Title

Exploring the possible unintended consequences of Employee Share Ownership Plans (ESOPs) as a BBBEE Instrument.

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DECLARATION

I, ***Senzo Msibi***, declare that this research article is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Senzo Happy-Man Msibi

(Type your name in full here, and sign in the space above)

Signed at …Parktown, Johannesburg…………………………………………

On the …………………………….. day of ………………………… 20…..

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ABSTRACT

Background: The first Employee Share Ownership Scheme was introduced in South Africa in 1987. It was used as a mechanism to facilitate disinvestment by multinationals. It has since taken on many forms, liked being used as part of executive remuneration, and now as a vehicle for BBBEE compliance. In 2018, South Africa's Sasol Ltd introduced an employee share scheme to which only previously disadvantaged individual employees would be beneficiaries. This caused unhappiness to employees that were left out by the scheme. Prior research indicates that employees held a positive perception of ESOPS, however, no studies have been done to determine if employees support an ESOP aimed at boosting a business' compliance with broad based black economic empowerment, using racial profile as a determinant for beneficiaries.

Aim: The primary aim of this study is to determine whether employees support the concept of an ESOP which is intended solely for the benefit of black employees in corporate South Africa.

Setting and Participants: This study was conducted online and was open to any employee in any organisation within corporate South Africa, that has access to emails, or social media.

Methods: Primary and quantitative data was collected by means of an online survey. The analysis of the data was carried out using descriptive statistic, specifically the Test of homogeneity of variances, One-way ANOVA and Kruskal Wallis test.

Results: The results indicated that majority of respondents (48,2%) disagreed with ESOPs for black employees only, while 16,1% neither agreed nor disagreed. As many as 85,7% respondents agreed that businesses should not use racial profile as a determinant for beneficiaries.

Conclusion: Employees view businesses not as a mere profit generating entity for shareholders, but as organisations that should serve as catalysts for change and development in societies. However, businesses need to avoid initiatives that are dependent on racial profiling of employees. Especially when the benefits of such initiatives to the are obscure at best and none existent at worse.

INTRODUCTION

Background

In recent years, there has been an increase in the use of employee share ownership programmes to improve broad-based black empowerment (BBBEE) among businesses in South Africa. The perceived short-comings of the initial black economic empowerment (BEE) legislation, which was seen to be only enriching a few politically connected individuals (Lindsay, 2015), has resulted in models such as employees share ownership programmes (ESOPs). These models found favour with business stakeholders such as government and labour unions because of their broadness compared to earlier BEE models. BEE had seen the transfer of shares in some companies to a small number of people who were predominantly connected to the African National Congress (ANC) (Tangri and Southall, 2008).

The use of ESOPs in South Africa has been met with positive reviews by government and shareholders. Most importantly, blue-collar employees also have positive perceptions of the ESOPs that have been implemented by their employers (Nyeslisani, 2010). However, ESOPs have evolve into an instrument that companies use in their quest to achieve BBBEE ownership points by targeting black employees only as supposed beneficiaries.

May 28th 2018 saw Trade Union Solidarity approaching the Council of Conciliation, Mediation, and Arbitration (CCMA) to register a dispute with Sasol Ltd., over that company's new ESOP, which excluded white workers (Bloomberg, 2018). The trade union was subsequently granted permission to go on strike against Sasol Ltd. This matter presents an opportunity for corporate South Africa, government, and regulators alike to explore this kind of ESOP from a different perspective, namely that of the employees. It is time to explore what employees think of such schemes.

Research Problem

The primary aim of this study is to determine whether employees support the concept of employee share ownership programmes (ESOPs) that are intended solely for the benefit of black employees in corporate South Africa. These are usually implemented for the primary purpose of assisting companies with the fulfilment of their broad-based black economic empowerment (BBBEE) commitments. Only a handful of companies have instituted such schemes in recent months, and this study seeks to understand how the blue-collar workers in general feel about such exclusionary and discriminatory share ownership schemes.

Objectives of the Study

The primary objective of the study is to gain an understanding of employees' support or lack of support for ESOPs intended for the so-called previously disadvantaged groups only. The study plans to achieve the following secondary objectives:

a) to examine the history and evolution of ESOPs and its uses in private and public companies in South Africa;
b) to review the role ESOPs can play in the improvement of a business organisation's BBBEE score or rating as outlined by the legislation;
c) to determine if employees believe companies should do more to address social imperatives such as BBBEE through ESOPs; and
d) to review employee understanding of businesses' primary priorities and commitments.

Motivation of the Study

The uproar caused by Solidarity and those workers who had been excluded by the Sasol Khanyisa scheme pointed to a general dissatisfaction among employees about the nature of the scheme.

Importance of the Study

This study can contribute meaningfully to the understanding of employees' perceptions of ESOPs that are reserved for previously disadvantaged groups. The results could form part of the equation that businesses have to consider when they contemplate implementing an ESOP with the primary objective of boosting their BBBEE ownership element. Knowing how employees are likely to perceive a scheme designed for the benefit of black employees only, a company will be best placed to decide if they want that kind of a scheme or not. Businesses would be in a better position to anticipate the possible reactions to such an ESOP.

Literature Review

Introduction

A literature review revisits prior and relevant literature on the topic under research and is an essential feature of any academic project (Webster and Watson, 2002). According to Wolfswinkel, Furtmueller and Wilderom (2013), the selection and review of literature that central to research and enhances the value of the evaluation. This literature review focuses on the evolution of ESOPs, the role ESOPs play within BBBEE codes of good practice and employee perceptions. The review also explores the theoretical and conceptual frameworks of agency theory, the human capital theory, and the neo-institutional theory. It also explores the evolution of ESOPs, what BBBEE policies say about ESOPs and employees' perceptions.

Theoretical Framework

a. The Agency Theory

I. Definition of Agency Theory

Agency theory (AT) refers to the implied or explicit contract based on which one or more persons (the principal) engages another person or group (the agent) to act on behalf of the principal, which involves the delegation of some decision-making authority to the agent (Jensen and Smith, 1985). According to Ross (1973), the relationship involved in agency is one of the oldest codified modes of social interactions. This is true especially when one considers that states or governments have always been understood to be constituted by the people to act as agents for the people (the principal).

ii. The significance of agency theory

The origins of AT can be traced back to the 1960s and 1970s, at which time it was used to explore the challenges that are associated with risk-sharing among cooperating parties, especially when they have a different attitude towards risk (Eisenhardt, 1988). According to Shapiro (2005), to address this challenge, AT investigates the agency problem, which refers to the conflict between the interest of the agent and that of the principal, which of often of little concern for the agent.

Although tasked with acting on the interest of the principal, the agent also acts in self-interest. In business, agency theory is applicable to the need for the shareholders to put in place systems to control and prevent the management from acting with disregard for shareholder interest (Smith, 2012).

iii. Relevance to the Study

According to Ross (1973 p134), all contractual arrangements between an employer and employee contain important elements of agency. Management is expected to always act in a manner that leads to business growth and shareholder value maximisation. In the context of South Africa, businesses are expected to comply with BBBEE to access business that is linked to government or state-owned entities.

Therefore, the act of management to institute an ESOP to comply with BBBEE can easily be read as an agency act to grow shareholder value. However, how do the shareholders get the assurance that management did weigh the costs of funding an ESOP against the potential returns and growth that it would generate? Crutchley and Hansen (1989) list several ways in which agency theory seeks to address such agency problems. One way is for managers to also take up a reasonable size of the company's ordinary shares to cement the alignment of their interests with shareholders interest.

iv Conclusion

Agency theory attempts to address some of the agency problems (Crutchley and Hansen, 1989). However, the shareholders' problem or principal problem is not necessarily that of instructing the management on what to do, but in monitoring the act or way in which the management chooses to act (Ross, 1973). In the context of the ESOPs for black employees only, the theory is not clear on how shareholders (some who could also be non-black employees) ensure that management is acting on their interests.

b. Human Capital Theory

i. Definition of Human Capital Theory

Blaug (1976) puts the emergence of the human capital theory (HCT) in the 1960s. However, Nerdrum and Erikson (2001) trace HCT back to the 1770s when Adam

Smith wrote extensively about the superior performance of skilled workers compared to unskilled workers. Human capital theory argues that the most important of all capital is the investment in workers.

ii. The significance of the theory

The theory rejects the notion that employees form a group of homogenous labour for which the company can treat and offer the same structure of incentives in exchange for their labour (Bolwes and Gintis, 1975). The theory advocates the differentiation of workers according to their skills and level of output and advances the idea that human beings should invest in enhancing their economic productivity (Olaniyan and Okemakinde, 2008). Businesses are justified in investing in a certain group of employees who have the potential to increase business returns. The investment in employees could be through education, training, or in remuneration. Businesses' success in the 21st century depends largely on innovation, and as a result, businesses are faced with the challenges of attracting and retaining highly skilled employees.

iii. Relevance to the study

The use of share options by business organisations is aimed at aligning the management and shareholders' interests (Bulani, 2012). However, share options and employee share ownership plans are also used to attract and keep skilled employees. As much as the human theory is a proponent of differentiation in employee remuneration and benefits, it does so with performance and output as the basis of measure.

iv. Conclusion

The theory does not address the act of awarding financial or another forms of incentive to employees based on social imbalances or past injustices. Human capital theory proposes output and performance as the basis of rewarding and investing in employees. Compliance with the BBBEE codes of good practice creates an inherent expectation that the business would be able to secure more business and would grow as a result. However, this is not always the case. The human capital theory does not cover the use of ESOPs for black employees only for redress of social issues.

Conceptual Framework

c. Neo-Institutional theory

i. Definition of Neo-Institutional theory

The theory seeks to advance the notion that business organisations are no longer just mere profit-making entities for their shareholders, but legitimate and dominant actors in modern societies (Scott, 2008). According to this theory, businesses can no longer exist without any involvement in the societies within which they operate and from which they make a profit. Neo-institutional theory suggests that individuals, groups, and businesses now compete not just for limited economic resources, but also seek the social approval for the right to exist, or social legitimacy (Ntim and Soobaroyen,2003).

ii. The significance of the theory

The theory suggests that organisational behaviour is not just driven by economic pressures, such as scarcity. Much of the organisational behaviour occurs in response to the social pressures arising from the symbolic environment created by other organisations. Businesses have changed the way they look at their market environment, adding corporate social responsibility programmes to their operational conduct for instance. In 2004, the Department of Trade and Industry (DTI) announced a new approach to corporate governance that seems to align with the tenets of the neo-institutional theory. This new approach focuses on all stakeholders, rather than the shareholders (Miles, 2009). The model spells out that, *'A company should have as its objective the conduct of business activities with the view of enhancing the economic success of the corporation, considering, as appropriate, the legitimate interests of other stakeholder constituencies".*

iii. Relevance to the study

It is general knowledge that in the context of South Africa, the new government inherited a society with vast economic disparities. In its efforts to transform the economy to include the previously excluded Africans, the government implemented BBBEE or BEE. Therefore, government and businesses have come to see that their organisations are also vehicles for change (Peters, 2011). While the old Institutional theory focused on a singular goal, that of a business to maximise profits for shareholders, neo-institutionalism focuses on a multiplicity and complexity of goals. There need to have programmes that bring previously excluded individuals into the mainstream of economy is no longer in question (Dongwana, 2016). Businesses have accepted that BBBEE is not just a social imperative, but a business imperative too. The effort for businesses to comply with BBBEE using ESOPs can be classified as being within the ambit of this conceptual framework. However, the use of ESOPs for black employees only is somewhat of an anomaly, as the exclusion of white employees does not bolster the compliance one iota.

iv. Conclusion

The neo-institutional theory addresses the concept of triple bottom line, where businesses are expected to do more than just generating profits for shareholders. Through social responsibility programmes, businesses are expected to participate meaningfully in societal development. Unlike most corporate social responsibility programmes, ESOPs are somewhat tricky to measure. Even though the access to equity can be perceived as *a give-back incentive*, the material benefit at times is not just hard to quantify, but not there at all. Depending on how an ESOP is structured and funded, it is not impossible for the beneficiaries to walk away with no benefit at all. The neo-institutional theory does cover the elements of businesses doing more to uplift communities.

Employee Share Ownership Programmes

a. Introduction to ESOPs

The very first employee stock ownership plan was created in 1956 in the United States of America by lawyer Louis O Kelso to facilitate the transfer of ownership of a business from its shareholders to its employees (Menke and Buxton, 2010). Since then, ESOPs have been used all over the world, and they have evolved significantly. The primary objectives of implementing ESOPs now differ from one organisation to the next. They are structured and financed to suit a business's situation.

In South Africa, ESOPs were introduced in 1987 as a mechanism to facilitate the disinvestment of international companies that were present in South Africa (Mazibuko, 2003). Both in the United States of America and South Africa, ESOPs started as a mechanism to facilitate the shareholders' disinvestment in their businesses by transferring ownership to employees. It soon found greater use in big corporations' compensation structures for executives, where executives would be offered what is called share (stock) options over and above their basic salaries and performance bonuses.

The logic behind the use of share options as part of executive pay was that it aligns the executive personal interests to that of the organisation. Stock options gave the executives a greater incentive to act in the interest of shareholders by providing a strong link between realised compensation and the company stock price performance (Hall and Murphy, 2003). This is the logic and basis on which most, if not all stock options, are offered to executive management. It is no longer an anomaly to have CEO and other directors in business having stock options as a part of their compensation. One can therefore assume that the logic behind stock options for executives, held.

However, it cannot be said with great conviction that "stock options" have not brought with them challenges. It has seen the share prices of some businesses rise sharply, only to fall spectacularly due to erroneous decisions and manipulations of organisations' financial reports to mislead investors into believing the organisations were performing much better than they were. Cases such as that of Steinhoff in South Africa and the fall of Enron in the United States can be cited as examples of challenges that can be linked to executives hell-bent on driving up the share prices through misinformation because their fortunes were tied to the companies' share price performance (Petrick and Scherer, 2003).

Over the years share schemes have evolved and now are also offered to middle and lower-level employees. In certain instances, employees are required to pay in and buy the allocated shares at a discounted rate, while in some other cases, the shares are offered via a Trust, which procures and hold the company shares on behalf of the employees. In the case latter, employees are often not required to pay in (Steenkamp and Wesson, 2018). Whatever the structure of the employee share scheme, the "old" logic of alignment of interests is still one of the motivating factors for businesses implementing employees' share ownership programmes. However, now ESOPs are seemingly used for BBBEE compliance as well. Borstadt and Zwirlein (1995) have argued that for an ESOP to be viable and sustainable, it has to increase employee productivity and company performance through great engagement from employees and high morale.

b. Types of ESOPs commonly used in South Africa

The fundamental logic behind ESOPs as the alignment of the interests of employees and shareholders has not changed. However, the reasons why businesses choose to implement ESOPs have increased in recent years. Public and private businesses now implement ESOPs for reasons ranging from attracting top talent to trying to comply with BBBEE. It is the objective(s) that the organisation is trying to achieve that informs the structure or kind of ESOP the business needs to employ. In South Africa, the following schemes are commonly used:

Executive Share Option Plans - also known as equity compensation. This is when an organisation gives top management the option to acquire a specific number of its shares at an exercise price, subject to a specific vesting period (Henry, 2009). This type of scheme is used not just to attract top talent, but to achieve what Bulan (2011) calls the *alignment incentive* because it seeks to merge shareholder wealth-maximisation and managerial incentive.

Share Purchase Plans - when an organisation offers employees the option to purchase its shares at a discounted rate. Usually, employees contribute financially to the purchase of these shares. Gad (2009) suggests that this kind of scheme can be offered either discretionary or to all employees of the organisations so that the shares are offered at the specific exercise price and are subject to a specific vesting period. These are offered either to selected employees based on their level of employment or contribution to the company. These have never been offered based on race.

Phantom Share Plans - also known as cash-settled plans because the employee never gets to own the shares or equity of the company. In this plan, the employee(s) is granted shares in the company, but the shares are settled in cash based on the performance of the share price to avoid dilution of current shareholder interests (NicoleneWesson, 2018).

The types mentioned above are a broad categorisation of the employee share ownership plans that are commonly used in South Africa. Naturally, there are varying versions of the above classes and types of ESOPs. Some businesses implement different variations of ESOPs simultaneously. However, how companies choose to structure their ESOPs is driven by the objectives they are trying to achieve.

c. Reasons and Objectives for ESOPs

Literature is littered with several reasons why businesses would implement ESOPs in various forms. Among the reasons advanced by some organisations is that it improves employee engagement and performance. Pendleton, Wilson, and Wright (1998) reckon employees who are part owners of the business are likely to identify more with the firm and will be motivated to perform well, will be aware of industry pressures and most importantly, will remain with the company.

In recent years, corporate South Africa has also found another reason for using ESOPs, and that is to have it functioning as a vehicle through which they can improve their BEE score points on the ownership element. This has been prevalent in companies listed with the Johannesburg Stock Exchange (JSE) and with many black workers, such mining, construction, and manufacturing companies (Brown, Fourie, Diale and Lemmer, 2016).

It is worth pointing out that although there are businesses that have attributed specific successes with their performance to their implementation of an ESOP, there are indications that there are many organisations who cannot claim the same success for their ESOPs. This is because ESOPs themselves cannot be expected to increase employee commitment automatically. Factors such as employee participation in decision making, management styles, communication of company financials and other information are just as important (Kunkel and Lau, 1995). It therefore still depends on the company to work towards achieving the objectives they hope to achieve by putting an ESOP in place. Kurland (2018) suggests that the goal of an ESOP is to build ESOP value, and to achieve this ESOP value, the business, or the trust (through which the ESOP is administered) must develop an ownership culture among the employees concerned.

Research has observed very little to no attitudinal change in employees with regard to how they view their employers after becoming part owners of the business. Reasons that have been advanced for this are firstly that the shares are usually too few to bring any sense of ownership to the employees. Secondly, there are few opportunities for employees to translate ownership into increased control and decision-making participation (Pendleton, 1998) because usually, it is either one representative of the beneficiaries or trustees of the trust that participate in the company's board.

d. Challenges with ESOPs

Ramplin (2016) points to the literature that has found that when employees have positive perceptions of the ESOPs their employers have implemented, there is usually positive attitudinal change. This is often followed by increased productivity. According to Livingston and Henry (1980), companies that implemented ESOPs in the United Kingdom did not exhibit higher employee performance in terms of profits generated when compared to ESOPs companies with no ES. They found the opposite, that ESOPs companies turned out to be highly leveraged.

In South Africa, ESOPs in general have not been without challenges for the home firms either. Some of the problems that are noted with ESOPs in South Africa include the following:

i. Tax – The South African Revenue Services (SARS) is said to offer minimal incentives in terms of Section 8B (Isaacman, 2017). This usually leads to complications around who is liable for the tax on dividends due to beneficiaries of a trust administering an ESOP.
ii. Investor illiteracy – In industries with a high number of semi-skilled or unskilled workers, getting employees to understand the structure, benefits, and responsibilities of being “part owners” of the business fully may not be easy. Diale (2016) observed that in industries such as the mining industries, ESOPs are found to be complicated and remain opaque to the employees.
iii. Employees’ distrust of management – Nyelisani (2010) found that 63.8% of employees believed companies were only offering ESOP to boost and protect their general image with stakeholders and not for the benefit of employees.

e. Conclusion on ESOPs

In the past, ESOPs in South Africa have been used for a variety of reasons and for achieving different objectives for the business. Corporate South Africa was doing nothing unusual with ESOPs when compared to the rest of the world. However, ever since the DTI recognised ESOPs as an initiative through which businesses could earn ownership points on the BBBEE scorecard, companies have taken to employing ESOPs as a vehicle towards compliance. This breaks new ground, since ESOPs are implemented with the primary objective of complying, not achieve employee happiness, retention, or increased productivity.

Broad-Based Black Economic Empowerment (BBBEE).

BBBEE refers to the act that was introduced for the sole purpose of including previously marginalised people (black, Indian, and coloured) in the mainstream economy.

a. Introduction of BBBEE

The BBBEE Act 53,2003 was enacted by the South African parliament with the objective of advancing the participation of black people to the national economy (Department of Trade and Industry, 2018). Progress has been made in transforming the economy since the Act was enacted, with some parts of the economy more transformed than others. Overall, the transformation is still way below desired levels across industries. As a display of commitment to the transformation agenda, there are sectors of the economy that have developed transformation charters that are vetted for compliance and published in the government gazette (Department of Trade and Industry,2018). These charters serve as an industry compliance target to which every organisation within the given sector should aspire. Currently nine sector charters are listed under the DTI, with the mining charter still being negotiated. There are sectors within the economy that have not developed sector charters, the South African chemicals industry for instance. Compliance to BBBEE codes as set out by the DTI is voluntary. However, the government uses contracts and business through its departments and state-owned enterprises to enforce compliance, awarding work and contracts to a private organisation that score the highest in BBBEE scores (Soobaroyen, 2013). There are ways in which businesses can improve their compliance with BBBEE. Selling off equity to a black person (as designated by the DTI) is the quickest way. However, businesses have always shied away from this option. In recent years, there has been an increase in the use of ESOPs to offload company equity on employees.

b. Achieving the BBBEE Ownership Element through ESOPs

The codes of good practice in the BBBEE Act highlights the following key elements:

a) Ownership
b) Management Control
c) Skills Development
d) Enterprise and Supplier Development
e) Socio-Economic Development

For this study, the only element of importance is ownership, using employee share ownership plans.

c. BBBEE rules for ESOPs

The codes of good practice on BBBEE as set out by the DTI does recognise the use of ESOPs as an instrument to boost a company's compliance through the ownership element. However, for the ESOPs to be fully recognised for BBBEE, it must adhere to the following rules:

i. The scheme constitution must define the participants and the proportions of their claim to receive distribution;
ii. A written record of the name of the participants or the use of a defined class of natural person satisfies the requirement for identification;
iii. A written record of the fixed percentage of claim or the use of a formula for calculating claims satisfies the need for defining the proportion of benefit; and
iv. The fiduciaries of the scheme must have no discretion on the above-mentioned terms;
v. The participants must take part in appointing at least 50% of the fiduciaries of the scheme;

vi. The participants must take part in managing the scheme at a level like the management role of shareholders in a company with shareholding;
vii. The constitution or another relevant statutory document of the scheme must be available, on request, to any participant in an official language with which that person is familiar; and
viii. All accumulated economic interest of the scheme is payable to the participant at the earlier date or event specified in the scheme constitution or on the termination or winding-up of the scheme; and
ix. The scheme fiduciaries must present the financial reports of the scheme to participants yearly at an annual general meeting of the scheme.

It is only when an ESOP meets the above criteria that the DTI can fully recognise it under the codes of good practice. Upon recognition, the ESOP can yield a maximum of 40% of the total points on the ownership scorecard of the measured company.

d. Conclusion on BBBEE

For this study, it is critical to point out that the codes of good practice on BBBEE do not prescribe the minimum or even the maximum number of black employees that should form part of the beneficiaries of the ESOP to make it valid and recognised. Furthermore, nowhere does it promote the exclusion of non-black employees (as designated by the DTI for BBBEE) from participating in ESOPs implemented by the business.

Employee Perceptions

The Cambridge Dictionary defines perception as a belief or opinion often held by many people and based on how they see things (Cambridge, 2018).

a. Introduction to Employee Perceptions of own organisation

Katsaros (2014) defines employee perception as the process through which an employee recognises and interprets information to give meaning to his or her environment. It therefore influences his or her workplace behaviour significantly. It can be expected that employees that see their organisation in a positive light are likely to exhibit a better attitude in their workplace and show improved productivity. Similarly, if employees have a negative perception of their organisation, it is unthinkable that they will exhibit positive attitudes at work. The negative perception, if not addressed, will manifest in bad employee attitude and behaviour, adversely affecting employee productivity.

The contract between an employer and an employee is much more than a physical contract where the employee provides his or her labour to the organisation in exchange for financial compensation. There is also a psychological contract that forms between an employee and his or her employer. This contract is an employee's belief about the mutual obligations that exist between the employee and the employer (Lester, 2001). It is crucial that this psychological contract is also protected, because it affects the attitudes of the employee and, in turn, behaviour and performance.

b. Employee perception in relation to performance

Literature is full of studies that have shown that there is a widely held belief that happy employees are the most productive. This belief is based on the premise that positive emotions serve to broaden and build skills and social bonds, which in turn lead to better performance in more complex jobs by enhancing creative problem solving (Zelenski, Murphy and Jenkins, 2008). Inversely, workers who hold a positive perception of their organisation and its decisions are not likely to embark on industrial action. They will display a relative commitment to the organisation. Positive perception contributes to the strengthening of a psychological contract between the employer and employee, which bodes well for productivity and mutual benefit. Therefore, if an organisation wants to achieve employee happiness, it should strive to cultivate a positive organisational perception among its employees through its operations, organisational culture, and decisions.

Not all literature points to a causal relationship between happiness and performance. Some studies have indicated that effective experience and productivity have a strong positive correlation, unlike happiness and performance. Ledford (1999) argues that there is no proven link between happy employees and productivity. He goes on to suggest that this widely held belief has its roots in management theory, where acts such as offering fringe benefits such as profit sharing is believed to result in high employee performance.

c. Employee Perceptions of ESOPs

Nyelisani (2010) found that employees generally hold positive perceptions about employee share schemes. This positive perception, in turn, results in positive employee motivation and commitment to the company. Considering that ESOPs are also intended to benefit the employees of the organisation, it is therefore not a surprise that employees would hold a positive perception of them. Dependent on the type and structure of an ESOP, it provides financial ownership to employees. It is the economic ownership that leads to psychological ownership (PO) and an integration of employee and owner interests (Don Vandewalle, 1995).

Literature has also shown that not all employees have a particularly positive perception of ESOPs. In some cases, it has resulted in almost no attitudinal change among the employees who are participating in an ESOP. Pendleton (1998) highlights the reasons why some employees show little to no change in their attitude towards their job. They believe the number of shares they are given are too small and usually do not translate in increased engagement in management and decision making. What seems not to be covered by current literature on employee perceptions of ESOPs, is the perception that employees have ESOPs that are designed primarily to boost an organisation's BBBEE ownership score by offering the shares to black employees only.

d. Conclusion on Employee Perception.

Employee perceptions of the employer imitate the psychological contracts that employees have with their employers. There is no causal link between an employee's good psychological contract with the employer and their performance. However, a breached psychological contract will act as a de-motivator for the employees and can lead to reduced productivity (Stoner, 2011). Employees will develop a negative perception of their employer only if they observe, recognise, and interpret something in the employer as a breach of their psychological contract with the employer. Masterston (2001) found that employees are more likely to feel a sense of belonging and identification with their organisation if they feel they are being treated fairly.

Conclusion Literature Review.

ESOPs, in general, are versatile instruments that have served businesses well in several situations. When applied correctly, they have always delivered value for their beneficiaries and their organisation. The DTI does recognise them under the ownership element of the BBBEE tenets. Therefore, ESOPs remain useful instruments for businesses to contribute meaningfully to society at large. The neo-institutional theory recognises the need for businesses to engage communities and to be more than just profit generators.

However, it is important to point out that engaging in social developmental change is not the same as the redress of the past injustices. The NIT does not prescribe how businesses should engage in societal matters, so what is acceptable organisational behaviour and what is not?

The Research Hypothesis

The study was conducted with the aim to prove or disprove the following hypotheses:

1. Employees believe that the generation of profit for shareholders should not be the business' only objective.
2. When management implements employee share schemes, their primary interest is still that of the shareholders.
3. Employees believe employers should train, develop, and invest in (through compensation) those employees that are the best performers.
4. Most employees do support ESOPs designed for the participation of black employees only.
5. Just like corporate South Africa, employees also believe that BBBEE is both a moral and business imperative.

Limitations of the Study.

The research was conducted with the following limitations in mind:

a. Employee Investment Literacy

There were employees who did not know whether their organisation has any kind of ESOP to which they are beneficiaries. There was also a possibility that some respondents were familiar with how ESOPs are formed, implemented and for what reasons.

b. Scope of the study

The study was not intended to unearth the reasons behind the levels of support for a “blacks-only ESOP”.

c. Political Correctness

It is possible that some employees may have decided to respond in a manner that was politically correct rather than giving a response that reflects their true opinions on the research questions.

The above limitations are factors that the researcher and the study itself would have no influence over, in one way or another.

Delimitations of the Study.

The study was not intended to explore the reason why respondents supported or did not support “blacks-only ESOPs”. This could be an area that could be researched in the future. Furthermore, the study was not aimed at proving or disproving whether the use of ESOPs for black employees only is efficient tool for achieving compliance with the BBBEE's code of good practice. Random sampling, especially one that was conducted with a snowball feature had the shortcomings of not accurately reflecting the racial or gender make-up of the work force in the South African economy. However, considering that the satisfaction of the study’s objective was not dependant on the demographics such as gender and age of the respondents, this sampling procedure was deemed appropriate to address the research problem.

RESEARCH METHODOLOGY

Introduction.

Kothari (2004:7) describes research methodology as the way in which a researcher systematically solves the research problem. As such, this section outlines the process that was followed in the quest to find answers to the research problem. It covers the sources from which data were collected, the type of data that were collected, the data collection instrument that was employed and how the data were analysed.

Data Sources.

There are generally two types of data that are used in research, namely primary and secondary data. Hox and Boije (2005) define primary data as the data that are collected by the researcher for a specific problem at hand using procedures that fit the research problem best. Secondary data is data that were generated by other researchers for whatever research problem. They then made the data available for use by other researchers.

For this study, the data that were collected were primary in nature. Primary sources are suitable for studies that are exploratory in nature (Walliman, 2011). No prior research has been done on this specific topic. Thus, no secondary data were utilised.

a. Study Setting and Participants

The study was conducted online. The participants were invited by e-mail and social media, then routed to the survey site. The e-mail contained a URL or web address where respondents could complete the survey. The respondents were individuals who are employed and have access to the e-mail system and /or social media. All employees were welcomed to complete the surveys, regardless of whether their employer was a publicly trading business or not. It also did not matter whether their employer had an ESOP in place or not.

The online setting enabled respondents to complete the survey anonymously and at the own convenience.

b. Study Population

A population in research terms refers to the group or the individuals to whom the survey applies (Kitchnham and Pfleeger, 2002). This can be clearly defined in specific settings, but it is possible that in some cases the population is difficult to identify. In this case for instance, it involves a wide variety of people linked to corporate South Africa.

The population of the study was made up of all person employed by private or public companies, regardless of race. The employees that were targeted for the study ranged from entry level to senior management in both private and public companies in any company in South Africa.

Although the size of the population was difficult to define (it runs into millions of workers) due to the broad range of characteristics, the question of access does not arise in this case (Creswell, 2009). The availability of the population in online platforms such as e-mail ensured accessibility.

c. Sampling

A sampling method, if it is to provide a sample representative of the population, must be such that all characteristics of the population, including that of variability among units of the population, are reflected in the sample as closely as the size of the sample will permit, so that reliable estimates of the population characters can be formed from the sample (Sukhatme, 1957, p1).

For this study a random sampling technique was used as random sampling gives the most reliable representation of the population in some instances (Williman, 2011). The reason for using this technique was to ensure that there would be no bias from the researcher that could contaminate the data or influence the outcome. According to Sukhatme (1957), the advantage of this technique is that the probability of selecting a respondent within the population at a given time is equal to the probability of selecting that person at the first invite.

A snowball sampling procedure was used in this study (Goodman, 1960) as each targeted respondent was requested to forward the survey link to more than one person that he or she knows will be interested in completing the survey. While snowball sampling is convenient for hard-to-reach populations (Heckathorn, 2011), it is also appropriate to reach respondents who fall within a population that comprises of distinctly different individuals in race, age, profession, industries, and level of education.

Data Collection.

It is essential to select the correct data collection methods for research to ensure that the information collected is sound and address the research question.

The primary data that was used for the study were collected using a quantitative method because quantitative data are objective in nature and are gathered, analysed and interpreted in numerical terms (Efretuei, 2006).

The study was intended to explore the level of support that employees have when it comes to the ESOPs meant for blacks only. It did not investigate and attempt to understand the causal factors for the perceptions that employees may have.

It is imperative to highlight that what was being explored in this study was a level of support for ESOPs for black employees by workers in general, regardless of the employees' race, gender, and / or age.

Quantitative Method.

The quantitative research method was appropriate for testing the hypothesis of the research project. Furthermore, due to the time given to complete the study, a quantitative research method proved useful. The tool that was used for data collection method was a survey.

a. Surveys

Maintaining a high response rate in face-to-face and telephone surveys have proven costly in money and in time. As such, the recent increase in the use of model-based alternatives such as the online surveys is welcomed (Couper and Miller, 2008).

The online survey research provided access to people who otherwise would have been difficult to access through other channels such as paper surveys (Wright, 2005).

With the level of diversity that corporate South Africa has, this was the most suitable method to reach a diverse and heterogeneous population. Overall, the online data collection was efficient and convenient compared with traditional methods (Lefever, Dal and Matthiasdottir, 2007).

b. Questionnaire

The questionnaire was an online self-administered questionnaire. It comprised closed-ended questions that enabled quantitative and statistical analysis. Fitzpatrick (1991), although the richness of the potential responses is dependent on the range set by the researcher, closed-ended questions produce aggregated data quickly (see the appendices).

The questionnaire that was used for the survey included questions that covered the variables required to test the hypothesises of the study.

The information needed from respondents did not need probing for answers. Furthermore, the presence of the researcher was not be necessary in this case.

Validity and Reliability of Data

Heale and Twycross (2015) define validity as the extent to which a concept is accurately measured in a quantitative study. Moss (1994) describes the essence of reliability analysis as the quantification of the consistency and inconsistency in examinee performance.

In an effort to ensure reliability and validity in this study, the questionnaire was piloted using 10 respondents. It was also subjected to checks for internal consistency using the Cronbach’s Alpha in the SPSS software.

Data Analysis

Questionnaires that use a Likert scale are easy to conduct and they require neither a hard training nor a particular framework (Lubiano, Montenegro, Sinova and Gil, 2016, pp 132). Therefore, descriptive statistics were used to analyse the survey responses from the sampled respondents.

The data were grouped into the different age groups of the respondents, and then an assumption of homogeneity of variance and one-way ANOVA test were used to determine if the hypothesises that arose from the literature review could be accepted or rejected. Brown (2005:89) explains that ANOVA determines the F-value and if it is greater than an appropriate critical *F*- distribution at alpha = 0.05, then the null hypothesis is rejected. These tests were ran using the SPSS software.

Descriptive statistics were most useful during the analysis because the aim of the research was to measure the level of support for ESOPs for black employees only and not to investigate the causal factors of the support or lack of support (Trochim and Donnely, 2001).

RESEARCH RESULTS

Introduction

This chapter reports the results of the survey during the data collection stage. The processing and calculations of the data were achieved using the Statistical Package for the Social Sciences (SPSS).

Reliability and Validity of Data Collection Instrument.

The questionnaire was checked for internal reliability using Cronbach's alpha. The value of Cronbach's alpha t was α =0,707. Refer to Table 5a below. Any reliability score that is = 0,70 or higher is considered an acceptable psychometric instrument.

Table 1: Reliability Statistics

Reliability Statistics	
Cronbach's Alpha	Reliable
.707	Yes

Demographics

The demographic data collected during the study included employment status, age, race, and gender of respondents. These are illustrated below.

Figure 1.

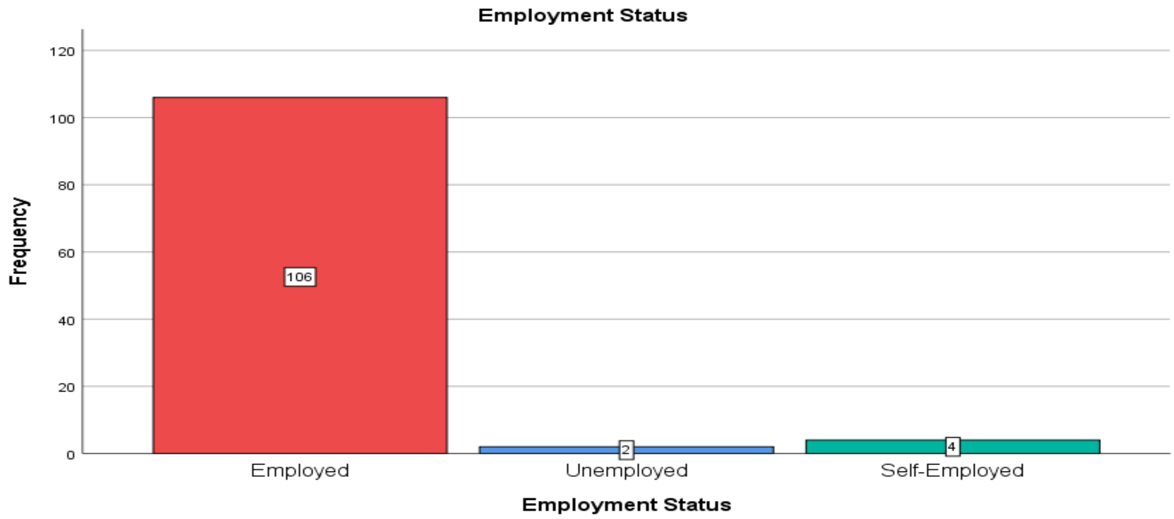

Figure 1: Employment status

Race

The racial make-up of the respondents was a fair representation of the South African blue-collar workforce. Black employees made up 48% (n=54), white employees 28,6% (n=32) and coloured employees 8,9% (n=10). Indian employees made up 14,23% (n=16). Refer to Figure 2 below.

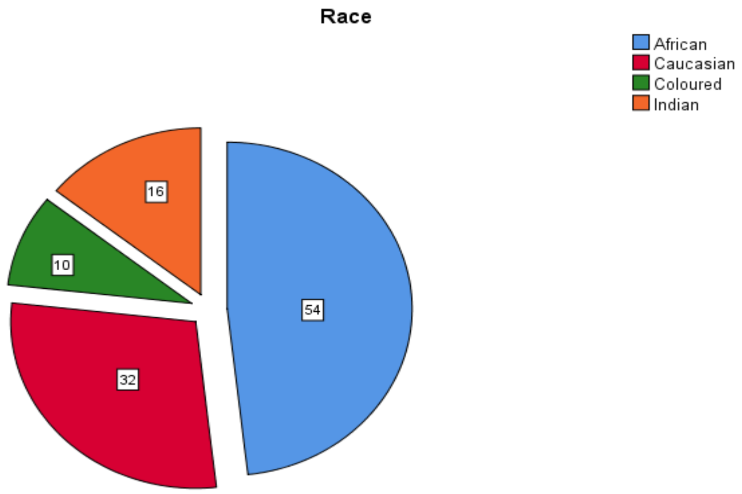

Figure 2: Racial make-up of the sample.

Gender

The majority (58%) of the respondents were women (N=65), while men made up 41% (n = 46). Only n=1 respondent fell into the non-binary group.

Figure 3.

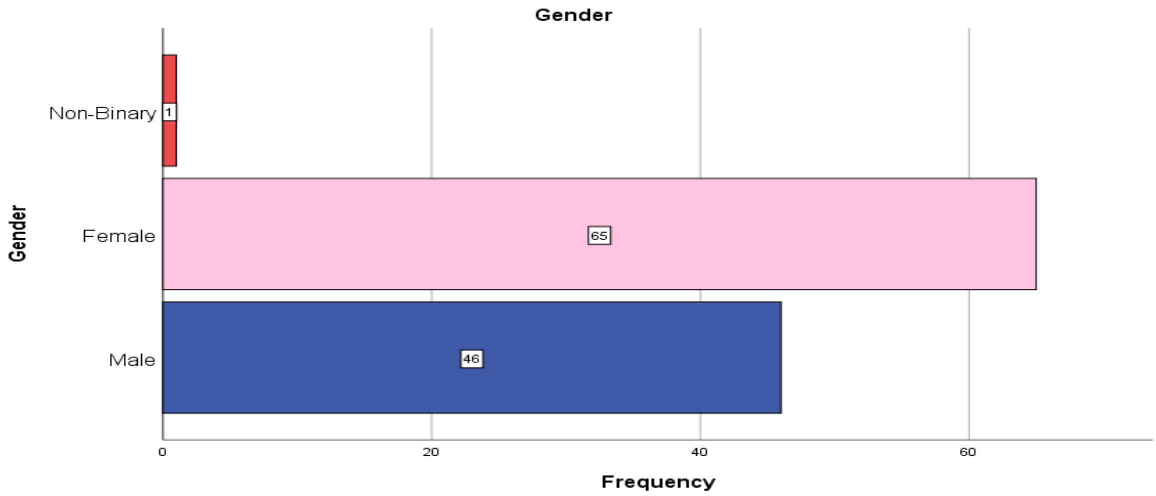

Figure 2: Gender make-up of the sample

Age

The majority (51,8%) of the respondents of the study were between the ages of 31 to 44. The other 48,2% of the respondents were evenly split between the age groups of 20 to 20 years old and 45 to 65 years. Refer to Table 2 below.

Table 2: Age distribution of the sample

Age (years).					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	20 - 30	27	24.1	24.1	24.1
	31 - 44	58	51.8	51.8	75.9
	45 - 65	26	23.2	23.2	99.1
	66 - 86	1	.9	.9	100.0
	Total	112	100.0	100.0	

Descriptive Statistics

Below are the descriptive coefficients of the data collected during the study. These are presented according to the measures of central tendency (i.e., mean, median and mode). Also presented in the below table are the standard deviation, variances, skewness, and kurtosis, which are the measures of reliability.

Table 3: Descriptive statistics

Statistics					
		Gender	Age (years).	Race	Employment Status
N	Valid	112	112	112	112
	Missing	0	0	0	0
Mean		1.60	2.01	1.89	1.09
Median		2.00	2.00	2.00	1.00
Mode		2	2	1	1
Std. Deviation		.510	.717	1.068	.393
Variance		.261	.513	1.142	.154
Skewness		-.198	.136	.939	4.448
Std. Error of Skewness		.228	.228	.228	.228
Kurtosis		-1.479	-.602	-.421	18.815
Std. Error of Kurtosis		.453	.453	.453	.453
Range		2	3	3	2
Minimum		1	1	1	1
Maximum		3	4	4	3

The gender participation comprised of males, female, and a non-binary option (M=2, SD=0.510). Gender showed a normal distribution, with a skewness of -.198 (SE=0.228 and kurtosis of -1.479 (SE=0.453).

The age groups were 1 = (20–30yr), 2 = (31–44yr), 3 = (45–60yr), and 4 = (65 ≤). The average participant was between 31 and 44 years old (M=2, SD=0.717). The distribution was normal, with a skewness of 0.136 (SE=0,228) and kurtosis of -0.602 (SE=0.453).

Also, the racial make-up of the participants had a M=2, SD=1.068 and had a normal distribution with a skewness of 0.939 (SE=0.228) and a kurtosis of -0.421 (SE=0.453).

Research Questions and Hypotheses

The questionnaire comprised of 24 questions, and 4 of these were aimed at capturing the demographics of the respondents. The other 20 questions were grouped into themes that sought to test the hypothesises.

Hypothesis 1 (H-1).

The first hypothesis (H-1) was: **Employees believe that the generation of profit for shareholders should not be the business's the only objective.**

The below table indicates the questions posed and the feedback received to prove or disprove the above hypothesis (H-1).

Table 4: Responses to questions testing H-1

H-1 QUESTIONS	YES	No	Not Sure	Total
1. Do you believe a business' only objective should be to generate profit for its shareholders?	19	90	3	112
2. Should businesses be required to get involved in societal development through their corporate social initiatives in South Africa?	107	5	0	112
3. Is paying taxes & employment creation enough contribution by businesses to society or a country they operate in?	65	41	6	112
4. In the context of South Africa, should businesses be expected to play a role in the redress of the country's unfair past to help bride the economic disparities?	11	75	25	112

The above table indicates that 80,36% (n=90) of the respondents believed that profit generation for shareholders should not be the business's only objective. A total of 95,54% (n=107) respondents believed that businesses should get involved in the development of society through their corporate social initiatives.

However, 58% (n=65) of the respondents also believed that employment creation and paying taxes is enough contribution, and 66,96 % (n=75) of the respondents believed that in the context of South Africa, businesses should not be expected to play a role in the redress of the country's unfair past to help bridge the economic disparities.

The below table shows the test of homogeneity of variances of assumptions. The significance values are not all the same, but all the sig. values are higher than 0.05. Therefore, the assumption of homogeneity of variance has not been violated.

Table 4: Variance of assumption

Test of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
1. Do you believe a business' only objective should be to generate profit for its shareholders?	Based on Mean	2.265	2	108	.109
	Based on Median	.581	2	108	.561
	Based on Median and with adjusted df	.581	2	105.341	.561
	Based on trimmed mean	2.014	2	108	.138
2. Should businesses be required to get involved in societal development through their corporate social initiatives in South Africa?	Based on Mean	1.543	2	108	.218
	Based on Median	.394	2	108	.675
	Based on Median and with adjusted df	.394	2	94.640	.675
	Based on trimmed mean	1.066	2	108	.348
3. Is paying taxes & employment creation enough contribution by businesses to society or a country they operate in?	Based on Mean	2.513	2	108	.086
	Based on Median	.881	2	108	.417
	Based on Median and with adjusted df	.881	2	104.127	.417
	Based on trimmed mean	2.162	2	108	.120
4. In the context of South Africa, should businesses be expected to play a role in the redress of the country's unfair past to help bridge the economic disparities?	Based on Mean	.846	2	108	.432
	Based on Median	.284	2	108	.754
	Based on Median and with adjusted df	.284	2	107.684	.754
	Based on trimmed mean	.955	2	108	.388

The above table indicates that the Levene test resulted in the sig. values being above the 0.05 benchmark.

The ANOVA test was also run for Questions 1 to 4 to determine the level of significance between the means of the variables. The results of the test were as indicated on the table below.

Table 5: Anova testing

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
1. Do you believe a business' only objective should be to generate profit for its shareholders?	Between Groups	1.765	3	.588	3.540	.017
	Within Groups	17.949	108	.166		
	Total	19.714	111			
2. Should businesses be required to get involved in societal development through their corporate social initiatives in South Africa?	Between Groups	.037	3	.012	.278	.841
	Within Groups	4.740	108	.044		
	Total	4.777	111			
3. Is paying taxes & employment creation enough contribution by businesses to society or a country they operate in?	Between Groups	.863	3	.288	.796	.499
	Within Groups	39.056	108	.362		
	Total	39.920	111			
4. In the context of South Africa, should businesses be expected to play a role in the redress of the country's unfair past to help bridge the economic disparities?	Between Groups	1.507	3	.502	1.657	.181
	Within Groups	32.743	108	.303		
	Total	34.250	111			

The Anova test results showed that the *F*-values and *P*-values were higher than the critical 0.05 for all variables.

Hypothesis 2 (H-2).

The second hypothesis (H-2) was: **When management implements employee share schemes, their primary interest is still that of the shareholders**.

The below table indicates the questions posed and the feedback received to prove or disprove the above hypothesis (H-2).

Table 6: Responses to questions testing H-2

H-2 QUESTIONS	Yes	NO	Not Sure	Total
1. Does your employer have an Employee Share Ownership Scheme to which you are a beneficiary?	17	81	14	112
2. Do you believe Employee Share Ownership Schemes benefit the business by increasing shareholder value in the long run?	74	12	26	112
3. Do employee Share Ownership Schemes only benefit the employees, not the business?	16	61	35	112
4. Do you believe Employee Share Ownership Schemes are meant for the benefit of employees, together with shareholders at large?	80	11	21	112

The results show that 72.3% (n=81) of the respondents worked for businesses that do not have ESOPs in place. Meanwhile, 12.5% (m=17) did not know whether their employers had an ESOP to which they are beneficiaries. The study also found that 66.1% (n=74) of the employees believe that ESOPs benefit the business by increasing shareholder value in the long run. Meanwhile 23% (n=26), a higher score than for those who said no, are not sure.

As much as 31,3% (n=35) of respondents were not sure whether ESOPs only benefit employees and not the business, while 54.4%(n=61) believed they do. The majority of the respondents 71,4% (n=80) believed that ESOPs are meant for the benefit of both employees and shareholders.

The Levene test was also used to test the homogeneity of variance of assumptions on the questions that informed the hypothesis. The results of the test are presented in the table below.

Table 7: Variance of assumptions H-2

Test of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
Does your employer have an Employee Share Ownership Scheme to which you are a beneficiary?	Based on Mean	5.044	2	108	.008
	Based on Median	1.267	2	108	.286
	Based on Median and with adjusted df	1.267	2	103.462	.286
	Based on trimmed mean	5.318	2	108	.006
Do you believe Employee Share Ownership Schemes benefit the business by increase shareholder value in the long?	Based on Mean	.402	2	108	.670
	Based on Median	.133	2	108	.876
	Based on Median and with adjusted df	.133	2	107.842	.876
	Based on trimmed mean	.466	2	108	.629
Does employee Share Ownership Scheme only benefit the employees, not business shareholders?	Based on Mean	.704	2	108	.497
	Based on Median	.472	2	108	.625
	Based on Median and with adjusted df	.472	2	107.965	.625
	Based on trimmed mean	.723	2	108	.488
Do you believe the Employee Share Ownership Scheme is meant for the benefit of employees, together with shareholders at large?	Based on Mean	.281	2	108	.756
	Based on Median	.030	2	108	.971
	Based on Median and with adjusted df	.030	2	107.959	.971
	Based on trimmed mean	.332	2	108	.718

The above table shows that all the *P*-values of all the variables were above 0.05, except that of the first variable (Q1), which was found to be less than 0.05 (at 0.008). This means that the homogeneity of variance of assumptions was violated.

The ANOVA test was also run for Questions 5 to 8 to determine the level of significance between the means of the variables. The results of the test were as indicated on the table below.

Table 8: Anova testing H-2

ANOVA						
		Sum of Squares	Df	Mean Square	F	Sig.
5. Does your employer have an Employee Share Ownership Scheme to which you are a beneficiary?	Between Groups	1.590	3	.530	.956	.416
	Within Groups	59.839	108	.554		
	Total	61.429	111			
6. Do you believe Employee Share Ownership Schemes benefit the business by increase shareholder value in the long?	Between Groups	.299	3	.100	.299	.826
	Within Groups	35.951	108	.333		
	Total	36.250	111			
7. Does employee Share Ownership Scheme only benefit the employees, not business shareholders?	Between Groups	2.255	3	.752	1.783	.155
	Within Groups	45.522	108	.421		
	Total	47.777	111			
8. Do you believe the Employee Share Ownership Scheme is meant for the benefit of employees, together with shareholders at large?	Between Groups	.169	3	.056	.197	.898
	Within Groups	30.938	108	.286		
	Total	31.107	111			

All *P*-values of the variables above were found to be above 0.05. Therefore, the hypothesis cannot be rejected. Furthermore, it means that there were no significant variations in the means between the variables. The second hypothesis is accepted.

Hypothesis 3

The third hypothesis (H-3) was: **Employees believe employers should train, develop, and invest in (through compensation) those employees that are best performers**.

The below table indicates the questions posed and the feedback received to prove or disprove the above hypothesis (H-3).

Table 9: Responses to questions testing H-3

QUESTIONS (H-3).	YES	No	Total
1. The Company's Employee development & compensation programmes should be driven by employee performance?	93	19	112
2. Should employees' social needs influence how they are compensated and developed within the company?	57	54	111
3. The company should treat and compensate its employees the same way, regardless of those with high performance?	18	94	112

The above table indicates that 83% (n=93) of the respondents believe that compensation and development programmes of businesses should be driven by performance.

On whether the social needs of employees should influence how they are compensated and developed by their employers, 50,9% (n=57) of employees said yes, and 48,2% (n=54) said no. An overwhelming 83,9% (n=94) of respondents believed that employers should not treat all its employees in the same way when it comes to compensation.

The Levene test was also used to test the homogeneity of variances among the age groups in the sample size. The below table illustrates the results of the test of homogeneity of variances of assumption. Please refer below table.

Table 10: Variances of assumption for H-3

Test of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
The company's employee development & compensation programmes should be driven by employee performance?	Based on Mean	13.175	2	108	.000
	Based on Median	2.147	2	108	.122
	Based on Median and with adjusted df	2.147	2	93.107	.123
	Based on trimmed mean	12.210	2	108	.000
Should employees' social needs influence how the company compensates & develop them within the company?	Based on Mean	4.796	2	107	.010
	Based on Median	1.726	2	107	.183
	Based on Median and with adjusted df	1.726	2	106.547	.183
	Based on trimmed mean	4.796	2	107	.010
The company should treat & compensate its employees the same way, regardless of those with high performance?	Based on Mean	2.207	2	108	.115
	Based on Median	.569	2	108	.568
	Based on Median and with adjusted df	.569	2	104.390	.568
	Based on trimmed mean	2.207	2	108	.115

The results show that two of the tested variances produced a *p*-value of less than 0.05. This indicates that the assumption of homogeneity of variances was violated. Therefore, the one-way ANOVA test was not run, but a non-parametric Kruskal-Wallis test was performed to decide on the whether to accept the hypothesis or not. Given the test results, the hypothesis was retained. Refer to the below results.

Table 11: Kruskal-Wallis test results

Hypothesis Test Summary

	Null Hypothesis	Test	Sig.	Decision
1	The distribution of The company's employee development & compensation programs should be driven by employee performance ? is the same across categories of Age (years)..	Independent-Samples Kruskal-Wallis Test	.218	Retain the null hypothesis.
2	The distribution of Should employees' social needs influence how the company compensate & develop them within the company ? is the same across categories of Age (years)..	Independent-Samples Kruskal-Wallis Test	.050	Retain the null hypothesis.
3	The distribution of The company should treat & compensate its employees the same way, regardless of those with high performance ? is the same across categories of Age (years)..	Independent-Samples Kruskal-Wallis Test	.718	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

Hypothesis 4 (H-4).

The fourth hypothesis (H-4) was***: The majority of employees do support ESOPs designed for the participation of black employees only.***

The below table indicates the questions posed and the feedback received to prove or disprove the above hypothesis (H-4).

Table 12: Responses to questions investigating for H-4

(H-4) QUESTIONS	Strongly Agree	Somewhat Agree	Neither Agree Nor Disagree	Somewhat Disagree	Strongly Disagree	TOAL
1. If implementing an Employee Share Ownership Scheme aids the business with BBBEE compliance, then doing it is good for businesses	33	46	15	8	2	112
2. Whenever implemented, Employee Share Ownership Schemes should have all company employees as beneficiaries.	45	42	15	8	2	112
3. When implemented for BBBEE purposes, only previously disadvantaged groups should be beneficiaries of Employee Share Ownership Schemes.	23	17	18	23	31	112
4. Businesses should not discriminate based on race on who qualifies as a beneficiary of an Employee Share Owner Scheme, primarily when it does not adversely affect the BBBEE points for the business.	72	24	11	0	4	112

For ease of analysis, the responses in the categories "Strongly Agree" and "Somewhat Agree" were combined and classified as "Agree", and those in the categories “Somewhat Disagree" and "Strongly Disagree" were also combined and classified as "Disagree." Meanwhile, the response “Neither Disagree nor Agree” was classified as “not sure”.

The study found that 70,5% of respondent believed that a business should implement an ESOP if it aids the business with BBBEE compliance. Also, 77,7% of the employees agreed with the notion that whenever a business implements an ESOP, it should have all its employees as beneficiaries.

When asked if ESOPs implemented for BBBEE compliance should only have previously disadvantaged groups as beneficiaries, a majority of 48,2% disagreed, while 35,7% agreed. The remaining 16,1% neither agreed nor disagreed. A total of 85,7% of the respondents agreed that a business should not use race as a determinant of who qualifies to be a beneficiary of an ESOP.

The Levene test was also used to test the homogeneity of variance of assumptions within the different age groups of employees sampled. The results of the test are presented in the table below.

The below table indicates that all the *P*-values of the variables observed in the different age groups were higher than 0.05. The test confirmed that there was no violation of the homogeneity of variances of assumption. As a result, it was appropriate to proceed with the calculation of the one-way ANOVA test to test the hypothesis

Table 13: Variances of Assumption for H-4

Test of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
The company should treat & compensate its employees the same way, regardless of those with high performance?	Based on Mean	2.207	2	108	.115
	Based on Median	.569	2	108	.568
	Based on Median and with adjusted df	.569	2	104.390	.568
	Based on trimmed mean	2.207	2	108	.115
If implementing an Employee Share Ownership Scheme aids the business with BBBEE compliance, then doing it is good for businesses	Based on Mean	1.819	2	108	.167
	Based on Median	1.864	2	108	.160
	Based on Median and with adjusted df	1.864	2	104.730	.160
	Based on trimmed mean	1.625	2	108	.202
Whenever implemented, Employee Share Ownership Schemes should have all company employees as beneficiaries.	Based on Mean	1.311	2	108	.274
	Based on mean	.678	2	108	.510
	Based on Median and with adjusted df	.678	2	101.774	.510
	Based on trimmed mean	1.060	2	108	.350
When implemented for BBBEE purposes, only previously disadvantaged groups should be beneficiaries of Employee Share Ownership Schemes.	Based on Mean	1.048	2	108	.354
	Based on Median	.852	2	108	.429
	Based on Median and with adjusted df	.852	2	105.203	.429
	Based on trimmed mean	1.269	2	108	.285

The table below shows the results of the ANOVA test. The *P*-values achieved were less than the required 0.05 (saving the first variable). Given these results, the hypothesis is rejected. Not all population means are equal.

Table 14 Anova Testing for H-4.

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
The company should treat & compensate its employees the same way, regardless of those with high performance?	Between Groups	.183	3	.061	.442	.724
	Within Groups	14.924	108	.138		
	Total	15.107	111			
If implementing an Employee Share Ownership Scheme aids the business with BBBEE compliance, then doing it is good for businesses	Between Groups	9.256	3	3.085	2.720	.048
	Within Groups	122.521	108	1.134		
	Total	131.777	111			
Whenever implemented, Employee Share Ownership Schemes should have all company employees as beneficiaries.	Between Groups	8.631	3	2.877	3.083	.030
	Within Groups	100.798	108	.933		
	Total	109.429	111			
When implemented for BBBEE purposes, only previously disadvantaged groups should be beneficiaries of Employee Share Ownership Schemes.	Between Groups	32.252	3	10.751	5.291	.002
	Within Groups	219.427	108	2.032		
	Total	251.679	111			

Hypothesis 5 (H-5).

The fifth hypothesis (H-5) was: **Just like corporate South Africa, employees also believe that BBBEE is both a moral and business imperative.**

When asked if respondents believe BBBEE was essential for future economic growth in South Africa, 59,8% (n=67), agreed, while 24% (n=27) disagreed. Those who were note sure made up 16% (n=18) of the respondents.

About 65% (n=73) of the respondents did believe that BBBEE is needed to close the economic disparities in the South African society. Only 11,6 % (n=13) of respondents were not sure, thus neither agreed nor disagreed. However, those who felt that BBBEE is not addressing the economic challenges in the South African society came to 75% (n=84) and only 9,8% (n=11) felt that it does. Complying with BBBEE is the right thing to do for businesses according to 62,5% (n=70) of the respondents.

Table 14: Responses to questions testing H-5

H-5 QUESTIONS	Strongly Agree	Somewhat Agree	Neither Agree Nor Disagree	Somewhat Disagree	Strongly Disagree	TOTAL
BBBEE is essential for the future growth of the South African economy?	41	26	18	10	17	112
To close the economic disparities within the South African society, BBBEE is needed?	40	33	13	7	19	112
BBEE is not addressing the economic challenges facing South African society?	42	42	17	6	5	112
Complying with BBBEEE is the right thing to do by businesses?	42	28	19	8	15	112

The test of homogeneity of variances of assumption was run on the variables. The P-values were all above the significance level of 0.05. This confirms that there was no violation of the homogeneity of variance of assumption. The below table provides the values of the homogeneity of variances.

Table 15: Homogeneity of variances for H-5

Test of Homogeneity of Variances					
		Levene Statistic	df1	df2	Sig.
BBBEE is essential for the future growth of the South African economy.	Based on Mean	.024	2	108	.976
	Based on Median	.122	2	108	.885
	Based on Median and with adjusted df	.122	2	104.053	.885
	Based on trimmed mean	.080	2	108	.923
To close the economic disparities within South African society, BBBEE is needed.	Based on Mean	.596	2	108	.553
	Based on Median	.755	2	108	.472
	Based on Median and with adjusted df	.755	2	104.789	.472
	Based on trimmed mean	.825	2	108	.441
BBBEE is not addressing the economic challenges facing the South African society	Based on Mean	.078	2	108	.925
	Based on Median	.182	2	108	.834
	Based on Median and with adjusted df	.182	2	105.952	.834
	Based on trimmed mean	.099	2	108	.905
Complying with BBBEE is the right thing to do by businesses.	Based on Mean	.246	2	108	.782
	Based on Median	.228	2	108	.797
	Based on Median and with adjusted df	.228	2	107.683	.797
	Based on trimmed mean	.348	2	108	.707

The P-values on the assumption of the test of homogeneity of variance above were all above the critical level of 0.05. This confirms that there was no violation.

Having adopted the assumption that all comparison groups have the same variance with the test of homogeneity of variance, the one-way ANOVA test was run, and the hypothesis was rejected. The below table indicates the result of the test.

Table 16: Anova testing for H-5

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
BBBEE is essential for the future growth of the South African economy.	Between Groups	22.543	3	7.514	3.885	.011
	Within Groups	208.885	108	1.934		
	Total	231.429	111			
To close the economic disparities within South African society, BBBEE is needed.	Between Groups	24.536	3	8.179	4.203	.007
	Within Groups	210.178	108	1.946		
	Total	234.714	111			
BBBEE is not addressing the economic challenges facing the South African society	Between Groups	5.310	3	1.770	1.558	.204
	Within Groups	122.655	108	1.136		
	Total	127.964	111			
Complying with BBBEE is the right thing to do by businesses.	Between Groups	30.209	3	10.070	5.882	.001
	Within Groups	184.898	108	1.712		
	Total	215.107	111			

CONCLUSION

Introduction

This chapter discusses the results of the study in view of the theoretical concepts highlighted in the literature review and the hypotheses as outlined in Section 3. The discussion highlights the demographics (race, age, and gender) of the respondents, presents the employees' perception of BBBEE, answers the question of whether employees think business should be involved in social issues, what employees believe of companies' development and compensation of employees, and most importantly, the level of support for ESOPs meant for black employees only.

Age

The 31 to 44-year-old group dominated in the sample. This group comprises of Millennials and Generation X, and these are the employees who are usually established in their careers. Their opinions and perceptions matter and are essential since they have gained experience in their fields or organisations and will soon be influential in their organisations and societies.

Gender

The majority of the respondents turned out to be females. Although in terms of economic activity it can be argued that males are the most active, women have been joining the workforce in large numbers in recent years. There has been a greater push for women leaders in corporate South Africa, and as a majority gender in the country's populace, their representation in this study adds the voice of the future workforce. It is not surprising now to find companies whose total staff compliment has females in the majority, even though they are no majority in management positions.

The skewness of the gender results toward more females than males can be attributed to the random sampling method that was employed. It can be concluded that the gender make-up of the respondents should have minimal, if any influence on the outcomes of the study. The study was not about any specific gender group's level of support for the ESOPs for black employees, but about the support of all employees in general. Therefore, the gender skewness of the respondents is of no consequence. It can be accepted that the respondents' feedback was not influenced by their gender.

Race

The race composition of the respondents was representative of the various racial groups in corporate South Africa, especially when compared to the racial profile of the blue-collar workforce in South Africa, rather than the country.

The study focused on the level of support of the ESOPs for black employees only by employees of all races. Therefore, the generous representation of white and black workers made for balanced and rich data.

In an effort to avoid the racial trap of always looking at things through either black or white lenses, the data was purposefully analysed based on the different age groups of employees. What can be deduced from the data is that all race groups seem to have answered the questionnaire honestly as there was no pointed element or questions about one race versus the other.

Hypothesis (H-1).

A resounding 95% of respondents of the survey believed that businesses or employers should get involved in the development of society through corporate social initiatives. This confirms the narrative that people no longer see businesses as mere profit maximisation constructs for the shareholders. They see businesses as possible vehicles for development and positive contribution in communities. This comes as no surprise as the end of the 20th century saw many businesses and non-profit organisations adopting the triple bottom line (TBL) framework, which comprises profit, people, and the planet. This called for the expansion of business focus and reporting on performance to include financial, social, and environmental contributions (Slaper, 2013).

The result of 95% respondents that view business as more than just a profit-making institution means that the sentiment cuts across race, gender, and age groups. There was no statistical difference in the means of the respondents either, which leads to the hypothesis being accepted. In other words, one can expect at least 9 out of 10 people to have a similar take on this issue. The neo-institutional theory is seemingly founded and rooted in the same construct as the beliefs of the employees at large. Businesses are expected to do more than generate profit.

The Levene’s test revealed that there were no significant differences on the variances in the different age groups of the respondents. This was further confirmed by the ANOVA test, indicating that there were no significant differences for the means of the groups.

Hypothesis (H-2).

According to a high number of respondents (N = 80), ESOPs are meant for the benefit of both the employees and shareholders. Employees believed that ESOPs help businesses by increasing shareholder value in the long run. This means employees still believe management has agency and are generally striving to deliver value for shareholders.

The key message of the respondents' feedback was that employees do not see their benefit and that of shareholders as mutually exclusive. It is not a dichotomous choice that management must make; everybody stands to win, provided every all parties get a chance to get a piece of the pie. This, of course, is contrary to what agency theory purports, that is, in modern organisations management's primary interests tend to be their own, rather than that of shareholders (Donaldson and Davis,1991).

Hypothesis (H-3)

The hypothesis that employees believe employers should train, develop, and invest in (through compensation) those employees who are the best performers, had to be rejected due to the violation of the test of homogeneity of variance of assumption. The P-values were less than the 0.05 significance level, therefore the ANOVA test was abandoned. The non-parametric Kruskal-Wallis test had to be ran instead, and the hypothesis was retained.

It was clear from the data that the majority (83%) of the respondents believe that compensation and development programmes should be driven by performance and not race or age for that matter. Furthermore, they augmented this by indicating that they do not believe that all employees should be treated equally, regardless of performance (83%). Where there seems to have been a vast difference in beliefs, is on whether employees' social needs should influence how they are developed and compensated (50,9% said yes, and 49% said no).

Judging by the responses, the human capital theory has much support among employees. Employees have come to understand that compensation reflects their contribution to the company and they believe those who do the most, should get more than those who do not. There is a tacit understanding that highly skilled employees enable the organisation to have a competitive edge over the competition (Lepak and Snell,1999).

Hypothesis (H-4).

This hypothesis had to be rejected because it was clear from the responses received that respondents had diverging views about ESOPs meant for black employees only. The majority (n= 79 out of 112) of the employees felt that if an ESOP helps the business to comply with BBBEE compliance, then the business should implement it. However, it was clear that employees were open to an ESOP being open for all employees as beneficiaries, n= 87 out of 112 supported an ESOP that is meant for all employees.

On the hypothesis' core question of an ESOP being implemented for BBBEE purposes and only previously disadvantaged groups being beneficiaries of that ESOP, 54 =n disagreed, while only n = 40 agreed. N =18 were not sure on how they felt about ESOPs of this kind.

This position of no support taken by most employees is consistent with their rejection of the practice of using race to determine who qualifies as a beneficiary to an ESOP. Business has tended to follow each other' behaviour in corporate South Africa. However, it would be intriguing if more companies were to follow in the footsteps of Sasol Ltd, and implement ESOPs for black employees only. Two key reasons this will be counter-intuitive for business, employees are found to be not in favour of racially determined benefit schemes and two, according to the DTI's code of good conduct on ESOPs, and there is not added benefit to ESOPs made up entirely of black employees compared to those that are not.

Hypothesis (H-5)

When considered as an initiative meant for the upliftment of the previously disadvantaged groups in South African communities, employees of all races (59,8%) agreed that BBBEE is essential for the economic growth of South Africa. This was further augmented by the fact that 73 out of 112 employees view BBBEE as an initiative that is needed to close the economic disparities within society. However, the highest number of employees, (N=84), believed that BBBEE, as it is implemented now, does not seem to be addressing the economic challenges of the South African economy.

Employees of all races and age groups are not anti-BBBEE, they support it. There is just no sufficient support for ESOPs meant for black employees only or ESOPs meant to beneficiate one racial group over another (regardless of its intent and purpose).

CONCLUSION AND RECOMMENDATIONS

7.1 Introduction

This section relays the critical findings of the study. Furthermore, it provides recommendations that businesses may consider when contemplating an ESOP for black employees only or based on race.

Key Findings

a. Key to the study was that the surveyed employees were not keen on an ESOP that is perceived as having anything to do with racial lines. This leads to a majority of employees not supporting an ESOP for black employees only as beneficiaries. Given that 71,4% of the respondents are classified as black in the DTI's code of ethical conduct for BBBEE, if there were genuine support for ESOPs for black employees, those in favour of such ESOPs would not have been only 35,7%. This means that half of the black employees do not support an ESOP for blacks only.

b. Female respondents were the most represented in the sample of employees that was surveyed. It is arguable that this can or cannot distort the findings of the study. Should female employees be found to be holding different opinions to male employees on issues relating to ESOPs, BBBEE, Employee Development and Compensation, then there is a valid reason to believe that the high representations of female employees present a possibility of a distortion on the findings.

b. Employees showed an understanding and appreciation of benefits (compensation and development) based purely on performance, although there was a divergence of opinions on whether employees' social circumstances should influence how the company compensates and develop such employees. This divergence is understandable. Even though workers have an appreciation of a performance-based benefit approach, in the context of South Africa, some employees' social challenges are a direct result of the country's past laws, which were declared a crime against humanity.

d. The employees' responses suggested that they generally believe in the management's agency. They indicated that they believed that when management is implementing an ESOP, it is for the benefit of both employees and the business' shareholders at large. Naturally, this belief is held in the absence of information on how an ESOP is constructed and what powers the employees wield.

Businesses have to be careful not to implement an ESOP that is meant to benefit one group of employees. They may lose the support of most of their employees.

Key Recommendations.

When contemplating an ESOP for black employees only, businesses should factor in the perception that employees have of such schemes. Pursuing an ESOP that does not enjoy the general support of workers, including those it purports to benefit, may result in the company risking losing talent or causing discontent for no real reason. Furthermore, considering that the DTI does not require that an ESOP comprise of 100% black beneficiaries, it is perhaps not a good idea to risk losing the other group that is not included only to improve the BBBEE score of the business.

Businesses have to consider that although they are expected to play a role in the redress of the past economic injustices and development of the society in South Africa, this may be best done outside the ambit of the employer and employee environment.

There is already a narrative that executive pay is way more than it should be in comparison with general employees, creating a vast social gap. Adding more complexity with an ESOP for one race group, albeit for supposed redress, adds pressure to an environment that is supposed to be conducive to high performance.

Corporate South Africa has long recognised that for the country and business to thrive, the economic disparities should be narrowed. The biggest challenge is how the large group of previously disadvantaged individuals can be brought into the main economic platforms? Education and upskilling of black people in general are just one side of the coin, the other is transforming ownership. BEE failed to transform the economy as it created a black elite. Now BBBEE is aimed at increasing the number of black people in ownership. This means that ESOPs are ultimately incongruent with the spirit of BBBEE.

Employees, in general, are not keen on supporting an ESOP that is aimed at benefiting one race over another. Furthermore, considering how these ESOPs are usually structured, the company management ends up being a player and the referee in these schemes (because they influence the financial structure and decide whether to pay dividends to the ESOPs/trustees or not).

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