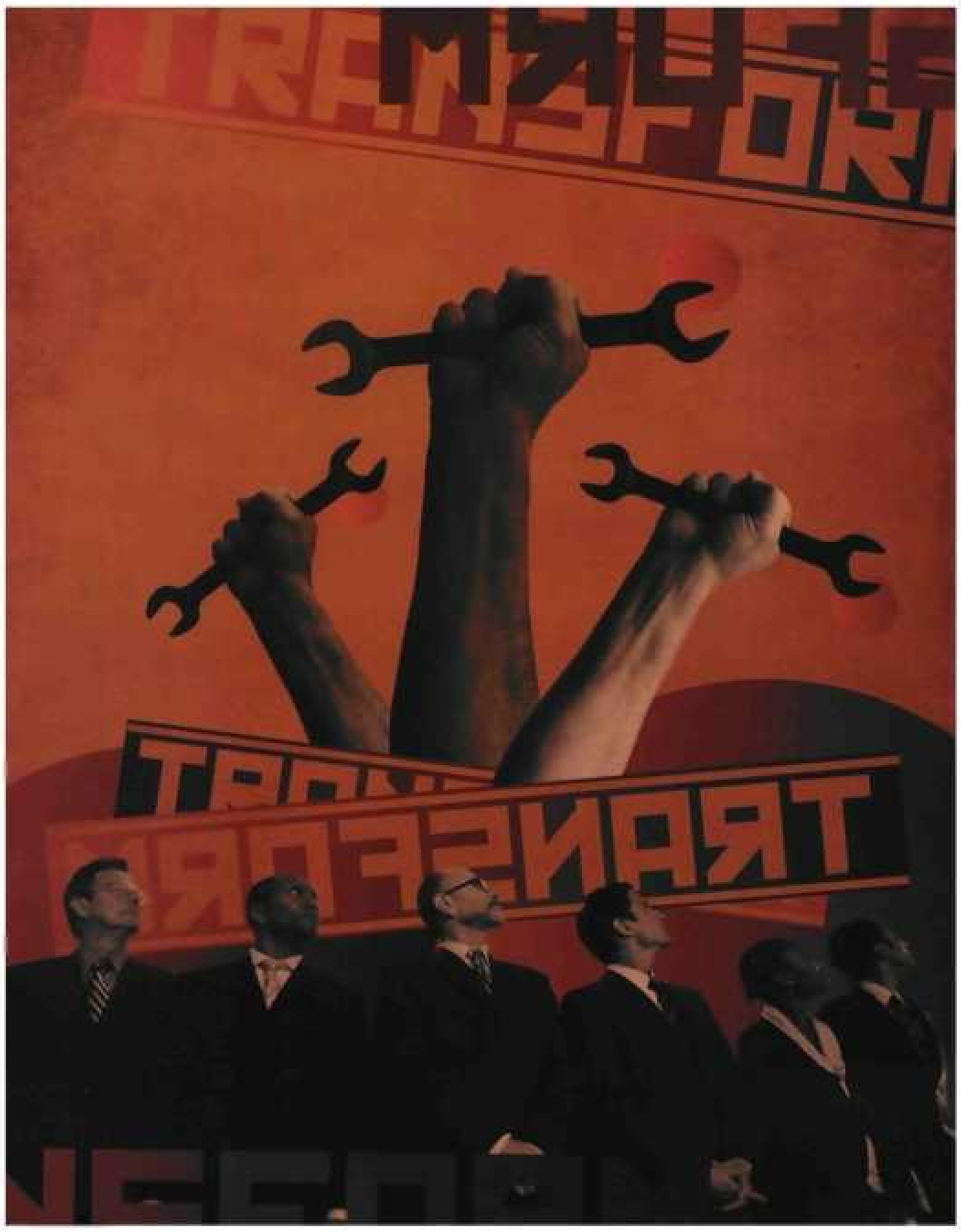

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ALKING 'BOUT A REVOLUTION

Has real change come to SA business or is it all just talk? Insiders are divided on the state of transformation

BY LOUISE COOK

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Indications are that the jury is out on business transformation; at least that's the impression judging from the latest plans by SA's Commission for Employment Equity. According to the commission, defaulting companies and individuals are to be named and shamed, while fines for non-compliance are to be increased. Most importantly, 'zero tolerance' must be shown to the guilty, which 'must result in prosecution'.

In a strongly worded letter in the commission's 2008/09 annual report, Jimmy Manyi, chairperson of the commission, expresses his displeasure at the rate of transformation in SA business thus far.

Says Manyi: 'It is disconcerting ... that all 106 companies that were reviewed were found to be in breach of procedural and substantive compliance. The majority of these companies were in the top 100 JSE-listed companies, which implies that they have the resources to implement the act.

'More disappointing has been the behaviour of some beneficiaries of the Employment Equity Act who are in the top echelons of some of these organisations and have now become proxy or worse than some of their untransformed white counterparts.

'These "reasonable" beneficiaries have become complicit in frustrating transformation by not assisting their organisations to acquire the skills of other black people – for some reason they think transformation ended with their appointment.'

Manyi then lashes out at these black people whom he accuses of having become 'very eloquent and poetic about transformation while having no substantive evidence to back up their poetry'. Harsh words indeed. But just how justified is his outrage?

PRIVATE SECTOR BLAMED

The commission reports that, at this point, its biggest issue lies within the financial services, pharmaceutical and mining sectors.

Its latest findings cover transformation trends from 2000–2008 and show that white males continue to dominate top positions in the private sector, followed by white women, with black and coloured people 'languishing at the bottom and a few Africans sprinkled at the top'.

But the commission says that this is unduly positive due to the inclusion of data on state-owned enterprises with data on the private sector. 'This misrepresentation will not be repeated in the next report,' the commission vows.

RESPONDING PARTICIPANTS

The Black Management Forum declined to respond to requests to submit its views on the state of transformation. It was one of Anglo American's most outspoken critics last year when the mining giant appointed Sir John Parker from the UK (and not a black South African), as its chairman.

Companies in SA's key economic sectors generally seem to agree that despite many success stories, there's still room for further change. They seem to hold the view that legislation (the Employment Equity Act and associated codes of conduct and charters) was not always the key driver of change, but a necessary tool to measure progress, or a lack thereof, over time.

Pranill Ramchander, Media Relations manager of Anglo American SA, was reluctant to be drawn on whether or not the pace of transformation was generally acceptable, but pointed out that in terms of Mining Charter stipulations, the company has exceeded several requirements.

Anglo Group claims to have been the largest contributor to the fiscus in 2008 and to have contributed about 2.25% of the country's GDP.

Ramchander says the company has exceeded the charter's requirement of 40% management employees being AA appointees. Anglo has achieved a figure of 45% in this category. In terms of the number of women in management, the company has achieved representation of 18.1% while the charter requires only 10%. The total number of women employed by the company totals 11.6% and women employed as core mining staff make up 6.2% of all such appointments.

Anglo has also spent R60 billion on BEE transactions since 1994. In the process, the company has completed all the necessary empowerment transactions and created significant black-owned and listed mining companies such as Exxaro, Northam, ARM, Anooraq and Mvela Resources.

Furthermore, all the group's employees now benefit from the Employees Stock Ownership Plan to the value of R38 000 per employee at inception. Anglo also indicated an impressive increase of 42% between 2007 and 2008 in terms of BEE procurement for business development which now stands at R24.6 billion.

FINANCIAL SERVICES

Nedbank's media service notes that in general, true transformation is not being achieved at the pace that it should be.

The bank was criticised last year when it made changes to the reporting lines of its top management structure, which elicited accusations of 'transformation window dressing' in the media.

Speaking openly on transformation, the bank cites 'major bottlenecks' in achieving employment equity targets. It believes the main obstacles to meaningful transformation in SA are particularly evident in black ownership, the procurement of business from black-owned companies and the

TRANSFORM

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under-representation of black women-owned businesses compared to white male-owned businesses.

Nedbank believes there is no 'one size fits all' solution that applies across all sectors, but that meaningful change will be more achievable if there's a greater realisation that transformation is a business imperative.

Turning to the bank's own transformation agenda, the company's first BEE deal was aimed at allowing as many people as possible to become shareholders in the bank.

'This was followed by other deals that comply with the spirit of legislation to get ownership in the hands of people and thereby build wealth.' But now, it says, companies are 'being punished' by the same legislation because 'measurement is based on retention of ownership and not wealth creation'.

In sharp contrast to the Employment Equity Commission's dissatisfaction with the performance of the financial sector, Nedbank also refers to (but was unable to give details about) a recent study on transformation among the JSE's top 50 companies that reportedly found financial sector organisations to be the most BEE compliant of all. Finally, Nedbank notes the adverse impact of unforeseen events such as the global credit fiasco on transformation plans.

OTHER SECTORS

One company that claims to be a front-runner in the transformation process, Hewlett-Packard South Africa, says more than 56% of its suppliers are BBBEE-compliant.

Jabu Luthuli, Hewlett-Packard's transformation manager, says the multinational was the first to go ahead with a DTI-approved equity equivalent initiative and is now engaging the pharmaceutical, ICT and motor industry to consider equity equivalent programmes as a means to transform.

On the question of social responsibility and community development programmes, Luthuli says the company is aware of the high levels of crime and unemployment rates, poor conditions in hospitals and other serious social issues, and runs a number of programmes through which such issues are addressed.

'By having the top leadership of the company brought into the transformation agenda it ensures that a broader view of meaningful change is taken by the whole organisation.

> It must be noted that transformation of the agricultural sector has by no means been rapid or without protracted setbacks

'The organisation will then see transformation as imperative to its future sustainability, more people will be brought into the formal economy which means access to better education for the next generation and better living conditions for our communities; this translates into an improved economy in which businesses can thrive.'

In the agricultural sector, companies are often seen as lagging in terms of transformation. But John Purchase, CEO of SA's Agricultural Business Chamber, says a combined survey (conducted in 2007) of the chamber and the Industrial Development Corporation shows that there are marked differences in the BBBEE-compliance levels of larger and smaller agribusinesses, mainly as a result of limitations posed by the financial resources of smaller companies to effect elaborate changes.

Purchase says while agribusinesses have generally adopted a positive approach to BBBEE (with the emphasis on 'broad'), and as such have developed strategies to internalise and comply with the generic Codes of Good Practice as developed by the DTI, the details on their scorecards will only be known following the release of survey results in June.

'But we know that the larger agribusinesses such as Senwes and Afgri have made considerable strides in terms of ownership,' says Purchase. 'One of the focus areas is enterprise development which stems from the need to establish black commercial farmers and to ensure that transferred land remains productive. A number of agribusinesses are very involved in this element, including MGK and OVK.'

Regarding major problem areas and overcoming them, it must be noted that transformation of the agricultural sector has by no means been rapid or without protracted setbacks. One of the biggest has been the consistently loss-making state-owned financing arm of government, the Land Bank.

The bank (which swallowed billions from the fiscus for many years until it was turned around by the Finance Department in 2009), as well as government's inability to deliver on efficient and sustainable land reform, are major contributors to SA's predominantly white farming sector.

According to Purchase the government's delay in constituting the AgriBEE Charter Council for more than 18 months, has given rise to agribusinesses now 'preferring to rather adopt and stick with the generic Codes of Good Practice'.

He says other problems include a dearth of skills – a factor that impacts on the management control and employment equity elements particularly, preferential procurement, financing for equity partners and identifying long-term reliable equity partners, as well as generally low profitability of the sector to invest significantly in ED and CSI.

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