

THE PERFORMANCE OF PREFERENTIAL PROCUREMENT AT THE SABC

Trevor Farayi Kaseke
9800414D

Supervisor: Dikgang Motsepe

A research report submitted to the Faculty of Management,
University of the Witwatersrand, in 50% fulfilment of the requirement
for the degree of Master of Management (in the field of Monitoring
and Evaluation).

December, 2017

Email: trevorfarayi@gmail.com

Mobile: 082 513 9878

Abstract

This study primarily sought to establish how a state owned entity, as an expected enthusiastic proponent of the State's black economic empowerment efforts, had performed in terms of preferential procurement from majority black-owned vendors. It also sought to find out to what extent, if any, the fortunes of majority black-owned vendors had extended beyond the typical categories of catering services, cleaning services and security services.

The study employed a mixed-methods approach, combining quantitative and qualitative analysis. The basis of the quantitative analysis was procurement-related documents, while the basis of the qualitative analysis was interviews conducted with personnel selected either for their involvement in the supply chain management process, or were the users of services or products procured by the South African Broadcasting Corporation (SABC) SOC Ltd. Descriptive statistics were used to analyse the data.

While the full population of transactions and vendors used during the period of analysis (2010 – 2015) was available, gaps in required information, as well as some withheld information, presented a limitation in terms of the data that could be used to answer the research questions. As a result of this limitation, the results of this study are indicative and not definitive.

In terms of the primary research question the study found the bulk of procurement having been placed through vendors within B-BBEE levels 1 to 4. There were also significant increases in the proportion of procurement spend going to EMEs and QSEs over the analysis period. In terms of making use of majority black-owned vendors, there was a marked increase over the analysis period, with marked increases in the use of majority black-owned EMEs and QSEs.

In terms of the sub-question, the study found a high proportion of spend, or increasing proportions of spend, that went to vendors offering services and products within the SABC's core business areas such as Content Production.

The qualitative interviews conducted revealed that this performance by the SABC has largely been 'accidental'. The SABC has no strategy for black economic empowerment in general, and for preferential procurement or enterprise development in particular.

All that the SABC appears to have done is implement a supply chain management policy that is aligned with the government's black economic empowerment legislation and regulations. This particular finding appears to demonstrate how the State's policies and related pieces of regulation are intended to work. At the barest minimum, just implementing internal policies aligned to the legislation and regulations should go some way in achieving the national imperative of broad-based black economic empowerment.

The report concludes with recommendations on how the analysis from this study could be built on, as well as steps the SABC could take to improve its performance in terms of preferential procurement and enterprise development.

Declaration

I, Trevor Kaseke, declare that this research is my own, unaided work. It is submitted in partial fulfilment of the requirement for the degree of Master of Management in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Signature: 
Trevor Kaseke

Date: 17-02-2018

Dedication

To Tavi and Zayne:

I look up to you.

To Trish:

You prayed...you encouraged...you did not ever give up.

You give this, and my life, meaning.

Acknowledgements

I wish to express my eternal gratitude to God for placing my parents, my siblings, my friends and colleagues in my life...and using them to continuously encourage and support me.

I thank Trish, my suffering partner, for supporting me in more ways than I could ever count, and for ensuring that I saw this through to the end.

I am grateful to Dikgang Motsepe, my ever-patient supervisor, for his steady guiding hand, and for always making time for me.

Last, I thank all the respondents who agreed to participate in this study. Your participation provided invaluable insights.

TABLE OF CONTENTS

1	INTRODUCTION AND BACKGROUND.....	1
1.1	Problem Statement	5
1.2	Purpose Statement	6
1.3	Research Questions.....	6
2	LITERATURE REVIEW	7
2.1	Introduction	7
2.2	The South African Context	7
2.3	Defining Public Procurement.....	8
2.4	History of Public Procurement as a Tool to Achieve Social and Political Goals.....	9
2.4.1	Anti-discrimination.....	9
2.4.2	Affirmative action	10
2.5	South Africa.....	12
2.5.1	History.....	12
2.5.2	The shift from RDP to GEAR	13
2.5.3	Black economic empowerment	14
2.5.4	From BEE to B-BBEE	15
2.5.5	Criticism	16
2.6	The Use of Public Procurement in South Africa	18
2.7	Preferential Procurement	20
2.7.1	Criticism of preferential public procurement.....	23
2.8	Challenges to Implementing Preferential Procurement	24
2.8.1	Conflicting criteria	24
2.8.2	Equitableness	25
2.8.3	Competitiveness	25
2.8.4	Mismanagement	26
2.8.5	Value-for-money	28
2.8.6	Absence of a coherent viable approach.....	29

2.9	Conclusion of Literature Review.....	30
3	RESEARCH METHODOLOGY.....	32
3.1	Introduction	32
3.2	Research Methodology	32
3.2.1	Unit of analysis.....	33
3.2.2	Population, sample and sampling	33
3.2.3	Data gathering methods.....	34
3.2.4	Requesting the data.....	35
4	DATA ANALYSIS	37
4.1	Introduction	37
4.2	Data and Data Sources.....	37
4.2.1	Data from SAP FI System.....	37
4.2.2	Data from vendor database.....	38
4.2.3	Tender/Bid documents and Supplier contracts	40
4.2.4	Exclusions.....	44
4.3	Data Analysis and Presentation	47
4.4	Reliability and Validity of the Data.....	47
4.5	Limitations.....	48
4.5.1	Poor quality of vendor database	48
4.5.2	General ledger (GL) account information withheld.....	49
4.5.3	Inconsistent capturing of vendor information.....	49
4.6	Personal Disclosure	50
4.7	Ethical Considerations	50
5	PRESENTATION OF DATA AND RESEARCH FINDINGS	51
5.1	Introduction	51
5.2	Answering the Main Research Question	51
5.2.1	Performance – procurement by BEE levels of vendors.....	52
5.2.2	Performance – procurement by company size of vendors	55

5.2.3	Performance – procurement by majority ownership of vendors	57
5.3	Black African Ownership	61
5.3.1	Comparing ‘black’ and ‘black African’	62
5.4	Answering the Sub-question	65
5.4.1	Majority black-owned vendors.....	67
5.4.2	Typical categories – Catering Services, Cleaning Services, Security Services	69
5.4.3	Core business category – Content Production.....	70
5.4.4	Core business category – Telecommunications, Media and IT Equipment and Services	70
5.4.5	Core business category – Advisory and Information Services	71
5.4.6	Core business category – Financial Services	71
5.5	Core Versus Non-core	72
5.6	Proportional Share	73
6	ANALYSIS OF RESEARCH FINDINGS.....	75
6.1	Limitations.....	75
6.2	Answering the Main Research Question	76
6.2.1	B-BBEE levels of vendors	76
6.2.2	Business sizes of vendors.....	76
6.2.3	Majority black ownership of vendors	77
6.3	‘Accidental’ Performance	78
6.4	Answering the Sub-question	79
6.5	Conclusion	81
7	CONCLUSION	83
7.1	Long Term View	84
8	RECOMMENDATIONS.....	85
8.1	Development of an Organisation-wide Strategy and Plan	85
8.2	Monitoring and Evaluation.....	86
8.3	Enterprise Development.....	87

REFERENCES89

LIST OF TABLES

Table 1: Revenue.....	1
Table 2: Permanent Employee Costs by Division	2
Table 3: Categorisation of Vendors.....	42
Table 4: Amounts Used to Answer Research Questions	45
Table 5: Multiplication Factor by BEE Level.....	52
Table 6: Annual Spend by BEE Contribution Level.....	53
Table 7: Proportion of Annual Spend by BEE Contribution Level	53
Table 8: Categorisation by Annual Turnover.....	55
Table 9: Spend by Company Size.....	56
Table 10: Majority Black-Owned Procurement by Company Size (Proportion of Size Category)	59
Table 11: Majority Black-Owned Procurement by Company Size (Proportion of Annual Spend)	59
Table 12: Payments as a Proportion of 'Black'.....	64
Table 13: Number of Vendors by Category by Year	65
Table 14: Spend by Category by Year	66
Table 15: Total Spend Proportion of Total Annual Spend - by Category, by Year	66
Table 16: Number of Majority Black-Owned Vendors - by Category by Year	67
Table 17: Vendors as Proportions of the Total Vendors per Category per Year	68
Table 18: Spend with Majority Black-Owned Vendors - by Category by Year	68

Table 19: Spend by Category by Year on Majority Black-Owned Vendors69

Table 20: Proportions Analysis - Majority Black-Owned Vendors74

LIST OF FIGURES

Figure 1: Sample of raw data from SABC SAP FI System.....	38
Figure 2: Sample of first set of data from SABC vendor database.....	39
Figure 3: Sample of second set of data from SABC vendor database	40
Figure 4: Sample of integrated dataset	43
Figure 5: Proportion of Annual Spend by Company Size	56
Figure 6: Annual Spend by Black Ownership Percentage in Vendors (Majority Black-Owned)	58
Figure 7: Annual Spend by Black African Ownership Percentage in Vendors (Majority Black African-Owned).....	61
Figure 8: Black African versus Black.....	62
Figure 9: Majority Black African-Owned Spend as a Proportion of Spend to Majority Black-Owned Vendors.....	64
Figure 10: Core versus Non-core.....	73

1 INTRODUCTION AND BACKGROUND

Begun in 1937, the South African Broadcasting Corporation (SABC) is South Africa's only public broadcaster. With the government as its sole shareholder, the SABC has a legislated mandate to broadcast content to all South Africans in all 11 official South African languages. This mandate is contained in the Broadcasting Act (1999).

The SABC fulfils its mandate through delivery of radio content via 18 radio stations, and television content via five television channels, three of which are free-to-air, and two that are currently only available on the DSTV pay-tv platform. Effort is made to broadcast on both platforms – radio and television – in all 11 official languages.

Funding for the SABC remains a contentious issue. Table 1 below shows a summarized representation of some figures from the 2014/15 Annual Report. During the 2014/15 financial year, the SABC collected just over R7,4 billion in revenue. Three quarters of that was from advertising revenue, with just under 3% provided by government in the form of government grants. Television license revenue, collected directly from the public and corporations, was just over 12%.

Table 1: Revenue

	Revenue - R ('000)	Revenue as % of Total Revenue
Advertising	5 680 720	76,33%
Business enterprise and facilities revenue	44 226	0,59%
Sponsorships	437 899	5,88%
License fees	913 396	12,27%
Government grants	203 874	2,74%
Mobile revenue	19 109	0,26%
Other revenue	142 758	1,92%
Total	7 441 982	100,00%

Source: SABC Annual Report 2015

With three quarters of revenue coming from advertising, it should be easy to see the inherent conflict in attempting to reconcile the public broadcaster's mandate to broadcast to all South Africans, in all official languages, and the major source of funding being from advertisers. A lot of content that should be produced and broadcast, and is important to those who access it, does not attract advertisers. Children's content, news coverage, adult education content, religious content, to name a few, are examples of content that does not attract significant advertising revenue. In the case of sport broadcasting, unless you own the rights, there is very little advertising revenue that can be generated during sport broadcasts. The added complication to sports broadcasting is that there is a list of sports that the SABC has to broadcast as part of its mandate. The SABC does not hold the rights to most of these, such as national team soccer, rugby and cricket. This means that in addition to not being able to generate much advertising revenue, the SABC is also a price taker in terms of the rights fees from whoever holds the primary rights.

The conflict between mandate and revenue sources manifests in other ways too. As Table 2 below shows, about 25% of the SABC's workforce is employed in the News division. News generates very little revenue, but consumes about 12% of the total expenditure, and over a quarter of the permanent employee expenditure during the 2014/2015 financial year (South African Broadcasting Corporation, 2016).

Table 2: Permanent Employee Costs by Division

	Total Expenditure - R ('000)	Permanent Employee Expenditure - R ('000)	Perm Employee Exp by Division as % of Total Perm Emp Exp
Commercial Enterprises	364 361	217 184	9,56%
Group Services	657 972	349 474	15,38%
News	962 390	605 633	26,65%
Provincial Operations	209 008	103 875	4,57%
Radio	1 029 955	225 207	9,91%
SABC Sport	797 234	39 747	1,75%
Technology	1 065 130	542 603	23,88%
Television	2 855 862	188 462	8,29%
Total	7 941 912	2 272 185	100,00%

Source: SABC Annual Report 2015

The SABC is one of many South African parastatals – entities meant to be run in accordance with New Management Principles, but ultimately for the public benefit. It has a Board of Directors that is tasked with oversight over its affairs, and the responsibility to shield it from undue political interference. The reality, however, is that the appointment of board members is done through parliament, where one party currently has a majority.

The conflict between the SABC’s mandate and its funding structure raises the question of whether it should be concerned with making profit. Whichever way this question may get answered, there is one fact that should be undeniable: The ideal situation would be one where the SABC, as a state owned entity (SOE), is fully self-sustaining, with no support at all from the public purse, and yet still fulfilling its mandate (de Acevedo Sánchez, 2016). This ideal situation requires that at the very least, the organisation be efficiency-oriented (de Acevedo Sánchez, 2016). It needs to stretch its limited and market-dependent resources to fulfil an unchanging mandate.

An orientation towards efficiency means that costs need to be carefully managed to ensure that maximum value for money is gained. As a public entity, however, the SABC, in addition to its role as the public broadcaster, is obligated to play a part in the government’s efforts towards for socio-economic transformation. One of these roles applies to carrying out its procurement of goods, services and content in accordance with the Preferential Procurement Policy Framework Act (PPPFA) (2000).

Adherence to the PPPFA is mandatory for all government entities, but not so for private entities, whose only penalty would be the disadvantage suffered when they bid for government and SOE work . However, success in terms of the objectives of the Act can only be achieved with participation of the private sector. As a public entity, the SABC therefore needs to demonstrably play its part if government hopes to convince the private sector to take preferential procurement seriously. Unlike a national department, the SABC, due to its funding sources and competitive operating context should present as an

excellent mechanism through which the state can demonstrate to the private sector how preferential procurement can be effectively done.

Preferential procurement in modern South Africa finds its origins in Sections 217(1) and (2) of the Constitution. It is here that the general principle and objective is outlined:

217 (1): When an organ of state in the national, provincial or local sphere of government, or any other institution identified in the 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.

217 (2) Subsection (1) does not prevent the organs of state or institutions referred to in that subsection from implementing a procurement policy for –

- a) categories of preference in the allocation of contracts; and
- b) the protection or advancement of persons, or categories of persons, disadvantaged by unfair discrimination.

This constitutional provision is given effect through various pieces of legislation. It is perhaps in the Broad-Based Black Economic Empowerment Act (2003) that it is made clear who are meant to be the main beneficiaries of preferential procurement. The Act outlines intended beneficiaries as ‘black people’, (defined as ‘Africans, Coloureds and Indians who are citizens of the Republic of South Africa by birth or descent) and in particular, women, workers, youth, people with disabilities and people living in rural areas (Government of South Africa, 2003)

While the Act outlines a number of aspects in which empowerment is to be sought, including skills development and equitable representation at all levels of the workforce, the focus regarding preferential procurement is aimed at ‘enterprises that are owned or managed by black people’ (Government of South Africa, 2003).

As a Schedule 2 state-owned entity, the SABC is enjoined to the constitutional provision, and to the obligation to implement preferential procurement in accordance with the B-BBEE Act (2003) and the PPPFA (2000).

Determining if, and how, the procurement spend of the SABC has shifted towards black-owned, black-women owned, youth owned, people with disabilities owned, and small, enterprises (referred to as the 'designated group' in the draft Preferential Procurement Regulations, 2016) over the last five years will provide important information on the efforts of this state entity to implement this aspect of black economic empowerment (Preferential Procurement Regulations, 2011).

1.1 Problem Statement

The history of South Africa calls for both the public and private sectors to engage fully with efforts aimed at addressing the socio-economic challenges facing the country. Preferential procurement, as part of the drive towards black economic empowerment, is one area that is capable of going a long way in addressing a number of the economic and social challenges in South Africa. In drawing up the preferential procurement policy and related legislation and regulations, the government sought to use its considerable purchasing power to advance broad-based economic transformation through the provision of opportunities to enterprises owned by members of the 'designated group', including black-owned Exempted Micro Enterprises (EMEs) (Department of Trade and Industry, 2003). However, information is scant on how the government itself, as the largest procurer of goods and services, has performed in this regard.

- This study sought to determine the performance over the last five years of one state owned entity - the SABC - in terms of its implementation of preferential procurement. In particular, it sought to determine if, and how, the procurement spend of the SABC had shifted towards

enterprises owned by members of the designated group. As a state-owned entity, the SABC is obligated to implement preferential procurement as outlined in the B-BBEE Act, by increasing the proportion of its procurement spend that goes to 'enterprises that are owned or managed by black people'. While the Act offers what could be construed as a compromise in the form of allowing for consideration of black-managed enterprises, this study focused on procurement from enterprises owned by black people as this information was more readily available.

1.2 Purpose Statement

The purpose of this study was to determine if, and how, the SABC's implementation of preferential procurement had shifted procurement spend towards enterprises owned by black people.

1.3 Research Questions

The main research question the study aimed to answer was:

Has the implementation of preferential procurement at the SABC over the last five years resulted in an increased proportion of spend towards enterprises owned by black people?

The study also attempted to answer one sub-question:

To what extent has procurement spend on black-owned enterprises extended beyond the typical non-core aspects of the SABC operations such as cleaning, catering, and security services?

2 LITERATURE REVIEW

2.1 Introduction

The challenges facing South Africa are not new to the world, nor are the efforts of governments with regard to public procurement. It is therefore important to obtain an understanding of what has been done before, successfully or otherwise, in this regard.

The literature reviewed begins with a definition of public procurement and an introduction to the use of public procurement as a way through which governments can achieve social and political goals. It then briefly places this within a historical context, covering the use of affirmative action and 'set asides'. The South African case is introduced through a brief history, and the case is made for the need to use public procurement to further social and economic goals. Black Economic Empowerment (BEE) is briefly discussed, both as a concept and as a specific programme. Preferential procurement is then discussed within the ambit of the use of public procurement in South Africa. Challenges and critiques are discussed throughout. The review ends with some points on which consensus is likely, and goes on to make the case for this study to be conducted - a study that provides information on how one state owned entity is performing in terms of preferential procurement.

2.2 The South African Context

Countries like South Africa, with a long history of systematic discrimination and unequal development, do not have the luxury of being able to separate economics from politics (Southall, 2007). Like in other places in the world, the government will for a long time to come, be expected to adopt an active role in driving equality of participation in the economy (McCrudden, 2004).

This appreciation of South Africa's reality places this study within the theoretical framework of South Africa as a developmental state. The South African National Development Plan 2030 premises the desired future of South

Africa on the creation of a 'capable and developmental state' (National Planning Commission, 2012). In its simplest form, a developmental state refers to a state that follows a government-designed, and led, path of development. On the spectrum from capitalism to socialism/communism, a developmental state slots between and involves 'a web of political, bureaucratic, and moneyed influences' that guide the development of the country through the managed cooperation with the private sector (Bolesta, 2007). A developmental state therefore, at its best, is a reflection of the state using its power to intervene in the economy and guide investment and activity in a way that is meant to achieve a particular vision for the economy. The interventionist actions of the state are justified due to the existence of either market imperfections, or a country with significant developmental challenges that need to be addressed (Bolesta, 2007; Fine, 1999; Leftwich, 1995).

This study, and indeed the literature review, is approached from the point of view that due to its history, South Africa's government has to intervene and enable, and perhaps speed up, the continued development of the country. This would be best done through a carefully coordinated process of economic transformation aimed at unleashing the country's potential. The history of the success of the Asian nations in doing this, has shown that governments can play a critical role in harnessing domestic and international forces for the good of the country. South Africa's efforts with black economic empowerment should be seen within this context of a government attempting to implement an extensive economic transformation programme (Sanchez, 2006; United Nations, 2013).

2.3 Defining Public Procurement

Public procurement refers to the purchasing by government and public entities of goods and services that they need to carry out their work (Ambe & Badenhorst-Weiss, 2012; Munzhedzi, 2016; Pooe, Mafini, & Makhubele, 2015). Estimated at about 15% of the world's GDP, public procurement is known to be as high as 70% in some developing countries. In South Africa,

this figure was just over 10% (Ambe & Badenhorst-Weiss, 2012; National Treasury, 2015).

2.4 History of Public Procurement as a Tool to Achieve Social and Political Goals

Aside from public procurement being about acquiring goods and services for the state on the best possible terms, it also has broader social, economic and political implications (Bolton, 2006). Its use as a mechanism to achieve social and political objectives is nothing new or unique to South Africa (McCrudden, 2004; Qiao, Thai, & Cummings, 2009).

McCrudden (2004) examines the history of this practice, from its origins in the 19th century in the form of an executive order regarding the limiting of working hours to 10 hours a day on government contracts, issued by then US President, Martin Van Buren in 1840. From that time, most of the use of public procurement was around addressing unfair labour practices and unemployment. It was not until the 20th century, after World War I that government procurement started to become a tool to address the needs of the previously marginalized. This started with a programme in the UK in 1926 that required the employment of disabled ex-military personnel on government projects, followed by legislation passed in the US in 1928 that saw government procurement benefiting the blind. By 1971 this had been extended to cover 'other severely handicapped' beneficiaries. The Special Contract Arrangements (SCA) in Britain are a modern iteration of the programme begun in 1926 (McCrudden, 2004). Elsewhere, examples abound of public procurement being used as a tool to increase employment. Belgium and the Netherlands used it in their construction sectors.

2.4.1 Anti-discrimination

After World War II, public procurement was increasingly used to address a growing range of social issues, including discrimination in terms of

employment, and greater inclusion in economic activity by disadvantaged groups. In the US, due to the delay in the passing of the law ending the discrimination against black Americans, it was through public procurement that the agenda of non-discrimination in employment was advanced. For 23 years until the passing of the first employment discrimination legislation in 1964, public procurement was used in the US to enforce this through presidential executive orders (Reed, 1991, cited in McCrudden, 2004).

The influence of this on the rest of the world is evidenced by the UK, which by 1976 had passed legislation to prohibit discrimination against black and Asian immigrants, as well as racial discrimination in employment and housing. Canada followed suit in the 1960s with its own anti-discrimination legislation. In 1986, the Canadian government began a programme that required entities employing a 100 people or more seeking to bid for government contracts to commit to implementing employment equity and to show this commitment by signing a certificate accompanying a detailed set of commitment criteria (McCrudden, 2004).

2.4.2 Affirmative action

The establishment and entrenchment of anti-discrimination legislation in the US saw it later morph into 'affirmative action' – a wide and varied set of approaches that aimed to increase equality for disadvantaged groups. As non-discrimination legislation extended beyond just race, so did affirmative action. Women became a designated beneficiary group and measures were put in place to ensure that women-owned businesses were assured a portion of government procurement (McCrudden, 2004).

The changes happened elsewhere too. In Northern Ireland, where the social issue was discrimination and inequality between Catholics and Protestants, public procurement was used to enforce legislation that outlawed discrimination on the basis of religious or political beliefs. Failure to comply resulted in penalties as well as economic sanctions that included ineligibility to

bid for government contracts (McCrudden, 2004).

To augment the efforts made through affirmative action, 'set asides', a form of preferential procurement, were introduced in the U.S. These saw portions of government contracts being 'set aside' for award to black-owned businesses – all in an effort to increase the participation of black Americans in the economy (McCrudden, 2004).

In 1997, in Malaysia, at least 30% of the annual value of government works contracts was reserved for indigenous Malay (bumiputera) contractors. This was in addition to the margin preferences ranging between 2.5 to 10% of reference prices for contracts up to RM 100 million that they also received. All supplies and works contracts up to the value of RM 100,000 were reserved for indigenous Malay suppliers (McCrudden, 2004; Zainol & Daud, 2011).

In Canada, 1996 saw the increase in the portion of government contracts awarded to aboriginal-owned businesses. These measures included the use of mandatory and selective set-asides, as well as provisions for subcontracting with aboriginal entities (McCrudden, 2004).

In their discussion of the World Trade Organisation's Government Procurement Agreement (GPA), Kattel and Lember (2010) make the observation that the GPA does acknowledge the need of developing countries to use public procurement to establish and develop small enterprises, as well as to support those that may be dependent on the government for business. Trionfetti (2000) concurs with this use of public procurement through the observation that the size of public procurement in developing countries gives rise to increased political utilisation.

2.5 South Africa

2.5.1 History

For 350 years, including nearly half a century of apartheid, black South Africans were effectively excluded from participating in the country's mainstream economy and society by way of systematically orchestrated discrimination in terms of education, ownership, access to resources and opportunities. The disparity between black and white South Africans was stark. In 1996, blacks, who made up 77% of the population, received about 38% of personal incomes, while whites, who made up 8% of the population, received 52% of personal incomes (Ponte, Roberts, & van Sittert, 2007; Southall, 2007). Even if allowances are made for amending these numbers to reflect the proportion of the working population, the implied reality would remain. The development of black businesses was restricted to areas where blacks were allowed to operate. At the same time, different provisions created economic disparities among the different black population groups. For example, Indians and Coloureds were to have businesses in urban areas, as long as there was not competition with white businesses (Iheduru, 2004 cited in Ponte et al., 2007).

The high level of concentration of business in South Africa prior to and after 1994 is known and not disputed. Neither is the fact that government procurement prior to 1994 mainly benefited the large and established, mostly Afrikaner-owned, businesses. It was exceptionally difficult for new contractors, let alone non-white contractors, to be included in government procurement programmes (Ambe & Badenhorst-Weiss, 2012; Bolton, 2006; Chabane, Goldstein, & Roberts, 2006).

The resultant need to address these injustices and inequalities of the past, is in itself not debateable. As President Thabo Mbeki expressed, a prerequisite of national unity and reconciliation was the addressing of socio-economic disparities between black and white South Africans (Ponte et al., 2007). What continues to be debatable though is the methods through which the government has sought to go about it (Bolton, 2006; Ponte et al., 2007).

2.5.2 The shift from RDP to GEAR

By the time the ANC assumed political power in 1994, it had the benefit of having been able to observe the results in countries where liberation movements had moved to gain control over the economy through extensive nationalization efforts. The outcomes had been disastrous, as the economies crashed due to a combination of skills shortages, corruption and the backlash from the international community in the form of the withdrawal of international investors (Southall, 2007).

Armed with this evidence, the ANC departed from the extensive interventionist approach contained in the Reconstruction and Development Programme (RDP) towards the Growth, Employment and Redistribution (GEAR) programme, which espoused market friendly policies that did not harm business confidence, while at the same time attempting to balance the conflicting interests of black entrepreneurs, white companies, the trade unions and the South African Communist Party (SACP) (Tangri & Southall, 2008).

Because of the resultant 'get the economy right, then we do BEE' process to operating the economy, critics have suggested that it is this that explains the inability of the government to deliver meaningfully in terms of land redistribution, skills development, and employment. This, despite the undeniable logic of the approach – get the economy growing, in order to create that which can be distributed. As then Minister of Public Enterprises in 2006, Alec Erwin, simply put it, "It is pointless having a BEE economy that is growing at one percent. We have to hit the growth rate." – Alec Erwin, Minister of Public Enterprises, 2006 (Ponte et al., 2007; Tangri & Southall, 2008).

2.5.3 Black economic empowerment

Since 1994, the South African government has pursued a combination of programmes designed to empower those who had been discriminated against by the previous governments, all the while trying to achieve economic growth. One of these programmes is Black Economic Empowerment (BEE) (Ponte et al., 2007). Implemented by the SA government as part of a nation building strategy, Black Economic Empowerment was introduced not only in an effort to achieve some redress of the imbalances of the past by breaking the 'wall of whiteness around South Africa's economy' (Tangri & Southall, 2008), but it was also part of a growth strategy that sought to realize the country's full economic potential (Fauconnier & Mathur-Helm, 2008).

The first iteration of black economic empowerment, which ran from 1994 to about 2000, consisted mainly of ownership deals, designed to establish and increase black ownership of major corporations (Ponte et al., 2007). In the years 1994 to 1998, BEE deals saw 8% of shares on the JSE being black-owned. These seemingly impressive gains were reversed by way of the 1998 stock market crash, which wiped out half that value, and left less than 4% black-owned (Tangri & Southall, 2008). Notwithstanding the 1998 market crash, these early deals took place as legislation was enacted to address employment equity, labour rights, and skills development.

This first attempt at black economic empowerment was successful in so far as making a very small group of black people very rich. For example, of the R25 billion worth of the empowerment deals in 2003, 60% went to the companies of two black businessmen (Fauconnier & Mathur-Helm, 2008; Ponte et al., 2007; Tangri & Southall, 2008) (Fauconnier & Mathur-Helm, 2008; Ponte et al., 2007; Tangri & Southall, 2008). What this small group of early beneficiaries had in common was a combination of strong political connections and having at some point in time been political prisoners or been in exile (Chabane et al., 2006).

2.5.4 From BEE to B-BBEE

Broad-based Black Economic Empowerment (B-BBEE) – the second iteration of black economic empowerment - sought to widen the pool of beneficiaries (Ambe & Badenhorst-Weiss, 2012). It was necessitated by a need to address the shortcomings of the first phase (Fauconnier & Mathur-Helm, 2008). One such shortcoming was the widening of the income disparity within the black population, with minimal benefit flowing to workers collectively or their communities (Fauconnier & Mathur-Helm, 2008).

Under this iteration of BEE, ownership became one of seven criteria against which a company's BEE credentials were assessed. The other six comprise preferential procurement, management representation, skills development, corporate social investment, enterprise development and employment equity (Ponte et al., 2007). Read with the associated Codes of Good Practice this legislation aims to encourage and formalise broad-based empowerment, including the participation of women and other new sector players (Fauconnier & Mathur-Helm, 2008).

Other pieces of legislation serve to bolster the state's efforts. For example, Section 53(1) of the Employment Equity Act seeks to prevent the creation of unfair competitive advantage when it comes to public procurement through non-compliance with anti-unfair labour practices in a bid to reduce costs or maximize profits by providing that:

Every employer that makes an offer to conclude an agreement with an organ of state for the furnishing of supplies or services to that organ of state or for the hiring or letting of anything (a) must (i) if it is a designated employer, comply with [the chapters on the prohibition against unfair discrimination and affirmative action in Act]; or (ii) if it is not a designated employer, comply with [the chapter on the prohibition against unfair discrimination] (Bolton, 2006)

2.5.5 Criticism

One of the criticisms of black economic empowerment efforts in South Africa is that the current legislation has been ineffective. It has been argued that it has resulted in significant costs being placed on the economy without the commensurate benefit of employment creation or economic growth. This is tied to one of the major criticisms of the current legislation, which is that it neither incentivises employment creation, nor provides for adequate support for small enterprises and local procurement (Ambe & Badenhorst-Weiss, 2012). Proponents counter this by pointing to the development of a growing non-white middle class, as well as a black capitalist class as proof of the success of government efforts to achieve black economic empowerment. This point is made despite an acknowledgement that a 'black bourgeoisie' has emerged at a considerably faster rate than that of the black middle class (Fauconnier & Mathur-Helm, 2008; Tangri & Southall, 2008).

It would appear, however, that the pace of transformation will remain subdued because, unfortunately, interest in BEE in South Africa is divergent. At an organisational level, there are those for whom BEE is not a strategic consideration, but rather a compliance exercise, with the preservation of the ability to secure licenses and business from government being the source of the impetus (Bolton, 2006; Tangri & Southall, 2008). It has then followed that where there is minimal to no dependence on the government for business, transformation has lagged. This is evident in the retail and hospitality industries, where the government has little by way of leverage (Ponte et al., 2007; Southall, 2007).

At an individual level, it is a way for some black people to get rich quickly, without much concern for the methods through which they go about it (Fauconnier & Mathur-Helm, 2008). For others, they just do not believe its intended macroeconomic benefits. Krüger (2011) found evidence of this in his study of 500 managers across small, medium and large companies. Upon finding that while most respondents, most of whom were black and female, agreed that they stood to benefit personally from BEE practices, they

generally disagreed with the notion of BEE having a positive impact on any of ten selected indicators of business performance. This study indicates that BEE appears to suffer from a lack of credibility, not only amongst white South Africans, but also amongst the black South Africans who ironically are the intended beneficiaries.

Supporters of BEE cite observations that the benefit to the masses of black South Africans is more than estimated when one includes indirect ownership through pension funds, as well as procurement happening at SOE, local and provincial government levels, where procurement tends to be increasingly directed towards small and local black owned firms (Southall, 2007). The findings from this study, showing a high level of allocation to small black owned firms, appear to support this view.

Another counter to those who claim that BEE has only benefitted a few is that this is largely due to the few who flaunt their riches in efforts to copy the lifestyles of white people. The source of this inclination, they argue, lies in the origins of these newly rich, origins filled with poverty and hardship. The result is that when they do come into money, they are given to opulent lifestyles, and not to austerity (Bond, 2000; Southall, 2007).

Criticism of BEE and its iterations in terms of legislation and focus is voluminous and covers numerous aspects of it, from the ideological aspects to the implementation aspects, and not least because its 'extent, precise nature, and ultimate outcome remains unclear' (Tangri & Southall, 2008). Some is justified.

The remaining sections, in keeping with the focus of this study, will focus on public procurement, and preferential procurement in particular.

2.6 The Use of Public Procurement in South Africa

It was to be expected that when South Africa became a democratic republic in 1994, after the end of apartheid, public procurement would be used as a tool with which the government would use to address the systematic discrimination and inequality of the apartheid system (Magoro & Brynard, 2010; Oni & Fatoki, 2014; Pooe et al., 2015). In 1994, the condition of black capitalism necessitated state intervention. Black capitalism, like Afrikaner capitalism after the last World War, was chronically under-developed, under-financed, and ill-equipped to develop independent of state intervention (Southall, 2007).

The Constitution, through Section 217 (2) makes a provision for public procurement to be used as a means to address the imbalances of the past by giving preference to previously disadvantaged sections of the society. Key legislation governing public procurement lies in the Public Finance Management Act (PFMA) (1999), Preferential Procurement Policy Framework Act (PPPFA)(2000), Preferential Procurement Framework Regulations (2001), National Treasury Regulations (2005), and Black Economic Empowerment legislation. The PFMA provides the overarching framework for public procurement in South Africa (Ambe & Badenhorst-Weiss, 2012; Bolton, 2006).

Public procurement is central to the South African government's efforts to achieve service delivery. Through procurement, the government also seeks to achieve social, industrial and economic policies - aims that are secondary to the primary aim of general procurement (Cane, 2006 cited in Ambe & Badenhorst-Weiss, 2012). Social policy objectives often include job creation and fair labour practices such as the inclusion of disabled persons in the workforce, and prevention of discrimination against minority groups (Uyarra and Flanagan, 2009 cited in Ambe & Badenhorst-Weiss, 2012). In the case of South Africa, however, the goal would be to prevent the continued exclusion of the majority of the population.

Due to the discriminatory and unfair practices of the past, non-whites in South Africa were largely prevented from accessing government contracts (Ponte, Roberts, & Van Sittert, 2007). The use of public procurement as a policy tool can therefore also be referred to as 'wealth distribution' – a channelling of funds to discrete categories of economic actors made up of the previously excluded groups in South Africa. The state is expected to use all levers it has at its disposal in order to achieve this end. The sizeable procurement budget it operates is one such lever (Bolton, 2006).

The absence of comprehensive data from the state on public procurement makes it impossible to determine the success of using public procurement to implement national policies in South Africa. While Gounden (2000) concluded that the premium paid by the state was nominal compared to the initial projected outcomes and overall benefits, his study is dated, the focus is extremely narrow, and the amount of money under consideration was very little compared to the amounts under consideration now.

Mkhize (2004, cited in Bolton, 2006), a proponent for the use of public procurement to increase employment levels, posits that because SMMEs tend to be more labour intensive, a fast growing SMME sector therefore has significant potential to reduce unemployment, increase average household incomes, reduce poverty, and increase the tax base of the economy. This is a view shared by Peprah, Mensah, and Akosah (2016) in their study on SMEs access to public procurement contracts in Ghana. Theoretically, this should be how it works. But then in order to develop SMMEs to the point where they are able to meaningfully absorb the unemployed would require an approach that focuses on growing a few viable SMMEs to the point where they become significant industry players. This belies the idea of targeted procurement (Watermeyer, Gounden, Letchmiah, & Shezi, 1998). Unlike situations where the goal is to afford opportunities to a minority, the South African situation demands a targeted approach because it is the majority that the government seeks to uplift.

Wallace (1999) and Watermeyer (2000) both advocate for targeted procurement to achieve socio-economic benefits, albeit looking at it from different angles. Wallace (1999) looks at it from the point of view of community economic development in poor neighbourhoods in the U.S. She concludes that community economic development would be greatly improved if viable women and minority-owned businesses are made beneficiaries of public procurement at local levels. Watermeyer (2000) makes the case for targeted procurement from capable and viable small local enterprises in construction projects. One of his reasons is that they are more likely to use labour intensive building methods, using local labour. With the high unemployment levels in South Africa, similar thinking could go a long way towards improving the current situation.

Evidence from East Asian countries also suggests that targeted procurement is perhaps the approach South Africa ought to be considering. The technocrats there were able to choose industries and particular firms to provide selective support. It did help that these choices were made in the interests of the greater economy, and not in the interests of the politicians (Ponte et al., 2007).

2.7 Preferential Procurement

Spurred by the underlying premise that government spending had to be reduced, and that one way to achieve that was to get government to hand over to the private sector that which the private sector could produce and do more efficiently (read: cheaper), privatization was initially a significant component of the government's 1996 GEAR strategy (Aivazian, Ge, & Qiu, 2005; Chabane, Goldstein, et al., 2006). However, if this was the accepted wisdom, it raises the question as to why then would the government at the same time advocate for a policy – preferential procurement - that would see the government paying a considerable premium for that which it could acquire cheaper. The answer invariably would lie in the Constitution's provision that public procurement be used in efforts to create a level playing field (Kattel &

Lember, 2010). It is not to be a mechanism to be used for this purpose indefinitely (Bolton, 2006).

As should be clear at this point, the general notion of preferential procurement is fraught with controversy and contradictions, not least by the very provisions of the Constitution itself, for example Sections 9(3) and 9(5).

As Bolton (2006) argues, through reference to relevant case law, the actual economic and social circumstances of individuals should be taken into account. While that may be, it raises more questions around policies that seek to 'disadvantage', albeit temporarily, an entire race in the name of creating advantage for one that was largely deprived in the past. The question is perhaps more pertinent when you consider that there were many white people who were against apartheid and supported its end. How 'fair' then are the existing 'fair discrimination' laws?

Martin and Stehmann (1991, cited in Bolton, 2006) argue for other advantages presented by preferential procurement policies over other more direct methods of assistance, one being that public spending is not raised directly. Bolton (2006) then goes on to assert that the time and cost premiums should be viewed as 'an integral part of a country's growth and transformation'. This raises two related queries. The first relates to the acceptable quantum of that premium. The second relates to whether the argument advanced by Martin & Stehmann (1991) is therefore not nullified by this acknowledgement of cost premiums.

Be that as it may, the PPPFA gives effect to the Constitution's provision for the use of public procurement to be used to address the injustices of the past. The Act, read with National Treasury regulations and guidelines, provides for a preference point system, with preference points awarded for entities either owned and managed by historically disadvantaged persons, or have demonstrated commitment to the advancement of the government's social policy goals. The proof of the level of commitment is provided in the form of B-BBEE certificates. Rather than absolute advantage, the preference points

afford the qualifying bidders relative advantage, which is sometimes warranted, given that they are often up against larger, better financed, more established and more diverse white firms (Ambe & Badenhorst-Weiss, 2012; Wallace, 1999).

Before 1994, it was the cheapest capable tenderer who always got the government contract. All else being equal, more was achieved per Rand spent by the government. Price was the anchor determinant. After 1994, even though price remains an important criterion, it is no longer as important as it once was. A contractor's ranking in respect of achievement of socio-economic objectives plays a significant role in the selection process (Bolton, 2006). However, price has to, and does remain one of the most important criteria because the value for money should always be high up in the consideration set for public procurement (Bolton, 2006).

2.7.1 Criticism of preferential public procurement

The primary concern of public procurement should be that of acquiring goods and services on the basis of ‘the most economically advantageous tender’ or the best possible terms (Bolton, 2006; Chen, 2008; Kloviene & Gimzauskiene, 2014). This overriding goal is at the heart of much of the criticism levelled against preferential public procurement. It is also behind the myriad challenges facing public procurement and its use to achieve social and political goals.

One critique of preferential procurement, is that it affects the levels of competition (Kattel & Lember, 2010). Given that government ultimately seeks to achieve higher efficiency and job creation in the economy, this will happen, the argument goes, only if existing firms are exposed to competition. This view, perhaps understandably, opts to ignore the preferential circumstances under which the firms advocating against preferential treatment acquired their competitive and comparative advantage (Chabane et al., 2006).

What is often glossed over by critics of preferential treatment in South Africa, but is important and relevant in this case, is the history of the development of the now established Afrikaner businesses (Chabane, Roberts, & Goldstein, 2006; Ponte et al., 2007). After the Second World War, the Afrikaner government set out, through state-owned entities and public entities, to achieve three main goals – to reduce the dominance of the gold mining sector in the local economy; to reduce the reliance on foreign producers in order to better deal with international sanctions; and to create jobs for the Afrikaner workers (Clark, 1994, cited in Chabane et al., 2006). Aside from the resultant dominance of Afrikaner businesses, the consequence of this, and the apartheid system in general, was the reservation of particular jobs for white people and a denial of most black people from economic opportunities, including owning property (Southall, 2007).

2.8 Challenges to Implementing Preferential Procurement

2.8.1 Conflicting criteria

The Constitution of South Africa requires that five criteria be satisfied in the carrying out of all public procurement – fairness, equitableness, transparency, cost-effectiveness and competitiveness. These criteria are in keeping with some of the core objectives of public procurement such as value-for-money (efficiency), integrity (the avoidance of conflicts of interest as well as corruption), accountability, equal opportunities and treatment of providers, efficient implementation of industrial, social and environmental objectives, and efficiency in the procurement process (Ambe & Badenhorst-Weiss, 2012; Pauw & Wolvaardt, 2009).

There is contradiction in the very nature of these criteria, and the Constitution does not indicate how these should be managed in relation to each other. The challenges posed by multiple and conflicting goals of public procurement play a role in how it is perceived as constantly underperforming (Kattel & Lember, 2010; Pauw & Wolvaardt, 2009).

Resource limitation is a reality faced by most governments. In South Africa, this is very pronounced given the magnitude of social issues requiring redress. Cost-effectiveness therefore becomes a crucial criterion in terms of how the government spends money (Schapper, Malta, & Gilbert, 2006). The challenge of balancing economy, efficiency and equitableness should, for a country like South Africa, be the main preoccupation of public procurement efforts (Pauw & Wolvaardt, 2009; Qiao et al., 2009). This leads to the inevitable realization and conclusion that while all criteria must be applied to all state tenders, they will not always be applied in equal measure, but rather in degrees, depending on the circumstances (Bolton, 2005 cited in Pauw & Wolvaardt, 2009)

2.8.2 Equitableness

The contradiction between these criteria is perhaps most pronounced when one considers equitableness and cost-effectiveness. Equitableness speaks to proportional allocation, implying that simple equal numerical allocation would not be fair. During apartheid, the South African government grossly underfunded black schools (Pauw & Wolvaardt, 2009). It would therefore be unfair to treat black contractors the same as white contractors, given that the latter benefitted from a significantly superior education, funded by the government. It follows then that during tender evaluation, black contractors be given an advantage (Pauw & Wolvaardt, 2009). The complexity in this is the nature of the advantage to be afforded, because the specification of the required services or products remains unchanged.

It is important to note that this advantage is based on the current situation in South Africa. It is temporary. It is equitable, and therefore fair, to do so now. Indefinite application of advantage to black business would not be fair. It should not be unfair if, say, after another 20 years the government is still legislating that advantage be afforded to black contractors (Bolton, 2006; Tangri & Southall, 2008).

2.8.3 Competitiveness

Competitiveness is critical if part of the goal is to ensure maximum return for taxpayers' money. Competition amongst suppliers, all else being equal, provides for better prices for buyers, in this case, the state. The absence or limitation of competition, whether through manipulation by bidders (collusion) or whether legislated, invariably leads to a premium being paid. Preferential procurement in the case of South Africa certainly represents a limitation of competitive forces (Pauw & Wolvaardt, 2009).

The need to have competition provides sufficient justification for the development of small, medium and micro enterprises. Their development and growth results in more competition, the benefits of which will accrue to the

country in the form of lower prices. An added result is also global competitiveness as they seek other markets after conquering their domestic market (Porter, 1990 cited in Pauw & Wolvaardt, 2009).

2.8.4 Mismanagement

Challenges of public procurement in South Africa include lack of proper knowledge, skills and capacity; non-compliance to Supply Chain Management (SCM) policy and regulations; inadequate planning; lack of accountability, fraud and corruption; inadequate monitoring and evaluation of SCM; unethical behaviour; inequality of wealth; as well as an inability to balance the transformational and developmental objectives of public procurement with the need to maximize value-for-money when purchasing goods and services (Ambe & Badenhorst-Weiss, 2012; Migiro & Ambe, 2008; National Treasury, 2015).

Lack of proper knowledge, skills and capacity – have been identified as the single greatest impediment to the success of public procurement in South Africa, as well as in the European Union, with indications that the situation is global (Ambe & Badenhorst-Weiss, 2012a; Ambe & Migiro, 2008). The contribution of this single challenge to other reasons should be obvious.

Non-compliance to policies and regulations includes inconsistent use of competitive processes for quotations and bids, as well as incorrect utilization of the preference points system (Matthee, 2005); incorrect procurement process in terms of thresholds, extensions of validity periods, and wrong usage of limited bidding processes (Van Zyl, 2006 cited in Ambe & Badenhorst-Weiss, 2012); and insufficient motivation for deviations from SCM procedures. A study on public procurement in the North West province found that the unsatisfactory implementation of public procurement was largely due to non-compliance to guidelines and policies, amongst other reasons. This finding is similar to that found in a study on the reasons for the poor

implementation of public procurement in the European Union (De Boer and Telgen, 1998, cited in Ambe & Migiro, 2008).

The importance of public procurement to the successful management of public resources, especially for developing countries, cannot be overstated. Because of this importance, it makes it vulnerable to mismanagement and corruption. A lot of money is often wasted (Mahlaba, 2004) due to the inefficient and ineffective structures, policies and procedures (Mahmood, 2010 cited in (Ambe & Badenhorst-Weiss, 2012; Ntayi, Gerrit, & Eyaa, 2009).

Fraud and corruption costs South African taxpayers hundreds of millions of Rands, and the amount of money attributed to irregular expenditure runs into billions of Rands each year (Mahlaba, 2004). The effect of this loss is seen in the increasing levels of frustration of the majority of South Africans who, despite the numerous social and infrastructural programmes embarked on by government, are yet to realize their share of socio-economic benefits. This frustration is heightened by the absence of appropriate censure for those who fail to perform, or who cost the taxpayer as contained in reports from the Auditor-General (Boateng, 2009 cited in Ambe & Badenhorst-Weiss, 2012; National Treasury, 2015).

The assumption of most public procurement literature, as well as the World Trade Organisation, is that government procurement failures are generally worse than private sector procurement failures (Fauconnier & Mathur-Helm, 2008). While this may not necessarily be the case, given the non-public nature of private enterprise failures, the distinction, however, is that with private enterprise, the system has inherent ways of addressing that – dismissal of those responsible by the shareholders. Accountability is clear. With public procurement, the multiple stakeholders make it difficult to assign accountability, and in the end, it is almost always those most in need who suffer from these inefficiencies (Fauconnier & Mathur-Helm, 2008).

2.8.5 Value-for-money

Relative scoring is used to evaluate and select the winners. Chen (2008) discusses the perils presented by relative scoring in determining the winning bids, the main one being that of a ranking paradox, with the result that the 'most economically advantageous tender' is not chosen.

The two-phase evaluation process followed in South Africa's public sector – where 'functionality', where applicable, is evaluated first - seems to be an example of this. The functionality phase consists of bids evaluated against a set of predetermined criteria, with a minimum threshold set for qualification to the next stage of evaluation. All those making the threshold number of points advance to the next phase where they are evaluated for price and black economic empowerment (BEE) efforts (National Treasury, 2013). It is at this point that the potential problem lies. The way the system works is that, given a functional threshold of 65 out of a 100, for example, a company that scores 66 and one that scores 95 are treated equally when consideration of price and BEE is done. The logic is that a threshold represents a point beyond which a bidder reaching or exceeding it is deemed able to fulfil the requirements of the tender in a satisfactory way. The assumption at this point is that the tender/bid specifications and criteria were well designed (National Treasury, 2013). This, however, would be an unreasonable assumption given the acknowledged lack of sufficient supply chain management skills and knowledge in public entities (Ambe & Badenhorst-Weiss, 2012; Ambe & Migiro, 2008; National Treasury, 2015).

The result is that it is not always the 'most economically advantageous tender' that gets chosen as it is possible that a tenderer offering a slightly higher price would have offered significantly more benefit than the company with the combination of the lowest price and higher BEE score (National Treasury, 2013). Consider the following author's example: A tender for the supply of tight bulbs for an office building awards 10 points for light bulbs with a 1 - 2 year lifespan, 15 points for light bulbs with a 2 - 3 year life span, 20 points for light bulbs with 4-5 year lifespan, and 30 points for more than 5 years.

Assume the threshold for this is set at 15 points, and two companies score the same elsewhere and Company A scores 15 in terms of this criterion for offering light bulbs with a 3-year lifespan, and Company B scores 30 points on offering light bulbs with a 10-year lifespan. Both companies move on to the next stage of evaluation where they both have the same BEE score. However, Company A is charging R10m, and Company B is charging R15m. The 'most economically advantageous' offer would be that of Company B, but if the PPPFA evaluation process were to be followed, Company A would receive the tender (National Treasury, 2013).

2.8.6 Absence of a coherent viable approach

Not in any way to imply that public procurement under apartheid was not without its shortcomings, but the approach taken by the government then to provide assistance to poor whites, and to Afrikaner capital in particular, does provide the ANC government with a viable model of state action aimed at benefiting a particular group of people (Ponte et al., 2007). Under apartheid, the state's resources in the form of revenues and economic power were systematically utilised to develop an Afrikaner capitalist class. 'State business was directed to Afrikaner banks, and the state's activities in areas such as post, communications, electricity and transport were used for the advancement of Afrikaners through direct employment and procurement' (Ponte et al., 2007, p. 8). The economic development of Afrikaners was therefore on the back of state economic policies that oversaw the coordinated and deliberate use of all public entities, as well as any leverage that could be brought to bear on private entities (Ponte et al., 2007).

Critics have argued that B-BBEE, by, amongst other things, making participation by private entities voluntary and emphasizing the corporate independence of parastatals, misses out on opportunity presented by its might – an opportunity that the previous regime exploited to great success (Ponte et al., 2007).

2.9 Conclusion of Literature Review

This literature review has briefly outlined the history of the use of public procurement to achieve social and political goals dating as far back as 1840. It has also outlined the various forms in which it has been used to achieve economic redress for the black majority in South Africa. While in other countries, public procurement is used to give opportunities to minorities, in South Africa the challenge is to give opportunities to the majority. This compounds the challenge considerably.

The criticisms against the implementation of black economic empowerment aside, there are a few items that most commentators are in general agreement with. These are:

- Black economic empowerment is not optional for the South African government. Given the history of South Africa, it is imperative, and the success of its implementation will have consequences for South Africa's political stability (Bolton, 2006; Ponte et al., 2007; Southall, 2007; Tangri & Southall, 2008).
- Public procurement, through preferential procurement, presents a significant lever, which if used effectively, can go a considerable way in addressing the social and economic challenges facing South Africa. (Bolton, 2006; McCrudden, 2004; Southall, 2007; Tangri & Southall, 2008)
- The importance of public procurement in terms of achieving social and political goals means that other criteria apart from commercial criteria, or 'the most economically advantageous', should be used to make purchasing decisions (Morris, 1998 cited in Bolton, 2006).

Without comprehensive details regarding public contracts, it becomes difficult to ascertain the full extent of the success of government efforts in terms of black economic empowerment. More importantly, as far as preferential procurement is concerned, this absence of information removes any ability to ascertain whether the state is doing that which it expects the private sector to

do. This study, in the case of one state-owned entity, tries to establish its performance in terms of preferential procurement. The reasons behind the level of performance are also briefly explored.

3 RESEARCH METHODOLOGY

3.1 Introduction

The study primarily sought to provide as its primary output an analysis of the distribution of procurement expenditure across different categories of service providers, as well as goods and services. This lends the study towards a post-positivist paradigm as the results are primarily objective and based on information that is verifiable (Wagner, Kawulich, & Garner, 2012).

The research design outlines how the study was conducted. It details the methodology that was followed, how the data was collected, and how the collected data was analysed (Wagner et al., 2012). The design for this study is set out below.

3.2 Research Methodology

A mix of quantitative and qualitative methods – mixed methods – was used in this study, with a stronger leaning towards quantitative methods. Mixed methods refer to the use of both qualitative and quantitative data and analysis in the same study (Wagner et al., 2012).

While qualitative research mainly aims to provide understanding of phenomena from the perspective of those who experience it, quantitative research carried out within a post-positivist paradigm seeks, amongst other things, to provide objective and value-free results (Wagner et al., 2012). This study primarily sought to measure in an objective and value-free way how the SABC has performed in terms of its preferential procurement imperatives. More specifically, it aimed to objectively measure how procurement spend has shifted towards black-owned enterprises. A descriptive quantitative approach was therefore the appropriate dominant methodology to use in order to answer the research questions.

In order to enhance the understanding of the findings of the quantitative analysis (Onwuegbuzie & Leech, 2005), qualitative interviews were held with people involved in supply chain management at the SABC, as well as users of services and products, to get some possible explanations for the results. The intent behind the qualitative enquiry was not to establish causation, but rather to augment the findings of the quantitative analysis by providing possible avenues for future research into the subject. This is in keeping with the thinking advanced by Sale, Lohfeld, and Brazil (2002) and Sogunro (2002) regarding the use of qualitative methods to complement quantitative methods, and not for the purposes of validation or triangulation.

3.2.1 Unit of analysis

The unit of analysis for this study, which refers to that which was analysed (Dolma, 2010; Wagner et al., 2012), was the procurement spend at the SABC from 2010 to 2015. It is the procurement spend that was analysed in order to answer the research question.

3.2.2 Population, sample and sampling

Due to challenges with regard to time, cost, access, or just the impracticality of reaching the whole population that a study may seek to make inferences about, a sample is drawn from the population. For quantitative research, it is important that the sample drawn bear, as much as possible, the same characteristics as the population it is being drawn from.

However, for this study, neither time nor cost posed any challenge to accessing the population of procurement spend records at the SABC. No sampling was therefore necessary, and the analysis is therefore done on the population.

All procurement expenditure by the SABC is linked to a vendor listed in the SABC's vendor database. However, not all the BEE information on all vendors was available. Notably the records got better in the latter years covered by the analysis.

All the information obtained is accounted for, and exclusions and assumptions made are noted at each step of the analysis.

Interviews were conducted with six personnel from the following departments:

- Supply Chain Management department – three interviewees (middle and senior managers) were selected to shed clarity regarding the state of the vendor database (for which the department is the custodian); the SABC's black economic empowerment strategy (the responsibility for monitoring the SABC's performance in terms of the ICT Charter scorecard sits within this department); and the availability of companies offering the services and products the SABC uses
- Television division – one interviewee (senior manager) was selected to provide some insight into what the division, to which the largest proportion of procurement spend is allocated, has done in terms of black economic empowerment
- Media Technology and Infrastructure division – this area is core to the business of the SABC, and one interviewee (senior manager) interviewee was selected to gain insights into black economic empowerment efforts within the division
- Finance – one interviewee (senior manager) was selected to provide context to the state of the GL accounts and assist with payments information

Qualitative interviews were conducted after the document analysis had been done. The interviews were used to add some context to the results of the quantitative analysis, as well as provide, where possible, explanations for patterns observed. The interviews also proved most helpful in the formulation of the recommendations contained at the end of this study.

3.2.3 Data gathering methods

The study used mixed methods of data collection – documentation and qualitative interviews.

Document analysis, which was the primary method through which this quantitative study was conducted, refers to the analysis of documents in order to answer the research question (Pershing, 2002, cited in Wagner et al., 2012). For this study, the analysis was primarily of confidential internal documents. This included tender/bid documents, vendor payments documents, and contract documents. Some public documents were also used. These included published annual reports, public B-BBEE certification documents, and public company documents relating to company operations.

3.2.4 Requesting the data

A motivation had to be made to the Chief Financial Officer's (CFO) office before access to the data was granted. The need for a detailed motivation was two-fold:

- SABC and external supplier/vendor confidential information was required; and
- Timing – the request was made at a time when the SABC was under intense unfavourable scrutiny from various sources, including the media and parliament. The effect of this was enhanced general suspicion.

The motivation provided gave the assurance that any supplier/vendor identification information would be masked in the presentation of the analysis, and that the information would be kept confidential. Access to the final report was also pledged.

It appears to have also been fortuitous that at the time of the request, the SABC's management had begun using the 'transformation' rhetoric to explain some of the procurement decisions that were receiving negative media and public attention. While this was not the expressed reason why access to the requested data was granted, the availability of actual analysis of the SABC's

performance in terms of preferential procurement was missing, and it could be that there was a view that this study would provide support for the adopted rhetoric.

4 DATA ANALYSIS

4.1 Introduction

Descriptive statistics, incorporating trend and ratio analyses, were used to summarise and describe information gathered during data collection (Wagner et al., 2012). Trend analysis refers to the analysis of data over time in order to identify patterns or trends. Content analysis was also done for the information obtained during the interviews. However, the inclusion of the qualitative analysis in this report is only so far as it relates to the findings of the quantitative analysis. It is included to complement the quantitative findings, and not in an attempt to triangulate the quantitative findings (Sale et al., 2002; Sogunro, 2002).

4.2 Data and Data Sources

Access was granted to:

- Transactional data from the SABC's SAP Financial (FI) System; and
- Vendor information from the SABC vendor database
- Tender/Bid documents;
- Supplier contracts

Additional information was sourced from:

- Online supplier websites

4.2.1 Data from SAP FI System

From the SAP Financial (FI) System, all financial transactions processed through supplier accounts for the years 2010 – 2015. Over the analysis period, an average of about 73,000 individual transactions per year were processed through this system relating to supplier accounts.

Figure 1 below is a masked sample of the data obtained from the SAP Financial FI System:

Doc.number	Clearing Doc.Number	Source Doc. Number	Vendor No.	Vendor Name	Document Date	Assignment	Posting date	Item Text	Local Gp Amount
102420463	102420463	102420463	159660	Vendor xx	17.06.2011	15001060242012	29.03.2012	bank reject reset Account reset	-400,00
102418867	102418867	102418867	112783	Vendor xx	22.03.2012	15001247342012	22.03.2012	Forex Trans 22/2/12 Pitch International	-725 850,00
102418865	102418865	102418865	112783	Vendor xx	22.03.2012	15001247352012	22.03.2012	Forex Trans 22/2/12 Pitch International	-234 630,00
102400635	102400635	102400635	115330	Vendor xx	17.02.2012	15001220252012	16.03.2012	bank reject reset 2nd time	-1 254,00
102381647	102381647	102381647	162179	Vendor xx	19.01.2012	15001203922012	06.03.2012	bank rej reset 06.03.2012	-1 000,00
102358126	102358126	102358126	125933	Vendor xx	31.01.2012	15001209212012	01.03.2012	#	-73 359,00
102358038	102358038	102358038	117369	Vendor xx	31.01.2012	15001209042012	01.03.2012	#	-145 753,56
102357870	102357870	102357870	162558	Vendor xx	29.02.2012	15001232072012	29.02.2012	#	-500,00
102344811	102344811	102344811	160793	Vendor xx	30.09.2011	15001131582012	16.02.2012	bank rej reset 1602.2012	-2 200,00
102344002	102344002	102344002	115330	Vendor xx	31.10.2011	15001149492012	15.02.2012	bank rej reset 15.02.2012	-1 254,00
1700052097	1700052097	1700052097	159251	Vendor xx	15.02.2012	19001757212012	23.03.2012	SABC v CWU and others J124509	12 893,61
1700051225	1700051225	1700051225	106339	Vendor xx	29.02.0212	19001755862012	19.03.2012	SD Mbori (201281873) study fees/hv date 2012	13 865,00
1700044108	1700044108	1700044108	115414	Vendor xx	01.03.2012	17000440982012	14.03.2012	SAFM - Signal Distribution: Up to 20/03/2012	-2 531 701,00
1700043897	1700043897	1700043897	113002	Vendor xx	05.02.2012	19001750602012	12.03.2012	00018 9423758521 2011 059	12 077,06
1700043201	1700043201	1700043201	104368	Vendor xx	07.03.2012	19001749762012	09.03.2012	though filmsply ltd - capital amooount	625 445,63
1700040915	1700040915	1700040915	113002	Vendor xx	18.06.2010	19001748132012	28.02.2012	Africa home shirt	4 560,00
1700040896	1700040896	1700040896	133321	Vendor xx	24.01.2012	19001746962012	27.02.2012	Pswaray Mutsa (PSWRUD001) study fees.	73 500,00
1700040895	1700040895	1700040895	113002	Vendor xx	24.01.2012	19001747292012	28.02.2012	23010-9329900824-2011-056 interest.	45,06
1700040821	1700040821	1700040821	113002	Vendor xx	31.01.2012	19001745972012	23.02.2012	ATM lines January 2012	818 263,71
1700040451	1700040451	1700040451	100565	Vendor xx	31.01.2012	19001744692012	21.02.2012	Makgobottane T (YR2012) study fees.	57 169,00
1700052655	102442307	1700052655	115712	Vendor xx	29.03.2012	17000526552012	30.03.2012	0000080823 - MOTSEPE	171 179,02
1700052654	102442306	1700052654	115712	Vendor xx	29.03.2012	17000526542012	30.03.2012	0000080823 - MOTSEPE	11 804,90
1700052653	102442305	1700052653	115712	Vendor xx	29.03.2012	17000526532012	30.03.2012	0000080827 - TUGWANA	11 804,90

Figure 1: Sample of raw data from SABC SAP FI System

Using the subtotals function in MS Excel, with vendor numbers used to group the payments, total payments to each supplier/vendor were calculated per year.

4.2.2 Data from vendor database

For the reasons further described in section 4.5.1, the data from the vendor database required some cleaning and manipulation to enable integration with the financial data from the SAP FI system. Data from the database was provided in two sets. The first set contained all vendors ever loaded onto the system. This set did not contain any BEE information, and it contained some duplicates. The duplicates were cleaned using payment records to make sure that the two vendor numbers did indeed relate to the same vendor.

Figure 2 below shows a masked sample of the first set of data from the SABC vendor database:

Vendor No	Cty	Name 1	City	PO Box	PostalCode	Street	Telephone 1	VAT Registration No.	E-Mail Address	Ctry	Company Registration No.
100000	ZA	Vendor xxx	MIDRAND		1685	xxxx	011-256-xxxx	N/A		ZA	N/A
100001	ZA	Vendor xxx							xxx@company.co.za	ZA	
100002	ZA	Vendor xxx							xxx@company.co.za	ZA	
100003	ZA	Vendor xxx	AUCKLANDPARK		2006	xxxx	011-726xxxx		xxx@company.co.za	ZA	
100004	ZA	Vendor xxx	JOHANNESBURG	1024xx	2000	xxxx	011-333xxxx	NA	xxx@company.co.za	ZA	NA
100005	ZA	Vendor xxx	FLORIDA	11xx	1708		011-671-xxxx		xxx@company.co.za	ZA	
100006	ZA	Vendor xxx	JOHANNESBURG	104xx	2000	xxxx	011-408-xxxx		xxx@company.co.za	ZA	
100007	ZA	Vendor xxx	BELVILLE	22xx	7535	xxxx	021-940-xxxx		xxx@company.co.za	ZA	
100008	ZA	Vendor xxx	BELVILLE	22xx	7535	xxxx	021-940-xxxx		xxx@company.co.za	ZA	
100009	ZA	Vendor xxx	CENTURION	74xx	0046	xxxx	012-673-xxxx		xxx@company.co.za	ZA	
100010	ZA	Vendor xxx	JOHANNESBURG	111xx	2001	xxxx	011-337-xxxx	NA	xxx@company.co.za	ZA	NA
100011	ZA	Vendor xxx	CAPE TOWN	51xx	8000				xxx@company.co.za	ZA	
100012	ZA	Vendor xxx	CAPE TOWN	51xx	8000				xxx@company.co.za	ZA	
100013	ZA	Vendor xxx	CAPE TOWN	51xx	8000				xxx@company.co.za	ZA	
100014	ZA	Vendor xxx	CAPE TOWN	51xx	8000				xxx@company.co.za	ZA	
100015	ZA	Vendor xxx							xxx@company.co.za	ZA	
100016	ZA	Vendor xxx	SANLAMHOF	1	8532		012-947-xxxx		xxx@company.co.za	ZA	
100017	ZA	Vendor xxx							xxx@company.co.za	ZA	

Figure 2: Sample of first set of data from SABC vendor database

The second set of data from the vendor database consisted of the data generated as a result of the efforts of the vendor management department's efforts to clean up the database. This database contained BEE information, from which the following was used for the analysis contained in this report:

- Ownership (broad overall numbers – Category ID 01 in Figure 3 below)
- Recognition level (BEE level)
- Applicable scorecard (used in conjunction with Annual Turnover data)

Figure 3 below is a masked sample of the second set of data from the vendor database:

Vendor	Name 1	Country	Region	CategoryID	Category Description	Subcategory	Subcategory Descript	Percentage
100553	Vendor 1	ZA	GP	01	Ownership	01	Black	0
100553	Vendor 1	ZA	GP	01	Ownership	02	White	100
100553	Vendor 1	ZA	GP	01	Ownership	03	Coloured	0
100553	Vendor 1	ZA	GP	01	Ownership	04	Indian	0
100553	Vendor 1	ZA	GP	02	Permanent Staff	01	Black	38
100553	Vendor 1	ZA	GP	02	Permanent Staff	02	White	58
100553	Vendor 1	ZA	GP	02	Permanent Staff	03	Coloured	2
100553	Vendor 1	ZA	GP	02	Permanent Staff	04	Indian	2
100553	Vendor 1	ZA	GP	03	Part Time Staff	01	Black	0
100553	Vendor 1	ZA	GP	03	Part Time Staff	02	White	0
100553	Vendor 1	ZA	GP	03	Part Time Staff	03	Coloured	0
100553	Vendor 1	ZA	GP	03	Part Time Staff	04	Indian	0
100553	Vendor 1	ZA	GP	04	Disabled Staff	01	Black	0
100553	Vendor 1	ZA	GP	04	Disabled Staff	02	White	0
100553	Vendor 1	ZA	GP	04	Disabled Staff	03	Coloured	0
100553	Vendor 1	ZA	GP	04	Disabled Staff	04	Indian	0
100553	Vendor 1	ZA	GP	05	Annual Turnover	09	>R30m And <R35m	0
100553	Vendor 1	ZA	GP	06	Ownership - Disabled	01	Black	0
100553	Vendor 1	ZA	GP	06	Ownership - Disabled	02	White	0
100553	Vendor 1	ZA	GP	06	Ownership - Disabled	03	Coloured	0
100553	Vendor 1	ZA	GP	06	Ownership - Disabled	04	Indian	0
100553	Vendor 1	ZA	GP	07	Ownership - Female	01	Black	0
100553	Vendor 1	ZA	GP	07	Ownership - Female	02	White	0
100553	Vendor 1	ZA	GP	07	Ownership - Female	03	Coloured	0
100553	Vendor 1	ZA	GP	07	Ownership - Female	04	Indian	0
100553	Vendor 1	ZA	GP	08	Ownership - Male	01	Black	0
100553	Vendor 1	ZA	GP	08	Ownership - Male	02	White	0
100553	Vendor 1	ZA	GP	08	Ownership - Male	03	Coloured	0
100553	Vendor 1	ZA	GP	08	Ownership - Male	04	Indian	0
100553	Vendor 1	ZA	GP	09	Recognition Level	01	Level One - >= 100 Points (135% Recognition)	0
100553	Vendor 1	ZA	GP	10	Value Added Supplier	01	Yes	0
100553	Vendor 1	ZA	GP	11	Applicable Scorecard	04	QSE	0

Figure 3: Sample of second set of data from SABC vendor database

4.2.3 Tender/Bid documents and Supplier contracts

Ordinarily, and in entities where internal controls are strong and effective, GL accounts would be the easiest way to go in terms of determining what type of services/goods a supplier/vendor was paid for. It would mean, for example, that a supplier/vendor paid from the 'Travel – Car Hire' GL account would have been paid for providing car hire services, and would be categorised accordingly.

The SABC, however, has almost 750 listed GL accounts, about half of which are in regular use. Access to data showing payments flowing out of each GL account was denied. The reason, as explained by a senior employee in the Finance department, was that due to poor controls, payments to suppliers/vendors did not always come through related GL accounts. This meant that it was possible to find car hire services being paid through a 'Stationery and Printing' GL account.

Through assistance from SABC personnel, information from tender bid documents, contract information, and online searches on supplier/vendor websites, it was possible to group the suppliers in terms of categories of spend based on the type of services and/or goods that the SABC procured from them. This categorisation was necessary in order to be able to answer the research sub-question.

The categorisation was done at three levels:

- The first level was to determine the types of services/goods provided to the SABC by each supplier/vendor. This process resulted in 38 types of services/goods;
- The second level was to arrange these into broad categories to enable better manageable and more relevant analysis. The 38 types of services/goods were grouped into 16 categories;
- The final step was to further categorise the 16 categories in terms of whether they were 'core' or 'non-core' in relation to the business of the SABC.

The categorisation was tested for reasonability with various members of SABC's senior management, and adjusted in line with the outcome of these engagements. The final categorisation used for the analysis is contained in Table 3 below:

Table 3: Categorisation of Vendors

Types of services/products	Category	Core/Non-core
Events		
Advertising services	Advertising, Events and Marketing Services	Core
Marketing services		
Legal services		
Research services		
News services	Advisory and Information Services	Core
Management consulting services		
Other advisory services		
Broadcasting signal distribution services	Broadcast Services	Core
Catering services	Catering Services	Non-core
Cleaning services	Cleaning Services	Non-core
Production companies	Content Production	Core
Construction services		
Building maintenance services	Facilities Management	Non-core
Fire equipment providers		
Building furniture		
Insurance services		
Debt collection	Financial services	Core
Payment services		
Other financial services		
Municipalities		
Regulators and other statutory entities	Government Services	Core
Utilities (water, electricity)		
Personnel services	Labour and Employee Services	Non-core
Employee wellness		
Mailing services	Logistics Services	Non-core
Courier services		
Music royalties	Music and Sports Rights	Core
Sports rights		
Security services providers	Security Services	Core
Security equipment providers		
Telecommunication services		
IT equipment and services	Telecommunications, Media and IT Equipment and Services	Core
Technical (broadcasting) equipment		
Car rental	Travel and Accommodation	Non-core
Accommodation		
Information unknown	Other	
Other sundry expenses		

Data source: SABC Vendor Database, SABC SAP FI system, tender bid documents, contract information, online searches on supplier/vendor websites, SABC personnel

The final step in the data preparation was the integration of the various data from the SAP FI system, vendor database, and the categorisation exercise. Figure 4 below shows a masked sample of the integrated dataset:

Vendor	Vendor Name	Categories	Posting date	Country code	Country	Local Grp Amount	% black african ownership	% black ownership	BEE Level	Black africans	Black owners	Applicable scorecard
115414	Vendor 1	Broadcast Services	2 DA	2 DA	South Africa	-532 520 290,42	0	0	5	1	1	Generic
108483	Vendor 2	Sports Rights	2 DA	2 DA	South Africa	-170 995 565,18	43	43	2	3	3	Generic
115159	Vendor 3	Content Production	2 DA	2 DA	South Africa	-49 313 571,48	100	100	4	5	5	Generic
104379	Vendor 4	Advisory Services	2 DA	2 DA	South Africa	-75 984 623,17	10	16	3	2	2	Generic
105989	Vendor 5	Content Production	2 DA	2 DA	South Africa	-75 186 581,16	75	75	2	4	4	Generic
100902	Vendor 6	Content Production	2 DA	2 DA	South Africa	-55 800 941,63	25	25	3	2	2	Generic
113911	Vendor 7	Advertising Services	2 DA	2 DA	South Africa	-45 638 775,50	55	55	2	4	4	Generic
108406	Vendor 8	Content Production	2 DA	2 DA	South Africa	-45 559 166,05	33	33	3	3	3	Generic
100922	Vendor 9	Advisory Services	2 DA	2 DA	South Africa	-37 646 537,66	26	26	2	3	3	Generic
129415	Vendor 10	Content Production	2 DA	2 DA	South Africa	-34 501 681,61	100	100	1	5	5	QSE
114880	Vendor 11	Content Production	2 DA	2 DA	South Africa	-34 211 977,14	50	50	1	3	3	QSE
117174	Vendor 12	Content Production	2 DA	2 DA	South Africa	-22 832 565,24	70	70	1	4	4	QSE
117110	Vendor 13	Financial Services	2 DA	2 DA	South Africa	-21 979 691,71	20	20	4	2	2	Generic
113826	Vendor 14	Telecommunications and IT Services	2 DA	2 DA	South Africa	-19 673 796,31	29	29	2	3	3	Generic
101249	Vendor 15	Technical Equipment	2 DA	2 DA	South Africa	-17 874 212,31	36	36	3	3	3	Generic
143213	Vendor 16	Content Production	2 DA	2 DA	South Africa	-16 575 701,66	100	100	1	5	5	QSE
101127	Vendor 17	Financial Services	2 DA	2 DA	South Africa	-15 730 592,34	30	30	3	3	3	Generic
100567	Vendor 18	Advisory Services	2 DA	2 DA	South Africa	-15 671 965,65	30	30	2	3	3	Generic
113908	Vendor 19	Technical Equipment	2 DA	2 DA	South Africa	-15 282 972,83	0	0	2	1	1	Generic
112943	Vendor 20	Content Production	2 DA	2 DA	South Africa	-15 090 935,58	22	22	2	2	2	QSE
106290	Vendor 21	Content Production	2 DA	2 DA	South Africa	-14 790 954,95	44	44	3	3	3	QSE
114645	Vendor 22	Content Production	2 DA	2 DA	South Africa	-14 297 292,06	0	67	1	1	4	EME
103307	Vendor 23	Technical Equipment	2 DA	2 DA	South Africa	-14 199 143,49	25	25	3	2	2	Generic
117182	Vendor 24	Content Production	2 DA	2 DA	South Africa	-12 455 305,20	69	69	2	4	4	EME
116216	Vendor 25	Other	2 DA	2 DA	South Africa	-12 425 230,24	0	0	4	1	1	EME
103193	Vendor 26	Content Production	2 DA	2 DA	South Africa	-12 269 342,27	100	100	2	5	5	QSE
147138	Vendor 27	Events	2 DA	2 DA	South Africa	-12 143 182,32	100	100	2	5	5	QSE
140331	Vendor 28	Content Production	2 DA	2 DA	South Africa	-11 853 705,18	100	100	1	5	5	QSE
114683	Vendor 29	Content Production	2 DA	2 DA	South Africa	-11 472 021,78	0	0	2	1	1	QSE
112861	Vendor 30	Telecommunications and IT Services	2 DA	2 DA	South Africa	-10 624 426,07	30	30	2	3	3	Generic
134497	Vendor 31	Advisory Services	2 DA	2 DA	South Africa	-9 626 189,64	100	100	3	5	5	QSE
141210	Vendor 32	Content Production	2 DA	2 DA	South Africa	-9 512 896,44	50	50	1	3	3	QSE
115348	Vendor 33	Content Production	2 DA	2 DA	South Africa	-9 437 090,45	60	60	3	4	4	QSE
115544	Vendor 34	Car Rental	2 DA	2 DA	South Africa	-9 172 519,95	46	46	2	3	3	Generic
125794	Vendor 35	Content Production	2 DA	2 DA	South Africa	-9 042 872,16	100	100	4	5	5	EME
132964	Vendor 36	Content Production	2 DA	2 DA	South Africa	-8 378 349,74	0	30	2	1	3	QSE
115399	Vendor 37	Content Production	2 DA	2 DA	South Africa	-7 063 378,31	56	56	3	4	4	Generic
116563	Vendor 38	Information Services	2 DA	2 DA	South Africa	-6 945 501,50	0	0	5	1	1	Generic
130642	Vendor 39	Content Production	2 DA	2 DA	South Africa	-6 861 574,50	100	100	3	5	5	EME
116317	Vendor 40	Music Royalties	2 DA	2 DA	South Africa	-6 270 000,00	100	100	9	5	5	EME
100108	Vendor 41	Facilities Management	2 DA	2 DA	South Africa	-5 975 510,09	100	100	1	5	5	EME
147905	Vendor 42	Financial Services	2 DA	2 DA	South Africa	-5 883 256,54	25	25	2	2	2	Generic
147133	Vendor 43	Financial Services	2 DA	2 DA	South Africa	-5 662 875,08	0	0	3	1	1	QSE
115050	Vendor 44	Content Production	2 DA	2 DA	South Africa	-5 574 672,96	0	100	4	1	5	EME

Figure 4: Sample of integrated dataset

The integrated dataset above contains the following:

- Vendor – Unique vendor number, cross-checked with the vendor database;
- Vendor name – Name of vendor, cross checked against the vendor number;
- Category – Category determined by services and/or goods procured by the SABC;
- Posting date – Applicable year (1=2010; 2=2011; 3=2012; 4=2013; 5=2014; 6=2015);
- Country code – Country code of country where vendor is domiciled;
- Country - Country where vendor is domiciled, cross-checked against the country code;
- Local Grp Amount – Amount paid to vendor for goods/services;
- % Black African ownership – actual percentage of vendor owned by black Africans;
- % Black African ownership – actual percentage of vendor owned by black Africans, Indians and Coloureds;
- BEE Level – BEE scorecard level for the vendor;

- The next two columns are a reclassification/re-coding of the ownership data (1=0%; 2=1-25%; 3=26-50%; 4=51-75%; 76-100%);
- Applicable scorecard – relates to vendor size

It was important to determine upfront the spend for which analysis would be possible. The steps to do this are captured in Tables 3 and 5. The logic used to exclude certain amounts, and arrive at the amounts carried through for the rest of the analysis is explained in section 6.2.2.

Through manipulation of these data, the research questions could be answered.

4.2.4 Exclusions

Given the focus of this research study, only payments to vendors over which the SABC had or has choice with regard to their selection, and could therefore wield some influence in terms of B-BBEE, are included. The following categories of vendors are excluded for the reason that the SABC has to make payments to them either because there are no alternatives or because of statutory obligations. In other words, it has no choice with regard to the following:

- Broadcast Services – There is one signal distributor for the broadcasting industry in South Africa
- Government Services – this includes payments for utilities, rates, and to entities such as the Independent Communications Authority of South Africa (ICASA) who receive licence fees for spectrum
- Music and Sports Rights – ICASA’s Sport Broadcasting Services Regulations contain a list of sporting events that the SABC is mandated to broadcast. This means that the SABC has to acquire the rights from whichever entity owns the broadcast rights. Music royalties are paid through the Southern African Music Rights Organisation NPC (SAMRO), which in turn distributes the royalties to the artists.

Payments to foreign vendors are also excluded for the reason stated above.

The impact of the state of the vendor database on the analysis required for this study is that not all spend can be included in answering the research questions. There is a significant increase in the proportion of spend that can be analysed using BEE information in 2015 (68%), compared to that of 2010 (54%). Table 4 shows this in absolute amounts.

After effecting the exclusions above, the remaining applicable amounts are shown in Table 4 below:

Table 4: Amounts Used to Answer Research Questions

	Rands					
	2010	2011	2012	2013	2014	2015
Total spend	2 371 688 990	3 239 436 952	3 242 247 768	3 411 106 327	3 924 742 666	4 169 881 453
Less pmts to International vendors	-208 230 505	-273 564 357	-410 672 739	-316 747 398	-466 771 215	-427 733 223
Less pmts to government entities, music and sports rights entities, and for broadcast services	-564 514 678	-709 785 856	-789 600 527	-874 220 176	-885 171 643	-956 997 672
Less pmts to vendors for whom BEE information is not in the vendor master database	-892 260 084	-1 130 543 839	-1 014 644 275	-1 013 390 908	-897 151 653	-887 919 531
Balance	706 683 723	1 125 542 901	1 027 330 227	1 206 747 845	1 675 648 155	1 897 231 027

Data source: SABC SAP FI System and SABC Vendor Database

The increase over the period in the spend going to 'international vendors' is driven to a large extent by the purchase of foreign television content (Interviewee 3 (TV Division), 2017), while that going to 'government entities, music and sports rights, and for broadcast services' is driven primarily by the payments for broadcast services, and the payments for sports rights (Interviewee 2 (SCM Department), 2017; Interviewee 5 (Media Technology & Infrastructure Division), 2017). Payments for broadcast services have, according to SABC personnel, increased due to 'an increase in transmitters being commissioned as the SABC works to fulfil its mandate of universal access (Interviewee 5 (Media Technology & Infrastructure Division), 2017); and payments for foreign television content as well as for international level sports rights due to their vulnerability to currency exchange fluctuations as they are denominated in foreign currency (Interviewee 3 (TV Division), 2017).

From 2013, there was a deliberate focus and allocation of resources to clean up the vendor database, a process that is on-going. In similar pattern, the proportion of applicable spend (i.e. spend on local vendors) for which no BEE information is available has decreased from almost 40% in 2010 to about 20% in 2015. The increasing proportion of spend for which BEE information is available is indicative of the efforts of the supply chain management department to improve the quality of the vendor database.

Further analysis in the report, particularly the answering of the research questions, is based on the 'balance' amounts contained in Table 4 above.

4.3 Data Analysis and Presentation

Descriptive statistics were used to analyse the collected data. Microsoft Excel and SPSS were used to manipulate data. Analysis was confined to the periods from 2010 to 2015. The results are presented in tables, bar and line/trend graphs. Figure 4 above details the variables used in the analysis to answer the research questions.

4.4 Reliability and Validity of the Data

In quantitative research, reliability relates to the repeatability of the results achieved, while validity relates to the accuracy and appropriateness of the measurement means in terms of what the study sought to measure (Golafshani, 2003). For this study, reliability was enhanced through the consultative and iterative process followed in developing the categories used to answer the research sub-question, as well as the process followed to clean up the vendor database.

In terms of what this study sought to measure, validity could have been enhanced if B-BBEE data for all vendors were available. Because of the gaps, the results are accurate for only that spend allocated to vendors for whom B-BBEE data could be obtained. The validity of the measurement means was enhanced through the consultative process followed to decide what variables to request in the data extracts from the SAP FI system and the vendor database.

The reliability and validity of the study were also verified during the qualitative interviews, with no interviewer raising any concerns regarding either.

Problems commonly associated with reliability and validity in quantitative, studies such as an adverse influence on responses given when following the test-retest method to ensure reliability, and the pressure to manipulate the data collected in order to validate the hypothesis, were not a factor in this study (Golafshani, 2003). The framing of the research questions ensured a dispassionate enquiry and analysis, while the use of existing data addressed the potential reliability pitfall explained above.

4.5 Limitations

4.5.1 Poor quality of vendor database

Numerous findings from the SABC's auditor, the Auditor-General of South Africa (AGSA), make mention of the non-existent state of document management at the SABC. The result is that the AG is unable to verify some claims made by the SABC due to a lack of supporting documentation. The value of amounts involved accumulatively adds up to hundreds of millions of Rands (Auditor-General South Africa, 2016).

The impact of this state of document management at the SABC on the analysis of this study is that while the vendor master database contains a listing of almost 25,000 vendors, B-BBEE information is only available for just over 3,000 vendors. According to supply chain management personnel, this discrepancy is due to two primary factors:

1. The management of the vendor database used to reside with a different department, whose primary interest was in processing payments. As a result, a 'new' vendor was sometimes created each time a payment had to be made. The result was that a single vendor would end up with multiple vendor numbers;
2. Due to the primary interest of effecting payments, little to no effort was made to capture the supplementary information such as BEE or B-BBEE information.

Efforts have been underway in recent years to clean-up the database and to make it comprehensive. This process has not included capturing historic detail, especially of vendors that the SABC has not done business with for a while, or have been blocked for any number of reasons.

The limitation presented by the absence of B-BBEE information for all the years under consideration is addressed by applying the most recent information to all the years under consideration. Assuming that the BEE status

of companies gets better over time, this treatment of the available B-BBEE information likely results in the analysis presented in this report projecting a best case scenario for the performance of the SABC in terms of implementing preferential procurement.

4.5.2 General ledger (GL) account information withheld

The GL account information was required in order to answer the research sub-question.

For reasons explained in 4.2.3, access to GL account information was withheld. This meant that for the analysis contained in this study, categorisation had to be based on alternative sources of information, including bid documents and internet search results revealing what services the vendors claim to offer. SABC employees also provided some information regarding services or products acquired from various vendors. Given the time and effort spent on sourcing the alternative information to enable categorisation of the vendors, and the various sources used in an attempt to categorise as much of the spend as possible, there is a reasonable expectation that analysis based on accurate GL account information should provide largely similar results for the spend that is analysed in this study.

4.5.3 Inconsistent capturing of vendor information

The vendor master database, for the reasons explained above, contained inconsistencies. The main one related to multiple vendor numbers for a single vendor. The cleaning process entailed running multiple queries to find matches in terms of captured criteria such as company name, company registration (where this was captured), address, contact number, etc. Matches found were checked against the payments data from the SAP FI system to determine if they were the same vendor. The final step was verification with the department requesting the service/goods and supply management personnel before vendor details were merged.

The analysis provided in this report is based on a best effort attempt to clean up these inconsistencies in the database to enable more accurate analysis.

4.6 Personal Disclosure

At the time of the study, the researcher was employed at the SABC in a capacity unrelated to supply chain management or preferential procurement. There is no conflict of interest risk that this fact places on the study. On the contrary, it proved to be beneficial in accessing most of the required data.

The only slight challenge being an employee of the organisation presented was when it came to finding employees to interview. All the employees eventually interviewed requested their details to be withheld, and declined the request for the interviews to be electronically recorded. They had no objection to notes being taken.

4.7 Ethical Considerations

In requesting the use of internal SABC information, the purpose of the research was made clear. The identities of interviewees have been kept confidential in line with their chosen preference, and their feedback masked in such a way that the source cannot be identified.

Because the research is based on commercially sensitive, as well as third party information, the data needed to be masked in such a way that it is not possible to identify any supplier or service provider. The information provided was therefore treated with the utmost confidentiality at all times, and was always securely stored.

5 PRESENTATION OF DATA AND RESEARCH FINDINGS

5.1 Introduction

The research findings from the document analysis are presented quantitatively in the form of tables and graphs. The information obtained from the qualitative interviews is used in the explanations and analysis of the quantitative information. The main research question is answered by looking at the flow of spend in terms of BEE levels of vendors, business sizes of vendors, and majority black ownership of vendors.

The sub-question is answered by looking at the flow of spend in terms of categories receiving significant proportions of annual spend.

5.2 Answering the Main Research Question

The main research question the study aimed to answer is:

Has the implementation of preferential procurement at the SABC over the last five years resulted in an increased proportion of spend towards enterprises owned by black people?

This question is answered by looking at performance of procurement in terms of:

- BEE levels of vendors
- Business sizes of vendors
- Majority black ownership of vendors

Statement 500 issued by the DTI (Department of Trade and Industry, 2007) acknowledges the inclination of the market to focus primary on ownership, while focusing little on the other elements of the requirements as contained in the various B-BBEE scorecards. The department goes on to encourage

organisations to buy from entities based on their BEE contribution level as contained on their scorecards (Department of Trade and Industry, 2007).

This presents a good starting point of the analysis contained in this report.

5.2.1 Performance – procurement by BEE levels of vendors

Black empowerment legislation encourages the purchase of goods from ‘empowered’ companies. The most empowered companies are those that demonstrate accomplishment in terms of the requirements of their respective scorecards. In terms of the BEE levels, Level 1 is assigned to the most empowered, and Level 8 to the least empowered. Level 9 applies to companies that are not compliant.

In terms of calculating ‘BEE spend’ in terms of the scorecard, and as an incentive for entities, the actual spend incurred is multiplied by a factor determined by the level of the service provider, as shown in the table below:

Table 5: Multiplication Factor by BEE Level

BEE Level	Recognition (factor)
1	135%
2	125%
3	110%
4	100%
5	80%
6	60%
7	50%
8	10%
9 (Non-compliant)	0%

Data source: The Department of Trade and Industry, Codes of Good Practice (2007)

Using Table 5 above, any spend done with Level 1 companies is multiplied by a factor of 1.35 and the result is what is used in the calculation of performance in terms of the preferential procurement portion of the scorecard. Table 5 shows that purchasing from companies that fall within levels 5 to 9 is not beneficial. The lowest level that a company intent on supporting black

economic empowerment should therefore be willing to go in terms of service providers is 4. No such limit exists at the SABC.

Table 6: Annual Spend by BEE Contribution Level

BEE Level	2010	2011	2012	2013	2014	2015
1	121 741 907	203 852 440	195 959 980	202 774 576	306 821 623	366 174 626
2	212 731 240	353 879 814	336 860 790	298 407 121	392 595 048	471 596 381
3	174 590 230	340 536 317	275 101 457	369 922 579	513 205 557	583 437 471
4	174 459 926	210 378 039	196 657 085	311 589 703	419 256 193	417 967 425
5	10 123 942	10 296 745	10 131 991	11 996 425	25 255 673	23 547 027
6	11 729 965	5 182 738	6 532 857	8 925 600	14 063 761	21 504 504
7	1 175 241	673 718	3 893 731	1 524 751	2 053 786	9 194 417
8	3 506	309 102	1 812 531	1 415 596	2 191 747	2 934 512
9 (Non-compliant)	127 767	433 989	379 806	191 493	204 768	874 665
Total	706 683 723	1 125 542 901	1 027 330 227	1 206 747 845	1 675 648 155	1 897 231 027

Data source: SABC SAP FI System and SABC Vendor Database

Table 7: Proportion of Annual Spend by BEE Contribution Level

BEE Level	2010	2011	2012	2013	2014	2015
1	17,23%	18,11%	19,07%	16,80%	18,31%	19,30%
2	30,10%	31,44%	32,79%	24,73%	23,43%	24,86%
3	24,71%	30,26%	26,78%	30,65%	30,63%	30,75%
4	24,69%	18,69%	19,14%	25,82%	25,02%	22,03%
5	1,43%	0,91%	0,99%	0,99%	1,51%	1,24%
6	1,66%	0,46%	0,64%	0,74%	0,84%	1,13%
7	0,17%	0,06%	0,38%	0,13%	0,12%	0,48%
8	0,00%	0,03%	0,18%	0,12%	0,13%	0,15%
9 (Non-compliant)	0,02%	0,04%	0,04%	0,02%	0,01%	0,05%
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Table 6 and Table 7 above present the same information, differently. Table 6 shows the distribution of spend, in absolute amounts, by year and by BEE contribution level. The table shows that in 2010, just over R120m of analysed spend went to Level 1 companies, and by 2015, this amount had increased to over R360m. Table 7 presents this same information, however the spend is presented as a proportion of the total annual spend. The table shows that in 2010, 30% of the analysed spend for that year went to Level 2 vendors, while in 2015, about 25% of the analysed spend for that year went to the same category of vendors. While the proportion of spend going to vendors falling within levels 1, 2, and 4 remained either largely unchanged or decreased over the analysis period, level 3 vendors enjoyed an increase over the period from about 25% in 2010 to about 31% in 2015. None of the interviewees could explain this pattern.

Looking at the SABC's performance in terms of buying from empowered vendors, it is encouraging that on average, more than 95% of the analysed spend has been with vendors that fall within levels 1 to 4. This is in keeping with the aims of preferential procurement and black economic empowerment.

None of the people interviewed for this study could offer any possible insight into the reasons to explain the SABC's performance in this regard. The particular question posed to the interviewees related to what deliberate actions that the SABC had done to drive performance. The quest was to understand what the SABC had done to maintain allocating such a high percentage of analysed spend to companies within levels 1 to 4. The responses derived emerged in the following themes:

- "There is no strategy...no plan" (Interviewee 2 (SCM Department), 2017)

All interviewees alluded to there being no BEE strategy across the whole organisation. That said, some were quick to point out that things like employee equity and skills development did receive some attention and focus, but not so much for preferential procurement and enterprise development (Interviewee 2 (SCM Department), 2017). One interviewee put this into context "I think that it is easier to manipulate the hiring of people to achieve employment equity targets, and the amount to be spent on things like skills development is predetermined. With preferential procurement, it is not as easy to manipulate without doing something illegal" (Interviewee 6 (SCM Department), 2017).

- "We just work with what is in the market" (Interviewee 6 (SCM Department), 2017)

The personnel involved in supply chain management repeatedly mentioned that all they can do is work with what is in the market in terms of vendors providing the services or products they will be looking for. The tenders do not

call for any specific BEE-related requirements, apart from those that are in accordance with the PPPFA. As one interviewee put it, “As much as we would like to take the credit [for this performance], all we have done is follow the [SCM] policy in terms of procurement process” (Interviewee 2 (SCM Department), 2017).

5.2.2 Performance – procurement by company size of vendors

For the purposes of calculating scorecard points, as well as determining applicable scorecards, businesses are categorised as follows:

Table 8: Categorisation by Annual Turnover

Category	Annual Turnover Threshold
Exempted Micro Enterprises (EMEs)	Less than R10m
Qualifying Small Enterprises (QSEs)	More than R10m but less than R50m
Generic Enterprises (Generic)	More than R50m

Data source: The Department of Trade and Industry, Codes of Good Practice (2007)

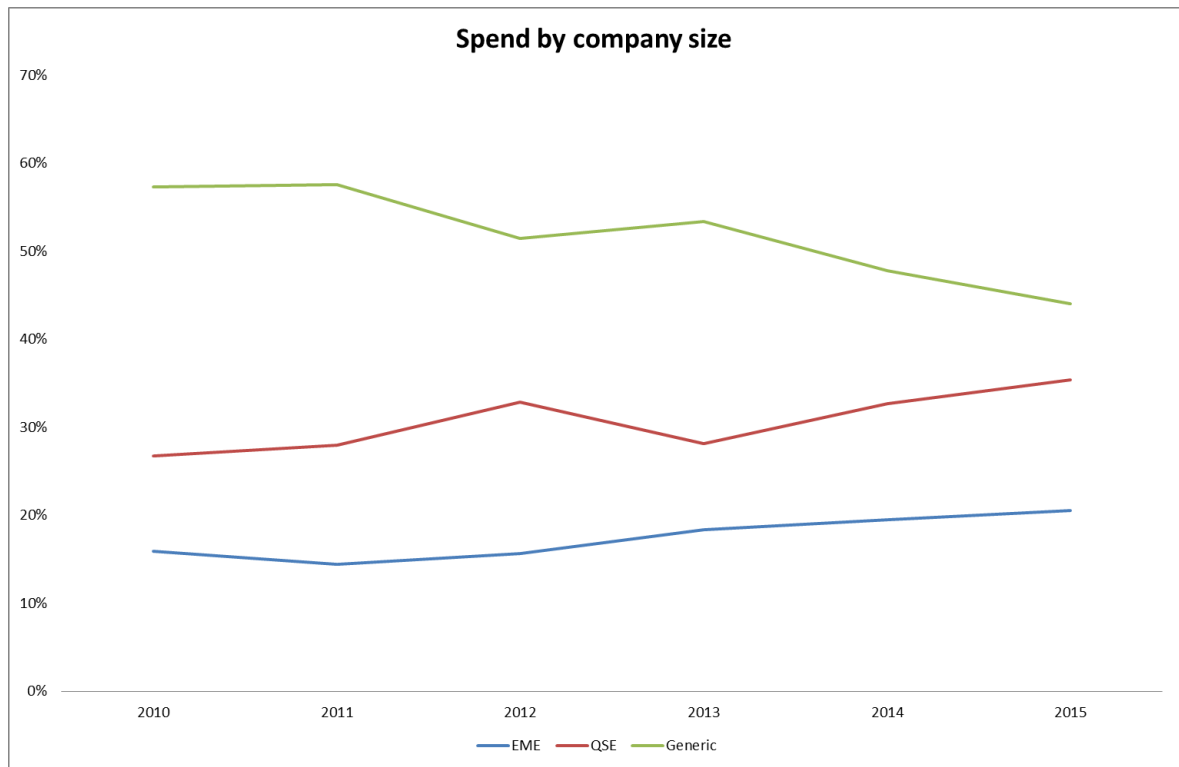
As Table 8 shows, annual turnover is used as the proxy for company size. The development of small businesses forms part of government’s economic development thrust, with the development of small enterprises owned by members of the designated groups forming the particular focus of black economic empowerment and related legislation. The DTI’s Codes of Good Practice include an incentive for companies to procure from EMEs and QSE through the provision of extra points for procurement made from these categories of entities (Department of Trade and Industry, 2007). The development of small enterprises over time should help meet the competitiveness criteria contained in the South African constitution (Ambe & Badenhorst-Weiss, 2012). More enterprises benefits the nation in the form of lower prices on account of the competition (Pauw & Wolvaardt, 2009).

Table 9: Spend by Company Size

	2010	2011	2012	2013	2014	2015
EME	16%	14%	16%	18%	19%	21%
QSE	27%	28%	33%	28%	33%	35%
Generic	57%	58%	51%	53%	48%	44%
Grand Total	100%	100%	100%	100%	100%	100%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Table 9 shows the distribution of analysed spend by year and company size. In 2010, almost 60% of analysed spend was with the big companies, with EME's getting just over 15%, and QSE's about a quarter. Figure 5 below shows how this distribution changed over the subsequent five years.



Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Figure 5: Proportion of Annual Spend by Company Size

Figure 5 above depicts how, since 2010, the share taken by the big companies (Generic) has gone down from almost 60% of annual spend to just under 45% of annual spend in 2015. What Table 9 and Figure 5 above also show is that QSEs have gained the bigger share in the loss of annual spend share by the big companies. A simple comparison between the starting point

(2010) and the ending point (2015), disregarding the fluctuations in between, shows that Generic companies lost 13 percentage points in share of annual spend. Of these 13 percentage points, QSEs took up 62% (8 percentage points) and EMEs the balance of 38% (5 percentage points).

From the responses provided by interviewees with regard to how this shift had come about, the credit can only be placed on the implementation of supply chain management policies that are consistent with PPPFA.

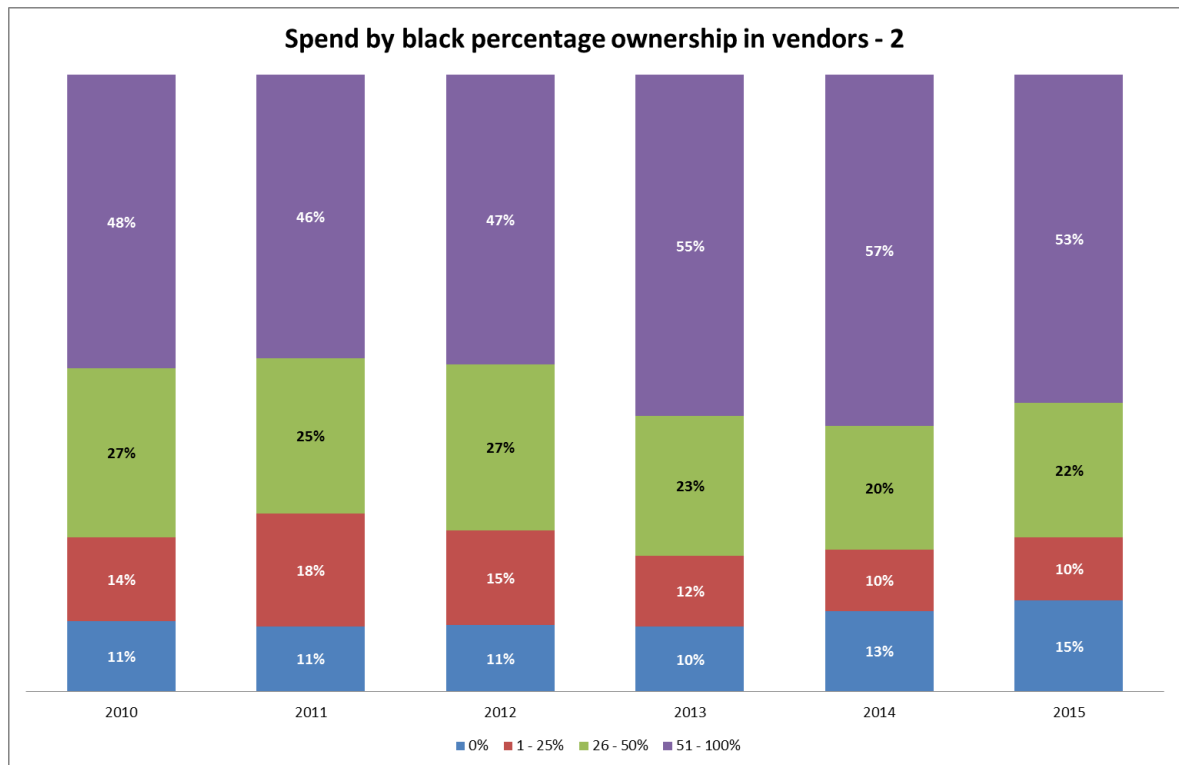
“We just apply the policy. Nothing more.” (Interviewee 2 (SCM Department), 2017; Interviewee 6 (SCM Department), 2017).

5.2.3 Performance – procurement by majority ownership of vendors

The basic thrust of black economic empowerment is captured in the objectives of the guiding legislation, in particular, the objective which speaks to the need to achieve significant change in the composition of ownership and management of new and existing entities from a racial perspective (Department of Trade and Industry, 2003).

In terms of scorecards, specific extra points are awarded for procurement from majority black-owned vendors. These are vendors that have more than 50% black ownership.

Figure 6 below shows the distribution of annual spend by black ownership percentage:



Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Figure 6: Annual Spend by Black Ownership Percentage in Vendors (Majority Black-Owned)

After a stagnant proportional level of spend from 2010 to 2012 averaging 47%, there was an increase over the next three years with the proportion of annual spend going to majority black-owned vendors averaging 55%. As with other changes noted in terms of allocation of spend, all interviews put it down to changes in the market structure, rather than explicit development efforts on the part of the SABC, short of just implementing a policy that is aligned to black economic empowerment legislation.

It is worth noting that while the proportion of annual spend going to all-white owned vendors (i.e. 0% black ownership) has remained low, averaging 11% in the period 2010 to 2012, it increased slightly over the next three years to average 13% of annual spend.

It is helpful to look at the company sizes of the majority black-owned vendors that have benefited from the SABC's procurement.

Tables 11 and 12 below examine this aspect.

**Table 10: Majority Black-Owned Procurement by Company Size
(Proportion of Size Category)**

	2010	2011	2012	2013	2014	2015
EME	60%	63%	61%	69%	72%	70%
QSE	52%	57%	52%	54%	60%	60%
Generic	42%	36%	40%	51%	49%	40%
Grand Total	48%	46%	47%	55%	57%	53%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Table 10 above shows the proportion of annual spend within each company size category that went to majority black-owned vendors. Looking at 2015, 70% of spend placed with EMEs went to majority black-owned vendors. Similarly, 40% of spend with the large companies (Generic) went to majority black-owned vendors.

Again, the combination of market structure and implementation of policies aligned to black economic empowerment explain, according to those interviewed, how the proportions among EMEs and QSEs have increased in the period under analysis, as well as the relative stagnation with regard to the proportion of Generics. The increase in terms of proportions of Generics in 2013 and 2014 was due to the awarding of a Content Production contract to a majority black-owned vendor:

“We had ...[company name withheld] doing [programme name withheld] for us in 2013 and 2014. They finished off early 2015” (Interviewee 3 (TV Division), 2017).

**Table 11: Majority Black-Owned Procurement by Company Size
(Proportion of Annual Spend)**

	2010	2011	2012	2013	2014	2015
EME	20%	20%	20%	23%	25%	27%
QSE	29%	35%	36%	28%	34%	40%
Generic	50%	46%	44%	49%	41%	33%
Grand Total	100%	100%	100%	100%	100%	100%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Table 11 above perhaps best depicts the transformation that has happened within the SABC with regard to procurement from majority black-owned vendors. The table shows the split within the spend with majority black-owned vendors. In 2015, 33% of spend from majority black-owned vendors was with the Generics, while 40% was with QSEs and 27% with EMEs. This shows a significant change in the distribution, from that of 50% with Generics, 29% with QSEs, and 20% with EMEs in 2010.

Similar to the overall picture as depicted in Table 9 above, if one again does a simple comparison between the starting point (2010) and the ending point (2015), disregarding the fluctuations in between, QSEs have gained the bigger portion of the 17 percentage points share lost by the Generics. QSE have gained about 60% of the Generic's lost share, compared to the 40% gained by EMEs.

When this pattern was put to the interviewees, one explained it thus:

The SABC is an established company, serving millions of demanding listeners and viewers. It faces significant competition from other broadcasters. Our approach to transformation has to take that into account. We can't take chances with our critical business areas. So for our critical areas we will continue to demand companies with experience. These are not going to be your EMEs. But in less critical areas we will start to bring in companies with less experience and build on from there (Interviewee 6 (SCM Department), 2017).

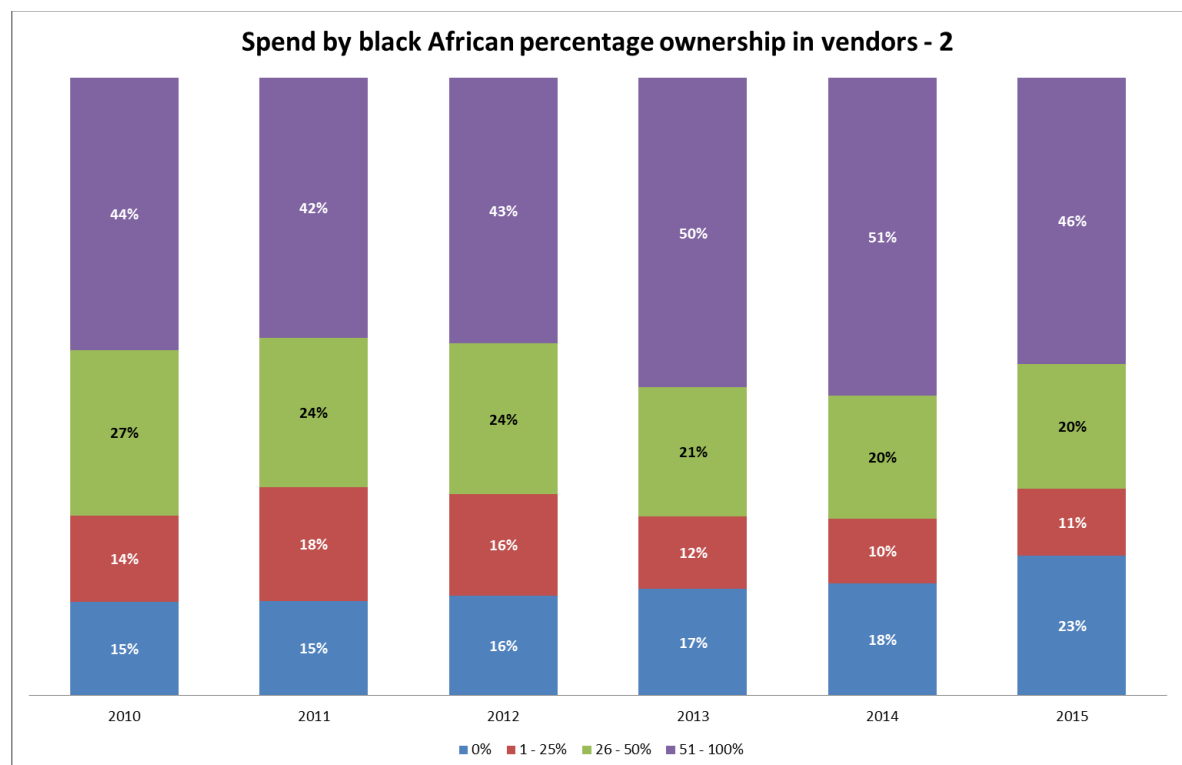
This explanation makes for sound business sense. As with anything that is mission critical, experience is non-negotiable. As one would not, in case of a Formula One race car, have a recent graduate working on the engine of a car that will be driven at speeds in excess of 300km/h, it would not be prudent for the SABC to have EMEs working on critical aspects of its business. The explanation also lays bare the reality that the SABC has no substantive enterprise development programme, a situation that leaves it to other entities to develop the empowered vendors that the SABC will use.

The above explanation notwithstanding, an increasing allocation of spend to EMEs and QSEs is indicative of more opportunities being afforded to smaller entities and not just the big entities.

5.3 Black African Ownership

The analysis above is done using the definition of ‘black people’ as contained in the B-BBEE Act of 2003. This definition considers ‘black people’ as incorporating Africans, Coloureds and Indians who are citizens of South Africa through birth or descent. The brief analysis below uses the very narrow definition of ‘black people’ that appears to underlie the political rhetoric around black economic empowerment. This definition excludes Coloureds and Indians, and only considers Black Africans.

Figure 7 below shows the distribution of annual spend by Black African ownership percentage:



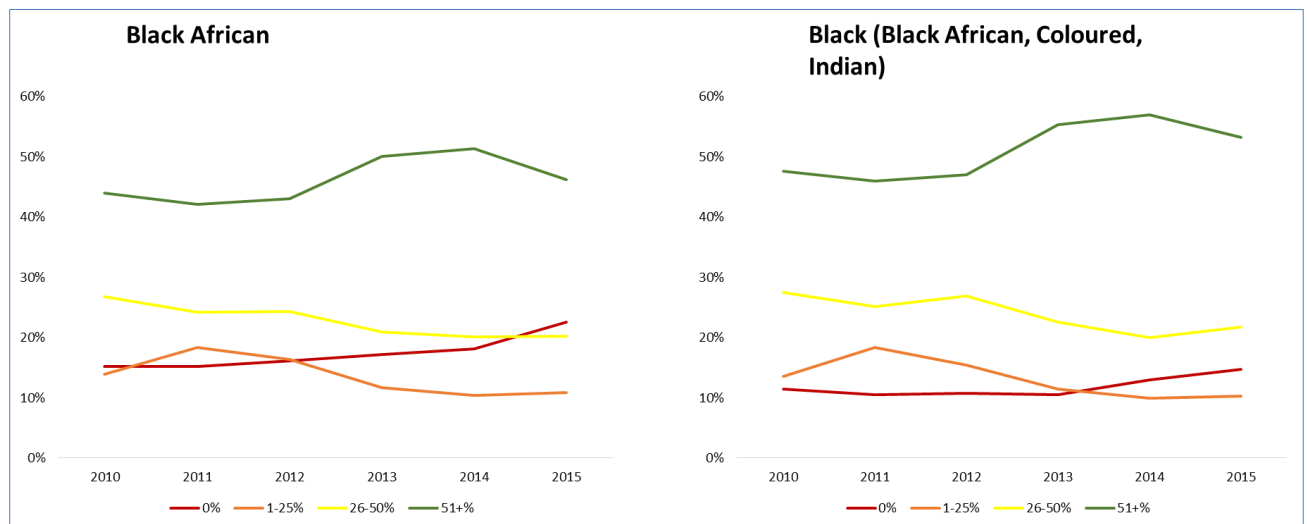
Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Figure 7: Annual Spend by Black African Ownership Percentage in Vendors (Majority Black African-Owned)

From 2010 to 2012 the proportion of annual spend going to vendors that were majority black African-owned averaged 43%, increasing over the next three years to average 49%. The proportion of annual spend going to vendors with 0% black African ownership averaged 15% in the period 2010 to 2012, increasing to 19% of annual spend over the next three years.

5.3.1 Comparing 'black' and 'black African'

The difference between the graphs above referring to 'Black' and the graphs referring to 'Black Africans' is explained by the inclusion of Coloureds and Indians. Figure 8 presents an opportunity to view the trends when comparing these two groups:



Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Figure 8: Black African versus Black

The two graphs contained in Figure 8 above, like the graphs before, are derived from total spend figures. They show that the performance of preferential procurement in relation to the legal definition of 'Black' is driven by spend going to Black Africans.

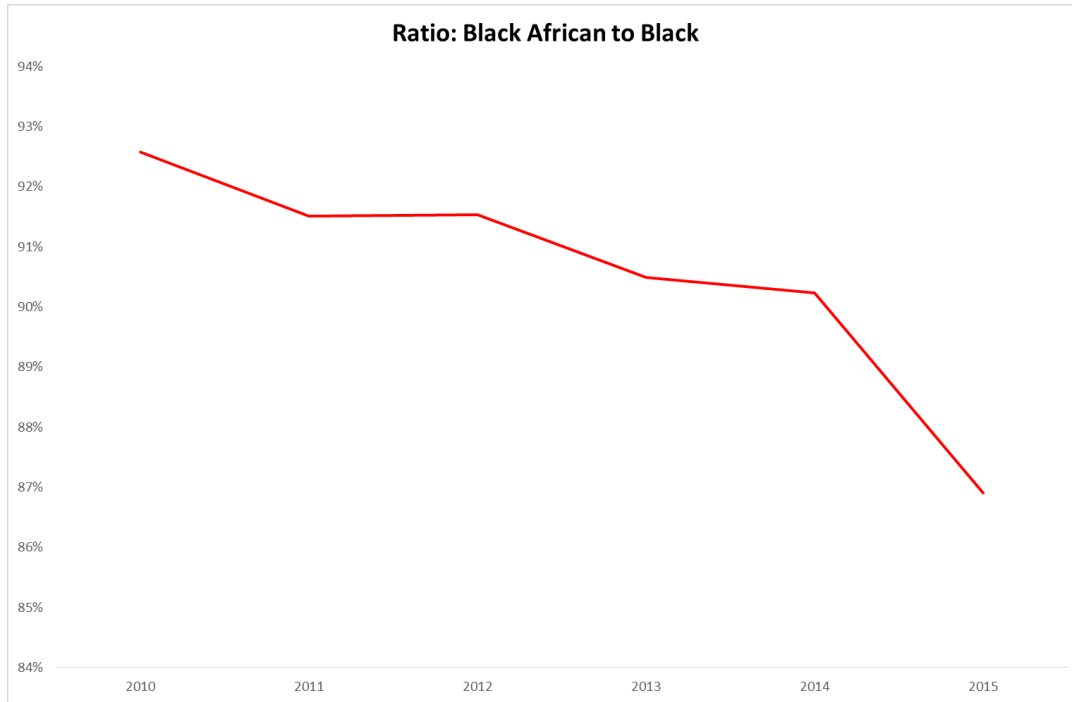
However, while the upward trend in the payment to companies with no Black ownership looks 'gentler', increasing from about 10% to 15% from 2010 to 2015, the trend is noticeably sharper for payments to companies with no Black African ownership, increasing from about 15% to almost 25% from 2010

to 2015. The explanation for this difference, according to some interviewees, is due to greed.

That's easy to explain. Greed. Many white business owners we speak to always complain about this [why they don't have black Africans as shareholders in their business]. They all complain that most of them are not interested in developing the business. They don't get involved at all, but what huge payments from the start. Apparently Indians make better partners [shareholders] (Interviewee 2 (SCM Department), 2017; Interviewee 6 (SCM Department), 2017).

Another interviewee, while reluctantly acknowledging what the other had said as captured above, was quick to add how this pattern was reminiscent of apartheid time practices. “During apartheid, there was a ranking of the different races. At the top was whites, then Indians, then Coloureds and then black Africans. This seems to show that whites still prefer to do business with Indians over doing business with black Africans” (Interviewee 5 (Media Technology & Infrastructure Division), 2017).

Figure 9 below shows the relationship between spend going to majority black-owned vendors and that going to majority Black African-owned vendors over the analysis period:



Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Figure 9: Majority Black African-Owned Spend as a Proportion of Spend to Majority Black-Owned Vendors

Figure 9 shows the ratio of total spend on majority (51%+) Black African-owned vendors to majority black-owned vendors. The proportion of spend going to majority black African-owned vendors has been in constant decline since 2010. Table 12 below shows that because payments to majority Coloured-owned vendors and majority Indian-owned vendors as a proportion of payments to majority black-owned vendors has remained the same over the analysis period, the reduction in the proportion of payments to majority black African-owned vendors has been taken up by vendors jointly owned by black Africans, Coloureds and Indians.

Table 12: Payments as a Proportion of 'Black'

	2010	2011	2012	2013	2014	2015
Black African	93%	92%	92%	90%	90%	87%
Coloured	2%	2%	2%	2%	3%	3%
Indian	6%	6%	6%	5%	5%	7%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

As this race split is not a focus of legislation, it is therefore not surprising that not much insight could be provided by the interviewees in terms of the patterns. However, it is clear that there are some perceptions that are deeply held regarding the business practices of different races. This may have implications for future iterations of black economic empowerment legislation and regulations.

5.4 Answering the Sub-question

The study also attempted to answer one sub-question:

To what extent has procurement spend on black-owned enterprises extended beyond the typical non-core aspects of the SABC operations such as cleaning, catering, and security services?

In order to answer this question, a categorisation had to be done of the spend. This was done in relation to the services the vendors provide, and in accordance with the categorisation in Table 3 above. Table 13 below shows the spread of vendors by category.

Table 13: Number of Vendors by Category by Year

Categories	2010	2011	2012	2013	2014	2015	Average
Advertising, Events, and Marketing Services	13	16	21	28	42	34	26
Advisory and Information Services	19	18	32	32	27	41	28
Catering Services	7	11	10	11	13	14	11
Cleaning Services	2	5	6	6	10	14	7
Content Production	62	72	71	83	91	104	81
Facilities Management	20	20	19	23	34	53	28
Financial Services	4	5	7	6	8	9	7
Labour and Employee Services	4	4	4	5	10	10	6
Logistics Services	0	1	1	1	1	3	1
Other	330	357	377	420	595	732	469
Security Services	1	5	5	5	5	4	4
Telecommunications, Media and IT Equipment and Services	29	30	30	33	41	45	35
Travel and Accommodation	35	39	25	27	37	45	35
Total	526	583	608	680	914	1108	737

Data source: SABC SAP FI System and SABC Vendor Database

As mentioned earlier, the categorisation of vendors was done without the important GL account information which was withheld. The 'Other' category is therefore a collection of vendors receiving relatively small amounts of money

and for which it was not possible, within the constraints of this study, to establish what services or products they provided.

Table 14 below shows the distribution of total spend by category for each year covered in the analysis.

Table 14: Spend by Category by Year

Categories	2010	2011	2012	2013	2014	2015	Average
Advertising, Events, and Marketing Services	70 875 400	73 877 236	62 331 431	75 686 983	156 377 030	108 577 679	91 287 627
Advisory and Information Services	35 270 187	162 320 640	76 906 370	45 695 527	146 609 391	185 379 414	108 696 922
Catering Services	270 304	718 290	1 763 617	1 104 444	3 791 645	3 093 850	1 790 358
Cleaning Services	781 377	1 661 435	5 428 777	2 581 209	3 548 389	5 105 727	3 184 486
Content Production	411 972 359	600 470 103	577 487 374	726 096 542	818 760 511	888 421 843	670 534 789
Facilities Management	7 083 645	14 246 887	7 299 295	12 125 165	44 602 553	86 427 405	28 630 825
Financial Services	40 675 515	50 968 280	46 335 536	62 163 080	120 478 968	127 875 974	74 749 559
Labour and Employee Services	9 455 709	9 365 577	14 658 166	13 752 073	25 735 670	20 806 121	15 628 886
Logistical Services	-	501 755	1 302 905	973 442	1 472 381	1 127 954	896 406
Other	36 664 609	69 419 063	87 386 766	121 077 785	153 148 262	178 659 621	107 726 018
Security Services	858 239	5 042 186	10 905 313	30 252 638	40 171 820	44 793 357	22 003 925
Telecommunications, Media and IT Equipment and	74 732 715	116 531 673	114 260 835	99 667 364	142 887 967	232 091 737	130 028 715
Travel and Accommodation	18 043 664	20 419 776	21 263 842	15 571 593	18 063 568	14 870 344	18 038 798
Total	706 685 733	1 125 544 912	1 027 332 239	1 206 749 858	1 675 650 169	1 897 233 042	1 273 199 326

Data source: SABC SAP FI System and SABC Vendor Database

This information is represented in Table 15 below as proportions of annual spend.

Table 15: Total Spend Proportion of Total Annual Spend - by Category, by Year

Categories	2010	2011	2012	2013	2014	2015	Average
Advertising, Events, and Marketing Services	10,03%	6,56%	6,07%	6,27%	9,33%	5,72%	7,33%
Advisory and Information Services	4,99%	14,42%	7,49%	3,79%	8,75%	9,77%	8,20%
Catering Services	0,04%	0,06%	0,17%	0,09%	0,23%	0,16%	0,13%
Cleaning Services	0,11%	0,15%	0,53%	0,21%	0,21%	0,27%	0,25%
Content Production	58,30%	53,35%	56,21%	60,17%	48,86%	46,83%	53,95%
Facilities Management	1,00%	1,27%	0,71%	1,00%	2,66%	4,56%	1,87%
Financial Services	5,76%	4,53%	4,51%	5,15%	7,19%	6,74%	5,65%
Labour and Employee Services	1,34%	0,83%	1,43%	1,14%	1,54%	1,10%	1,23%
Logistical Services	0,00%	0,04%	0,13%	0,08%	0,09%	0,06%	0,07%
Other	5,19%	6,17%	8,51%	10,03%	9,14%	9,42%	8,08%
Security Services	0,12%	0,45%	1,06%	2,51%	2,40%	2,36%	1,48%
Telecommunications, Media and IT Equipment and	10,58%	10,35%	11,12%	8,26%	8,53%	12,23%	10,18%
Travel and Accommodation	2,55%	1,81%	2,07%	1,29%	1,08%	0,78%	1,60%
Total	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%	100,00%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

As can be expected given the business of the SABC, an average of over 50% of annual spend is dedicated to Content Production. For the period under consideration, this was from an average of about 80 vendors. While the absolute amounts spend on Content Production have increased year on year, their share of annual spend experienced a drop in 2014 and 2015. This was due to increases in the spend in other categories, notably the doubling of

spend on 'Advertising, Events, and Marketing Services', and the tripling of spend on 'Advisory and Information Services' in 2014.

The highlighted categories in Table 15 show the categories with the combination of a sufficient number of vendors for further analysis and a significant portion of annual spend. For this analysis, 5% was selected as the cut off for the determination of 'significant' portion of average annual spend. For the number of vendors, an average of 25 was chosen as the cut off. The inclusion of 'Financial Services' is made to draw attention to this particular category for reasons to be explained below.

5.4.1 Majority black-owned vendors

Table 16 below shows the number of majority black-owned vendors that received payments from the SABC, by category and by year.

Table 16: Number of Majority Black-Owned Vendors - by Category by Year

Categories	2010	2011	2012	2013	2014	2015
Advertising, Events, and Marketing Services	5	9	13	14	27	20
Advisory and Information Services	7	5	14	16	11	21
Catering Services	3	6	5	6	6	7
Cleaning Services	2	4	4	5	8	11
Content Production	32	39	40	50	60	65
Facilities Management	5	5	5	5	13	23
Financial Services	-	-	-	-	-	-
Labour and Employee Services	1	1	2	3	4	5
Logistics Services	-	-	-	-	-	1
Other	122	136	143	170	244	333
Security Services	-	3	3	4	4	3
Telecommunications, Media and IT Equipment and Services	7	8	7	7	9	12
Travel and Accommodation	3	5	6	4	4	6
Total	187	221	242	284	390	507

Data source: SABC SAP FI System and SABC Vendor Database

For ease of reference, the figures are presented in Table 17 below as proportions of the number of total vendors per category per year.

Table 17: Vendors as Proportions of the Total Vendors per Category per Year

Categories	2010	2011	2012	2013	2014	2015	Average
Advertising, Events, and Marketing Services	38,46%	56,25%	61,90%	50,00%	64,29%	58,82%	54,95%
Advisory and Information Services	36,84%	27,78%	43,75%	50,00%	40,74%	51,22%	41,72%
Catering Services	42,86%	54,55%	50,00%	54,55%	46,15%	50,00%	49,68%
Cleaning Services	100,00%	80,00%	66,67%	83,33%	80,00%	78,57%	81,43%
Content Production	51,61%	54,17%	56,34%	60,24%	65,93%	62,50%	58,47%
Facilities Management	25,00%	25,00%	26,32%	21,74%	38,24%	43,40%	29,95%
Financial Services							
Labour and Employee Services	25,00%	25,00%	50,00%	60,00%	40,00%	50,00%	41,67%
Logistics Services						33,33%	33,33%
Other	36,97%	38,10%	37,93%	40,48%	41,01%	45,49%	40,00%
Security Services		60,00%	60,00%	80,00%	80,00%	75,00%	71,00%
Telecommunications, Media and IT Equipment and Services	24,14%	26,67%	23,33%	21,21%	21,95%	26,67%	23,99%
Travel and Accommodation	8,57%	12,82%	24,00%	14,81%	10,81%	13,33%	14,06%
Total	35,55%	37,91%	39,80%	41,76%	42,67%	45,76%	40,58%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Table 18 below shows the absolute amounts spent with majority black-owned vendors. In concert with the pattern picked up above, 2014 saw multiple factor increases in spend with majority black-owned vendors, notably those offering ‘Advertising, Events, and Marketing Services’ (doubled), ‘Advisory and Information Services’ (quadrupled), ‘Facilities Management’ (seven fold).

Table 18: Spend with Majority Black-Owned Vendors - by Category by Year

Categories	2010	2011	2012	2013	2014	2015	Average
Advertising, Events, and Marketing Services	50 188 069	68 454 673	52 172 226	52 833 379	110 976 010	71 850 628	67 745 831
Advisory and Information Services	6 612 995	17 791 208	29 371 481	26 347 243	101 628 614	132 106 728	52 309 712
Catering Services	112 736	413 989	1 509 571	613 635	2 379 182	965 960	999 179
Cleaning Services	781 377	1 660 545	4 974 968	1 919 390	2 145 142	2 918 596	2 400 003
Content Production	250 424 525	376 143 684	314 936 696	464 795 481	548 822 435	539 570 859	415 782 280
Facilities Management	3 102 015	7 313 964	1 909 035	3 262 451	26 401 833	45 568 280	14 592 930
Financial Services	-	-	-	-	-	-	-
Labour and Employee Services	1 027 931	1 230 060	5 680 939	5 634 934	5 976 589	3 995 578	3 924 339
Logistics Services	-	-	-	-	-	583 316	583 316
Other	14 156 758	25 894 019	34 434 672	54 263 010	68 092 191	92 570 845	48 235 249
Security Services	-	3 827 043	10 648 394	30 054 070	39 841 751	43 694 069	25 613 065
Telecommunications, Media and IT Equipment and Services	5 897 717	8 945 841	20 545 891	21 118 186	38 330 393	65 028 740	26 644 461
Travel and Accommodation	3 899 997	5 804 759	6 730 438	7 316 214	9 621 816	11 406 327	7 463 259
Grand Total	336 204 119	517 479 783	482 914 312	668 157 993	954 215 957	1 010 259 927	661 538 682

Data source: SABC SAP FI System and SABC Vendor Database

5.4.2 Typical categories – Catering Services, Cleaning Services, Security Services

Table 19: Spend by Category by Year on Majority Black-Owned Vendors

Categories	2010	2011	2012	2013	2014	2015	Average
Advertising, Events, and Marketing Services	70,81%	92,66%	83,70%	69,81%	70,97%	66,17%	75,69%
Advisory and Information Services	18,75%	10,96%	38,19%	57,66%	69,32%	71,26%	44,36%
Catering Services	41,71%	57,64%	85,60%	55,56%	62,75%	31,22%	55,74%
Cleaning Services	100,00%	99,95%	91,64%	74,36%	60,45%	57,16%	80,59%
Content Production	60,79%	62,64%	54,54%	64,01%	67,03%	60,73%	61,62%
Facilities Management	43,79%	51,34%	26,15%	26,91%	59,19%	52,72%	43,35%
Financial Services	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%	0,00%
Labour and Employee Services	10,87%	13,13%	38,76%	40,98%	23,22%	19,20%	24,36%
Logistics Services		0,00%	0,00%	0,00%	0,00%	51,71%	10,34%
Other	38,61%	37,30%	39,40%	44,82%	44,46%	51,81%	42,73%
Security Services	0,00%	75,90%	97,64%	99,34%	99,18%	97,55%	78,27%
Telecommunications, Media and IT Equipment and	7,89%	7,68%	17,98%	21,19%	26,83%	28,02%	18,26%
Travel and Accommodation	21,61%	28,43%	31,65%	46,98%	53,27%	76,71%	43,11%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Table 19 above shows the proportion of each category’s annual spend that was made with majority black-owned vendors. The anticipated categories, ‘Cleaning Services’ and ‘Security Services’ are indeed the domain of black-owned vendors, with the possible exception of Catering, which has seen the share going to majority black-owned vendors decline from over 85% in 2012 to about 30% in 2015. An average of over 80% of spend on Cleaning Services was made with majority black-owned vendors, while on average about 80% of spend on Security Services was made with majority black-owned vendors. These categories are, as one senior manager termed them, the ‘easy wins’ on account of there being numerous black-owned vendors offering services in either category.

While little was offered by way of explanation by the interviewees to explain the pattern with ‘Catering Services’, one interviewee provided the general observation:

Our requests for catering services are either for large events, which not many [majority] black-owned catering companies can satisfactorily deliver on; or they are small requests which many [majority] black-owned companies do not find to be worth their while. Many do not see the point of building a reputation with us when our orders are rather erratic (Interviewee 2 (SCM Department), 2017).

5.4.3 Core business category – Content Production

What Table 19 also shows is the progress made in terms of the other atypical categories, and most specifically the ones that are core to the business of the SABC. Content Production is the core of SABC's business, and it is therefore encouraging that on average just over 60% has been spent on majority black-owned vendors. Again, this has not been particularly due to the actions of the SABC, beyond implementing its supply chain management policy. There is, however, some work that the SABC does with regard to industry development with up and coming content production companies, but as was explained during the interviews, this is 'a very small part of what we do' (Interviewee 3 (TV Division), 2017).

5.4.4 Core business category – Telecommunications, Media and IT Equipment and Services

Equally encouraging is the situation with regard to Telecommunications, Media and IT Equipment and Services, which have commanded an average of about 10% of annual spend over the analysis period. While the average annual spend proportion that has gone to majority black-owned vendors has been just under 20%, the encouraging aspect is the progression that is evident over the analysis period. In 2010, about 8% of spend on this category was with majority black-owned vendors. By 2015, this proportion had consistently risen to reach just under 30%.

The relative low showing of majority black-owned vendors offering Telecommunications, Media and IT Equipment and Services to the SABC was explained thus by an interviewee:

There are two linked reasons. The first is historical. When the SABC went through its first wave of transformation back in the early 1990s, a number of white technical people opted for packages and they left. Some of them went and established companies that acquired rights to distribute and maintain most of the equipment the SABC uses. So,

whenever the SABC needs to buy equipment they have no choice but to go to these same white [-owned] companies over and over again.

The other reason is because almost all the equipment we use for broadcasting is sourced outside the country. The broadcasting industry in South Africa is too small to justify local production. Think about it, a mixing console is designed to last about 10 years, but we sweat it for extra five years. This is the general practice. So how many will a local manufacturer sell, and then what will they do for the years until we buy new equipment (Interviewee 6 (SCM Department), 2017).

This equipment is critical to the business of the SABC, and therefore it does not have much choice but to purchase from the same companies. The SABC's bargaining power is limited. Strong arm tactics are likely to be detrimental to the SABC's operations, and therefore it has to resort to persuasion. It is this persuasion that has resulted in the witnessed progress over time.

5.4.5 Core business category – Advisory and Information Services

Advisory and Information services have commanded, on average, just over 8% of the annual spend. Of this, the average proportion going to majority black-owned vendors is about 45%. The progression over the period of consideration is noteworthy, going from less than 20% in 2010 to just over 70% in 2015. Advertising, Events and Marketing Services have claimed, on average, just over 7% of the annual spend. Of this, the average proportion going to majority black-owned vendors is about 75%.

5.4.6 Core business category – Financial Services

Financial Services have claimed on average just under 6% of annual spend. However, all this spend has gone to majority White-owned large (Generics) vendors and QSEs. The challenge, according to one interviewee, related to prices and experience. The suggestion is that 'financial services' is such a

specialized service, and the expertise and pricing proposed needs to be beneficial to the SABC. This had apparently not been the case with proposals from black-owned vendors (Interviewee 4 (Finance Division), 2017).

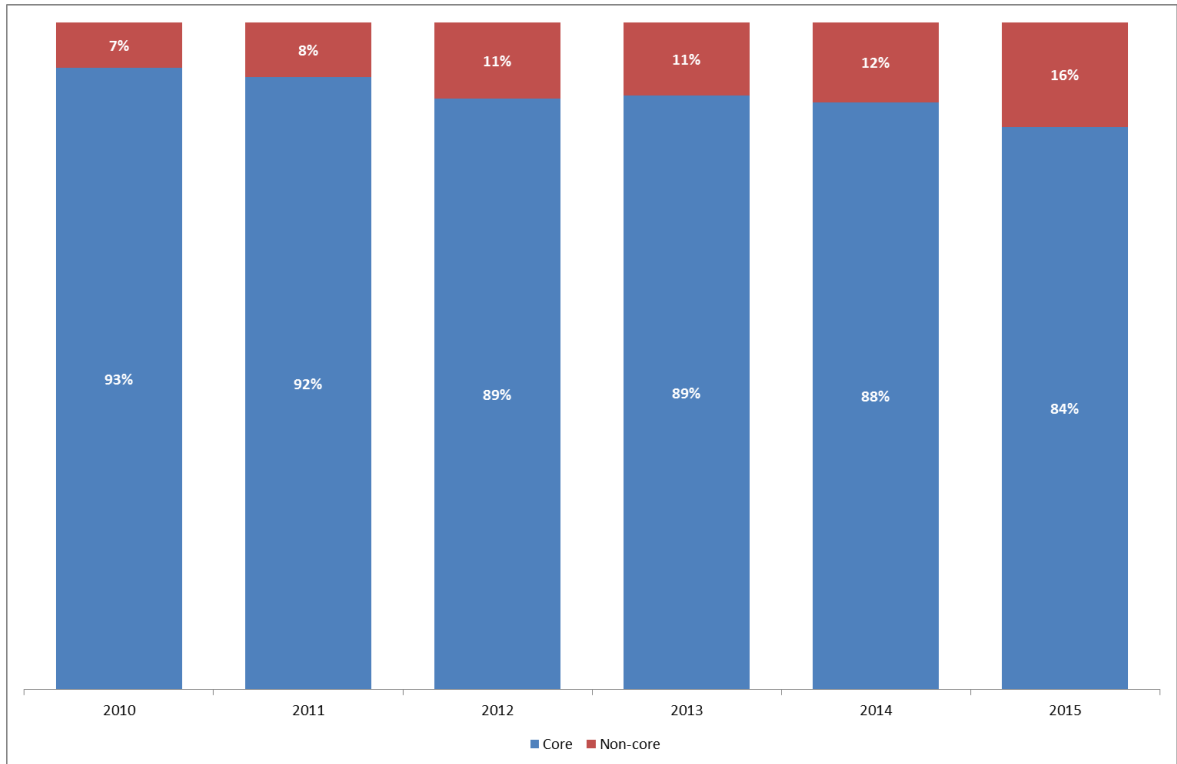
However, a significant proportion of spend for financial services goes to debt collection services related to the SABC's efforts to maximize television license revenue. It is difficult to imagine that there are no majority black-owned vendors capable of providing this service, even if only to collect in informal settlements and 'black townships'.

5.5 Core Versus Non-core

Using the categorisation contained in Table 3, the spend that went to majority black-owned vendors over the analysis period is presented in Figure 10 below to show the split between spend on 'core' versus 'non-core' categories.

Figure 10 shows that while the bulk of spend going to majority black-owned vendors has remained for core services and products, this proportion has been decreasing over time. In 2010, only 7% of spend with majority black-owned vendors was for non-core services and products. By 2015, this proportion had more than doubled.

No explanation could be provided as this, like other aspects of preferential procurement at the SABC, is not monitored.



Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

Figure 10: Core versus Non-core

5.6 Proportional Share

For the four categories for which further analysis was deemed appropriate and possible, the study explored the question of whether at a wholesale/overall level, majority black-owned vendors were getting a ‘fair’ deal. For this analysis, ‘fair’ was defined as equality between proportion of number of vendors, and proportion of spend. In other words, if majority black-owned vendors made up 30% of vendors offering Advisory and Information Services, then they should also get 30% of the revenue paid for Advisory and Information Services for that period. The analysis itself is very simplified and appears to gloss over the realities of business where companies have contracts of varying sizes owing to the services for which they are contracted to provide. However, it provides a useful starting point for further and deeper analysis.

Table 20: Proportions Analysis - Majority Black-Owned Vendors

Category	2010	2011	2012	2013	2014	2015
Advertising, Events, and Marketing Services	32,35%	36,41%	21,80%	19,81%	6,68%	7,35%
Advisory and Information Services	-18,09%	-16,82%	-5,56%	7,66%	28,58%	20,04%
Content Production	9,17%	8,47%	-1,80%	3,77%	1,10%	-1,77%
Telecommunications, Media and IT Equipment and Services	-16,25%	-18,99%	-5,35%	-0,02%	4,87%	1,35%

Data source: SABC SAP FI System and SABC Vendor Database, and own analysis

The highlighted cells in Table 20 show instances where majority black-owned vendors received less than their proportional share in terms of number of vendors paid by the SABC for that period for that category of services. In 2010, majority black-owned vendors offering Advisory and Information Services received about 20% less than what they 'should' have received on a purely proportional basis. On the other hand, majority black-owned vendors contracted for Advertising, Events, and Marketing Services in 2010 received over 30% more in payment than they would otherwise have received on a purely proportional basis.

The above analysis is of interest for one primary reason, which was described as follows by one interviewee:

It is always important to understand exactly the nature of work that is assigned to black-owned vendors. It is not unusual to find black-owned vendors being given only low value contracts. In those cases, you will find that, for example, black-owned vendors make up, say, 70% of the number of vendors, but they only receive about 30% of the spend. At an overall level, this must be monitored and deeply understood (Interviewee 2 (SCM Department), 2017).

6 ANALYSIS OF RESEARCH FINDINGS

6.1 Limitations

This study faced two main limitations. The first related to the unavailability of BEE information for some vendors. The impact of this on the study is the inability to analyse some of the procurement spend. The missing information was due to the state of the vendor database, the quality of which has noticeably got better over the duration of the analysis period. This improvement is evident in how in 2010, about 40% of spend was to vendors for which BEE information is missing, and by 2015, this proportion had gone down by 50% to about 20%. Though there has been marked progress in the quality of the database, it is still a way before information can be drawn from it and analysed without the need for some considerable effort to be expended cleaning it up, a fact reluctantly admitted to by supply chain management personnel.

The second limitation related to the withholding of the GL account information. The impact of this on the study was managed by sourcing the information from other sources. While not ideal, the results of the analysis seemed adequately probable to the interviewees. While the qualitative interviews were not intended for the purpose of providing validation or triangulation, the ability of the interviewees to relate to the findings provided tacit validation.

These limitations could be viewed as flowing either from the general and global lack of supply chain management skills and capacity (Ambe & Badenhorst-Weiss, 2012; Migiro & Ambe, 2008; National Treasury, 2015), or from deliberate actions intended to create a weak internal control environment that is conducive to fraud and corruption (Mahlaba, 2004; Ntayi et al., 2009). The likely situation is that it is probably a combination of the two. The magnitude of irregular expenditure at the SABC suggests deliberate efforts to

avoid procuring goods and services in accordance with the applicable laws and regulations (South African Broadcasting Corporation, 2016).

Notwithstanding these limitations this study was able to provide credible indicative answers to the research questions.

6.2 Answering the Main Research Question

To answer the main research question, which sought to establish the performance of the SABC in terms of preferential procurement, three aspects of performance were examined:

1. Performance in terms of B-BBEE levels of vendors
2. Performance in terms of the business sizes of vendors
3. Performance in terms of majority black ownership status of vendors

6.2.1 B-BBEE levels of vendors

Over the analysis period, the SABC consistently spent more than 95% of annual analysed spend with vendors within B-BBEE levels 1 to 4. This is commendable because these levels represent the most broad-based black economically empowered vendors, and a 95% allocation of procurement spend with them is in keeping with the objectives of black economic empowerment legislation.

6.2.2 Business sizes of vendors

Over the analysis period, the share of annual spend going to EMEs has increased from 16% in 2010 to 21% in 2015. The share of annual spend going to QSEs has also increased over the analysis period, going from 27% in 2010 to 35% in 2015. This performance is in keeping with that sought by legislation and applicable regulations, in particular the Constitution of South Africa's competitiveness criterion with regard to the carrying out of public

procurement. The benefits from the development of EMEs and QSEs will accrue to the country in the form of lower prices as a result of increased market competition (Ambe & Badenhorst-Weiss, 2012; Pauw & Wolvaardt, 2009). This is a long term benefit of supporting EMEs and QSEs. In the short term, however, the SABC is likely saddled with the reality of having to pay a premium for the services of, and goods from, entities that do not provide the benefits that come from economies of scale.

The other reason behind the support of small businesses is that they are viewed as the answer to the question of increasing employment (Bolton, 2006; Department of Trade and Industry, 2003; Peprah et al., 2016). While EMEs and QSEs have benefitted from greater support from the SABC in the form of an increasing share of annual procurement spend, a question emerges regarding whether the increasing support is resulting in higher employment. While not a focus of this study, this aspect relates to one of the criticisms that black economic empowerment legislation does not incentivise employment creation (Ambe & Badenhorst-Weiss, 2012). Using the results of this study, the SABC would benefit from an investigation into whether their increased support of EMEs and QSEs is resulting in more jobs being created.

6.2.3 Majority black ownership of vendors

The analysis period saw an average proportion of 47% of annual spend going to majority black-owned vendors for the first three years, increasing to 55% in the following three years. This is positive.

When looking at the business size spread of spend going to majority black-owned vendors, the picture gets more positive. The proportion of spend with EMEs and QSEs that went to majority black-owned vendors increased from 60% and 52% respectively in 2010, to 70% and 60% respectively in 2015. In terms of proportion of annual spend to majority black-owned vendors, the change in the mix over the analysis period is also positive. The change in this mix shows more EMEs and QSEs being the recipients of opportunities. This is

also in keeping with the objectives of black economic empowerment and related legislation.

These results are more impressive when considered against ICT Charter targets of 12% of spend to be placed with EMEs and QSEs, and 3% of spend to be with majority black-owned vendors.

6.3 'Accidental' Performance

From the interview responses, it is apparent that the SABC has managed to achieve this level of performance through no deliberate actions apart from the implementation of a policy that is aligned to the PPPFA. Given the magnitude of the amount classified as 'fruitless and irregular expenditure' (Auditor-General South Africa, 2016; South African Broadcasting Corporation, 2016), it has not implemented this well. The SABC has no approved strategy to drive black economic empowerment, especially with regard to preferential procurement and enterprise development. Unlike aspects of black economic empowerment like employment equity and skills development for which targets are prescribed and are relatively straight forward, preferential procurement and related enterprise development require deliberate organisational strategies and targets. This absence of a strategy raises the question of whether, despite the rhetoric from the SABC's former leaders to the contrary (News24, 2016), this is due to BEE not being viewed as a strategic consideration (Tangri & Southall, 2008).

The SABC has benefited from the market in its ability to perform. The presence of other broadcasters in the industry such as eTV and Multichoice, and their increasing focus and resource allocation towards industry development has helped make available the vendors that the SABC has managed to use in areas such as Content Production (Interviewee 1 (SCM Department), 2017).

The absence of specific focus on preferential procurement has resulted in the decline seen over the analysis period of the proportion of spend going to

majority black African-owned vendors. This analysis caught a number of the interviewees by surprise, highlighting the need for monitoring of performance at this deeper level, beyond the high level analysis and monitoring done by rating agencies.

As pointed out by Bolton (2006) and Tangri and Southall (2008), government entities wield considerable power to drive faster and greater transformation. The absence of a strategy to drive preferential procurement is evidence of the SABC wasting this power it has. The broadcasting industry is relatively small. The size of the SABC relative to the industry places it in a position to drive greater transformation within the industry. The findings from this study seem to indicate that this power is yet to be tested.

6.4 Answering the Sub-question

The sub-question sought to examine whether spend with black-owned vendors extended beyond the typical categories such as catering, cleaning and security services, towards more core areas of the SABC's operations.

The study showed that indeed Cleaning Services and Security Services were areas that black-owned vendors dominated, receiving an average annual spend over the analysis period of about 80% of all spend on these categories. Catering Services showed a different pattern due to the nature of need of catering services by the SABC. The reason for this is likely to be that these industries enjoy a high number of participants largely to low barriers to entry, and the ability to easily and quickly scale operations up and down. A high number of participants results in increased competition, which in turn helps to keep prices lower than they would otherwise be in instances of high market concentration (Pauw & Wolvaardt, 2009). The SABC is a benefactor of the dynamics within these three industries.

The study also showed that in terms of other categories on which the SABC spends significant amounts of money, black-owned vendors are either

significant beneficiaries or their share of spend has increased over the analysis period.

For Content Production, which has commanded an average of just under 54% of annual spend, majority black-owned vendors have been the recipients of, on average, 60% of annual spend over the analysis period.

For Advisory and Information Services, which has commanded an average of about 8% of annual spend, majority black-owned vendors have received an average proportion of 45% of annual spend. Over the period of analysis, however, the proportion has gone from less than 20% in 2010 to over 70% in 2015.

For Advertising, Events and Marketing Services, which have commanded an average of 7% of annual spend, the average proportion that has gone to majority black-owned vendors has been about 75%.

For Telecommunications, Media and IT Equipment and Services, which have claimed an average of 10% of annual spend over the analysis period, the proportion that has gone to majority black-owned vendors has averaged about 20%. Looking at the progression over the analysis period shows an increase from about 8% in 2010 to just under 30% in 2015. The reasons advanced for this by interviewees relate to the small number of participants within this sector. Accepting this reason raises the suspicion that the SABC is likely not getting maximum value for money due to the lack of competition and the resultant likely absence of the best possible prices (Pauw & Wolvaardt, 2009).

The missing strategy to deal with preferential procurement, as discussed above, would be a good start. The ability to implement such a strategy requires a set of skills and abilities that may not be available at the SABC. This is a situation not unique to the SABC but to public procurement in South Africa and the rest of the world (Ambe & Badenhorst-Weiss, 2012; Migiro & Ambe, 2008; National Treasury, 2015). An interviewee highlighted the lack of

planning skills as one of the reasons hampering the SABC's ability to get suppliers/vendors to transform:

We should have the power but we don't. In many cases, by the time we eventually go out on tender, the need for the services/goods is desperate, and potential suppliers/vendors know this. It is hard enough then to negotiate effectively in terms of pricing, let alone for something like getting them to sub-contract part of the contract to a black-owned entity. If we could plan better, we would go out on tender with enough time to play hardball with potential suppliers/vendors (Interviewee 2 (SCM Department), 2017).

6.5 Conclusion

Notwithstanding the limitation posed by the inability to include all applicable procurement spend in answering the research questions, indicative results from the analysis provided in this study show that over the analysis period, black-owned entities have benefitted from an increasing allocation of procurement spend. The results also show that the bulk (95%) of procurement spend has been with empowered entities. There has also been an increase in the share of spend with EMEs and QSEs, with those that are majority black-owned receiving most of the increase.

In terms of the sub-question, the study showed that black-owned entities have either seen the share of their portion of SABC's annual spend increase, or have been significant beneficiaries.

This performance of the SABC has been possible despite the absence of preferential procurement and enterprise development being areas of strategic focus. Apart from a supply chain management policy that is aligned to the PPPFA, the SABC has no approved strategy to contribute towards the national imperative of black economic empowerment. The reasons for this could be due to a lack of required skills, or a lack of leadership/political will in

the form of preferential procurement and enterprise development not being seen as areas of strategic focus, but rather as mere rhetoric intended to cover up irregular procurement activities. A future study could establish which of these or other reasons are responsible for the absence of a specific strategy to deal with preferential procurement at the SABC.

The findings also raise questions worthy of exploration through further study. These questions include whether the increasing level of support of EMEs and QSEs by the SABC has resulted in increasing levels of employment as advanced by the proponents of this focus on these categories of entities (Bolton, 2006; Peprah et al., 2016).

The other question relates to the concept of targeted procurement (Watermeyer et al., 1998). For Content Production, the SABC procured services from an average of 54 entities. This raises the question of whether this does not spread the available funds too thinly to enable most of these entities to achieve the size that would enable them to employ more and competitively bid for work elsewhere. Would the SABC not achieve more by supporting a few black-owned entities until they become significant industry players?

7 CONCLUSION

In addition to answering the research questions, it would appear that this study has presented the SABC as possible testament that the system of black economic empowerment, as envisaged by the State, can, on the face of it, work to advance the fortunes of black people in South Africa. As a means of 'wealth redistribution' (Bolton, 2006), preferential procurement can be very effective.

Through just implementing a procurement policy that is aligned to the PPPFA, the SABC was able to achieve this level of performance without any strategy to address preferential procurement or enterprise development. Just by implementing the prescripts of the PPPFA, an increasing proportion of majority black-owned vendors have received significant opportunities at the SABC. How these suppliers/vendors have capitalised on those opportunities, as well as the benefit that has accrued to the SABC and broadcasting industry at large as a result, should be the subject of subsequent studies.

The SABC has also been able to achieve an increasing level of spend going to black-owned entities offering goods and services that are core to its operations. This is a positive trend that compares well against the dominance of black-owned entities in the provision of non-core goods and services.

Despite these positive trends, the SABC does not, however, appear to have done all it can in terms of its contribution towards black economic empowerment. While it has provided opportunities to black-owned vendors, it has not made its unique contribution to the industry. As the national broadcaster, it could, through focused effort, contribute new content production entities to the industry. This is an area of particular expertise that the SABC has and could leverage to great benefit for the industry and country.

7.1 Long Term View

Black economic empowerment is a long game. It requires those entrusted with driving it to have a long term view of its intended benefits, and a relentless focus towards it. The benefits may not accrue during a CEO's tenure, but, done correctly, the benefits will accrue to the country and to the organisation in the long term. It is therefore necessary to actively and diligently monitor efforts to achieve black economic empowerment, and to constantly evaluate their effectiveness and make adjustments as required.

8 RECOMMENDATIONS

Black economic empowerment is a national imperative. The future stability of South Africa is dependent on it. It therefore requires deliberate and concerted effort on the part of every entity, public and private, to play its part. Given this appreciation, and the results of this study, the following recommendations are made for the SABC:

8.1 Development of an Organisation-wide Strategy and Plan

The SABC should give priority to the development of an organisation-wide strategy to guide how it will approach black economic empowerment, particularly with regard to preferential procurement and enterprise development. Development of this strategy should be informed by comprehensive analysis along the lines of that presented in this study. In order to do this, however, the vendor database must be comprehensively and accurately populated, and the data linking payments to GL accounts made available. It will be necessary to simultaneously strengthen the controls relating to the use of the GL accounts.

The strategy should point out the categories of spend that the SABC will focus on, that can make a notable impact in the broadcasting industry. As a start, focus should be on transforming the categories where significant amounts of spend go. These, as it happens, are not any of the typical 'easy win' categories of catering, cleaning and security services, industry sectors which already enjoy high numbers of suppliers/vendors.

In terms of the one category that draws the largest proportion of spend, the SABC should consider intensifying its efforts at developing new and small majority black owned production companies. While efforts to get the bigger majority white owned vendors to partner and mentor the small entities have not resulted in much improvement, the development and enforcement of more

stringent contract conditions could be used to achieve better results. The development of new production houses should also not be the exclusive responsibility of majority white owned production houses, but the responsibility of all established production houses, regardless of who owns them.

The latest iteration of the Preferential Procurement Regulations (National Treasury, 2017) presents entities with significant latitude in terms of ring-fencing tenders for the benefit of entities owned by members of particular population groups. The potential of abuse is vast, as is the potential to be ineffective. A well-developed strategy and plan will therefore be critical in focusing the preferential procurement activities of the SABC. The strategy and plan should also enable the SABC to avoid the pitfalls of preferential procurement decisions taken more for political expediency rather than the long term benefit of the organisation and country.

8.2 Monitoring and Evaluation

The SABC should consider a robust monitoring and evaluation mechanism linked to the strategy and plan that looks at preferential procurement from multiple angles, including the ones presented in this report. It is not enough to only look at spend on majority black-owned vendors. It is important to also look at, and manage, the spend on majority Black African-owned vendors, along with spend on vendors owned by other members of the designated groups.

The performance of the SABC, partially 'accidental' as it may have been, faces certain regression unless preferential procurement is actively monitored and evaluated.

Though not a focus of this study, an important aspect of preferential procurement that would require explicit focus in terms of monitoring and evaluation is that of value for money. Even if it is accepted that cost premiums

are part of the journey of transforming the South African economy, the quantum of that premium needs to be diligently monitored and evaluated against the value derived from services/goods procured (Bolton, 2006). The interviews revealed that no such monitoring exists in terms of procurement done by the SABC. This could mean that this seemingly positive and progressive allocation of procurement spend to black-owned entities could be happening at a cost that leaves the SABC and nation with a net deficit when one considers the value derived relative to the costs incurred. This cost could be more significant in the case of the acquisitions of telecommunications, media and IT equipment and services, where only a few vendors exist. This has implications for competition and the prices charged to the SABC (Pauw & Wolvaardt, 2009).

Effective monitoring and evaluation at an industry or national level would also enable an analysis of whether, as posited by Mkhize (2004), cited in Bolton (2006), and by Watermeyer (2000), support for the SMME sector is resulting in increased employment and the associated benefits of that.

The conflicting criteria to be satisfied in public procurement, as set out in the Constitution of South Africa, provide more reason to have a robust monitoring and evaluation system that will also measure the degrees to which these five criteria are satisfied (Ambe & Badenhorst-Weiss, 2012; Pauw & Wolvaardt, 2009).

8.3 Enterprise Development

Underpinning the efforts of the SABC to perform more deliberately and better in terms of preferential procurement should be a robust, well-considered and well-resourced enterprise development programme. For maximum impact, this could be focused on the SABC's main area of capability – content production. It is in this area that expertise can be imparted by employees. This may not be the case with other areas for which the SABC has no solid expertise.

The changes in the television and radio industries appear to relate more to how the generated content is consumed. This relates to the platforms used to consume television and radio content. What seems to be remaining constant is the need for good content. A small or medium sized content production enterprise that has benefitted from the enterprise development efforts of the SABC can go on to produce content for other broadcasters and other media organisations and continue to grow. In the long term, the SABC will not need to spend as much developing small enterprises. It will be able to either share or pass on this cost with other content production entities that will have benefitted from previous efforts. More enterprises make for better competition, which in turn makes for better pricing, which would be beneficial to the SABC and the nation at large (Pauw & Wolvaardt, 2009).

REFERENCES

- Aivazian, V. A., Ge, Y., & Qiu, J. (2005). Can Corporatization Improve the Performance of State Owned Enterprises Even Without Privatization? *Journal of Corporate Finance*, 11(5), 791-808.
- Ambe, I. M., & Badenhorst-Weiss, J. A. (2012). Procurement challenges in the South African public sector. *Journal of Transport and Supply Chain Management*, 6(1), 242-261. doi: 10.5897/AJBM12.360
- Auditor-General South Africa. (2016). Final Management Report - South African Broadcasting Corporation (SOC) Limited (SABC) (pp. 277). Johannesburg, South Africa: Auditor-General South Africa,.
- Bolesta, A. (2007). China as a Developmental State. *Montenegrin Journal of Economics*, 3(5), 105-111. doi: 10.1111/twec.12215
- Bolton, P. (2006). Government procurement as a policy tool in South Africa. *Journal of public procurement*, 6(3), 193.
- Bond, P. (2000). *Elite Transition: From apartheid to neoliberalism in South Africa*.
- Chabane, N., Goldstein, A., & Roberts, S. (2006). The changing face and strategies of big business in South Africa: More than a decade of political democracy. *Industrial and Corporate Change*, 15(3), 549-577. doi: 10.1093/icc/dtl011
- Chabane, N., Roberts, S., & Goldstein, A. (2006). The changing face and strategies of big business in South Africa: more than a decade of political democracy. *Industrial and Corporate Change*, 15(3), 549-577. doi: <http://doi.org/10.1093/icc/dtl011>
- Chen, T. H. (2008). An economic approach to public procurement. *Journal of public procurement*, 8(3), 407-430.
- de Acevedo Sánchez, E. M. (2016). State-owned Enterprise Management: Advantages of Centralized Models: Institutions for Development Sector.
- Department of Trade and Industry. (2003). *South Africa's Economic Transformation: A Strategy for Broad-Based Black Economic Empowerment*. Government of South Africa.
- Department of Trade and Industry. (2007). *Statement 500 - The General Principles for Measuring Preferential Procurement*. Pretoria, South Africa: Government of South Africa.
- Dolma, S. (2010). The central role of the unit of analysis concept in research design. *Istanbul University Journal of the School of Business Administration*, Cilt, 39, 169-174.
- Fauconnier, A., & Mathur-Helm, B. (2008). Black economic empowerment in the South African mining industry: A case study of Exxaro Limited. *South African Journal of Business Management*, 39(4), 1-15.
- Fine, B. (1999). The Developmental State Is Dead - Long Live Social Capital? *Development and Change*, 30, 1-19.
- Golafshani, N. (2003). Understanding reliability and validity in qualitative research. *The qualitative report*, 8(4), 597-606.
- Gounden, S. (2000). *The Impact of the Affirmative Procurement Policy on Affirmable Business Enterprises in the South African Construction Industry*. (1).

- Broadcasting Act, No. 4 of 1999 Stat. (Government of South Africa 1999 April 1999).
 Broad-Based Black Economic Empowerment Act (2003).
- Interviewee 1 (SCM Department). (2017). Black economic empowerment and preferential procurement at the SABC. In T. Kaseke (Ed.).
- Interviewee 2 (SCM Department). (2017). Black economic empowerment and preferential procurement at the SABC. In T. Kaseke (Ed.).
- Interviewee 3 (TV Division). (2017). Black economic empowerment and preferential procurement at the SABC. In T. Kaseke (Ed.).
- Interviewee 4 (Finance Division). (2017). Black economic empowerment and preferential procurement at the SABC. In T. Kaseke (Ed.).
- Interviewee 5 (Media Technology & Infrastructure Division). (2017). Black economic empowerment and preferential procurement at the SABC. In T. Kaseke (Ed.).
- Interviewee 6 (SCM Department). (2017). Black economic empowerment and preferential procurement at the SABC. In T. Kaseke (Ed.).
- Kattel, R., & Lember, V. (2010). Public procurement as an industrial policy tool: an option for developing countries? *Journal of public procurement*, 10(3), 368-404. doi: <http://doi.org/10.1017/CBO9781107415324.004>
- Kloviene, R., & Gimzauskiene, E. (2014). Performance measurement model formation in state-owned enterprises. *Procedia Social and Behavioural Sciences*, 156, 594-598.
- Krüger, L. P. (2011). The impact of black economic empowerment (BEE) on South African businesses: Focusing on ten dimensions of business performance. *Southern African Business Review*, 15(3), 207-233.
- Leftwich, A. (1995). Bringing politics back in: towards a model of the developmental state. *The journal of development studies*, 31(3), 400-427. doi: <https://doi.org/10.1080/00220389508422370>
- Magoro, M. J., & Brynard, P. (2010). Difficulties associated with the implementation of the preferential procurement policy in conjunction with a low-cost housing programme: a South African contextualisation. *Politeia*, 29(3), 4-23.
- Mahlaba, P. (2004). Fraud and corruption in the public sector: An audit perspective. *Service Delivery Review*, 3(2), 84-87.
- Mathee, C. A. (2005). *THE POTENTIAL OF INTERNAL AUDIT TO ENHANCE PUBLIC SUPPLY CHAIN MANAGEMENT OUTCOMES*.
- McCrudden, C. (2004). Using public procurement to achieve social outcomes. *Natural Resources Forum*, 28(28), 257-267. doi: 10.1111/j.1477-8947.2004.00099.x
- McCrudden, C. (2004). *Using public procurement to achieve social outcomes*. Paper presented at the Natural Resources Forum.
- Migiro, S., & Ambe, I. (2008). Evaluation of the implementation of public sector supply chain management and challenges: A case study of the central district municipality, North west province, South Africa. *African Journal of Business Management*, 2(12), 230.
- Munzhedzi, P. H. (2016). South African public sector procurement and corruption: Inseparable twins? *Journal of transport and supply chain management*, 10(1), 1-8.
- National Planning Commission. (2012). *National Development Plan 2030*.

- National Treasury. (2013). *Implementation Guide - Preferential Procurement Regulations 2011 Pertaining to the Preferential Procurement Policy Framework Act, Act No. 5 of 2000*. South Africa: Republic of South Africa.
- National Treasury. (2015). 2015 Public sector supply chain management review. Preferential Procurement Regulations 2017 (2017).
- National Treasury, S. A. (2015). 2015 Public Sector Supply Chain Management Review. 83-83.
- News24. (2016). The war at the SABC is about transformation - Hlaudi. from <https://www.news24.com/Video/SouthAfrica/News/the-war-at-the-sabc-is-about-transformation-hlaudi-20161125>
- Ntayi, J., Gerrit, R., & Eyaa, S. (2009). Supply chain swiftness in a developing country: The case of Uganda small and medium sized enterprises. *E-Journal of Business and Economic Issues*, 4(1).
- Oni, O. A., & Fatoki, O. O. (2014). The Impact of Black Economic Empowerment Policy on Turnover and Profitability of Businesses in Polokwane Area of Limpopo Province, South Africa. *Mediterranean Journal of Social Sciences*, 5(20), 888.
- Onwuegbuzie, A. J., & Leech, N. L. (2005). On Becoming a Pragmatic Researcher: The Importance of Combining Quantitative and Qualitative Research Methodologies. *International Journal of Social Research Methodology*, 8(5), 375-387.
- Pauw, J., & Wolvaardt, J. (2009). Multi-criteria decision analysis in public procurement: a plan from the South. *Politeia*, 28(1), 66-88.
- Peprah, J. A., Mensah, A. O., & Akosah, N. B. (2016). Small and Medium Sized Enterprises (SMES) Accessibility to Public Procurement: SMES Entity Perspective in Ghana. *European Journal of Business and Social Sciences*, 4(11), 25-40.
- Ponte, S., Roberts, S., & van Sittert, L. (2007). 'Black Economic Empowerment', business and the State in South Africa. *Development and Change*, 38(5), 933-955. doi: 10.1111/j.1467-7660.2007.00440.x
- Ponte, S., Roberts, S., & Van Sittert, L. (2007). 'Black Economic Empowerment', Business and the State in South Africa. *Development and change*, 38(5), 933-955. doi: <http://doi.org/10.1111/j.1467-7660.2007.00440.x>
- Pooe, D. R., Mafini, C., & Makhubele, D. T. (2015). Investigating Municipal Procurement Challenges in South Africa: A Qualitative Study. *The International Business & Economics Research Journal (Online)*, 14(1), 67.
- Qiao, Y., Thai, K. V., & Cummings, G. (2009). State and Local Procurement Preferences: A Survey. *Journal of Public Procurement*, 9(3 & 4), 371-410. doi: 10.1017/CBO9781107415324.004
- Sale, J. E. M., Lohfeld, L. H., & Brazil, K. (2002). Revisiting the quantitative-qualitative debate: Implications for mixed-methods research. *Quality and Quantity*, 36(1), 43-53.
- Sanchez, D. (2006). *Socio-economic transformation in South Africa: Black Economic Empowerment and small, medium and micro enterprises*: Danish Institute for International Studies.

- Schapper, P. R., Malta, J. N. V., & Gilbert, D. L. (2006). An analytical framework for the management and reform of public procurement. *Journal of public procurement*, 6(1/2), 1.
- Sogunro, O. A. (2002). Selecting a quantitative or qualitative research methodology: An experience. *Educational Research Quarterly*, 26(1), 3-8.
- South African Broadcasting Corporation. (2016). SABC Annual Report 2015. Johannesburg: South African Broadcasting Corporation (SABC).
- Southall, R. (2007). Ten propositions about black economic empowerment in South Africa. *Review of African Political Economy*, 34(111), 67-84. doi: <http://doi.org/10.1080/03056240701340365>
- Tangri, R., & Southall, R. (2008). The politics of black economic empowerment in South Africa. *Journal of Southern African Studies*, 34(3), 699-716. doi: <http://doi.org/10.1080/03057070802295856>
- Trionfetti, F. (2000). Discriminatory public procurement and international trade. *The World Economy*, 23(1), 57-76. doi: <http://doi.org/10.1111/1467-9701.00262>
- United Nations. (2013). Economic Transformation for Africa's Development. Washington D.C.: United Nations,.
- Wagner, C., Kawulich, B., & Garner, M. (Eds.). (2012). *Doing social research: A global context*. Berkshire: McGraw-Hill Higher Education.
- Wallace, S. L. (1999). Minority Procurement: Beyond Affirmative Action to Economic Development. *The Review of Black Political Economy*, 27(1), 73-98.
- Watermeyer, R. (2000). The use of targeted procurement as an instrument of poverty alleviation and job creation in infrastructure projects. *Public Procurement Law Review*, 226-250.
- Watermeyer, R. (2000). The use of Targeted Procurement as an Instrument of Poverty Alleviation and Job Creation in Infrastructure Projects. *Public Procurement Law Review*(5), 226-250.
- Watermeyer, R., Gounden, S., Letchmiah, D., & Shezi, S. (1998). Targeted procurement: a means by which socio-economic objectives can be realized through engineering and construction works contracts. *Journal of the South African Institution of Civil Engineering= Joernaal van die Suid-Afrikaanse Instituut van Siviele Ingenieurswese*, 40(4), 15-25.
- Zainol, F. A., & Daud, W. N. W. (2011). Indigenous ("Bumiputera") Malay entrepreneurs in Malaysia: Government supports, entrepreneurial orientation and firms performances. *International Business and Management*, 2(1), 86-99.

