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Challenges faced by construction companies in Gauteng in implementing the revised BEE codes

Research Report

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Supervisor: Professor Samuel Laryea

A research report submitted to the Faculty of Engineering and the Built Environment, University of the Witwatersrand, Johannesburg, in partial fulfilment of the requirements for the Degree of Master of Science in Building.

DECLARATION

I, Tholwana Koaho, student number 0710431w, hereby declare that this research report is my own, unaided work. It is being submitted for the Degree of Msc in Building – Construction Project Management at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination at any other University.



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(Signature of candidate)

_____day

of_____20_____in_____

ABSTRACT

In October 2013, the Department of Trade and Industry (DTI) revised the 2009 construction codes. From the revision, Black Economic Empowerment (BEE) is now measured using five (5) elements instead of seven (7), as was the case with the previous BEE codes. KPMG states that on average, construction companies will drop 2 BEE levels as a result of the revised BEE codes.

This study is aimed to examine how Grade 9 Construction Industry Development Board (CIDB) rated construction companies with registered offices in Gauteng implement the revised BEE codes[1], and the challenges which they face in implementing the revised BEE codes. The study followed a qualitative research methodology approach, semi structured interview were used to collect the necessary data from the various companies.

Individuals responsible for implementing BEE from Grade 9 CIDB rated construction companies in Gauteng were interviewed. Of the 21 companies which were interviewed, companies implemented BEE by increasing in spent on enterprise and supplier development and skills development.

The biggest challenges that the companies faced was increasing/introducing black ownership within the company and employing previously disadvantaged individuals into management positions.

The results of the research would guide the CIDB in drafting further revisions of the BEE codes as to curb construction companies from dropping their BEE levels due to BEE legislation.

Key words: *construction codes, BEE, challenges, implement*

[1] This refers to how a business complies with BEE by acquiring maximum points from the BEE score.

DEDICATION

I dedicate this research paper to my late father, Thabo Koaho who, despite all, put his family first. To my mother who worked tirelessly to ensure that I get a quality education. My only job is to make you proud, and I hope that I have done just that.

ACKNOWLEDGEMENTS

- I would like to thank my Supervisor Professor Samuel Laryea for his guidance in completing this dissertation.
- All the respondents who found time to sit down for interviews despite their busy schedules. This research paper would not have been possible if not for your contribution, your efforts are appreciated.

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LIST OF ACRONYMS

B-BBEE:	Broad Based Black Economic Empowerment
BEE:	Black Economic Empowerment
CERD:	Committee on the Elimination of Racial Discrimination
CETA:	Construction Education and Training Authority
CIDB:	Construction Industry Development Board
CSR:	Corporate Social Responsibility
DTI:	Department of Trade and Industry
EME:	Exempted Micro Enterprises
EU:	European Union
ICT:	Information and Communication Technology
JSE:	Johannesburg Stock Exchange
KPMG:	Klynveld Peat Marwick Goerdeler
PPPFA:	Preferential Procurement Policy Framework Act
QSE:	Qualifying Small Enterprise
RDP:	Reconstruction Development Programme
UK:	United Kingdom

CHAPTER ONE

1.1 INTRODUCTION

The legacy of Apartheid left many South Africans unable to participate in the country's economy. Black South Africans were prohibited from having access to land, skills development and entrepreneurship opportunities. The majority of Black South Africans were restricted to living in homelands, many without adequate infrastructure and business facilities. The Group Areas Act of 1950 displaced many Black South Africans from their homes to designated homelands, and this resulted in many of them losing their homes and any wealth they had created in their area of residence. Black people were unable to own property that could be used as collateral for loan financing, and as such, were unable to get access to capital growth through the accumulation of assets (DTI, 2002).

Black South Africans were also legally inhibited from participating in the management structure of South African companies. By 1990, Black people filled only 3% of management positions in companies (Gray and Karp, 1993). Ownership equity was also favourable to white people and by 1995, Black people owned 1% of the capitalisation on the Johannesburg Stock Exchange (JSE) (Cargill, 1999). When the African National Congress (ANC) came into power in 1994, the Government of South Africa sought to reverse the effects of economic inequalities that were created by apartheid by implementing the Black Economic Empowerment (BEE) policy framework.

1.2 BACKGROUND TO THE STUDY

A BEE unit was created within the Department of Trade and Industry (DTI) with the mandate to "*work towards ensuring through equity and empowerment policies and strategic interventions, that the South African economy is restructured, to enable the meaningful participation of Black people, women and rural or under-developed communities in the*

mainstream economy, in a manner that has a positive impact on employment, income distribution, structural readjustment and economic growth" (Kruger, 2011). *Black people* in the context of BEE are African, Indian and Coloured people in South Africa. The DTI compiled a strategy to include Black South Africans who had previously been marginalised, and provide them with an opportunity to participate in the economy of the country. The strategy "*includes a focus on broadening participation, equity and access to redress for all economic citizens, particularly those who had been previously marginalised*" (DTI, 2007b).

The DTI has produced publications which provide clarification of the new BEE codes. The new BEE scorecard is now evaluated using 5 elements instead of the 7 elements on the old codes, and the total points on the new scorecard amount to 118 points, as compared to 107 points on the old scorecard. These changes have an impact on the BEE level of firms.

The Minister of Trade and Industry issued a Government Notice No. 184 in the Government Gazette No.39703 on 17 February 2016, to repeal the old construction codes. The notice states that the construction codes cease to exist from 17 February 2016. Construction companies will utilise the amended B-BBEE generic codes of good practice in terms of section 9(1) of the B-BBEE Act No.53 of 2003, as amended by Act No. 46 of 2016 (DTI, 2013). As a result to the revised BEE codes, construction companies face dropping 2 BEE levels or being BEE non-compliant, a sentiment that the KPMG (2013) report reiterates.

1.3 PROBLEM STATEMENT AND SUBSTANTIATION

In October 2013, the DTI revised the 2009 construction codes. From the revision, BEE is now measured using 5 elements instead of 7 as on the previous BEE codes. Total weighting on the scorecard is increased from 100 to 105 points and targets for level contributor status have been dropped, which impacts construction companies to drop at least 2 BEE levels.

As a result of the potential drop in BEE levels of construction companies due to the revised BEE codes, research is conducted to determine how construction companies implement the revised BEE codes and the challenges which these construction companies experience

when implementing the revised codes.

1.4 RESEARCH QUESTIONS

The research questions which guided the research process focused on issues of corporate social responsibility, the implementation of BEE, and the challenges thereof. These research questions, as outlined below, served as a compass to further delineate the problem statement:

1. How do companies react to a change in Corporate Social Responsibility (CSR) legislation?
2. How do companies implement BEE?
3. What are the challenges that construction companies are facing in implementing BEE?

1.5 AIM OF THE RESEARCH

The aim of the research was to examine how Grade 9 CIDB rated construction companies with registered offices in Gauteng implement (how a business complies with BEE by acquiring maximum points from the BEE score) the revised BEE codes, and the challenges which they face in implementing the revised BEE codes.

1.6 OBJECTIVE OF THE RESEARCH

The main objective of the research is to:

- Determine how large companies implement BEE codes
- Establish the challenges that large companies face in implementing the revised BEE codes.
- Ascertain the impact of the revised BEE on construction companies which will in turn assist in future revisions of BEE as not to adversely disadvantage construction

companies.

1.7 SCOPE OF THE RESEARCH

The scope of the research covers construction companies within the General Building and Civil Engineering division with a registered office in Gauteng, as these are within a geographical region that is easily accessible.

1.7.1 Delineation

Grade 9 CIDB rating is the highest CIDB rating that can be achieved. It is for this reason that grade 9 CIDB rated companies was examined.

Construction companies with a BEE level rating of 1 – 9 were reviewed so as to obtain a fair perspective of the challenges that all construction companies are facing with implementing the revised BEE codes.

1.7.2 Assumptions

The study makes the following assumptions:

- The participants to the research have answered the questions honestly, as the interviews were conducted by ensuring anonymity and confidentiality.
- The construction companies participating in the research experience challenges in implementing the revised BEE codes, and that they will have a reaction to the revised BEE codes from an implementation perspective.

1.8 RESEARCH METHODOLOGY

The study followed a qualitative research methodology approach. The philosophy approach within the study is positivism**.** A researcher who relies on the positivism philosophy will only observe phenomena that will lead to data which is reliable. The inductive approach is adopted, and a survey strategy is implemented. Qualitative research methodology in the

form of interviews were utilised in the study to analyse the data. A cross sectional time horizon was utilised to study the phenomenon of the change in BEE legislature.

Semi-structured, open-ended interview was conducted to collect the data. Participants were asked identical questions, but the questions were worded in such a way that that the responses were open ended.

1.9 LIMITATIONS TO THE STUDY

The limitations to the study can be noted as follows:

- The research is limited to Gauteng and is thus not a reflection of South Africa as a whole
- The research only looks at Grade 9 CIDB civil engineering and general building companies

1.10 ETHICAL LIMITATIONS

The research needed to be conducted in an ethical manner so as to ensure that the respondents were not in any way forced to participate in the research, and that their responses were accurate and not in any way influenced by the researcher.

The following ethical considerations were taken into account during the research process:

- The interview was conducted at a time and location of the respondent's choice. The respondents had a choice to be audiotaped or not.
- If the respondents chose not to be audiotaped, the researcher took notes instead.
- If the respondents agreed to being audiotaped, but felt uncomfortable at any time during the interview, the researcher could turn off the recorder at the respondents' request.
- If the respondent didn't wish to continue, the researcher could stop the interview at any time. If follow-ups were needed for added clarification, the researcher would contact the respondents by mail/phone to request this. Follow up interviews would

take place at a time and place of the respondents choosing. There was no direct benefit to taking part in the study.

- Participation in the research was completely voluntary. The respondents could decline to take part in the study if they wished to do so.
- It is hoped that the research will benefit the existing body of knowledge on BEE and the construction industry. The study data was handled as confidentially as possible, and individual names and other personally identifiable information was not used.

1.11 RATIONALE AND SIGNIFICANCE OF THE STUDY

The BEE codes (2003) posed certain challenges to construction companies, such as the process of implementing BEE being too technical, black ownership within construction companies being technical, finding suitably qualified black individuals being difficult, many organisations do not have the necessary skills and/or capacity to develop emerging Black enterprises and small to medium corporation's struggle to run their own companies (Emuze and Adlam, 2013). The difficulties which construction companies have had in implementing BEE has resulted in some construction companies dropping their BEE levels which in turn affects their ability to transact with government on government tenders.

The rationale of the study is to establish the challenges associated with the revised BEE codes in order to better understand the impact thereof on construction companies. The research aims to determine how construction companies implement the codes and the challenges they face in implementing the codes. The data obtained from the study will be useful to the CIDB when drafting further versions of the BEE codes as the CIDB will have a clear understanding of the elements of the BEE codes which are difficult for the construction companies to implement.

1.12 structure of the research

The research contains six chapters, namely:

Chapter one: Introduction

This chapter contains an overview of the research and the purpose of the research

Chapter two: Literature review

Chapter two contains the literature on the research topic, past and current and details the gaps in literature on the research.

Chapter three: Methodology

This chapter comprises of the research design which will adequately answer the research questions and objectives. Chapter three details the data collection, population, sample size, this includes an outline of the research design, research philosophy, data collection methods, population, and sampling methods.

Chapter four: Findings and data analysis

Chapter four includes findings from the research collection method utilised in the research.

Chapter 5: Discussion of results

This chapter contains a thorough discussion of the findings and results of the data collection. Chapter 5 further includes interpretation and analysis of the results obtained.

Chapter 6: Conclusion

This chapter entails the findings of the research, implications, limitations, conclusion and recommendations for further research.

CHAPTER TWO: LITERATURE REVIEW

2.1 CORPORATE SOCIAL RESPONSIBILITY ACROSS THE WORLD

2.1.1 Introduction

Corporate Social Responsibility (CSR) is implemented differently from country to country, and the reactions to CSR from a corporation perspective differ from country to country. The Responsible Competitive Index (RCI) from the UK NGO Accountability and the Brazilian Business School, Fundaçao Dom Cabral, looks at how countries are performing in their efforts to promote responsible business practices and issues periodical indexes about such performance. An analysis of the index showed that more advanced economies perform better in this area. The top 20 countries, by ranking order of best performance, were the following (Mullerat, 2013):

1. Sweden,
2. Denmark
3. Finland
4. Iceland
5. UK
6. Norway
7. New Zealand
8. Ireland
9. Australia
10. Canada

11. Germany
12. Netherlands
13. Switzerland
14. Belgium
15. Singapore
16. Austria
17. France
18. USA
19. Japan
20. Hong Kong.

Developed economies such as France, Germany and Finland, and emerging economies such as South Africa have endorsed specific CSR regulations (Buhmann, 2006). In emerging economies, the institutional environment changes dramatically as governments introduce a variety of new laws (Chung and Beamish, 2005 and Dieleman and Sachs, 2008).

2.1.2 Europe

Europe was the first continent to implement CSR initiatives. The European Union (EU) has more CSR consistent values, norms and perceptions than in other areas of the world. Europe is helping many companies share information about CSR. Through CSR, corporations are able to make a significant contribution to the EU's treaty objectives of sustainable development and highly competitive social market economy.

Despite the interest in CSR among businesses and governments in the EU, a clear divide of opposite positions exists. Essentially, the EU took a position of rejecting regulation and placing emphasis on voluntary measures for business, while the European Parliament, together with NGOs and trade unions, has been demanding mandatory regulation and reporting of corporations' social and environmental impacts and transparency. However, CSR, as viewed by the EU remained a voluntary initiative for European business to practice that which goes beyond what is required by law (Albareda, Lozano, and Ysa, 2007).

2.1.3 The United Kingdom (UK)

The UK is a leader in CSR. the UK is home and headquarters of a number of the big accountancy firms; an environmental NGO community pioneering engagement with business; a sophisticated journalistic class; the UK's experiences of some of the privatisation processes and of the industrial revolution; two powerful Anglo-Dutch drivers in the shape of Unilever and Shell; the Quakers, Rotary International, the Freemasons and the notion of 'benign industrialist'; the insurance industry, an important driver of change after the asbestos claims; internationally, the UK's government 'unique role ... because of its international positioning and its colonial past' –which has proved valuable in launching initiatives such as the Voluntary Principles on Security and Human Rights and the Kimberly Process Certification Scheme. According to a Capital Care report, over 75% of London businesses agree that their organizations should do more than the law requires in terms of the environment, and over 50% think they should do so on social objectives. A key indicator of CSR in the UK is the amount of financial resources given by companies to society (1/2 to 1% of their pre-tax profits to charity). The UK has passed a number of regulations designed to complement voluntary initiatives to encourage CSR, such as the 2000 Amendment to the Pensions Act, requiring occupational pension funds to disclose the extent to which they take CSR issues into account of in their investment decisions (Albareda, Lozano, and Ysa, 2007).

2.1.4 Germany

Germany is still in its early stages when it comes to the adoption of CSR principles in businesses, individualisation of CSR campaigns and pressure to encourage more CSR work in German organisations. The concept of CSR reached Germany in the 1990s and has only recently become a widely discussed issue at a governmental and society level. The Federal Government developed a transparent CSR concept to be implemented by a multi-stakeholder forum (Albareda, Lozano, and Ysa, 2007).

2.1.5 Spain

Spanish companies consider corporate reputation, competitive advantage and industry trends to be the major driving forces of CSR. Initiatives undertaken by the EU have influenced companies' decisions to implement CSR. Although the degree of implementation

of CSR in Spain is still moderate, initiatives in this field from some of the country's most respected companies augur promising developments in CSR in the near future. Associations and forums that bring together the heads of leading corporations, business schools and other academic institutions, NGOs and the media are actively practising and promoting CSR (Albareda, Lozano, and Ysa, 2007).

The literature indicates that European countries are favourable to CSR initiatives, although in some of the countries - unlike in South Africa - CSR is not legislated.

2.2 CSR LEGISLATION IN SOUTH AFRICA

The South African government has promulgated specific CSR legislation since 1994, which has been directed at the advancement of economic empowerment of historically disadvantaged Black people. The Broad-Based Black Economic Empowerment Act 53 of 2003 (BBBEE Act), which is one example of such legislation, not only aims to correct racial imbalances, but also strives to promote social responsibility and the empowerment of communities (Esser and Dekker, 2008). Section 7 of the Companies Act 71 of 2008 recognises the broader social role of companies and re-affirms the company structure as a means of achieving economic and social benefits in a manner that enhances the economic welfare of South Africa. In terms of Section 72 of the Act, companies have to elect a social and ethics committee to monitor and report on their activities with regard to social and economic development, promotion of equality and development of the communities in which they operate (Deloitte, 2010).

In South Africa, CSR initiatives are unavoidable, as they are legislated by Government. Proactive companies have made a decision to invest in equity transfers to position themselves at the forefront of CSR (Arya and Zhang, 2009). After the promulgation of CSR laws, “*early mover*” white-owned companies that transferred equity to black investors were criticized by some as benefiting only a few black elite groups and by others as merely being a front for white investors. Fronting practices include window-dressing (in which case black people were introduced to enterprises on the basis of tokenism) and other initiatives where economic benefits gained as a result of the black economically empowered status of the enterprise did not flow back to the black people as specified in the relevant legal documentation (DTI, 2006).

Although companies with a higher BEE status will benefit more from public sector efforts and procurement policies, BEE has not always benefited most of the previously disadvantaged individuals. Over the years, CSR initiatives in South Africa that transferred small stakes to black investors side-lined historically disadvantaged black people in business structures and confined them to non-operational, public relation positions. (Chabane, Roberts, and Goldstein, 2006). The transfer of a large stake by a white-owned corporation to black investors is more likely to be viewed as a genuine effort by management to contribute to social reform.

2.3 BROAD BASED BLACK ECONOMIC EMPOWERMENT

2.3.1 Introduction

BEE was defined by the BEE commission in 2001 as an "*integrated and coherent socio-economic process*". It is located within the context of the country's transformation programme, namely the RDP (Reconstruction and Development programme). The DTI later defined B-BBEE (Broad Based Black Economic Empowerment) as "a socio-economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of Black people that manage, own and control the country's economy, as well as significant decreases in income inequalities" (DTI, 2007). B-BBEE 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 the citizens. It seeks to ensure broader and meaningful participation of the economy by Black people to achieve sustainable development and prosperity" (BEE commission report: 2).

B-BBEE was first conceptualized in 2003 by a policy document titled "*A Strategy for Broad-Based Economic Empowerment*" (Acemoglu, Gelb and Robinson, 2007: 09) and (Burger and Jafta, 2010: 08). The B-BBEE strategy contained the generic scorecard which measures the level of BEE compliance[2]. The Codes of Good Practice were published thereafter, on 9 February 2007, as a guideline in terms of the operational aspects of the

[2] This was given effect by the Broad-Based Black Economic Empowerment Act 53 of 2003.

BEE strategy (Burger and Jafta, 2010:7) and (Kleynhans and Kruger, 2014).

The DTI developed the Broad Based Black Economic Empowerment Act no. 55 of 2003 and the 2007 B-BBEE Codes of Good practice as a legislative tool to regulate BEE in South Africa. The Act and Codes Of Good Practice have been amended continuously in order to conform to the changing business economy. Subsequent to the legislation coming into effect, any private organisation that transacted with Government would have to be BEE compliant; that is, they would have to acquire a BEE certificate (Acemoglu *et al,* 2007:9).

Ferriera and De Villiers (2011), in Van Der Merwe and Ferriera (2014) indicate two reasons for a company to be BEE compliant, namely, to be socially responsible by attempting to correct economic inequalities of the past, and to acquire profits from preferential procurement from being BEE compliant.

2.3.1 POLICY OBJECTIVES OF BEE

According to the B-BBEE strategy, the policy objectives of BEE include the following:

- A substantial increase in the number of Black people who have ownership and control of existing and new enterprises,
- A substantial increase in the number of Black people who have ownership and control of existing and new enterprises in the priority sectors of the economy that government has identified in its microeconomic reform strategy,
- A significant increase in the number of new Black enterprises, Black-empowered enterprises and Black-engendered enterprises,
- A significant increase in number of Black people in executive and senior management of enterprises,
- An increasing proportion of the ownership and management of economic activities vested in community and broad-based enterprises (such as trade unions, employee trusts, and other collective enterprises) and co-operatives
- Increased ownership of land and other productive assets, improved access to infrastructure, increased acquisition of skills, and increased participation in productive economic activities in under-developed areas including the 13 nodal areas identified in

the Urban Renewal Programme and the Integrated Sustainable Rural Development Programme,

- Accelerated and shared economic growth, and
- Increased income levels of Black persons and a reduction of income inequalities between and within race groups.

2.2.2 Policy instruments used to achieve BEE

BEE has utilised two key instruments to achieve its mandate of empowering Black people in South Africa:

1. ***Legislation:*** The B-BBEE Act. The intention of article 2 of the BEE Act is to:
    - Promote economic transformation in order to enable participation of Black people in the economy;
    - Achieve a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises;
    - Increase the extent to which communities, workers, cooperatives and other collective enterprises own and manage existing and new enterprises and increase their access to economic activities, infrastructure and skills training;
    - Increase the extent to which Black women own and manage existing and new enterprises and increase their access to programmes that lead to broad-based and meaningful participation in the economy by Black people in order to achieve sustainable development and general prosperity;
    - Empower rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills; and
    - Promote access to finance for Black Economic Empowerment.

2. ***Regulations:*** A scorecard to measure BEE:
    - The scorecard is used to benchmark the progress of BEE in different sectors by measuring ownership of companies, employment equity and indirect empowerment through preferential procurement and enterprise development (B-BBEE Strategy, 2014).

Table 1 The BBBEE Act 53 of, 2003 Generic Scale Scorecard

ELEMENT	WEIGHTING
Ownership	25
Management Control	10
Employment Equity	10
Skills Development	15
Preferential Procurement	20
Enterprise Development	10
Socio Economic Development Initiatives	5

2.3 B-BBEE PROCUREMENT TRANSFORMATION

Section 217 of the Constitution of South Africa states that “when an organ of state in the national, provincial or local realm of government or any other institution identified in national legislation, contracts for goods or services, it must do so in accordance with a system which is fair, equitable, transparent, competitive and cost effective. Furthermore, it stipulates the need to implement a procurement policy that will provide for categories of preference in the allocation of contract; and the protection or advancement of persons, or categories of persons disadvantages by unfair discrimination.” (Constitution of the Republic of South Africa, 1996).

The Preferential Procurement Policy Framework Act (PPPFA) was formulated as a result of the above legislation. The PPPFA Act states that when Government transacts with any other party it must consider a preference point system which takes into account functionability, price and the reconstruction development programme (RDP). For contracts below R500 000, 80 points will be assigned to price and functionability and 20 points for RDP goals. For contracts above R500 000, 90 points will be assigned to price and functionability and 10 points to RDP. Furthermore, the PPPFA Act compels government to

procure goods and services from suppliers which are BEE compliant, and this in turn drives companies to become BEE compliant.

The PPPFA draft regulations propose a 80/20 preference point system for the procurement of goods and services with a value of R1 million, where 20 points will be apportioned to B-BBEE, and a 90/10 preference point system for the procurement of goods and services with a value of above R1 million, where 10 points will be apportioned to B-BBEE (DTI, 2013: Internet Source).

The PPPFA Act essentially compels companies that wish to enter into a contract with government to supply goods and services to be BEE compliant.

2.4.1 REVISED BEE CODES

The Minister of Trade and Industry issued Notice no.184 in the Government Gazette no. 39703 on February 2016 to repeal the construction sector codes. All entities which operate in the construction sector will be evaluated utilising the B-BBEE Generic Codes of Good Practice, as amended in terms of section 9 (1) of the B-BBEE Act No.53 of 2003 and further amended by Act no.43 of 2013. The application of the B-BBEE Generic Codes of Good Practice must be in accordance with the revised Notice of clarification published in the Notice No.444 of 2015 in the Government Gazette No. 38799 on 15 May 2015.

The generic scorecard has been amended as follows:

- Ownership still consists of 25 points as the previous BEE codes.
- Management control and employment equity have been combined and now have a weighting of 19 points, as compared to 29 points on the previous BEE scorecard.
- Skills development has increased from 15 points to 25 points. The target spend has increased from 3% to 9% on the new codes.
- Preferential procurement and enterprise development have also been combined and account for 44 points on the new scorecard, as compared to 35 points on the previous scorecard.
- Socio economic still accounts to 5 points as the previous scorecard.

- The total points on the new scorecard amount to 118 points, as compared to 107 points on the old scorecard.

Werksmens Attorneys in the report "*Amendments to the BBBEE Act and codes explained*" state that Exempted Micro Enterprises (EMEs) are considered to have a level 4 BBBEE rating, and EMEs include start-up enterprises in their first year. According to the revised BEE codes, EMEs are required to have a turnover of R10 million or less and Qualifying Small Enterprise (QSEs) need to have a turnover of between R10 million and R50 million . QSEs' BEE rating will be determined by using all 5 elements in the new BEE scorecard. QSEs may choose to be measured with 4 of the previous BEE elements, but may face a downgrade in their BEE level if certain elements are not met. QSEs and EMEs which are 100% Black owned will have a level 1 BEE rating, and QSEs and EMEs which are 51% Black owned will have a BEE rating of level 2. A company which has a turnover of R50 million and above is measured against the Generic BEE scorecard.

2.4.2 Revised BEE Scorecards

2.4.2.1Specialised Generic Scorecard

1. Ownership Control Specialised Generic Scorecard:

The total points that can be attained under the ownership BEE element is 25 points by obtaining a 25% + 1 Black ownership in the firm. This can be achieved through either direct Black investment by Black-owned investment, equity firms, or by a vendor financed broad based ownership structure (BIZNEWS, 2015: Internet Source).

Table 2: Management Control Specialised Generic Scorecard

Measurement Category and Criteria	**Weighting Points**	**Compliance Targets**
Board Participation		
Exercisable voting rights of Black board members as a percentage of all board members	2	50%

Exercisable voting rights of Black female board members as a percentage of all board members	1	25%
Black executive directors as a percentage of all executive directors	2	50%
Black female executive directors as a percentage of all executive directors	1	25%
Other Executive Management:		
Black executive management as a percentage of all executive management	2	60%
Black female executive management as a percentage of all executive management	1	30%
Senior Management		
Black employees in senior management as a percentage of all senior management	2	60%
Black female employees in senior management as a percentage of all senior management	1	30%
Middle Management		
Black employees in middle management as a percentage of all middle management	2	75%

Black female employees in middle management as a percentage of all middle management	1	38%
Junior Management		
Black employees in junior management as a percentage of all junior management	2	88%
Black female employees in junior management as a percentage of all junior management	1	44%
Employees with disabilities		
Black employees with disabilities as a percentage of all employees	2	2%

Exercisable voting rights of Black board members as a percentage of all board members has increased to 50%, as compared to 40% on the old scorecard. Women have been made cognisant of the new BEE codes as exercisable voting rights of Black female board members as a percentage of all board members is now 25%.

Table 3: The Skills Development Element on the Specialised Generic Scorecard

CATEGORY	**SKILLS DEVELOPMENT ELEMENT**	**WEIGHTING POINTS**	**COMPLIANCE LEVEL**
Skills Development Expenditure on any programme specified in the Learning Programme Matrix for Black people as a percentage of the Leviable Amount			
Skills Development Expenditure on Learning Programmes specified in the Learning		9	6%

Programme Matrix for Black people as a percentage of Leviable Amount.		
Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black employees with disabilities as a percentage of Leviable Amount.	4	0.3%
Learnerships, apprenticeships and internships		
Number of Black people participating in learnerships, apprenticeships and internships as a percentage of total employees.	6	2.5%
Number of Black unemployed people participating in training specified in the learning programme matrix as a percentage of number of employees.	6	2.5%
BONUS POINTS		
Number of Black people absorbed by the Measured Entity and Industry at the end of the learnership/ apprenticeship or internship programme.	5	100%

Skills Development Expenditure on Learning Programmes specified in the Learning Programme Matrix for Black people as a percentage of the leviable amount has increased

from 1.5% on the old BEE codes to 6% on the new codes.

Table 4: Enterprise and Supplier Development on the Specialised Generic Scorecard

CRITERIA	WEIGHTING POINTS	COMPLIANCE TARGETS
1 Preferential Procurement		
B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	80%
B-BBEE Procurement Spend from all Empowering Suppliers that are Qualifying Small Enterprises based on the applicable BBBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	4	15%
B-BBEE Procurement Spend from all Exempted Micro-Enterprises based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total	5	15%

Measured Procurement Spend		
B-BBEE Procurement Spend from Empowering Suppliers that are at least 51% Black owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	11	40%
B-BBEE Procurement Spend from Empowering Suppliers that are at least 30% Black women owned based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend	5	12%
Bonus Points		
B-BBEE Procurement Spend from Designated Group suppliers that are at least 51% Black owned	2	2%

B-BBEE Procurement Spend from all Empowering Suppliers based on the B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend increased to a compliance level of 80, as compared to 70% on the previous codes. B-BBEE

Procurement Spend from Empowering Suppliers that are at least 51% Black-owned, based on the applicable B-BBEE Procurement Recognition Levels as a percentage of Total Measured Procurement Spend, has increased from 12% on the previous codes (50 % Black owned suppliers). Suppliers that are 30% women-owned increased from 8% on the old codes to 12% on the new codes.

Table 5: Supplier Development Scorecard

Supplier Development		
Annual value of all Supplier Development Contributions made by the Measured Entity as a percentage of the target.	15	2% of Net Profit After Tax (NPAT) or 0,2% Annual Revenue/ Allocated budget/ Gross receipts/ Discretional spend
Enterprise Development		
Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target.	5	1% of NPAT or 0,1% Annual revenue/ Allocated budget/ Gross receipts/ Discretional spend
Bonus points		
Bonus point for graduation of one or more Enterprise Development beneficiaries	1	

to graduate to the Supplier Development level.		
Bonus point for creating one or more jobs directly as a result of Supplier Development and Enterprise Development initiatives by the Measured Entity	1	

Annual value of Enterprise Development Contributions and Sector Specific Programmes made by the Measured Entity as a percentage of the target is now at 2% of Net Profit After Tax (NPAT) a 1% drop from the previous codes. Bonus points have been introduced on the new scorecard.

Table 6: Socio Economic Development Scorecard

Criteria	**Weighting Points**	**Compliance Target**
Annual value of all Socio-Economic Development contributions by the Measured Entity as a percentage of the target	5	1% of NPAT or 0,1% Annual Revenue/ Allocated budget/ Gross receipts/ Discretional spend

Annual value of all Socio-Economic Development contributions has remained the same as on the previous codes; that is, at 1% NPAT.

2.5 BEE RECOGNITION STATUS LEVEL

The table below indicates how BEE recognition status levels have been amended.

Table 7: BEE Status Level Scorecard

BBBEE level	Amended codes	2009 codes
1	≥100 points	≥100 points
2	≥ 95 but < 100 points	≥ 85 but <100 points
3	≥ 90 but < 95 points	≥75but <85 points
4	≥ 80 but <90 points	≥ 65but <75 points
5	≥to 75 but <80□poi□ts	≥ 55 but<65 points
6	≥ 70 but <75 p□ints	≥ 45 but <55 points
7	≥ 55 but <□0 points	≥ 40 but <45 points
8	≥ 40 but <55 points	≥ 30 but <40 points
Non-compliant	< 40 points	< 30 points

As depicted in the table above, points have been increased for each level of BEE on the new revised codes, as compared to the old codes. This implies that firms would need to increase their efforts in order to retain their current BEE levels.

2.6 BEE TRANSACTIONS SINCE 1994

From 1994 – 1998 Black businesses accounted for 10% of all shares on the JSE (Jacobs, 2002), however, in 1997, the JSE crashed and most of the BEE deals which had been concluded collapsed. This resulted in the Black share in the JSE dropping to between 1% (Jacobs, 2002) and 3.8% (Singh, 2001).

In 2001, Ernst and Young stated that there were 101 BEE deals which amounted to R25.1 Billion, and 104 BEE deals in 2002, which amounted to R 12.4 Billion (Sowetan, 9 April 2003). In 2002, Empowerdex reported that almost R143.5 Billion of the top 115 firms listed on the JSE were Black-owned (BBC, 2002). However, in contrast, Business Map, which

tracks JSE's 20 top Black managed companies, indicated that a more accurate was R28.7 Billion. Business Map further argued that Black interests in pension funds and investments were not directly managed for Black individuals (Business Day, 10 December 2002) and that Black companies on the JSE decreased from 26 to 21 in 2003 (Business Map cited in City Press, 11 May 2003).

Joint ventures, which increased Black ownership in firms, decreased in 1999 to R3.4 Billion. This included 45 firms in comparison to R21 Billion involving 110 firms in 1998 and Johnic, a single firm accounted for 78% of Black controlled companies on the JSE. (Segal, 2000 cited in Roger, 2004). In 1999, the Empowerdex index, which monitors empowerment within South African companies, recorded that, out of all Black owned companies, Kagiso and Metlife had documented more than 50% share declines in the overall JSE It also recorded that the quantity of BEE deals decreased sharply, with the deal flow being worse than in 1996, and new investments in reputable Black controlled companies amounted to R2.5 Billion, in contrast to R3.4 Billion in 1999 (Singh, 2001). City Press conveyed that in 2002, white people still managed companies in South Africa, as 98 % of executive director positions of companies listed on the JSE were white and only 8 out of 387 companies surveyed by Empowerdex had a Black chief executive officer. (BBC, 2003).

In present day, Alternative Prosperity recorded that, as at the end of 2013, Black South Africans held at least 23% of the top 100 companies listed on the JSE. The shares include 10% held directly by Black investors through BEE schemes and 13 % through mandated investments (individuals contributing to pension funds, unit trusts and life policies). White South Africans hold approximately 22%, while foreign investors approximately 39%. 16% of the top 100 shares which are still to be analysed are likely to include a combination of shareholder demographics including Black South Africans (JSE, 2013: Internet Source).

2.7 THE KPMG SURVEY

KPMG compiles an annual survey on the state of BEE in the South Africa. In 2013 KPMG surveyed 2000 companies in the below-mentioned industries and obtained BEE scores from their websites:

- State-owned companies
- Retail industry
- Mining industry
- Financial services industry
- Financial services industry
- Construction industry
- Pharmaceutical industry
- ICT industry
- Manufacturing industry
- Property industry

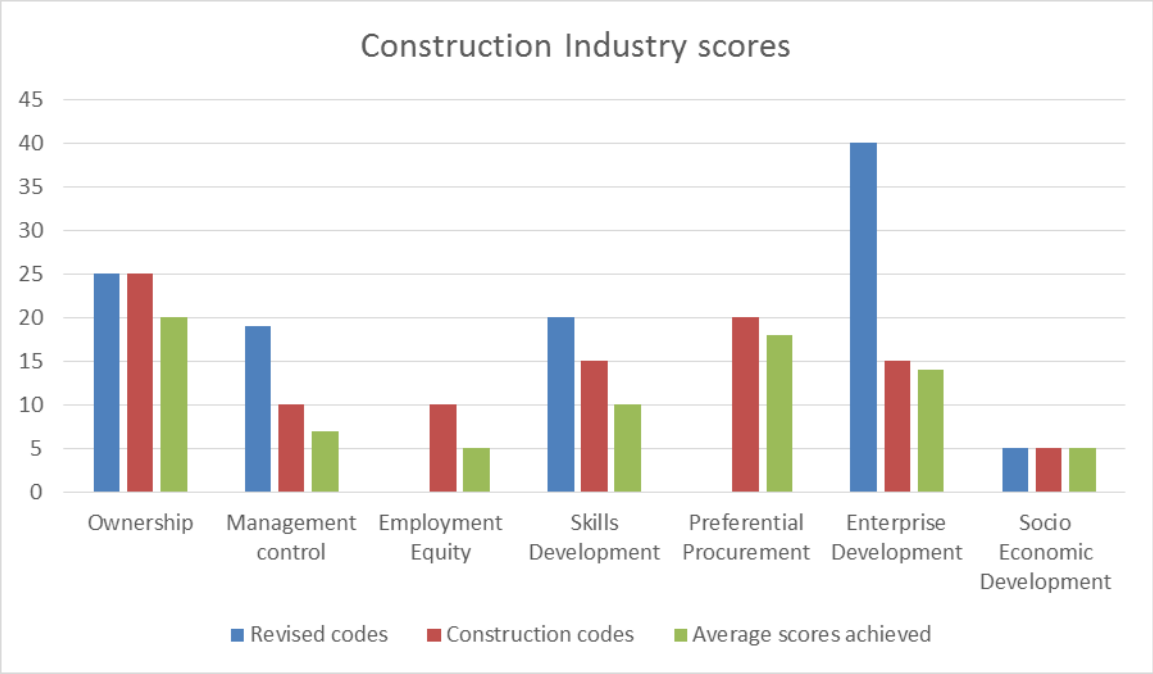
Company type:

- JSE listed
- Unlisted
- State-owned company

In 2013, KPMG evaluated the state of BEE under the following topics:

1. How South African organisations are progressing with B-BBEE
2. Drivers of compliance
3. Do South African organisations believe B-BBEE is achieving its objectives?
4. Revised B-BBEE Codes of Good Practice

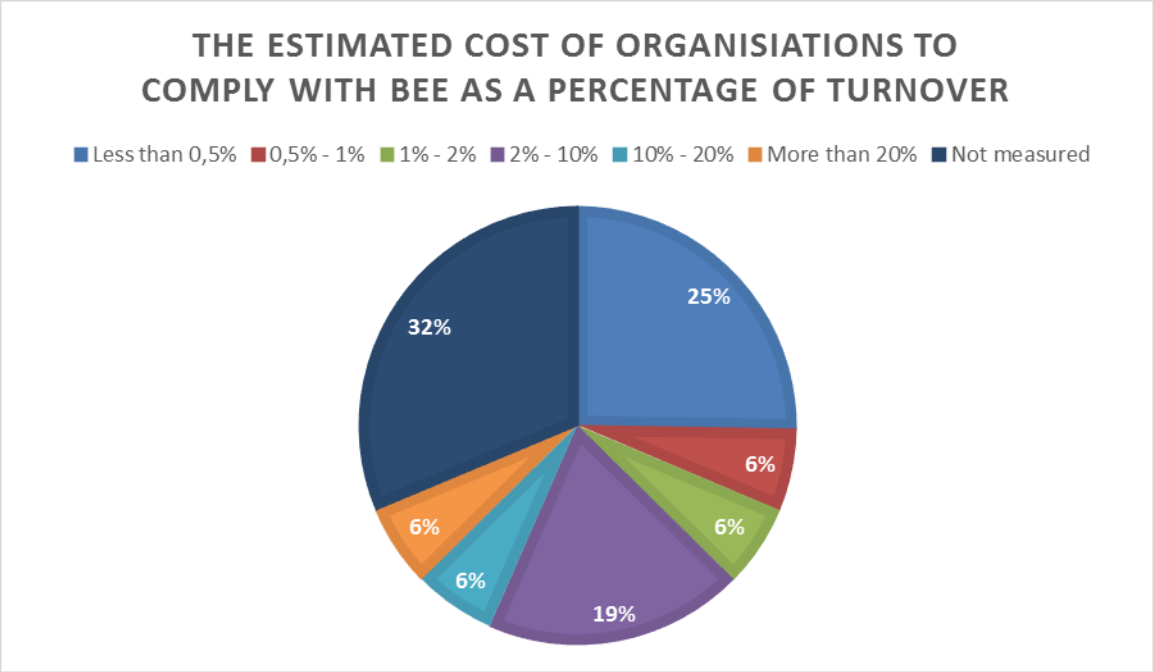
Figure 1: Construction Industry Scores based on the BEE Level Scores



Data from KPMG 2013 BEE survey

The figure illustrates that socioeconomic development on average achieved the highest points on both the construction and revised codes. Ownership, enterprise and socioeconomic development obtained 80% on the revised codes and the construction codes. Employment Equity achieved a 50% score, which shows that it is still a challenge within the construction industry.

Figure 2: Cost of Organisations to Comply with BEE as a Percentage of Turnover

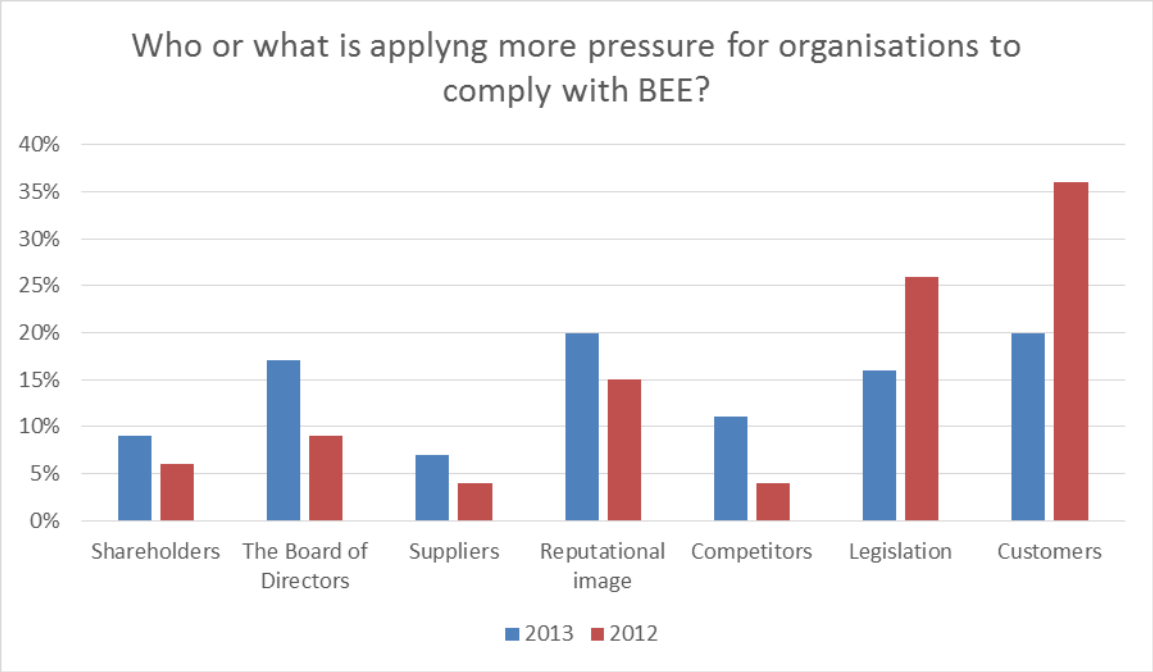


Data from KPMG 2013 BEE survey

The companies which were surveyed indicated the following estimated costs of complying with BEE as a percentage of turnover:

- 32% of the companies did not measure the cost of BEE compliance
- 6% of the companies estimated 10 % - 20% of turnover
- 6% of the companies estimated more than 20% of turnover
- 19% of the companies estimated between 2% and 10% of turnover
- 6% of the companies estimated between 1% and 2% of turnover
- 6% of the companies estimated between 0.5% and 1% turnover
- 25% of the companies estimated less than 0.5% of turnover

Figure 3: Pressure to Comply with BEE



Data from KPMG 2013 BEE survey

When asked what the biggest drivers of BEE compliance were, the organisations which were surveyed indicated the following:

1. Customers and reputational image
2. Board of Directors
3. Legislation
4. Competitors
5. Shareholders
6. Suppliers

Companies indicated that the perception of being socially responsible was the biggest driver for BEE compliance. This is consistent with Van Der Merwe and Ferriera (2014) and Ferriera and De Villiers (2011), who concluded that being socially responsible by attempting to correct economic inequalities of the past is one of the goals for being BEE compliant. Similarly, Ntim and Soobaroyen (2013) stated that BEE scores which are stated in company documents are for mainly for publicity purposes.

2.7.1 RESPONSE TO THE 2013 KPMG SURVEY

The following are responses received from the surveyed companies, in relation to the four key topics:

1. *What impact will the revised codes have on your score?*

75 % of the respondents predicted a decrease in their BEE rating. This is due to an increase in the requirements by each level. 6% of the respondents anticipated an increase in their BEE scores, and these may be companies which invest more on the levels which have increased.

2. *Have you put measures in place to respond to the revised codes?*

In 2013, 81% of the respondents had taken measures to prepare for the new codes by putting the relevant strategies in place.

3. *What impact will the revised codes have on the creation of jobs?*

The respondents were divided on the impact that the revised codes may have on the creation of jobs.

4. *What impact will the revised codes have on small business?*

The respondents to the study believed that the revised codes would have a positive impact on small business. KPMG states that this may be due to an increased recognition of the Black ownership and an introduction of the supplier and enterprise development level as priority elements.

In assessing the impact of the revised codes, KPMG concluded by deducing that the current B-BBEE levels of companies would likely drop by 2 levels.

2.8 The Impact of BEE on the South African Business Sector

The DTI has stated that the BEE codes have been amended as a method to increase Black ownership of enterprises and as a tool to discourage fronting. *Fronting* can be described as "*practices that include window dressing in which case Black people are introduced to an enterprise on the basis of tokenism but are discouraged from participating in core activities of the enterprise*" (Arya and Bassi, 2011: 19). Fronting may also include other initiatives where economic benefits received as a result of the BEE status of the enterprise do not flow back to the Black people, as specified in the relevant legal documentation (DTI, 2006).

Van der Merwe and Ferreira (2014) have conducted research on the association between the 7 elements of the previous BEE scorecard and market performance in the accounting and finance sector. The authors concluded that there is a positive association between the management elements in the BEE score and the company's share returns, and a negative association exists between the ownership and preferential procurement elements and its share returns. They, however, postulated that overall, BEE has a positive relationship with the companies share returns. Boshoff (2012) discovered that firms do not passively respond to BEE- induced changes in client preferences, but aim to meet BEE objectives within their broader strategic environment. Kleynhans and Kruger (2014) indicate that BEE has a positive effect on profitability, turnover and investment in companies. Similarly, Acemoglu and Robinson (2007) stated that BEE does not have any substantial negative effects on firm investment, labour, productivity and profitability. Andrews (2008) also agrees that BEE could be a growth catalyst for South Africa. Strydom, Christison and Matias (2009) found that BEE transactions are not associated with negative abnormal returns and in a few cases, they are associated with positive abnormal returns, which would imply that the reaction may be firm specific or transaction specific. Jackson, Alessandri and Black (2005) concur by stating that the announcement of BEE transactions are associated with a substantial positive increase of almost 2% in the market value of equity of the announcing company.

Fauconnier and Mathur-Helm (2007) examined the significant challenges and opportunities in implementing the B-BBEE deal of Kumba Resources, which subsequently led to the formation of Exxaro Limited, a large Black owned mining conglomerate in South Africa. The

BEE deal concluded was deemed a success for the equity transfer of ownership and management.

BEE is, however, not without its shortfalls. Ambe and Badenhorst-Weiss (2012) postulate that, amongst many challenges in procurement in South Africa, BEE policy is also ineffective in this regard. In the study conducted by Krüger (2011), respondents opposed the notion that BEE compliance would improve the performance of companies when it came to international competitiveness; service excellence and client satisfaction; quality productivity; entrepreneurial spirit and innovation, production performance; human development; staff morale, business ethics and transparency; sales and access to markets; and financial performance. In an alternative paper Krüger (2014) states that wealthy Black business men or "*tenderpreneurs*", Black civil servants and political deployees who work in government, semi government and parastatals benefit from BEE and not the general South African population. By implication, Krüger concluded that only an elite few benefit from BEE. Ferreira (2011) found that there is a negative relationship between a firms BEE score and its share returns, contrary to the findings of Van der Merwe and Ferreira (2014) above.

Adding to the debate that BEE does not benefit the everyday Black South African, Patel and Graham (2012) and Krüger (2014) state that the privileged benefit from BEE deals, while women and employees are only beginning to benefit from BEE, and that the private sector can participate in BEE empowerment through empowerment policies. However Ihe duru's paper (2004) indicates that "*contrary to popular claims about the 'failure of BEE', substantial Black bourgeois and 'proto-bourgeois' classes have begun to emerge over the last decade*". Esser and Dekker (2008), as cited in Jackson and Alessandri, (2005) state that communities should be the beneficiaries of BEE and that directors of companies have a duty to serve communities, encourage socio economic upliftment in communities and eradicate the racial injustices that were created by the Apartheid government .

Dhanorkar (2010) illustrates that although BEE is a good short term tool to reduce the social and economic inequalities in South Africa, a long term approach is needed, such as investment in education, training and infrastructure development, "a transparent framework, a clear set of goals, reliable administration and implementation of reforms, and a solid, supporting social framework". Ponte, Roberts and Van Sittert (2007) express that the process of managing BEE will, in all probability, lead to a focus on procedure and system

management, as opposed to the overall objective of BEE.

One of the biggest criticisms of BEE is discussed by Krüger (2014), as he notes that the Constitution and the B-BBEE Act may be in violation of the UN Declaration, but in both its "*letter and spirit*". He recommends in his research that the UN Committee on the Elimination of Racial Discrimination (CERD) be alerted to this possibility.

Moeletsi Mbeki is also another critic of BEE. He has been quoted as saying "*it [BEE] strikes the fatal blow against the emergence of Black entrepreneurship by creating a small class of unproductive but wealthy Black crony capitalists made up of ANC politicians, some retired and others not, who have become strong allies of the economic oligarchy*" (Mbeki, 2009: 61). Mbeki further states that "BEE and its subsidiaries – affirmative action and affirmative procurement – have metamorphosed ... they have become both the core Black ideology of the Black political elite and, simultaneously, the driving material and enrichment agenda which is to be achieved by maximising the process of reparations that accrue to the political elite" (Mbeki, 2009: 61).

2.9 TO BEE OR NOT TO BEE?

Innes (2007) identifies the following five outlines required for a successful BBBEE policy for transforming the South African economy:

- a land reform programme that ensures significant Black ownership of productive land in the rural areas;
- Black participation in ownership of the commanding heights of the economy;
- the development of Black professionals and skilled people across all aspects of society;
- the growth of Black-owned small businesses and entrepreneurs; and
- more opportunities provided for workers to acquire a stake in the economy.

Southall (2004: 01) argues that BEE is a political necessity that the ANC needs to *"do more to combine its empowerment strategies with delivery of 'a better life for all*'. Both authors further state that not addressing these issues is what often leads to "fronting". Both authors

suggest that restrictions must be addressed before B-BBEE can be implemented within the construction industry to obtain the desired gains from BEE.

Abimbola and Windapo (2011) conducted a study on the steps to becoming a large contractor (Grade 7-9 CIDB rating) and found that BEE is critical to the creation of opportunities for construction companies entering the construction market, but other components are also necessary for these firms to be effective, procure jobs and aid in market penetration.

2.10 CHALLENGES IN IMPLEMENTING BEE WITHIN FIRMS

The challenge that financial institutions are facing is viewing BEE as an opportunity to transforming firms to "*Business Economic Empowerment*" (Koolen, 2003: 05, cited by Teek 2009). Teek further reiterates that that is what differentiates a committed BEE financial institution and a non-committed one.

The costs associated with implementing BEE may be a contributing factor to the non-compliance with BEE. KPMG's 2013 BEE survey details the costs which are associated with the act of being BEE compliant. KPMG does not, however, determine if the costs are an over estimation to improve the firms BEE scores. 31% of the respondents in the KPMG research stated that they do not measure the costs of implementing BEE in their organisations, whereas 12% indicate that costs are above 10% of turnover. 25% of the respondents considered that the costs of implementing BEE are less than 0.5% of turnover, whereas 19% believe it is between 2% and 10% of turnover. Acker (2012) demonstrates that expenditure directed towards indirect empowerment has been found to be tax deductible. He does, however, state that there are exceptions to this by emphasising that "*the proposed best practice guidelines include guidance that could be considered before incurring expenditure towards indirect BEE measures*". Therefore, tax deduction can be a further incentive to BEE implementation in firms.

Horwitz (2011) expresses that the process of ensuring representation and diversity at organisations is at a slow pace, even with the implementation of BEE. Ntim and Soobaroyen (2013) declare that BEE disclosures by companies are a "*public relations exercise*" and not a true reflection of the actual BEE compliance. BEE can be implemented

by companies only at the required rate. The results from the study of Sartorius and Botha (2008) indicated that companies transferred less than 25% equity to BEE partners and that these companies chose to support social objectives of BEE. The study also depicted that external partners in these firms promote shareholder wealth and that BEE equity transactions were funded by third parties and not the companies themselves. This is a divergence from the 2013 KPMG BEE survey report, which does not detail third parties as being the drivers of BEE compliance.

A study by Emuze and Adlam (2013) found that although the participants in the research are cognisant of the challenges of implementing B-BBEE in the construction sector, a few of these companies are addressing the difficulties. Emuze and Adlam report that the ownership element of BEE is the most technical and vigorous of all elements to implement, and contractors struggle to acquire suitable Black participants to add value to the firm. Masando (2010) notes that organisations generally elect to partner with experienced Black entrepreneurs with political influence. Mbaku (1996) reiterated that firms struggling with implementing BEE resort to “fronting” as a way of being BEE compliant. The practice of fronting involves appointing a Black person(s) for the basis of being compliant to BEE, but the said individual(s) does not having decision-making powers within the organisation. Gunter (n.d.) concurs that Black people have been used by companies just for the basis of being BEE compliant and not for empowerment.

Black participants do not have access to capital to finance high amounts of transactional costs which are incurred when construction companies and Black participants enter into shareholding contracts (Cargill 1999:39) and (Foxcroft, Wood, Kew, Herrington and Segal, 2002: 32). Corporations are expected to sell their shares to Black participants at discounted rates, thus relinquishing value to guarantee feasible transactions (Ward and Muller 2010). Cargill (1999) further confirms that contractors enter into high risk agreements with financial institutions, so as to provide security and guarantees for loans for Black participants to enter into shareholding agreements.

Firms which comply with the management element of BEE by transforming the board of directors and management structures have difficulties in locating adequately skilled and experienced Black candidates, especially Black females. (Independent Online, 2012). Suitable candidates that can be found are limited and come with high remuneration

packages and retaining their services for a prolonged period of time is unmanageable (Jack and Harris 2007). In a study conducted by the KPMG in 2007, South African firms stated that the shortage of skilled and experienced Black executives, particularly Black women, presents a challenge to meet targets for the management element of BEE. Respondents in the study further stated that the shortage of Black candidates in South Africa has limited the progress of organisations in attaining targets for the employment equity element of BEE. (Arya and Bassi, 2011).

Contractors have a challenge obtaining and retaining suitably skilled Black individuals in the junior to senior management levels. Jack and Harris (2007) further expresses that construction companies struggle to recruit females, especially Black females within their firms. Jack and Harris (2007) additionally states that Black people struggle to adapt to work place culture and the work environment in which they work, and also battle to manage stress and the added hours that come with the promotion.

Construction companies struggle to recover money spent on training for employees from the Construction Education and Training Authority (CETA), as they state that the process is very technical. Only selected firms obtain an immediate return on training of employees. Contractors additionally lose employees which they have trained to competitors in the industry, or these employees become competitors themselves (Nzukuma and Bussin, 2011).

Discovering Black businesses in certain monopolistic markets and persuading existing non BEE compliant suppliers and service providers to transform causes firms frustration (Jack and Harris, 2007). Additionally, Black suppliers struggle to stay afloat due to cash flow challenges and declining business.

Organisations additionally do not have adequate skills and / or capacity to develop Black enterprises. Small to medium companies have difficulty in running their own businesses in their current state, hence these companies find it impossible to assist start-up firms (Cargill, 1999).

Sartorius and Botha (2008) concluded in their research that less than 25% of the top 185 empowerment companies transferred 25% of equity to Black people. It can therefore be

assumed that additional BEE initiatives would have to be implemented in the future if companies are to achieve maximum points in the ownership element of BEE (Mathura 2010).

2.11 2014 vs. 2015 BEE LEVELS OF TOP CONSTRUCTION COMPANIES

Table 8: Big 6 BEE Levels

COMPANY	2014		2015	
	BEE SCORE	BEE LEVEL	BEE SCORE	BEE LEVEL
WBHO Construction (Pty) Ltd	89.02	2	88.81	2
Aveng Africa Ltd	82.35	3	87.99	2
Group Five Ltd	89.14	2	87.22	2
Murray & Roberts Holdings Ltd	86.88	2	86.16	2
Basil Read Ltd	89.42	2	85.52	2
Stefanutti Stocks (Pty) Ltd	85.77	2	85.31	2

Data sourced from Empowerdex

The table above outlines the BEE scores of the 6 biggest construction companies in South Africa. Aveng Africa Ltd and Group Five Ltd increased their BEE scores in 2014, as compared to 2015 and the BEE scores of WBHO construction (Pty) Ltd, Group five Ltd, Murray and Roberts Holdings Ltd and Basil Read have decreased marginally. Of the 6 contracting companies reviewed, only Aveng Africa Ltd has increased its BEE status by 1 level.

2.12 TRANSFORMATION WITHIN THE CONSTRUCTION INDUSTRY

The CIDB annual report in 2013/14 elaborates on the state of transformation in the construction industry by monitoring the B-BBEE levels of contractors, Black ownership and access by Black-owned contractors to public sector contracts. The report highlights that transformation is lagging behind and that transformation is more evident on the lower BEE

level Black contractors. The sections below outline details on registered companies at the CIDB (Construction Industry Development Board, 2013).

2.12.1 Black Ownership

The CIDB details that 90% of Black owned contractors (where Black ownership is 50% and more) are registered Grade 2 – 4 General Building (GB) and Civil Engineering (CE). 80% of Grade 5 and 6 registered contractors are Black-owned, and 70% of all Grade 7 and 8 GB contractors are Black-owned. 63% of Black ownership of CE contractors are at Grades 7 and 8 CIDB ratings.

In the fourth quarter of 2015, it was reported that 95% of CIDB registered companies in Grades 2 to 4 GB and CE contractors are Black-owned. 88% on average of all Grade 5 and 6 GB and CE contractors are Black-owned and 75% of Grade 7 and 8 GB and CE contractors are Black-owned. 33% of Grade 9 GB contractors are Black-owned.

The proportion of Black-owned companies in higher grades has increased (end of 2013 Quarter 1 versus 2014 Quarter 1) as follows:

Table 9: Black Ownership in Construction Companies

GENERAL BUILDING

CIDB GRADING	BLACK % 2013	BLACK % 2014
9	18%	23%
7 AND 8	68%	70%
5 AND 6	84%	86%
2 – 4	94%	94%

CIVIL ENGINEERING

CIDB GRADING	BLACK % 2013	BLACK % 2014

9	19%	23%
7 AND 8	58%	63%
5 AND 6	78%	83%
2 – 4	93%	94%

The report also states that despite the above data, between 2011 and 2014, Black ownership in contractors increased only marginally.

Table 10: Women Ownership in Construction Companies 2013- 2014

GENERAL BUILDING

GRADE	**NUMBER**	**% DISTRIBUTION**
9	4	11%
7 and 8	109	27%
5 and 6	630	44%
2 – 4	1767	49%
TOTAL	2510	42%

CIVIL ENGINEERING

GRADE	**NUMBER**	**% DISTRIBUTION**
9	3	5%
7 and 8	104	22%
5 and 6	557	36%
2 – 4	1549	49%
TOTAL	2213	42%

In both GB and CE sectors, Grades 2 to 4 have the highest percentage of women-owned companies, followed by Grades 5 and 6, 7 and 8, and the lowest in grade 9. The percentage of women-owned companies has decreased from 47% in GB and 49% in CE Quarter 1 2013 to 42 % in GB.

2015 Q4

GENERAL BUILDING

GRADE	**NUMBER**	**WOMEN %**
9	14	31%
7 and 8	171	39%
5 and 6	570	48%
2 to 4	1504	48%
TOTAL	2259	47%

GRADE	**NUMBER**	**WOMEN %**
9	21	31%
7 and 8	218	38%
5 and 6	548	40%
2 to 4	1504	49%
TOTAL	2259	47%

On average, 50% of Grade 2 to 4 GB and CE contractors are women-owned. An average of 45% Grade 5 and 6 GB and CE contractors are women-owned, and 40% Grade 7 and 8 GB and CE contractors are women-owned. 31% of Grade 9 GB and 31% of CE contractors are women-owned. The tables below depict women ownership in B-BBEE level 3 and 4

companies (2015 Q1 to 2015 Q4):

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B-BBEE LEVEL 3 GENERAL BUILDING

GRADE	**%**
9	50%
7 and 8	51%
5 and 6	66%
2 to 4	61%
TOTAL	58%

B-BBEE LEVEL 3 CIVIL ENGINEERING

GRADE	**%**
9	59%
7 and 8	49%
5 and 6	52%
2 to 4	61%
TOTAL	54%

LEVEL 4 GENERAL BUILDING

GRADE	**%**
9	80%

7 and 8	67%
5 and 6	88%
2 to 4	83%
TOTAL	79%

LEVEL 4 CIVIL ENGINEERING

GRADE	**%**
9	82%
7 and 8	63%
5 and 6	71%
2 to 4	82%
TOTAL	72%

There are more women-owned CE contractors, compared to GB contractors, as depicted above in level 4 and 5 CIDB ratings. There is a higher percentage of women-owned companies in level 4 than 5.

2.13 CIDB CONSTRUCTION MONITOR Q4 2015

The April 2014 Construction Sector Charter Council (CSCC) states that there is a small percentage of Black people actively participating in large companies. “In 2011, over 393 construction Measured Entities showed less than 10% Black ownership. Most of the large entities are hovering around 10% ownership levels, which is lower than the 25% ownership target. This implies that Black people in the sector are not participating as owners in large construction entities” (Dr Rob Davies, Minister of Trade and Industry, Media Statement on the Construction Sector Charter Council Baseline Report, 4 May 2014). The report also highlighted that from 2009 to 2013 the construction industry showed increased levels of

transformation at a level contributor status as an average score per element status.

2.14 TRANSFORMATION IN THE BUILT ENVIRONMENT PROFESSIONS SECTOR

The Consulting Engineers South Africa (CESA) published data at the end of December 2015, which depicts that the total number of companies with Black ownership exceeding 50% had increased from 12% to 15% in 2015.

Table 11: Black Ownership Percentage

SIZE	PERCENTAGE
Large >35m pa	4%
Medium > 11.5m – 35m pa	17%
Small <11.5m	16%
TOTAL	15%

Source: CESA Membership Database (CESA, 2015: Internet Source)

2.14.1 Black Management Control

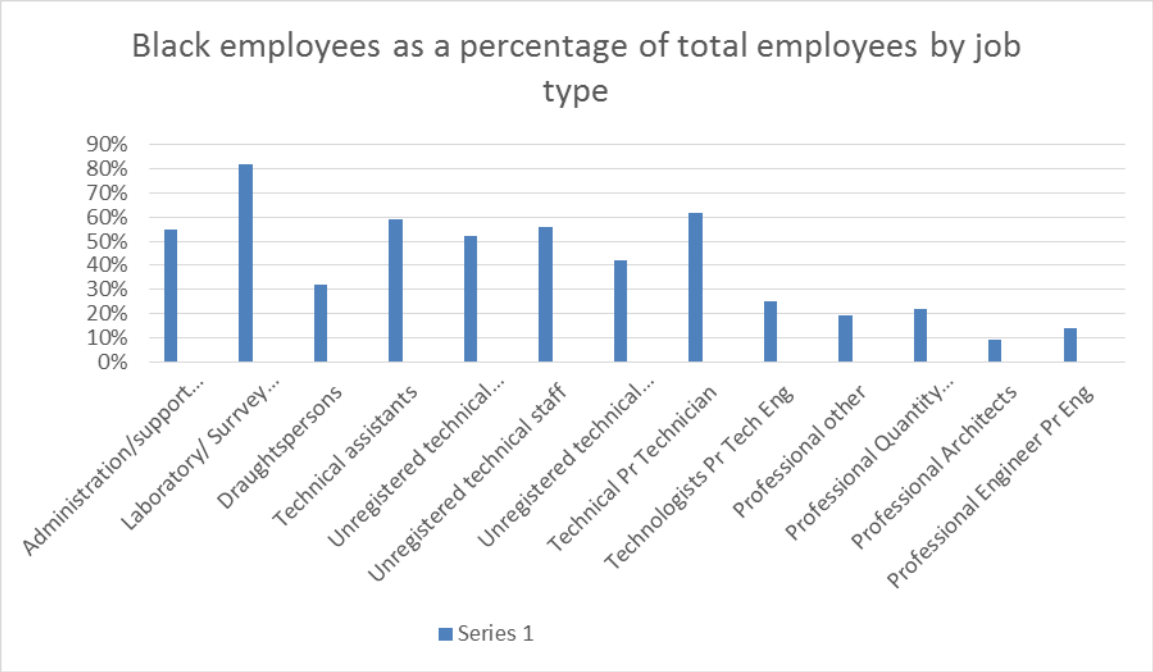
Records from the CESA (December 2015) demonstrate that the total number of Black executives in firms had increased from 30% in 2014 Q4 to 40% in 2015 Q2. Although the increase is positive, this increase is not a true reflection of the demographics of South Africa.

2.14.2 Employment Equity

The CESA also documented that Black employees as a percentage of total employees increased from 45% in the fourth quarter of 2012 to 47% in the second quarter of 2015. Professional black staff only account for 14% of the total professional staff.

The figure below illustrates a breakdown of Black employees as a percentage of total employees by job type

Figure 4: Black Employees as a Percentage of Total Employees



Data Source: CESA Bi-Annual Economic and Capacity Survey; 2006 Q2 – 2015 Q2

In 2005, the Building Research Strategy Consulting Unit cc (BMI) conducted research to determine the BEE opportunities in the building and construction industry. The research concluded that the 7 largest contractors (Murray and Roberts, Grinaker/LTA, Group 5, Wilson Bailey Homes Ovcon (WBHO), Concor Construction, Basil Reid and Stocks Building) embarked on empowerment strategies either by partnering with Black owned companies, through BEE ownership initiatives or empowering Black staff and the community.

The research also established that in the surveyed companies (36 largest companies in the building and construction industry) Employment Equity is aligned with BEE; Equity ownership, Preferential Procurement and Equity Management is not meeting the standards of the BEE policy; and the Skills Development and Enterprise Development elements of BEE are being eluded by the companies. Therefore, 30% of the respondents fulfilled BEE requirements in terms of Employment Equity. The study further determined that the Management element in BEE is rated less than 10%; Employment Equity amongst Black people is greater than 50%; and the mean performance of Skills Development is less than 1%, which is less than the required by the Skills Development Act. Preferential Procurement was found to be between 10% and 25% of total expenditure. Enterprise Development was less than 10% of total assets.

2.15 GAPS IN THE LITERATURE

Although the KPMG survey does answer imperative questions on the impact of the revised BEE codes, only a fraction of the respondents actually came from the construction industry, and hence, the research could not be considered a complete reflection of the construction industry as a whole. Additionally, the KPMG survey was conducted in 2013, before the revised codes came into effect, and as such, the research does not necessarily reflect post-implementation data.

As the revised BEE codes only came into effect on 1 May 2015, research on the impact of BEE on an overall organisational level and the construction sector in particular, still needs to be conducted.

2.16 CONCLUSION

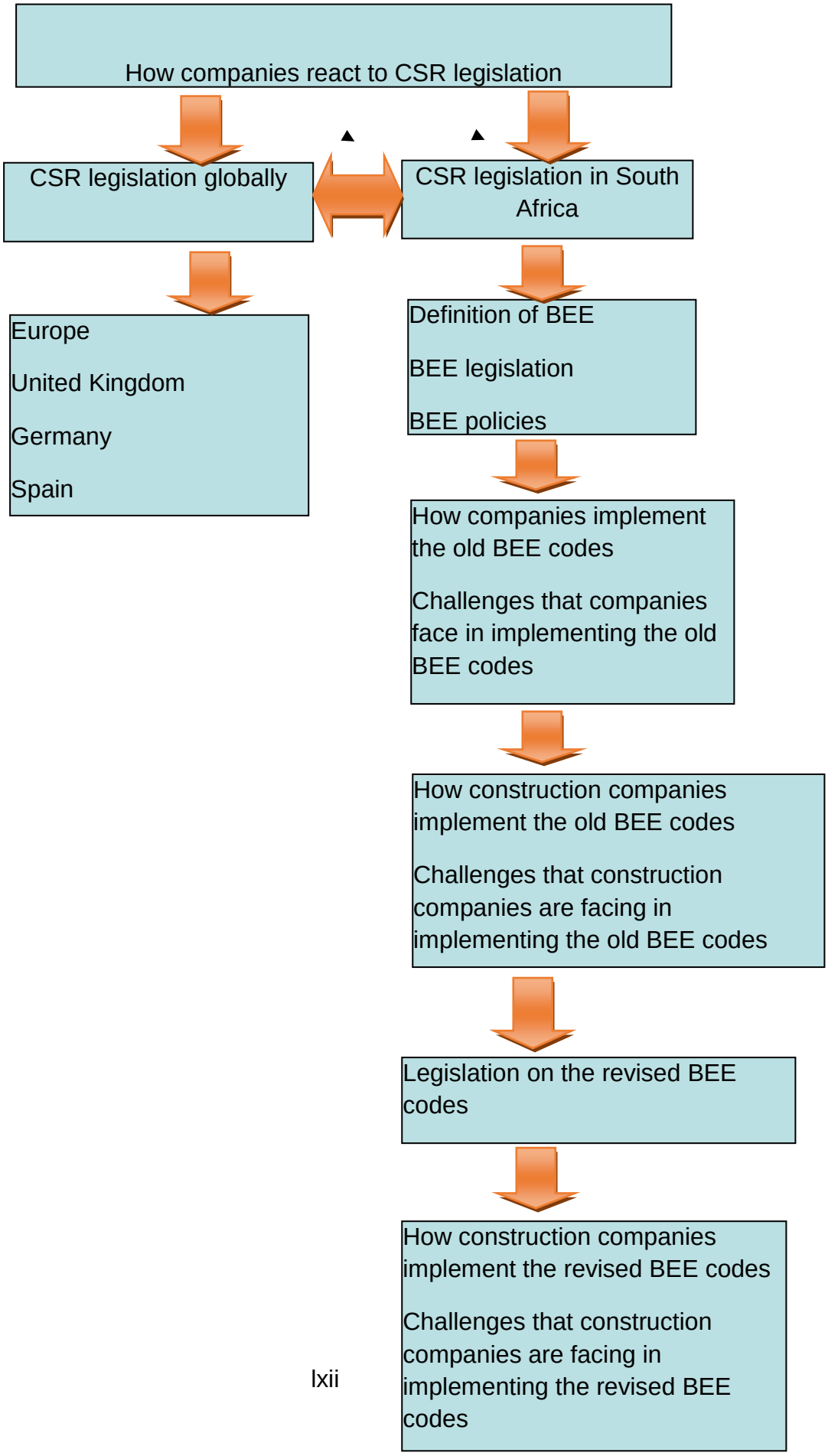
A large portion of the literature reviewed reflects that overall, BEE has a positive impact on firms. However, data published by the CIDB and DTI indicate that transformation within the construction industry is progressing at a slow pace. The revised BEE codes will need to be reviewed periodically, so as to determine if they will accelerate transformation in South Africa.

2.17 Theoretical Framework

As to adequately address the research objective, how do construction companies implement the revised BEE codes and the challenges that construction companies face in implementing the revised BEE codes - CSR legislation globally and locally needed to be looked at, specifically how companies react to a change in CSR legislation. In South Africa CSR legislation in the form of BEE was analysed. BEE was reviewed from its inception of legislation and policy implementation. The literature review included an analysis of how companies implemented the old BEE codes (accounting, manufacturing, mining companies…) and the challenges which

were faced in implementing the codes and then narrowed the research down to specifically how construction companies in South Africa implemented the old BEE codes. However limited, research on how construction companies implemented the revised BEE codes and the challenges which they face in implementing the revised BEE codes.

Figure 5. Conceptual framework for the study



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 INTRODUCTION

This chapter provides an overview of the research methodology used in the study. This includes an outline of the research design, research philosophy, data collection methods, population, and sampling methods.

3.2 RESEARCH DESIGN

In conducting the study, qualitative research methodology was utilised. Qualitative research utilises case information adequately and allows the researcher to conduct cross case comparisons and analysis, which was particularly useful for this study.

The qualitative inquiry approach employed in this study was the *Phenomenology*, approach. Moustakes (1994) defines phenomenology as "*understanding the lived experiences*" and marks phenomenology as a philosophy as well as a method The procedure involves "studying a small number of subjects through extensive and prolonged engagement to develop patterns and relationships of meaning". In reference to Saunders, Lewis and Thornhill (2012), the research philosophy of positivism was utilised in the study, complemented by the mono qualitative method. The research tool used was a survey and the time horizon cross sectional, as a population of only Grade 9 CIDB rated companies with a BEE level of 1 -9 were researched.

3.3 RESEARCH PHILOSOPHY

Research philosophy is defined by Saunders *et al* (2012:106) as "*the development of knowledge and the nature of that knowledge*".

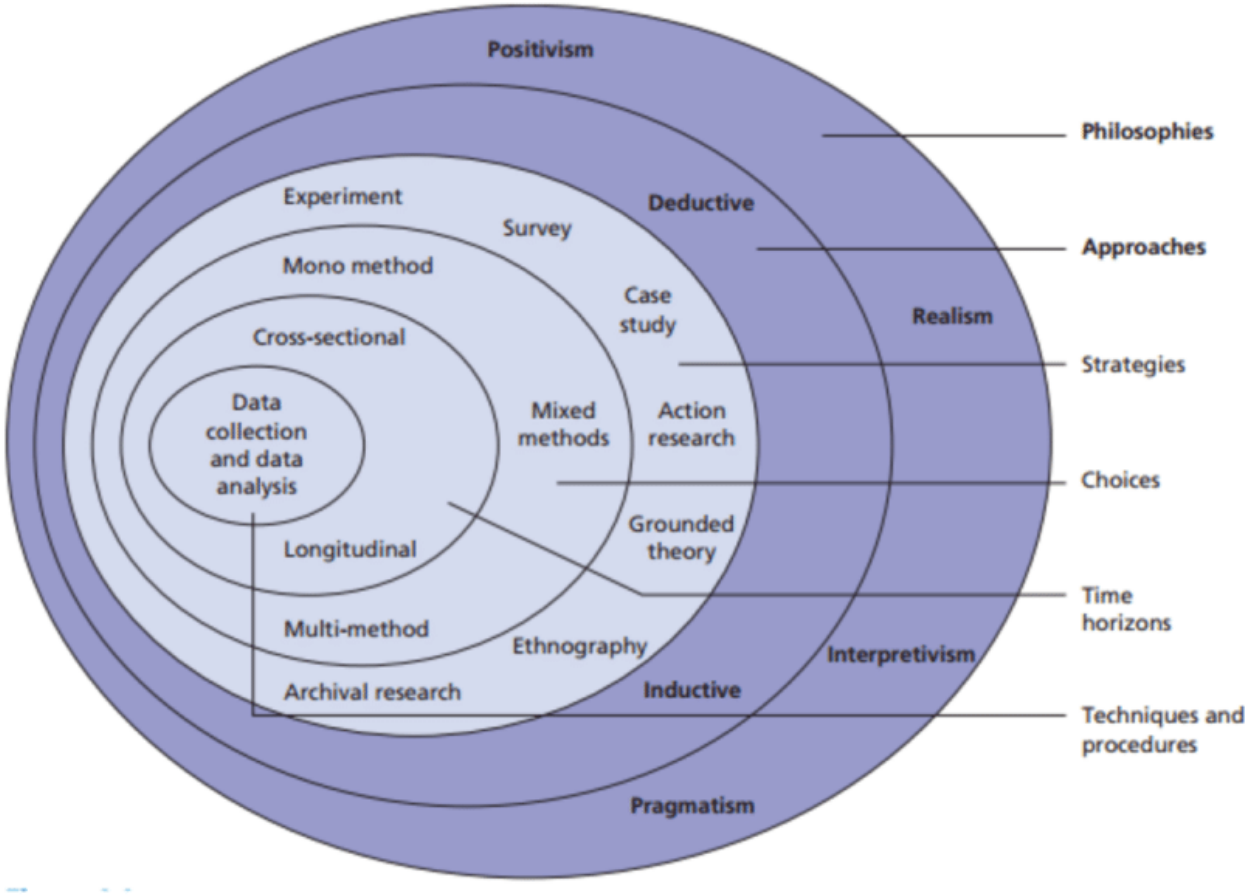


Image extracted from Saunders et al (2012)

3.3.1 SAUNDERS' RESEARCH ONION

3.3.1.1 Positivism

This approach entails the adoption of the "philosophical stance of the natural scientist. A positivist prefers working with an observable social reality and the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists'" (Remenyi *et al*, 1998: 32) A researcher who relies on the positivism philosophy will only observe phenomena that will lead to data which is reliable. The researcher is likely to use existing theory to develop hypotheses. (Saunders *et al*, 2012: 113). The positivist approach depends on the data collected to make assumptions.

3.3.1.2 Inductive Approach

An inductive approach is concerned with the context in which events were taking place. (Saunders *et al*, 2012). Researchers in this tradition are more likely to work with

qualitative data and use a variety of methods to collect these data in order to establish different views of phenomena (Easterby-Smith *et al*, 2008).

3.3.1.3 Survey Strategy

The survey strategy is usually associated with the deductive approach, used in research to answer the "*who, what, where, how much* and *how many"* questions. It therefore tends to be used for exploratory and descriptive research. Surveys are popular as they allow the collection of a large amount of data from a sizeable population in a highly economical way. (Saunders *et al*, 2012). Surveys may be in the form of interviews, questionnaires or structured observations.

3.3.1.4 Mono Method Choice

Qualitative research methodology in the form of interviews were utilised in the study to analyse the data. Cross-sectional studies often employ the survey strategy (Easterby-Smith *et al*, 2008 and Robson, 2002). They may be seeking to describe the incidence of a phenomenon.

3.3.1.5 Cross Sectional Time Horizon

Cross sectional research is the study of a phenomenon at a particular time (Saunders *et al,* 2012).

3.4 DATA COLLECTION METHOD

A semi-structured, open-ended interview was conducted. Participants were asked identical questions, but the questions were worded in such a way that that the responses were open ended. (Gall and Borg, 2003). The open-ended responses allow the participants to provide as much detailed information as possible. Open-ended questions also allow follow up questions. The researcher "*brackets his or her own experiences in order to understand those of the participants in the study*" (Nieswiadomy, 1993).

Participants to the study were individuals who are responsible for the implementing BEE within the respective companies. These individuals were the Business Development Managers (BDM's), Transformation Officers and / or Human Resource Managers.

3.5 THE INTERVIEW QUESTIONS

The aim of the interview questions was to provide the researcher with an opportunity to obtain answers to address the research objectives, as outlined in the introductory chapter. The interview questions are outlined below:

Interview Question	Link to Research Objective
Company-Orientated Questions	
1. Current and previous years' BEE level status	This question is linked to objective 2, the answer to the question determines if the company increased/decreased their BEE level status or if it stayed the same. This will in turn determine if the revised BEE codes decreased the company's BEE level.
2. Does the company have a BEE policy? If so, please define	The question is linked to objective 1. The response to the question will determine if a BEE policy governs how BEE is implemented in the company.
3. What is the position of the company on BEE and the introduction of empowerment-targeted legislation in the construction sector?	This question is linked to objective 1. The question aims to determine the reasons behind implementing BEE. Motloung (2007) suggests that there are two reasons for implementing BBBEE in a company: ethical/moral; this relates to uplifting and assisting the rest of the population; the arguments for this are social and political; and business; it will assist in doing business and making a profit; business is about providing the right product/service at the right price.
4. What are the scores you received in 2015/16, as compared to 2016/17 on	The question relates to objective 1. The comparison between the revised BEE

the below BEE elements?	codes and the old codes. The two concurrent years will determine which BEE element score increased/decreased/stayed the same
In-Depth Questions	
1. How did the company implement the amended BEE codes? Which additional empowerment strategies were incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?	The question directly relates to objective 1
2. Which challenges did the company experience in implementing the empowerment strategies?	The question relates directly to objective 2. The response to this question further correlates to objective 3.
3. Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?	The question correlates to objective 2 and 3
4. How did you overcome that challenge?	The question relates to objective 2, to determine which strategies were employed to overcome the challenge of implementing the revised BEE codes.
5. Do you believe that more black people will benefit from the amended BEE codes?	The question ascertains if the company feels that the revised BEE codes will fulfil the mandate of empowering more previously disadvantaged individuals – objective 3
6. The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive	The question is associated with objective 2. This requirement is unique to the revised BEE codes and this question seeks to determine if the construction company had a challenge with this element.

management as a percentage of all executive management is at 30%). Did the company have a challenge in finding suitably qualified women?	
Additional Questions for Construction Companies with a BEE LEVEL of 1 and 2	
1. How has the company achieved a BEE level of 1 (or 2)?	The question correlates with objective 1.
2. Which strategies did the company put into place to achieve this BEE rating?	The question relates to objective 1. The additional strategies to achieve a BEE level status of 1 and 2 will be determined.

3.5 POPULATION

A desktop analysis was used to gather data on suitable contractors. The CIDB website was used to source contractors from the Register Of Contractors (ROC), using the below criteria:

1. Location: Gauteng (Registered Head Office Addresses)
2. CIDB Grading: 9
3. Have a turnover of more than R50 million and utilize the generic BEE scorecard to measure their BEE level.
4. BEE level 1 to 9.

There are 95 active contractors on the CIDB ROC which comply with the criteria above. Of the 94 contractors, 26 contractors have a BEE level of 3 to 9, and 68 construction companies have a BEE level of 1 and 2.

Construction companies which have a BEE level rating of 1 and 2 were interviewed to determine the measures which they put into place to obtain a level 1 and 2 BEE rating. Construction companies with a BEE level rating of 3 – 9 BEE rating were interviewed to establish the challenges which they face in implementing the revised BEE codes.

3.6 SAMPLING METHOD

The purposive sampling method was utilised in the study. This is a non-probabilistic sampling method in which the units within the study are at the discretion of the researcher.

Requests to participate in the study were made to the 26 construction companies which fall into the population. The goal was to interview approximately 2 companies within each BEE level (1-9) to obtain a fair perspective.

3.7 SCOPE OF RESEARCH

Construction companies within the GB and CE environment, with a registered office in Gauteng, were researched, as these were within a geographical region that was easily accessible. There is additionally a larger population of construction companies within Gauteng province than in any other province in South Africa.

Grade 9 CIDB rating is the highest CIDB rating that can be achieved. It is for this reason that Grade 9 CIDB rated companies were examined.

Construction companies with a BEE level rating of 1 – 9 were reviewed, so as to obtain a fair perspective of the challenges that all construction companies are facing with implementing the revised BEE codes.

3.8 VARIABLES MEASURED

The variables measured in the study focused on challenges which construction companies face in implementing the revised BEE codes. The data was collected from Grade 9 CIDB rated companies with a BEE rating of 1 – 9.

The following companies were exempted:

- Companies which are CIDB rated grade 8 and lower.
- Companies which are automatically grade 1 BEE (100% black owned)
- Companies which have a turnover of less than R50 million and subsequently don’t

utilize the generic BEE scorecard/Construction scorecard to measure their BEE level will be exempted from the study.

3.9 VALIDITY OF RESULTS

A semi structured interview was employed in the study. The aim of the interview was to establish the challenges that construction companies face in implementing the BEE codes, thus answering the research question. The interview questions sought to establish the challenges which the construction companies face in implementing each of the 5 elements of BEE (Ownership, Management control + Employment Equity, Skills Development Preferential Procurement + Enterprise Development and Socio-Economic Development).

3.10 RELIABILITY OF RESULTS

Parallel forms of reliability tests were conducted in the study. The participants were asked identical open-ended questions. Companies with a BEE level of 1 and 2 were asked an additional 2 questions to establish how they have maintained high levels of BEE.

3.11 SUMMARY OF THE RESEARCH DESIGN

The study utilised the inductive qualitative method approach in the form of semi structured interviews. The research onion guided the philosophy, approach, strategy, and time horizon. A cross sectional time horizon was adopted, the research was constrained to a year, therefore the interviews and the analysis of data was carried out within the same year.

CHAPTER FOUR: FINDINGS AND DATA ANALYSIS

4.1 INTRODUCTION

This chapter presents the research findings obtained from the data collected.

4.2 POPULATION

As at February 2017, there are 35 construction companies with a CIDB rating of 9, which have a registered office in Gauteng and operate within the GB and CE spheres on the CIDB register of contractors.

1. CMC Mavundla Projects (Pty) Ltd
2. Franki Geotechnical (Pty) Ltd
3. DRA Projects SA (Pty) Ltd
4. Qinisa Construction (Pty) Ltd
5. Waco Africa (Pty) Ltd
6. Khato Civils (Pty) Ltd
7. Fikile Construction (Pty) Ltd
8. BeckersBouaannnemer EDMS BPK
9. Fraser Alexander construction
10. Esor Construction (Pty) Ltd
11. Vahva Holdings
12. Phagama Civil and Maintenance
13. Future Solar Investment and Construction
14. Eskom Rotek Industries SOC Ltd
15. Mivami Construction CC
16. Liviero Civils (Pty) Ltd
17. Cerimele Construction Company (Pty) Ltd
18. Biacon (Pty) Ltd
19. Base Major Construction (Pty) Ltd
20. Uniq Holdings
21. Jyoti Structures Africa (Pty) Ltd

22. Road Span Surfaces (Pty) Ltd
23. Scribante Construction (Pty) Ltd
24. King Civil Engineering Contractors (Pty) Ltd
25. Superway Construction (Pty) Ltd
26. Abbeydale Building and Civils (Pty) Ltd
27. KPMM Roads and Earthworks (Pty) Ltd
28. Mota -Engil Construction South Africa
29. HL Matlala Properties
30. Enza Construction (Pty) Ltd
31. Nyoni Projects (Pty) Ltd
32. Water and Sanitation Services South Africa (Pty) Ltd
33. Civiltech Construction CC
34. Moseme Road Construction (Pty) Ltd
35. Sedtrade (Pty) Ltd

4.3 SAMPLE

A total of 21 construction companies agreed to participate in the research. The companies ranged from level 1 to a level 6 BEE rating.

4.4 RESPONSES TO QUESTIONS

4.4.1 Question 1 and 2: Names of Companies and Current and previous years' BEE level status

Table 12: Participating Construction Companies in Gauteng with a CIDB level of 9
(Total of 21 Participating Companies)

Company Name	2015/2016 BEE Level	2016/2017 BEE Level	Designation of Interviewee
Company A	5	5	Commercial Director
Company B	2	3	Human Resources Manager

Company C	2	3	Human Resources Manager
Company D	3	3	Human Resources Officer
Company E	2	5	Director
Company F	4	5	Director
Company G	3	5	Human Resources Manager
Company H	2	3	Commercial Director
Company I	2	2	Financial Manager
Company J	3	3	Human Resources Manager
Company K	4	5	Commercial Director
Company L	6	6	Human Resources Manager
Company M	1	2	Human Resources Manager
Company N	2	2	Director
Company O	4	2	Human Resources Manager
Company P	5	5	Financial Manager
Company Q	3	4	Financial Director
Company R	2	2	Human Resources Manager
Company S	7	6	Human Resources

			Manager
Company T	2	4	Human Resources Manager
Company U	2	4	Human Resources Manager

4.4.2 Question 3: BEE Policies within the Company

A limited number of companies have BEE policies, as most of the companies follow the national BEE legislation. However, Companies A, G, I, O, Q and V have BEE policies. Company A has a BEE policy which launched a BEE employee share scheme for the employees to share in the profits of the company. The company additionally procured from suppliers who were previously disadvantaged individuals. Furthermore, the company invests in CSI projects such as upgrading schools, sponsoring soup kitchens and donates computers.

Company G also has a BEE policy. The business strategy of the company is to create opportunities for previously disadvantaged groups through CSI initiatives, mentorship of emerging contractors and technical training. Company I would not divulge the contents of its BEE policy, citing confidentiality reasons. Company O is majority black-owned, with a certain portion of women-owned, through a black-owned shareholding scheme. Additionally, the company has an employee share scheme for qualifying employees.

Company Q incorporates B-BBEE suppliers as their preferential procurement objective and the development of black Small Micro Medium Enterprises (SMMEs) and EMEs. The company is involved in numerous socio-economic initiatives and maintained full points for this element on the BEE scorecard. Additionally, the company fosters relationships with competent black-owned companies from an enterprise development perspective. Company U develops small black-owned businesses. Enterprise development was fostered to mentor emerging contractors, monitor their development and ensure that they become independent contractors.

Although it does not have BEE policies, Company B has a transformation policy which covers the BEE scorecard, diversity and transformation. The company is part-owned by a black empowerment company. The company believes that BEE is a vital economic imperative in South Africa. Company A is committed to empowering black businesses, its employees and CSI initiatives. The company is an avid supporter of joint ventures with empowerment partners.

Company C follows national legislation. The company assists emerging contractors with mentorship, technical training and professional registration. The company additionally strives to develop the skills of its employees. Company D follows legislation. The company prioritises the improvement of previously disadvantaged groups from training, bursaries and mentorship. Company A strives to increase the company's black ownership, skills development and training. The company places an emphasis on career development of its employees. Training and bursaries are offered to the existing previously disadvantaged groups within the company. Company E also follow legislation. The company awards bursaries to students at tertiary institutions. The company is involved in a number of CSI projects such as building homes for disadvantaged communities and donating building material.

Companies F, H, P and K do not have BEE policies. Company H promoted BEE through employment equity, skills development of previously disadvantaged groups, company ownership by employee share schemes and an increase in the senior and middle management of the company by previously disadvantaged individuals. From a skills development perspective, the company trains and awards bursaries to students within engineering and construction. There are additionally preferential procurement targets which are set and exceeded with black-owned enterprises. The company's skills development efforts include education and training to students and employees and CSI initiatives to benefit previously disadvantaged communities. Company J follows legislation. The company invests in employee development initiatives. Skills development initiatives such as learnerships are offered by accredited training providers and the staff mentorship programs are offered. Bursaries are also offered to employees. Company L develops and trains previously disadvantaged individuals. The employment of local labour and skills development of the labour. Enterprise development is ensured through the development of black-owned enterprises.

Company M is majority black-owned. The company employs community members from the communities in which they operate, through CSI initiatives and skills development. Company N is involved in several CSI developments, SMME development programmes, training workshops in disadvantaged communities and awards bursaries to students at tertiary level. Company R contributes to the transformation of previously disadvantaged groups from all perspectives of the BEE scorecard. The company extensively develops its staff through skills transfer programs to ensure growth and sustainability within the company. Company S strives to improve BEE by mentoring black-owned businesses and supporting black-owned businesses. Company S invests in skills development and mentoring within the company and on the different sites. The company has created a skills development programme which develops priority skills within the industry. Lastly, Company T invests in social investment programmes which include educational, animal rescue and health programmes.

4.4.3 Question 4: The Position of the Company on BEE and the Introduction of Empowerment Targeted Legislation in the Construction Sector

All the companies that were interviewed indicated that they supported BEE, but some had reservations, particularly Companies A, B and E. Company A is a firm supporter of BEE in its current form, although there are certain aspects of the codes which are difficult to implement, such as Employment Equity and Ownership. Company E is a supporter of BEE, but finds it is more difficult to adhere to the revised BEE codes. Company B supports BEE from a shareholder and business perspective, but the company is not driving BEE from an employment equity, skills development and enterprise development due to resistance from the ownership and management of the company. Company Q believes that B-BBEE is over legislated, but is pro-transformation within the construction industry.

Company C believes in BEE and empowerment of previously disadvantaged individuals. Company D accepts that BEE legislation needs to be followed, so as to procure government work. Company F indicated that BEE compliance is a tool to procure government work so therefore it is essential to be BEE compliant. Company G supports the empowerment of black-owned enterprises. Company H wants to be more BEE-compliant and do more, to reflect the demographics of the country. Company I is an avid supporter of B-BBEE, as it is beneficial for tendering purposes and additionally for empowering people. Company J supports BEE legislation. Company K supports empowerment-targeted legislation. Company

L is for BEE and the revised BEE codes. Companies M, N, O, P, R, T and U support BEE in its current form. Company S wants to do more in terms of BEE, but is having difficulty as the company is white male dominated.

4.4.5 Question 5: Scores achieved in 2015/2016 as compared to 2016/2017

Table 13: Company A BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	13.21/25	Ownership	13.19/25
Management Control	0/10	Management Control + Employment Equity	0/10 6.98/15
Employment Equity	4.47/10	Skills Development	0/15
Skills Development	4.44/15	Preferential Procurement + Enterprise Development	17.32/20 14.09/10
Preferential Procurement	17.90/20	Socio-Economic Development	3.49/5
Enterprise Development	10/15		
Socio Economic Development Initiatives	5/5		

Table 14: Company B BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	24/25	Ownership	23.04/25
Management Control	10/10	Management Control + Employment Equity	9.35/15
Employment Equity	4.32/5	Skills Development	13.02/20
Skills Development	13.17/15	Preferential Procurement + Enterprise Development	40.69/40
Preferential Procurement	20/20	Socio-Economic Development	5/5
Enterprise Development	15/15		

Socio Economic Development Initiatives	5/5		

Table 15: Company C BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	20/25	Ownership	19.8/25
Management Control	10/10	Management Control + Employment Equity	6.32/15
Employment Equity	8.47/10	Skills Development	17.92/20
Skills Development	11.24/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	18.49/20	Socio Economic Development	5/5
Enterprise Development	15/15		
Socio Economic Development Initiatives	5/5		

Table 16: Company D BEE

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	19.28/25	Ownership	25/25
Management Control	10/10	Management Control + Employment Equity	10/10 5.14/10
Employment Equity	6.7/10	Skills Development	10.52/10
Skills Development	10.64/15	Preferential Procurement + Enterprise Development	20/20 14.05/15
Preferential Procurement	2.65/20	Socio economic Development	1.73/5
Enterprise Development	0/15		
Socio Economic	1.73/5		

Development Initiatives			

Table 17: Company E BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	19.69/25	Ownership	19.8/25
Management Control	5/10	Management Control + Employment Equity	6.32/15
Employment Equity	4.24/10	Skills Development	17.92/20
Skills Development	12.64/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	20/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio Economic Development Initiatives	5/5		

Table 18: Company F BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	25/25	Ownership	25/25
Management Control	10/10	Management Control + Employment Equity	10.24/15
Employment Equity	8.94/10	Skills Development	5.98/20
Skills Development	11.16/15	Preferential Procurement + Enterprise Development	34.62/40
Preferential Procurement	20/20	Socio economic Development	5/5
Enterprise Development	14.25/15		
Socio Economic Development Initiatives	5/5		

Table 19: Company G BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	0/25	Ownership	19.8/25
Management Control	0/10	Management Control + Employment Equity	6.32/15
Employment Equity	5.13/10	Skills Development	17.92/20
Skills Development	9.28/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	19.28/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio Economic Development Initiatives	5/5		

Table 20: Company H BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	20/25	Ownership	25/25
Management Control	10/10	Management Control + Employment Equity	7.44/10
Employment Equity	4.25/10	Skills Development	9.48/20
Skills Development	8.65/15	Preferential Procurement + Enterprise Development	28.89/40
Preferential Procurement	17.74/20	Socio economic Development	4.19/5
Enterprise Development	15/15		
Socio Economic Development Initiatives	5/5		

Table 21: Company I BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	20/25	Ownership	23.50/25
Management Control	10/10	Management Control + Employment Equity	11.36/19
Employment Equity	9.50/10	Skills Development	18.30/20
Skills Development	14/15	Preferential Procurement + Enterprise Development	42.95/40
Preferential Procurement	13.04/20	Socio Economic Development	5/5
Enterprise Development	15/15		
Socio Economic Development Initiatives	4.57/5		

Table 22: Company J BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	15.51/20	Ownership	22/25
Management Control	5.06/10	Management control + Employment Equity	5.20/19
Employment Equity	3.25/15	Skills Development	21/25

Skills Development	19.36/20	Preferential Procurement + Enterprise Development	38.52/40
Preferential Procurement	11.95/15	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

Table 23: Company K BEE Scores

2015/2016		**2016/2017**	
Element	Score	Element	Score
Ownership	15.51/20	Ownership	19.8/25
Management Control	5.06/10	Management control + Employment Equity	6.32/15
Employment Equity	3.25/15	Skills Development	17.92/20
Skills Development	11.95/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	19.36/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

Table 24: Company L BEE Scores

2015/2016		**2016/2017**	
Element	Score	Element	Score
Ownership	22/25	Ownership	19.8/25
Management Control	4.44/10	Management control + Employment Equity	6.32/15
Employment Equity	2.39/15	Skills Development	17.92/20
Skills Development	0.48/15	Preferential Procurement + Enterprise Development	42.83/40

Preferential Procurement	18.04/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

Table 25: Company M BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	0/25	Ownership	0/25
Management Control	0/10	Management control + Employment Equity	0/15 2.08/15
Employment Equity	3.42/10	Skills Development	3.10/15/20
Skills Development	3.87/15	Preferential Procurement + Enterprise Development	20/20 15/15
Preferential Procurement	17.76/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

Table 26: Company N BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	19/25	Ownership	23.50/25
Management Control	8.86/10	Management control + Employment Equity	8.54/19
Employment Equity	5.52/10	Skills Development	17.5920
Skills Development	11.97/15	Preferential Procurement + Enterprise Development	28.88/40
Preferential Procurement	19.82/20	Socio economic Development	5/5

Enterprise Development	15/15		
Socio economic development initiatives	5/5		

Table 27: Company O BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	24/25	Ownership	25/25
Management Control	3.22/10	Management control + Employment Equity	4.54/15
Employment Equity	2.9/10	Skills Development	13.95/20
Skills Development	8.26/15	Preferential Procurement + Enterprise Development	33.78/40
Preferential Procurement	16.49/20	Socio economic Development	5/5
Enterprise Development	10/15		
Socio economic development initiatives	5/5		

Table 28: Company P BEE Scores

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	23.78/25	Ownership	23.90/25
Management Control	9.73/10	Management control + Employment Equity	8.59/10 5.23/10
Employment Equity	7.53/10	Skills Development	10.23/15

Skills Development	10.98/15	Preferential Procurement + Enterprise Development	18.64/20 15/15
Preferential Procurement	18.25/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	4.52/5		

Table 29: Company Q BEE Scores

2015/2016		**2016/2017**	
Element	Score	Element	Score
Ownership	24/25	Ownership	18.65/25
Management Control	6.19/10	Management control + Employment Equity	6.12/15
Employment Equity	3.51/10	Skills Development	11.86/20
Skills Development	11.19/15	Preferential Procurement + Enterprise Development	38.41/40
Preferential Procurement	19.49/20	Socio economic Development	5/5
Enterprise Development	12.67/15		
Socio economic development initiatives	5/5		

Table 30: Company R BEE Scores

2015/2016		**2016/2017**	
Element	Score	Element	Score
Ownership	21.95/25	Ownership	19.8/25
Management Control	4.94/10	Management control + Employment Equity	6.32/15
Employment Equity	3.64/10	Skills Development	17.92/20
Skills Development	6.56/15	Preferential Procurement + Enterprise Development	42.83/40

Preferential Procurement	14.82/20	Socio economic Development	5/5
Enterprise Development	0/15		
Socio economic development initiatives	5/5		

Table 31: Company S BEE Scores

2015/2016		**2016/2017**	
Element	Score	Element	Score
Ownership	0/25	Ownership	0/20
Management Control	0/10	Management control + Employment Equity	0/10 2.78/10
Employment Equity	2.42/10	Skills Development	6/15
Skills Development	12.80/15	Preferential Procurement + Enterprise Development	17.68/20 15/15
Preferential Procurement	20/20	Socio economic Development	4.62/5
Enterprise Development	8.86/15		
Socio economic development initiatives	5/5		

Table 32: Company T BEE Scores

2015/2016		**2016/2017**	
Element	Score	Element	Score
Ownership	21/23	Ownership	25/25

Management Control	8.25/11	Management control + Employment Equity	8.51/19
Employment Equity	2.9/18	Skills Development	8.13/20
Skills Development	13.62/15	Preferential Procurement + Enterprise Development	35.95/44
Preferential Procurement	20/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

Table 33: Company U BEE Scores

2015/2016		**2016/2017**	
Element	Score	Element	Score
Ownership	21.49/25	Ownership	20.39/25
Management Control	6.92/10	Management control + Employment Equity	6.83/19
Employment Equity	4.91/15	Skills Development	11.17/20
Skills Development	14.35/15	Preferential Procurement + Enterprise Development	38.05/40
Preferential Procurement	19.64/20	Socio Economic Development	5/5
Enterprise Development	15/15		
Socio Economic Development Initiatives	5/5		

4.4.6 In-Depth Question 1: Implementation of the Revised BEE Scores

Company A primarily focused on enterprise and supplier development. Company B, C, and E's implementation of the BEE remained the same, from the old to the new BEE codes. Company B's spending for example on supplier and enterprise development is still the same. Company C is 99% black-owned, therefore the focus of the company remained the same i.e. spent on enterprise development. It is worth noting that the spent-on skills development increased slightly. Company D spent more on skills development, mentorship programmes, internships and additional spent on black-owned enterprises. The company invests in uplifting black owned enterprises. Company F focused primarily on enterprise development and skills development. Company G implemented BEE through initiatives such as SMME development, black owned small and medium companies within their areas of work. Company H concentrated on women-owned enterprises, employing disabled persons and buying from women owned enterprises. Company J concentrated mainly on skills development through learnerships, bursaries and mentorship programmes. Company K placed emphasis on skills development for employees. Company L increased the number of black employees within management positions, emerging contractor development programmes and employment of local labourers.

Company M sold a 51% stake in the company to a black-owned company. Company N increased its spent-on skills development and CSI initiatives. Company O concentrated on all the elements of BEE and additionally sold a division of the company to a black-owned consortium. Company P, like Company N, increased its spend on skilled development budget to include more black individuals. The company has also hired more black individuals to fill management positions.

Company Q coordinated with all the divisions of the company to set up different set targets for supplier development, enterprise development, skills development. The company additionally set up a smaller BEE company. Company R developed staff, skills, plant and financial resources. Today skills transfer programs are implemented and have been designed to ensure growth and sustainability of the company in the future. Company S awarded bursaries and training to previously disadvantaged individuals and hired more black individuals. Company T increased its black ownership in the company to 25% and additionally black individuals fill more management positions. Company V mentored

emerging contractors and awarding bursaries to staff and tertiary students. Company I chose not to answer, citing confidentiality.

4.4.7 In-Depth Question 2 and 3: Challenges in implementing BEE

Company A had a challenge with the Management element of BEE, and finding suitably qualified individuals to fill management roles within the company. Company B had a problem with Preferential procurement. Business buying was not aligned to black owned/women owned companies. Company C had a challenge with Employment Equity as the company was not hiring an adequate number of black people which in turn affected skills development. Although the spend on skills development is acquired back through CETA, Employment Equity is still an on-going challenge.

Company D is a publicly listed company, and there is no control on the ownership of the company, hence ownership is a challenge. Skills development – finding disabled persons to develop and developing the BEE trust. Management control is also a challenge as 100% of the management of the company is white. Enterprise development - procuring from black owned companies. Company E, Ownership and management control was an obstacle. The company is white owned and the management of the company is all by white individuals. Company F experienced a hurdle with ownership, management and employment equity. Company G had a challenge obtaining adequately qualified black individuals to fill management positions. The company cited that most black professionals don't stay in their positions for long.

Company H's main challenge was management control and employment equity. In Company I, ownership in the company is still predominantly white-owned. Management control is also an inhibiting factor in the company, as the management is still maintained by white people. Company J's challenge was ownership, management and employment equity. They indicated that there aren't enough black people who own the company or are in management/executive positions. Company K has a challenge with implementing the ownership element, as the company is owned by its founders and funders who are white.

Company L had a hurdle in implementing employment equity, ownership and management.

Company M had an obstacle with enterprise development. Black-owned enterprises don't adequately maintain their own BEE rating, thus jeopardising the BEE level of Company M. Company N had a challenge with employment equity. The company needs to employ more previously disadvantaged individuals. Company O's challenge was management. There aren't an adequate number of black people in management positions. Company P had a problem with Employment equity. Whereas Company Q had difficulty with Skills development. The company could only manage a 6% spent on skills development. Additionally, employment equity was also a challenge in implementing. The company cited that there is a slow change in employing more black people. Lastly, ownership was an issue, as the company is still mainly white owned. Like many other companies, Company R also experienced a challenge in implementing employment equity. The company doesn't retain black professionals, which directly impact on the spent-on skills development to black individuals. Company S stated that they only had a challenge with the ownership element of BEE, but were successful in implementing skills development, employment equity, enterprise development and skills development. Company T and V experienced the same challenges with ownership, management and employment equity elements of BEE.

4.4.8 In-Depth Question 4: How the Companies Overcome the Challenge

Companies A, B, F, J, O, P, S, T, and U all have a challenge with inadequate black representation within Employment Equity and Management within the companies. Company B however cites that Previously disadvantaged individuals are still not being targeted within management roles. Company A is targeting qualified black management individuals within the company whereas Company F is trying to attract more black people for management positions within the company. Company J is currently placing previously disadvantaged individuals in management positions and Company O will have some individuals within the black owned consortium fill some of the management positions within the company. Company P is addressing Employment Equity. The company is considering hiring more black people and Company S wants to gradually employ more black professionals in management positions. Company T is considering employing previously disadvantaged individuals so that the company is a reflection of the true demographics of the country and Company U's Human Resources department has a mandate of prioritising previously disadvantaged professionals for vacancies in management positions. This is in line as to improve that specific element of BEE.

Company C, E, I, L, G and N all do not currently have a solution with the challenges of implementing the revised BEE codes.

Other companies had more proactive strategies to the challenges, such as Company D which is procuring more from black owned enterprises, even on the different sites in the country in which they work on. They additionally increased the number of bursaries in which we offer to our employees and students at tertiary institutions. Company H trained more of our employees and paid for their fees to study further. We also procured more from black owned enterprises. Company K are- We still ensuring that they employ more previously advantaged individuals within the company and within management positions. Company M is assisting enterprises to maintain their BEE status and how to manage their finances Whereas Company Q is currently spending 3% of the profit on skills development. Company R is spending more on skills development on the existing staff for bursaries and training opportunities.

4.4.9 In-Depth Question 5: Benefit of BEE for Black People from the Revised BEE Codes

All the companies which were interviewed were unanimous in the view that more Black people would benefit from the revised BEE codes and that BEE legislation cultivated a culture within the company to empower previously disadvantaged individuals. However, Company A, B, D, F, H, J, L, and S said that ownership and management control were the 2 elements in which black people would minimally benefit from.

4.4.10 In-Depth Question 6: Finding Suitably Qualified Women in Management or Board Positions

Companies D, E, M, N, O, T, I, J, R, T and V stated that they did not experience any difficulty finding women to fill management and or board positions. Companies A, B, C, F, G, H, L, Q, K, L, P, Q, S have no women in board or in management positions. When questioned on why there are no women directors or women in management positions, the companies stated that there are a limited number of women who are qualified and have adequate experience to fill these positions. The other reason given was that the company was

unwilling to hire women directors or place them in management positions.

4.4.11 Maintaining a LEVEL 1 OR 2 BEE rating Question 1 and 2

Only 4 out of 21 companies interviewed had a BEE level of 1 or 2. Company I, M, N and R attributed their high level to adequately following BEE legislation. Company M stated that they had an effective control of employment equity, enterprise and supplier development and skills development. Company I would not reveal reasons for their level 2 rating, citing confidentiality.

4.5 SUMMARY

The study was limited to the Gauteng province and 21 construction companies participated in the research. The aim of the study was to address the 2 research objectives.

Research objective 1: Determine how large companies implement BEE codes

Question 1 of the in-depth questions and Question 2 of the additional questions addressed how the companies implemented BEE It was found that the companies mainly implemented BEE by increasing their spent-on enterprise and supplier development and skills development.

Research objective 2: Establish the challenges that large companies face in implementing the revised BEE codes.

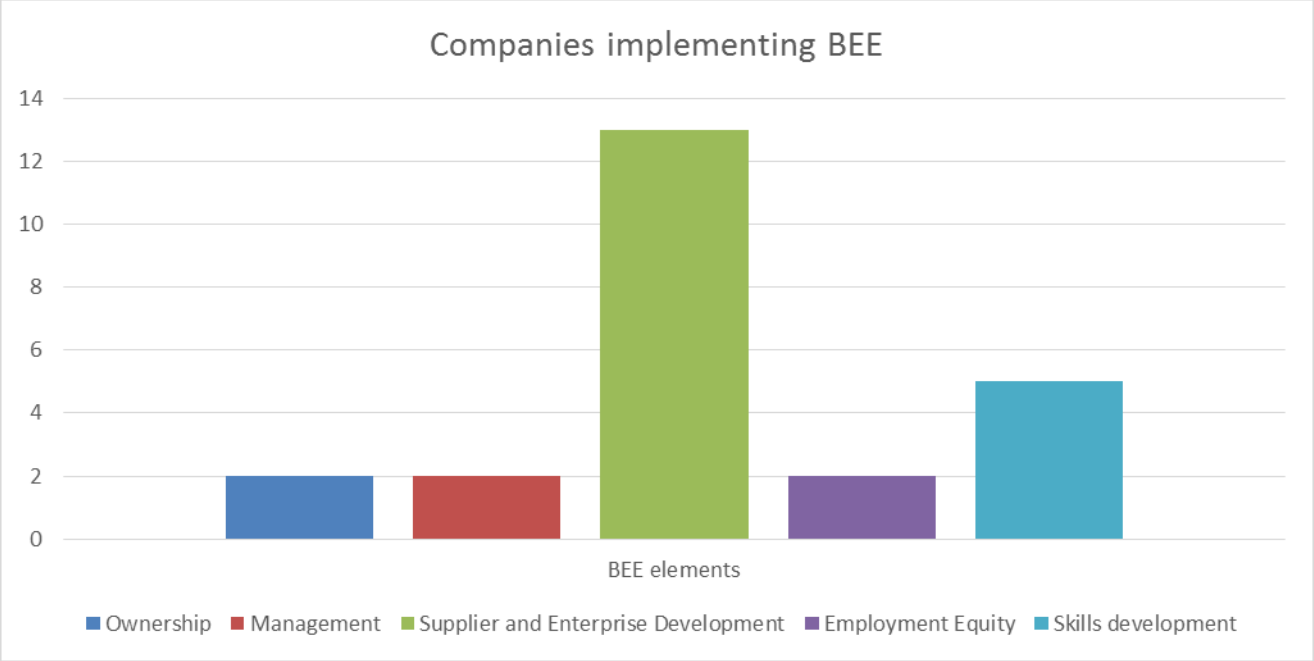
Questions 2, 3, 4 and 6 focuses on the challenges that the construction companies face in implementing the revised BEE codes. The questions address the challenges that the companies face overall and question 6 addresses the new requirement that Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30% in which companies had a challenge in achieving.

CHAPTER FIVE: DISCUSSION OF RESULTS

The aim of the research was to determine how construction companies implement the revised BEE codes and the challenges the construction companies face in implementing the revised BEE codes. Below is a graphical representation of the data collected, which specifically responds to the research objectives.

5.1 How Companies are Implementing BEE

Figure 6: How Companies are Implementing BEE

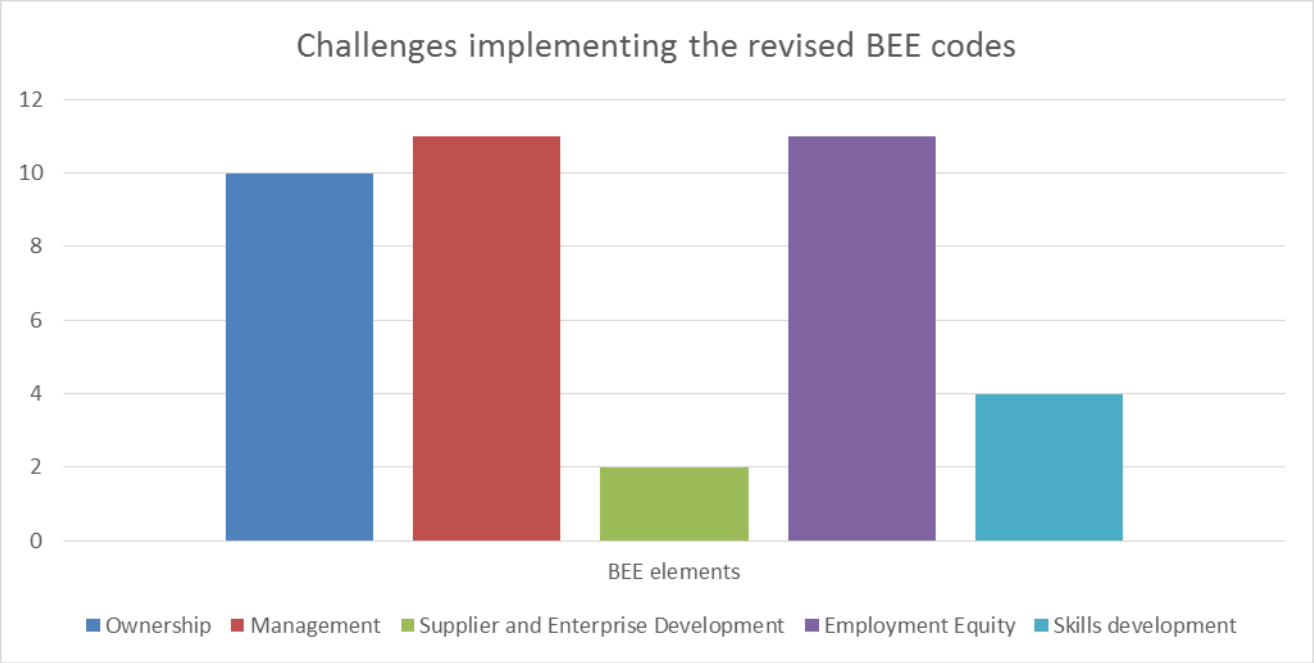


From the 21 companies which were interviewed, the following was noted:

- 2 companies increased the black ownership in the company
- 2 companies increased the number of black people in management positions
- 12 companies increased the companies spent on Enterprise and Supplier Development
- 2 companies Employed more black people
- 5 companies increased spent on skills development.
- 1 company would not reveal how the company implemented BEE within the company.

5.2 The Challenges that Construction Companies are facing in implementing the Revised BEE Codes

Figure 7: Challenges implementing BEE



From the 21 companies interviewed, the following was noted:

- 10 companies had a challenge with implementing Ownership
- 11 companies had a challenge with implementing Management
- 2 companies had a challenge with implementing Supplier and Enterprise Development
- 11 companies had a challenge with implementing Employment Equity

4 companies had a challenge with implementing Skills Development

Previous research findings were similar to the findings within the research employed.

KPMG's 2013 BEE survey details the costs which are associated with the act of being BEE compliant. This was a similar sentiment as 4 companies had a challenge with meeting the threshold spend for skills development.

Horwitz (2011) expresses that the process of ensuring representation and diversity at organisations is at a slow pace, even with the implementation of BEE. Ntim and Soobaroyen

(2013) declare that BEE disclosures by companies are a "*public relations exercise*" and not a true reflection of the actual BEE compliance. BEE can be implemented by companies only at the required rate. Of the 21 companies which participated within the study only 2 increased the black ownership of the company and employed more black people within management positions considering the revised BEE codes. The results from the study of Sartorius and Botha (2008) indicated that companies transferred less than 25% equity to BEE partners and that these companies chose to support social objectives of BEE.

Emuze and Adlam report that the ownership element of BEE is the most technical and vigorous of all elements to implement, and contractors struggle to acquire suitable Black participants to add value to the firm, this was found to be true as some of the companies within the research would only improve all other elements of BEE except for the ownership and management control element.

Firms which comply with the management element of BEE by transforming the board of directors and management structures have difficulties in locating adequately skilled and experienced Black candidates, especially Black females. (Independent Online, 2012). Suitable candidates that can be found are limited and come with high remuneration packages and retaining their services for a prolonged period is unmanageable (Jack and Harris 2007). This was evident within the study. 3 contractors noted that they had a challenge with retaining Black management staff as most of black managers opt to start their own companies than stay within a company structure.

Contractors have a challenge obtaining and retaining suitably skilled Black individuals in the junior to senior management levels. Jack and Harris (2007) further expresses that construction companies struggle to recruit females, especially Black females within their firms. The study had similar findings. 12 of the 21 companies have no women in board or in management positions. When questioned on why there are no women directors or women in management positions, the companies stated that there are a limited number of women who are qualified and have adequate experience to fill these positions.

In conclusion the construction companies which participated in the research implement BEE by focusing on the Supplier and Enterprise development element of BEE and the challenge which the companies face is with the Ownership and Management Control element of BEE.

CHAPTER SIX: CONCLUSION

6.1 INTRODUCTION

This chapter entails the findings of the research, implications, limitations, conclusion and recommendations for further research.

The aim of the research was to examine how Grade 9 CIDB rated construction companies with registered offices in Gauteng implement the revised BEE codes and the challenges in which they face in implementing the revised BEE codes. The first objective was to determine how large companies implement BEE codes. The second objective was to establish the challenges that large companies face in implementing the revised BEE codes.

6.2 FINDINGS

6.2.1 Implementing BEE

Of the 21 companies which were interviewed, 2 companies increased black ownership in the company, 2 companies increased the number of black people in management positions, while 12 companies increased the companies spent on Enterprise and Supplier Development Two companies employed more black people and 5 companies increased their spent-on skills development. It is evident that the major change to the revised BEE codes was the increase in spent on enterprise and supplier development and skills development.

6.2.2 Challenges implementing BEE

The literature reviewed highlighted that the ownership element of BEE is the most technical and vigorous of all elements to implement. Contractors struggle to acquire suitable Black participants to add value to the firms. Mbaku (1996) reiterated that firms implementing BEE resort to “fronting” as a way of being BEE compliant. Additionally, it was found that Black participants do not have access to capital to finance high amounts of transactional costs which are incurred when construction companies and Black participants enter into

shareholding contracts. (Cargill, 1999: 39) and (Foxcroft, Wood, Kew, Herrington and Segal, 2002: 32). Corporations are expected to sell their shares to Black participants at discounted rates, thus relinquishing value to guarantee feasible transactions (Ward and Muller, 2010). Cargill (1999) further confirms that contractors enter into high risk agreements with financial institutions so as to provide security and guarantees for loans for Black participants to enter into shareholding agreements.

Firms which comply with the management element of BEE by transforming the Board of Directors and management structures have a difficulty in locating adequately skilled and experienced Black candidates, especially Black females. (Independent Online, 2012). Suitable candidates that can be found are limited, come with high remuneration packages, and retaining their services for a prolonged period is unmanageable. (Jack and Harris, 2007). In a study conducted by the KPMG in 2007, South African firms stated that the shortage of skilled and experienced Black executives, especially Black women, presents a challenge in meeting targets for the management element of BEE. Respondents in the study further stated that the shortage of Black candidates in South Africa has limited the progress of organisations in attaining targets for employment equity element of BEE. (Arya and Bassi 2011).

Contractors have a challenge obtaining and retaining suitably skilled Black individuals in the junior to senior management levels. Jack and Harris (2007) further expresses that construction companies struggle to recruit females, especially Black females, within their firms. Jack and Harris (2007) also states that Black people struggle to adapt to work place culture and the work environment in which they work and Black people battle to manage stress and the added hours that come with the promotion.

Organisations additionally do not have adequate skills and capacity to develop Black enterprises. Small to medium companies have difficulty in running their own businesses in their current state, hence these companies find it impossible to assist start-up firms. (Cargill 1999). Sartorius and Botha (2008) concluded in their research that less than 25% of the top 185 empowerment companies transferred 25% of equity to Black people. It can therefore be assumed that additional BEE initiatives would have to be implemented in the future if companies are to achieve maximum points in the ownership element of BEE (Mathura, 2010).

The research employed had similar findings. Of the 21 companies interviewed, 10 companies had a challenge with implementing ownership, 11 companies had a challenge with implementing management, 2 companies had a challenge with implementing supplier and enterprise development, 11 companies had a challenge with implementing employment equity, and 4 companies had a challenge with implementing skills development. The issues raised by the participating companies was that their organisations could not or was unwilling to increase the black ownership within the company; that of the few black owned and / or women owned enterprises, suppliers could not manage their finances therefore it was difficult to procure services from them; and lastly that the skilled development priorities set within the revised BEE codes was too high as a percentage of profit.

5.3 PRACTICAL IMPLICATIONS

The research is subjective and heavily relies on the responses given by the participants within the study. The types of responses given also depend on the designation of the respondent and their personal viewpoints on the matter of BEE.

The responses given for question 4 on the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector were very generic, and the companies did not go into detail on what specifically their position is as it is favourable to be BEE compliant.

6.4 LIMITATIONS

The limitations experienced included the following:

- The respondents were not favourable to being recorded as they feared that their responses might be communicated to the management of the companies.
- The study was limited to the building and civil engineering sector, therefore responses from other sectors were not included.

6.5 RECOMMENDATIONS FOR FUTURE RESEARCH

Research on the revised BEE codes is generally limited. As such, there is a need for further research into the impact of the revised BEE codes on construction companies in South Africa as a whole, to assess whether empowerment targeted legislation and the revision of the codes is in fact empowering the previously disadvantaged individuals, and not only a select few. Research which is existent is only on a select few companies in Port Elizabeth and one study by KPMG which doesn't specifically concentrate on construction companies.

There is also a need for research into the method in which companies respond to a change in legislation in South Africa, particularly empowerment targeted legislation.

The research employed in this study only included 21 respondents in Gauteng within the GB and CE sectors. Further studies would need to be conducted in South Africa and studies which include the mining, electrical and mechanical engineering sectors.

6.6 RECOMMENDATIONS TO THE DTI

The aim of the revised BEE codes was to further transform the construction industry; however it seems that some companies are still resistant in employing more black people in management positions and in black people having a stake in the companies. A large portion of construction companies depend on scoring maximum points with the supplier and enterprise, skills development elements of BEE and are resistant when it comes to maximising the Ownership, Management and Employment equity elements of BEE. To curb this practice, the CIDB might allocate more stringent measures within the ownership, management and employment equity elements of BEE to ensure that there is a fair representation of previously disadvantaged individuals within companies.

The time frames in which the construction companies had to implement changes within the companies in reaction to the revised BEE codes was too short. The DTI could look into increasing the time frames before the BEE codes can be repealed.

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ANNEXURES

Interview Questions:

Company orientated questions

1. Name of company:

2. Current and previous year's BEE level status:

3. Does the company have a BEE policy? If so please define

4. What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?

5. What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership		Ownership	
Management Control		Management control + Employment Equity	
Employment Equity		Skills Development	
Skills Development		Preferential Procurement + Enterprise Development	
Preferential Procurement		Socio economic Development	
Enterprise Development			
Socio economic development initiatives			

<u>In-depth questions</u>

<u>Amended BEE codes</u>

1. How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?
2. Which challenges did the company experience in implementing the empowerment strategies?
3. Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?
4. How did you overcome that challenge?
5. Do you believe that more black people will benefit from the amended BEE codes?
6. The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?

<u>Additional questions for construction companies with a BEE LEVEL of 1 and 2</u>

1. How has the company achieved a BEE level of 1 (or 2)?
2. Which strategies did the company put into place to achieve this BEE rating?

CONSENT TO PARTICIPATE IN RESEARCH

RESEARCH TITLE: *"Challenges faced by Construction Companies in Gauteng in Implementing the Revised BEE Codes"*

Introduction and Purpose

My name is Tholwana Koaho, I am a postgraduate student at the University of the Witwatersrand, working with my faculty advisor, Professor Samuel Laryea in the School of Construction Economics and Management. I would like to invite you to take part in my research study, which concerns the challenges which construction companies face in implementing the revised BEE codes.

Procedures

If you agree to participate in my research, I will conduct an interview with you at a time and location of your choice. The interview will involve questions about how your respective company implements BEE and the challenges in which the company face in implementing the revised BEE codes. It should last about 1 hour. With your permission, I will audiotape and take notes during the interview. The recording is to accurately record the information you provide, and will be used for transcription purposes only. If you choose not to be audiotaped, I will take notes instead. If you agree to being audiotaped but feel uncomfortable at any time during the interview, I can turn off the recorder at your request. Or if you don't wish to continue, you can stop the interview at any time.

I expect to conduct only one interview; however, follow-ups may be needed for added clarification. If so, I will contact you by mail/phone to request this. Follow up interviews will take place at a time and place of your choosing. The follow up questions will not deviate from the original questions in the initial interview, clarity on your answers will need to be established.

Benefits

There is no direct benefit to you from taking part in this study. It is hoped that the research will benefit the existing body of Knowledge on BEE and the construction industry as a whole.

Risks/Discomforts

If some of the research questions may make you uncomfortable or upset, you are free to decline to answer any questions you don't wish to, or to stop the interview at any time. All necessary steps will be taken to ensure confidentiality and anonymity.

Confidentiality

Your study data will be handled as confidentially as possible. If results of this study are published or presented, individual names and other personally identifiable information will not be used.

To minimize the risks to confidentiality, we will store data from the interview at the University of the Witwatersrand. All information relating to the interview will be stored temporarily on password enabled laptops

When the research is completed, I may save the tapes and notes for use in future research done by myself or others. I will retain these records for up to 5 years after the study is over. The same measures described above will be taken to protect confidentiality of this study data.

Compensation

You will not be remunerated in any form for taking part in this study.

Rights

Participation in research is completely voluntary. You are free to decline to take part in the study. You can decline to answer any questions and are free to stop taking part in the project at any time. Whether or not you choose to participate in the research and whether or not you choose to answer a question or continue participating in the project, there will be no penalty to you or loss of benefits to which you are otherwise entitled.

Questions

If you have any questions about this research, please feel free to contact me. I can be reached at 061 789 0114 or 0710431w@students.wits.ac.za.

If you have any questions about your rights or treatment as a research participant in this study, please contact the University of the Witwatersrand Ethics Committee on 011 717

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CONSENT

You will be given a copy of this consent form to keep for your own records.

If you wish to participate in this study, please sign and date below.

_____

Participant's Name (please print)

_____ _____

Participant's Signature Date

Consent

You will be given a copy of this form to keep for your own records.

INTERVIEW TRANSCRIPTS

Company A

Company orientated questions

1. **Name of company**: Company A

2. **Current BEE level status**: 5
   Previous BEE level status: 5

3. **Does the company have a BEE policy? If so please define**
   We have a BEE policy and have further launched a BEE employee share scheme for the employees to share in the profits of the company. We have additionally procured from suppliers from previously disadvantaged individuals. Furthermore, the company invests in CSI projects such as upgrading schools, sponsoring soup kitchens and donates computers.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We are a firm supporter of BEE in its current form, although there are certain aspects of the codes which are difficult to implement such as Employment Equity and Ownership.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	13.21/25	Ownership	13.19/25
Management Control	0/10	Management control + Employment Equity	0/10 6.98/15
Employment Equity	4.47/10	Skills Development	0/15

Skills Development	4.44/15	Preferential Procurement + Enterprise Development	17.32/20 14.09/10
Preferential Procurement	17.90/20	Socio economic Development	3.49/5
Enterprise Development	10/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We primarily focused on enterprise and supplier development as these were the easiest elements to score maximum points on.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We had a challenge in the Management element of BEE, finding suitably qualified individuals to fill management roles within the company. Suitably qualified black individuals tend to leave the company early and start their own companies.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   We had a challenge in the Management element of BEE, finding suitably qualified individuals to fill management roles within the company.

4. **How did you overcome that challenge?**
   The company is targeting qualified black management individuals within the company.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes, from the other elements but Ownership and management control were the 2 elements in which black people would minimally benefit from.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**

   The company has no women in board or in management positions. When questioned on why there are no women directors or women in management positions the companies stated that there is a limited number of women who are qualified and have adequate experience to fill these positions. The other reason given was that the company was unwilling to hire women directors or place them in management positions.

COMPANY B

Company orientated questions

1. **Name of company**: Company B

2. **Current BEE level status**: 3
   Previous BEE status: 2

3. **Does the company have a BEE policy? If so please define**
   Although not having BEE policies, we have a transformation Policy which covers the BEE scorecard, diversity and transformation. The company is part owned by a black empowerment company. The company believes that black economic empowerment is an economic vital imperative in South Africa.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We support BEE from a shareholder and business perspective, but the company is not driving BEE from an employment equity, skills development and enterprise development due to resistance from the ownership and management of the company.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	24/25	Ownership	23.04/25
Management Control	10/10	Management control + Employment Equity	9.35/15
Employment Equity	4.32/5	Skills Development	13.02/20
Skills Development	13.17/15	Preferential Procurement + Enterprise Development	40.69/40
Preferential Procurement	20/20	Socio economic Development	5/5

Enterprise Development	15/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   Not much has changed; the spending for example on supplier and enterprise development is almost still the same.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We had a problem with preferential procurement. Business buying was not aligned to black owned/women owned companies. Employment equity was also a constraint as the company was not hiring an adequate number of black people which in turn affects skills development. The spend on skills development is acquired back through CETA but Employment Equity is still an ongoing challenge.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   We had a problem with preferential procurement. Business buying was not aligned to black owned/women owned companies. Employment equity was also a constraint as the company was not hiring an adequate number of black people which in turn affects skills development. The spend on skills development is acquired back through CETA but Employment Equity is still an ongoing challenge.

4. **How did you overcome that challenge?**

   Enterprise buying is more aligned to business buying. Previously disadvantaged individuals are still not being targeted within management roles though.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Ownership and management control were the 2 elements in which black people would minimally benefit from.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We have no women in board or in management positions. When questioned on why there are no women directors or women in management positions the companies stated that there is a limited number of women who are qualified and have adequate experience to fill these positions. The other reason given was that the company was unwilling to hire women directors or place them in management positions.

Company C

Company orientated questions

1. **Name of company**: Company C

2. **Current BEE level status**: 3
   Previous BEE status: 2

3. **Does the company have a BEE policy? If so please define**
   We follow BEE legislation. The company assists emerging contractors with mentorship, technical training and professional registration. The company additionally strives to develop the skills of its employees.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We believe in BEE and empowerment of previously disadvantaged individuals

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	20/25	Ownership	19.8/25
Management Control	10/10	Management control + Employment Equity	6.32/15
Employment Equity	8.47/10	Skills Development	17.92/20
Skills Development	11.24/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	18.49/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   The implementation of the BEE codes primarily remained the same from the old to the new BEE codes.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   Employing previously disadvantaged individuals within management roles.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Management control

4. **How did you overcome that challenge?**
   That challenge was not overcome.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes, slightly though. More black people will benefit from supplier and Enterprise development.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We have no women in board or in management positions. There are a limited number of women who are qualified and have adequate experience to fill these positions. The other reason given was that the company was unwilling to hire women directors or place them in management positions.

Additional questions for construction companies with a BEE LEVEL of 1 and 2

1. **How has the company achieved a BEE level of 1 (or 2)?**
   We attribute our high level to adequately following BEE legislation.

2. **Which strategies did the company put into place to achieve this BEE rating?**
   The same as previously, utilising black and women owned enterprises, ensuring that the black ownership of the company stays the same or increases, training as many previously disadvantaged individuals as we can. Just following the BEE codes adequately.

COMPANY D

Company orientated questions

1. **Name of company**: Company D

2. **Current BEE level status**: 3
   Previous BEE status: 3

3. **Does the company have a BEE policy? If so please define**
   We follow legislation. The company prioritises the improvement of previously disadvantaged groups from a training, bursaries and mentorship.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We accept that BEE legislation needs to be followed as to procure government work.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	19.28/25	Ownership	25/25
Management Control	10/10	Management control + Employment Equity	10/10 5.14/10
Employment Equity	6.7/10	Skills Development	10.52/10
Skills Development	10.64/15	Preferential Procurement + Enterprise Development	20/20 14.05/15
Preferential Procurement	2.65/20	Socio economic Development	1.73/5
Enterprise Development	0/15		

Socio economic development initiatives	1.73/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We spent more on skills development: mentorship programmes, internships and additional spent on black owned enterprises. The company invests in uplifting black owned enterprises.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   As we are a publicly listed company, there is no control on the ownership of the company hence ownership is a challenge. Skills development – finding disabled persons to develop and developing the BEE trust. Management control is also a challenge as 100% of the management of the company is white. Enterprise development - procuring from black owned companies.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   As the company is a publicly listed company, there is no control on the ownership of the company hence ownership is a challenge. Skills development – finding disabled persons to develop and developing the BEE trust. Management control is also a challenge as 100% of the management of the company is white. Enterprise development - procuring from black owned companies.

4. **How did you overcome that challenge?**
   We tried to procure more from black owned enterprises, even on the different sites in the country in which we work on. We increased the number of bursaries in which we offer to our employees and students at tertiary institutions.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes, but from our company not from management control.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We did experience any difficulty finding women to fill management and or board positions.

COMPANY E

Company orientated questions

1. **Name of company**: Company E

2. **Current BEE level status**: 5
   Previous BEE level status: 2

3. **Does the company have a BEE policy? If so please define**
   We follow BEE legislation. We award bursaries to students at tertiary institutions. The company is involved in a number of CSI projects like building homes for disadvantaged communities and donating building material.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We are a supporter of BEE but finds it is more difficult to adhere to the revised BEE codes.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	19.69/25	Ownership	19.8/25
Management Control	5/10	Management control + Employment Equity	6.32/15
Employment Equity	4.24/10	Skills Development	17.92/20
Skills Development	12.64/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	20/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development	5/5		

initiatives			

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   Our implementation of the BEE remained the same from the old to the new BEE codes.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   Ownership and management control was an obstacle. The company is white owned and the management of the company is all by white individuals.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Ownership and management control

4. **How did you overcome that challenge?**
   The challenge has not yet being overcome

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes, definitely. The revised BEE codes are more stringent and allow for more black people to be empowered from all 5 of the elements.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We did not experience any difficulty finding women to fill management and or board positions.

COMPANY F

1. **Name of company**: Company F

2. **Current BEE level status**: 5
   Previous BEE status: 4

3. **Does the company have a BEE policy? If so please define**
   We do not have a BEE policy.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   BEE compliance is a tool to procure government work so therefore it is essential to be BEE compliant.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	25/25	Ownership	25/25
Management Control	10/10	Management control + Employment Equity	10.24/15
Employment Equity	8.94/10	Skills Development	5.98/20
Skills Development	11.16/15	Preferential Procurement + Enterprise Development	34.62/40
Preferential Procurement	20/20	Socio economic Development	5/5
Enterprise Development	14.25/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We focused primarily on enterprise development and skills development.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We do not have adequate black people in management positions.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   We experienced a challenge with management and skills.

4. **How did you overcome that challenge?**
   We have not overcome that challenge although we are trying to attract more black people for management positions within the company.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes. More black people will be represented and will benefit from the BEE codes.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We have no women in board or in management positions. When questioned on why there are no women directors or women in management positions there is a limited number of women who are qualified and have adequate experience to fill these positions. The other reason given was that the company was unwilling to hire women directors or place them in management positions.

COMPANY G

Company orientated questions

1. **Name of company**: Company G

2. **Current BEE level status**: 5
   Previous BEE level status: 3

3. **Does the company have a BEE policy?** If so please define
   We have a BEE policy. The business strategy of the company is to create opportunities for previously disadvantaged groups through CSI initiatives, mentorship programmes of emerging contractors and technical training.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We support the empowerment of black owned enterprises.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	0/25	Ownership	19.8/25
Management Control	0/10	Management control + Employment Equity	6.32/15
Employment Equity	5.13/10	Skills Development	17.92/20
Skills Development	9.28/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	19.28/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We implemented BEE through initiatives such as SMME development, black owned small and medium companies within the areas of work.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We have a challenge obtaining and retaining adequately qualified black individuals to fill management positions.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Employment equity and management control

4. **How did you overcome that challenge?**
   It is still an ongoing challenge that we are addressing as a company.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes, complying with the BEE codes is sufficient incentive for companies, therefore ensuring that more previously disadvantaged individuals benefit.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   There are currently no women in board or in management positions.

COMPANY H

Company orientated questions

1. **Name of company:** Company H

2. **Current BEE level status**: 3
   Previous BEE level status: 2

3. **Does the company have a BEE policy? If so please define**
   We promoted BEE through employment equity, skills development of previously disadvantaged groups, company ownership by employee share schemes and an increase in the senior and middle management of the company by previously disadvantaged individuals. From a skills development perspective, the company trains and awards bursaries to students within engineering and construction. There are additionally preferential procurement targets which are set and are exceeded with black owned enterprises. The company's Skills development targets education and training to students and employees and CSI initiatives to benefit previously disadvantaged communities.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We want to be more BEE compliant and do more as to reflect the demographics of the country.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	20/25	Ownership	25/25
Management Control	10/10	Management control + Employment Equity	7.44/10

Employment Equity	4.25/10	Skills Development	9.48/20
Skills Development	8.65/15	Preferential Procurement + Enterprise Development	28.89/40
Preferential Procurement	17.74/20	Socio economic Development	4.19/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We concentrated on women owned enterprises and employing disabled persons and buying from women owned enterprises.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We did not train or develop our employees from skills development adequately and we did not maximise on preferential procurement and Enterprise development.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Skills development and Preferential Procurement and Enterprise Development

4. **How did you overcome that challenge?**
   We trained more of our employees and paid for their fees to study further. We also procured more from black owned enterprises.

5. **Do you believe that more black people will benefit from the amended BEE codes?**

Yes. More construction companies are taking their BEE level status seriously and want to be able to transact with Government. Therefore more individuals will benefit from the revised BEE codes.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**

   We do not have any women directors within the company.

COMPANY I

Company orientated questions

1. **Name of company:** Company I

2. **Current BEE level status**: 2
   Previous BEE level status: 2

3. **Does the company have a BEE policy? If so please define**
   Our company has a BEE policy. I will not divulge the contents for confidentiality reasons.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We are an avid supporter of B-BBEE as it is beneficial for tendering purposes and additionally for empowering people.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	20/25	Ownership	23.50/25
Management Control	10/10	Management control + Employment Equity	11.36/19
Employment Equity	9.50/10	Skills Development	18.30/20
Skills Development	14/15	Preferential Procurement + Enterprise Development	42.95/40
Preferential Procurement	13.04/20	Socio economic Development	5/5
Enterprise Development	15/15		

Socio economic development initiatives	4.57/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   That information is confidential

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   Management control is also an inhibiting factor in the company as the management is still maintained by white people.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Management control

4. **How did you overcome that challenge?**
   It is still a challenge

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes, we are a firm believer in BEE and the BEE codes. The company not only complies with BEE legislation but tries to go beyond the codes as to ensure empowerment of previously disadvantaged people.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**

We did not experience any difficulty finding women to fill management and or board positions.

Additional questions for construction companies with a BEE LEVEL of 1 and 2

1. **How has the company achieved a BEE level of 1 (or 2)?**
   This information is confidential.

2. **Which strategies did the company put into place to achieve this BEE rating?**
   That information is additionally confidential.

COMPANY J

Company orientated questions

1. **Name of company:** Company J

2. **Current BEE level status:** 3

Previous BEE level status: 3

3. **Does the company have a BEE policy? If so please define**

   We follow BEE legislation and does not have a BEE policy. The company invests in employee development initiatives. Skills development: learnerships are offered by accredited training providers and the staff mentorship programs are offered. Bursaries are additionally offered to employees.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**

   We support BEE legislation, empowerment targeted legislation.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	15.51/20	Ownership	22/25
Management Control	5.06/10	Management control + Employment Equity	5.20/19
Employment Equity	3.25/15	Skills Development	21/25
Skills Development	19.36/20	Preferential Procurement + Enterprise Development	38.52/40
Preferential Procurement	11.95/15	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development	5/5		

initiatives			

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We concentrated mainly on skills development through learnerships, bursaries and mentorship programmes.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   Ownership, management and employment equity. There aren't enough black people who own the company or are in management/executive positions.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Ownership, management and employment equity.

4. **How did you overcome that challenge?**
   The company is currently placing previously disadvantaged individuals in management positions

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes. The DTI has revised the BEE codes as to ensure that more disadvantaged individuals benefit.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**

We did not have a problem with finding suitably qualified women as directors, but we do not have any women in executive management.

COMPANY K

Company orientated questions

1. **Name of company**: Company K

2. **Current BEE level status**: 5
   Previous BEE level status: 4

3. **Does the company have a BEE policy? If so please define**
   We do not have a BEE policy.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We are BEE compliant and support BEE as a tool to rectify the wrongs of the past.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	15.51/20	Ownership	19.8/25
Management Control	5.06/10	Management control + Employment Equity	6.32/15
Employment Equity	3.25/15	Skills Development	17.92/20
Skills Development	11.95/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	19.36/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We implemented the codes in many ways but we especially emphasised on skills development.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   Ownership element, as the company is owned by its founders and funders who are white. Company L had a hurdle in implementing Employment equity, ownership and management.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Employment Equity and Ownership

4. **How did you overcome that challenge?**
   We still ensuring that we employ more previously advantaged individuals within the company and within management positions.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   More Black people would benefit from the revised BEE codes and that BEE legislation cultivated a culture within the company to empower previously disadvantaged individuals.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We have no women in board or in management positions.

COMPANY L

Company orientated questions

1. **Name of company**: Company L

2. **Current BEE level status**: 6
   Previous BEE level status: 6

3. **Does the company have a BEE policy? If so please define**
   The company develops and trains previously disadvantaged individuals. The employment of local labour and skills development of the labour. Enterprise development through development of black owned enterprises.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We are for BEE and the revised BEE codes.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	22/25	Ownership	19.8/25
Management Control	4.44/10	Management control + Employment Equity	6.32/15
Employment Equity	2.39/15	Skills Development	17.92/20
Skills Development	0.48/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	18.04/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We increased the number of black employees within management positions, emerging contractor development programmes and employment of local labourers.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We had a hurdle in implementing Employment equity, ownership and management. There isn't a large number of previously disadvantaged individuals in management positions or employed in the company.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Employment equity, ownership and management.

4. **How did you overcome that challenge?**
   It is still a challenge. The company focuses on maximising points from the other BEE elements.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Especially from Ownership as we've seen how large construction companies are selling stakes to Black owned companies.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We do not have any women in management or directorship positions

COMPANY M

Company orientated questions

1. **Name of company:** Company M

2. **Current BEE level status**: 2
   Previous BEE level status: 1

3. **Does the company have a BEE policy? If so please define**
   No. We are however a majority black owned company. The company employs communities in which they operate through CSI initiatives and skills development.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   Company M supports BEE in its current form.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	0/25	Ownership	0/25
Management Control	0/10	Management control + Employment Equity	0/15 2.08/15
Employment Equity	3.42/10	Skills Development	3.10/15/20
Skills Development	3.87/15	Preferential Procurement + Enterprise Development	20/20 15/15
Preferential Procurement	17.76/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development	5/5		

initiatives			

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   The company sold a 51% stake in the company to a black owned company we in turn increased our spent-on Skills development and CSI initiatives.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We have a challenge with Enterprise development. Black owned enterprises don't adequately maintain their own BEE rating thus jeopardising the BEE level of Company M.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Enterprise Development

4. **How did you overcome that challenge?**
   We are assisting enterprises to maintain their BEE status and how to manage their finances.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   More Black people would benefit from the revised BEE codes in its current structure

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**

We have women in directorship positions and in management positions, we did not experience any difficulty finding women to fill management and or board positions.

Additional questions for construction companies with a BEE LEVEL of 1 and 2

1. **How has the company achieved a BEE level of 1 (or 2)?**
   We have an effective control of employment equity, enterprise and supplier development and skills development. Company I would not reveal reasons for their level 2 rating citing confidentiality.

2. **Which strategies did the company put into place to achieve this BEE rating?**
   We just followed the legislation.

COMPANY N

Company orientated questions

1. **Name of company**: Company N

2. **Current BEE level status**: 2
   Previous BEE level status: 2

3. **Does the company have a BEE policy? If so please define**
   Not specifically, we are involved in a number of CSI developments, SMME development programmes, training workshops in disadvantaged communities and awards bursaries to students at tertiary level.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We support BEE in its current form.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	19/25	Ownership	23.50/25
Management Control	8.86/10	Management control + Employment Equity	8.54/19
Employment Equity	5.52/10	Skills Development	17.5/20
Skills Development	11.97/15	Preferential Procurement + Enterprise Development	28.88/40
Preferential Procurement	19.82/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We have improved on skills development to include more black individuals. The company has also hired more black individuals to fill management positions within the company.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   Employment equity. The company needs to employ more previously disadvantaged individuals.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Employment equity and skills development

4. **How did you overcome that challenge?**
   It is still an ongoing process.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   The company did not experience any difficulty finding women to fill management and or board positions.

Additional questions for construction companies with a BEE LEVEL of 1 and 2

1. **How has the company achieved a BEE level of 1 (or 2)?**
   We prioritised implementing BEE from all the divisions within the company

2. **Which strategies did the company put into place to achieve this BEE rating?**
   By adhering to BEE legislation

COMPANY O

Company orientated questions

1. **Name of company**: Company O

2. **Current BEE level status**: 4
   Previous BEE level status: 4

3. **Does the company have a BEE policy? If so please define**
   Yes. The company is majority black owned with a certain portion women black owned through a black owned shareholding scheme. The company additionally has an employee share scheme for qualifying employees.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   Being a majority black and women owned company, we support BEE.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	24/25	Ownership	25/25
Management Control	3.22/10	Management control + Employment Equity	4.54/15
Employment Equity	2.9/10	Skills Development	13.95/20
Skills Development	8.26/15	Preferential Procurement + Enterprise Development	33.78/40
Preferential Procurement	16.49/20	Socio economic Development	5/5
Enterprise Development	10/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees**…)?
   We concentrated on all the elements of BEE and additionally sold a division of the company to a black owned consortium.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   There aren't adequate black people in management positions.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Management control

4. **How did you overcome that challenge?**
   Some individuals within the black owned consortium will fill some of the management positions within the company.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   More Black people would benefit from the revised BEE codes, the sale of the division of the company to a black owned consortium is evidence of this.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We did not have a difficulty.

COMPANY P

Company orientated questions

1. **Name of company:** Company P

2. **Current BEE level status: 5**
   Previous BEE level status: 5

3. **Does the company have a BEE policy? If so please define**
   We do not have a BEE policy.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We support BEE.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	23.78/25	Ownership	23.90/25
Management Control	9.73/10	Management control + Employment Equity	8.59/10 5.23/10
Employment Equity	7.53/10	Skills Development	10.23/15
Skills Development	10.98/15	Preferential Procurement + Enterprise Development	18.64/20 15/15
Preferential Procurement	18.25/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	4.52/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We spend more on skilled development budget to include more black individuals. The company has also hired more black individuals to fill management positions within the company.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We had a problem with Employment equity. The company could only manage a 6% spent on skills development. Additionally, Employment equity was also a challenge in implementing. The company cited that there is a slow change in employing more black people. Lastly Ownership was an issue as well as the company is still majority white owned.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   We had a problem with Employment equity and Ownership.

4. **How did you overcome that challenge?**
   We are addressing Employment Equity. The company is considering hiring more black people.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   More Black people would benefit from the revised BEE codes and that BEE legislation cultivated a culture within the company to empower previously disadvantaged individuals.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a**

percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?

The Company has no women in board or in management positions.

COMPANY Q

Company orientated questions

1. **Name of company:** Company Q

2. **Current BEE level status**: 4
   Previous BEE level status: 3

3. **Does the company have a BEE policy? If so please define**
   The company incorporates B-BBEE suppliers as their preferential procurement objective and the development of black SMMEs (Small Micro Medium Enterprises) and EMEs (Exempted Micro Enterprises). The company is involved in numerous socio economic initiatives and maintained full points for this element on the BEE scorecard. Additionally, the company fosters relationships with competent black owned companies on an enterprise development perspective

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We believe that B-BBEE is over legislated but pro transformation within the construction industry.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	24/25	Ownership	18.65/25
Management Control	6.19/10	Management control + Employment Equity	6.12/15
Employment Equity	3.51/10	Skills Development	11.86/20
Skills Development	11.19/15	Preferential Procurement + Enterprise Development	38.41/40
Preferential Procurement	19.49/20	Socio economic Development	5/5

Enterprise Development	12.67/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We coordinated with all the divisions of the company to set up with different set targets for supplier development, enterprise development, skills development. The company additionally set up a smaller BEE company.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   We had a difficulty with Skills development. The company could only manage a 6% spent on skills development. Additionally, Employment equity was also a challenge in implementing. The company cited that there is a slow change in employing more black people. Lastly Ownership was an issue as well as the company is still majority white owned.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Skills development.

4. **How did you overcome that challenge?**
   We are currently spending 3% of the profit on skills development.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**

   The company does not have no women in board or in management positions.

COMPANY R

Company orientated questions

1. **Name of company**: Company R

2. **Current BEE level status:** 2
   Previous BEE level status: 2

3. **Does the company have a BEE policy? If so please define**
   We contribute to transformation of previously disadvantaged groups from all perspectives of the BEE scorecard. The company extensively develops its staff through skills transfer programs to ensure growth and sustainability within the company.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We support BEE in its current form.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	21.95/25	Ownership	19.8/25
Management Control	4.94/10	Management control + Employment Equity	6.32/15
Employment Equity	3.64/10	Skills Development	17.92/20
Skills Development	6.56/15	Preferential Procurement + Enterprise Development	42.83/40
Preferential Procurement	14.82/20	Socio economic Development	5/5
Enterprise Development	0/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   The company developed staff, skills, plant and financial resources. Today skills transfer programs are implemented that has been designed to ensure growth and sustainability of the company in the future.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   The company also experienced a challenge in implementing Employment equity. The company doesn't retain black professionals which directly impact on the spent-on skills development to black individuals.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Company R also experienced a challenge in implementing Employment equity. The company doesn't retain black professionals which directly impact on skills development to black individuals.

4. **How did you overcome that challenge?**
   The company is spending more on skills development on the existing staff for bursaries and training opportunities.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   More Black people would benefit from the revised BEE codes and that BEE legislation

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a**

percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?

We did not experience any difficulty finding women to fill management and or board positions.

Additional questions for construction companies with a BEE LEVEL of 1 and 2

1. **How has the company achieved a BEE level of 1 (or 2)?**

   Being a majority black owned company and having a high majority of management being black assisted.

2. **Which strategies did the company put into place to achieve this BEE rating?**

   We maximised on achieving a high score for all the elements of BEE.

Company S

Company orientated questions

1. **Name of company:** Company S

2. **Current BEE level status**: 7
   Previous BEE level status: 6

3. **Does the company have a BEE policy? If so please define**
   The Company invests in skills development and mentoring within the company and on the different sites. The company has developed a skills development programme which develops priority skills within the industry.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   Company S: The Company wants to do more in terms of BEE but is having difficulty as the company is white male dominated.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	0/25	Ownership	0/20
Management Control	0/10	Management control + Employment Equity	0/10 2.78/10
Employment Equity	2.42/10	Skills Development	6/15
Skills Development	12.80/15	Preferential Procurement + Enterprise Development	17.68/20 15/15
Preferential Procurement	20/20	Socio economic Development	4.62/5
Enterprise Development	8.86/15		
Socio economic development	5/5		

initiatives			

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We awarded bursaries and training to previously disadvantaged individuals and hired more black individuals.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   The company had a challenge with the Employment Equity element of BEE but were successful in implementing We have successfully implemented skills development, Ownership, Enterprise Development and Skills Development.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Employment equity

4. **How did you overcome that challenge?**
   The company wants to gradually employ more black professionals in management positions.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   There are no women in board or in management positions in management positions.

COMPANY T

Company orientated questions

1. **Name of company**: Company T

2. **Current BEE level status:** 4
   Previous BEE level status: 2

3. **Does the company have a BEE policy? If so please define**
   The company invests in social investment programmes which include educational, animal rescue and health programmes.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   The Company supports BEE in its current form.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	21/23	Ownership	25/25
Management Control	8.25/11	Management control + Employment Equity	8.51/19
Employment Equity	2.9/18	Skills Development	8.13/20
Skills Development	13.62/15	Preferential Procurement + Enterprise Development	35.95/44
Preferential Procurement	20/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development	5/5		

initiatives			

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   The company increased its black ownership in the company to 25% and additionally black individuals fill more management positions.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   Management and employment equity elements of BEE. There was inadequate Black representation in those elements.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Management and skills development elements of BEE.

4. **How did you overcome that challenge?**
   We are looking into employing previously disadvantaged individuals so that the company is a reflection of the true demographics of the country.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   Yes, black people will benefit from the amended BEE codes

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**

We do not have black female representation within the company at management or board level.

COMPANY U

Company orientated questions

1. **Name of company**: Company U

2. **Current BEE level status**: 4
   Previous BEE level status: 2

3. **Does the company have a BEE policy? If so please define**
   We develop and mentor small black owned businesses. Enterprise development was fostered to mentor emerging contractors, monitor their development and ensure that they become independent contractors.

4. **What is the position of the company on BEE and the introduction of empowerment targeted legislation in the construction sector?**
   We are for BEE legislation in its current form.

5. **What are the scores which you received in 2015/2016 as compared to 2016/2017 on the below BEE elements?**

2015/2016		2016/2017	
Element	Score	Element	Score
Ownership	21.49/25	Ownership	20.39/25
Management Control	6.92/10	Management control + Employment Equity	6.83/19
Employment Equity	4.91/15	Skills Development	11.17/20
Skills Development	14.35/15	Preferential Procurement + Enterprise Development	38.05/44
Preferential Procurement	19.64/20	Socio economic Development	5/5
Enterprise Development	15/15		
Socio economic development initiatives	5/5		

In-depth questions

Amended BEE codes

1. **How did the Company implement the amended BEE codes? Which additional empowerment strategies were additionally incorporated into the company? (Shareholder agreements, additional black managers/directors/employees…)?**
   We mentored emerging contractors and awarding bursaries to staff and tertiary students.

2. **Which challenges did the company experience in implementing the empowerment strategies?**
   Management control and employment equity. We do not have an adequate representation of black people in the company.

3. **Which element(s) on the current BEE scorecard did you have a challenge in implementing and why?**
   Management control and employment equity.

4. **How did you overcome that challenge?**
   Our Human Resources department has a mandate of prioritising previously disadvantaged professionals for vacancies in management positions. This is in line as to improve that specific element of BEE.

5. **Do you believe that more black people will benefit from the amended BEE codes?**
   More Black people would benefit from the revised BEE codes.

6. **The amended construction codes place an emphasis on black women (Exercisable voting rights of Black female board members as a percentage of all board members is at 25% and Black female executive management as a percentage of all executive management is at 30%). Did the company have a challenge finding suitably qualified women?**
   We did not experience any difficulty finding women to fill management and or board positions.