

Issues in Leadership The effect of Black Economic Empowerment (BEE) on women: An Ethical Management Perspective

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ABSTRACT: South Africa has been a democratic country for almost twenty-two years, but is still facing challenges with Economic Equality, especially for women. As part of the objectives of Black Economic Empowerment (BEE), the African National Congress (ANC) promulgated the BEE Act (Act 53 of 2003). According to Statistics South Africa, women make up 51,2% of the total population and account for 45,1% of the working population; however, only 2,4% of women are CEO's of Johannesburg Stock Exchange (JSE) listed companies; and only 8,79% of those companies have 25% or more women directors. Furthermore, only 29,3% of Executive Management positions are held by women; of those women, 64% are white. These statistics confirm the underrepresentation of Black women in strategic positions. According to Dr Judith Dlamini race is still the leading element in discriminatory practices, closely followed by gender. While the government has provided an enabling environment for gender empowerment, the private sector has a long way to go in promoting gender empowerment.

Keywords: Black Economic Empowerment (BEE), Broad-Based Black Economic Empowerment (B-BBEE), African National Congress (ANC), Racial discrimination, Gender inequality.

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I. INTRODUCTION

The South African policy of Black Economic Empowerment (BEE) is not simply a moral initiative to redress the wrongs of the past. It is a pragmatic growth strategy that aims to realise the full economic potential of the country while helping to bring the black majority into the economic mainstream. Economic Empowerment, more especially for women, is an imperative with the aim of achieving the equality that Mlambo Ngcuka so strongly believes in. In an interview with the Guardian³, 21 August 2014, she reiterated that "the issue of Economic Empowerment cannot be underestimated". She went on to say that "it is a matter of basic fairness that women are able to fully participate in the economy". The Equality Bill was published in the Government Gazette (No. 37005 of 6 November 2013). This Bill aims to enforce compliance with stipulated minimum representation of women at senior level in both private and public sector.

Background and Literature review

Introduction

Black Economic Empowerment (BEE) is a racially selective programme launched by the South African Government to redress the inequalities of apartheid by giving certain previously disadvantaged groups (Blacks, Coloureds, Indians, and Asians) living in South Africa before 1994, the economic privileges befitting South African citizens.

One of the primary objectives of the research was to investigate the perceptions of managers regarding the effects of BEE on women. In 2006, the Department of Trade and Industry (DTI) formulated a strategic framework on gender and the empowerment of women. The framework presents the vision of society in which there is social and economic justice for all; where women and men are able to achieve their full potential, and in which women have equal access to control and access to economic resources. The objective was to ensure that gender equity is systematically taken into account in all the values, policies and programmes of the DTI, its working environment, work practices, monitoring and evaluation system time frames for achieving this.⁴

The Fin Scope South Africa Small Business Survey 2010³ found that small business creates an estimated additional six million employment opportunities and females are more likely to own businesses but less likely to be financially served than males. This is illustrated by the fact that even though women have better credit repayment records than men, they still find it more difficult to raise finance than their male counterparts. Obstacles to access were found to include discriminatory attitudes amongst banks, Black Economic

Empowerment code targets that do not have sufficient targets for women's financial services outreach. The United Nations Development Programme (UNDP) focuses on gender equality and the empowerment of women not only as a human right, but also because women are a pathway to achieving the Millennium Development goals and sustainable development.⁶

Mlambo Ngcuka reiterated her stance when she said, "gender and women empowerment are also at the core of what we need to do in development. It's not just a woman issue, improved economic opportunities for women lead to better outcomes for families, societies and countries". Mlambo Ngcuka elaborated on her statement when she said that "it's only when men find their rightful places at home that women will also find the rightful places in the work place."⁷

In 2006, the World Bank⁸ launched its Gender Action Plan to promote the empowerment of women in economic sectors, in particular Infrastructure (i.e. energy, transport, and water and sanitation), Agriculture, Personal Storage Device (PSD) and Finance. This will be achieved by

- ❖ Intensifying gender mainstreaming in operations of the World Bank and the International Finance Corporation (IFC), as well as through regional economic and sector work,
- ❖ Mobilizing resources to implement and scale-up results-based initiatives that empower women economically,
- ❖ Improving the knowledge surrounding the statistics on the economic participation of women and the relationship between gender equality, growth, and poverty reduction,
- ❖ Underpinning a targeted communications campaign to foster partnerships on the importance of economic contributions by women and execute the plan.

The Global View of BEE

The United States of America

The Broad-Based Black Economic Empowerment (B-BBEE) is the biggest concern for American companies operating in South Africa, particularly when it comes to ownership; according to Carol O'Brien, Executive Director at the American Chamber of Commerce (AmCham), "American Companies don't sell equity in their companies as a rule".⁹ Ownership has now become a mandatory requirement of BEE and American companies are unable to comply with this and the concomitant loss of points on the B-BEE scorecard. Equity equivalents are an option, but are extremely expensive and in the years since this option was made available, only about seven equity-equivalent programmes have been approved. O'Brien also emphasised the shortage of skilled people within the country in general, but more so in highly technological fields. Complying with employment equity made finding talent extremely difficult. The resulting impact was that it reflected negatively on the B-BBEE scorecard.

South Africa

According to the South African Department of Trade and Industry (DTI), our country requires an economy that can meet the needs of all citizens and their enterprises in a sustainable manner. This will only be possible if our economy builds on the full potential of all persons and communities across the length and breadth of the country. In business BEE, has become a contentious issue and receives much newspaper coverage due to the huge impact on the daily political, economic and social lives of the 50 million people of this country.

The BEE Act was implemented in 2003 by the South African Government under the ruling African National Congress (ANC) during the second term of the second democratically elected president, Thabo Mbeki. The first president of South Africa under the new political dispensation, following the abolition of apartheid, was the international icon, Nelson Mandela, who was elected after the first historical non-racial, democratic elections in April 1994. BEE in terms of the Broad-Based Black Economic Empowerment Act (Act 53 of 2003) is one of the many new pieces of legislation enacted by the ANC over the last 21 years, in a bid to transform South Africa into a non-racial, non-sexist, peaceful and prosperous society.

L. P. Kruger cited in his report that "it seems that the BEE policies of the ruling ANC have done little to nurture and promote harmonious race and/or working relationships amongst the people of South Africa. It seems as if BEE policies have created a new culture of entitlement among those who have directly benefited from BEE mainly a few very wealthy black business men or 'tenderpreneurs' as they are called, and thousands of black civil servants or ANC cadres that have been redeployed and now serve in various positions in government, semi-governmental parastatal organizations."¹⁰

The most comprehensive and official B-BEE publication is found in the Government Notice 112 of 2007 legislated by the Department of Trade and Industry and issued under the Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003), where certain codes of good practice are included. The codes apply to the following entities in South Africa:¹¹

- ❖ All public entities (defined under schedule 2 of the Public Finance Management Act (Act No. 53 of 1999), including the Airports Company South Africa (DBSA), Eskom (national electricity utility), the SABC (national public broadcaster), the SAPO (national post office) and Transnet (national road, shipping, railway and pipeline operator), the Auditor General of South Africa, as described in the Public Finance Management Act 1 of 1999: 45).
- ❖ Any public entity (defined under schedule 3 of the Public Finance Management Act (Act No. 1 of 1999) that undertakes any business with any organ state, public entity or any other enterprise as stipulated by Auditor General South Africa, as described in the Public Finance Management Act (No 1 of 1999:45-47).
- ❖ Any other enterprise that undertakes any business (directly or indirectly) that is subject to measurement as specified above and is seeking to establish its own level of B-BEEE compliance.

For all practical purposes, the codes in South Africa apply to all government departments, non-governmental organizations (NGOs), public entities and private companies (both listed on the Johannesburg Stock Exchange (JSE) and close corporations, Article 21 (non-profit) companies, incorporated companies, external companies, sole proprietors and partnerships.

II. RESEARCH METHODOLOGY

Quantitative Research Methodology was employed using comprehensively structured questionnaires varied with the life story method for in-depth semi-structured interviews.

Questionnaire Construction

The Likert-type rating scale was used for this study. Azzara¹² argues that the Likert scale is convenient when the researcher wants to measure a construct as was the case in this study. It allows for various opinions since it does not simply require a yes or no answer from the respondent. As a result, the data can be analysed with relative ease. The Questionnaire contained both closed- and open-ended questions requesting information on their experience and views on the effect of BEE on women.

Pilot Study

A pilot study was run using five managers in Midrand, South Africa, from business entities of different sizes. After the analysis of the study, some questions on both the questionnaire and the interview schedule were amended to reflect the question asked and response obtained during the actual study. The Sample of 12 participants was derived from different business entities which were different in size in Midrand.

III. KEY FINDINGS

In some organizations women still face gender inequality and discrimination in terms of access to better jobs, especially at strategic levels. The interviews revealed that race remains the number one challenge in the private sector. In the private sector black women are placed at most levels, however they are not given opportunities to rise to strategic level of management. The BEE policy has improved the lives of women to some extent; however, there is still a long way to go in terms of true transformation. In some instances, the BEE policy is used as a tick-box exercise for organizations to score more points on the BEE score card.

The report also revealed that the public sector does implement the BEE policy and empower women through their predefined supply-chain management policies. There are predefined quotas that force the public sector to spend a certain percentage of their budgets on women-owned companies. A large number of strategic positions in the public sector are also held by women.

The researcher also concludes that conversely the BEE policy has also improved the lives of a few black elites; however, the intention of the policy i.e., to improve the lives of the majority of black people, has not been achieved. The few that it has empowered have not really been able to sustain their acquired wealth; that is a limitation of the policy. As an example, those that acquired loans for their businesses could hardly show significant growth of the business after repaying the loan. In general, the report reveals that black women do hold middle management positions, however, no more than twenty hold CEO positions in the private sector.

IV. GENERAL CONCLUSIONS AND RECOMMENDATIONS

In 2009, the African Union (AU) adopted a Gender policy which seeks to adopt a rights-based approach to development through evidence, making use of gender – disaggregated data and performance indicators for the achievement of gender equity and women's empowerment in Africa. The following findings of this report suggest that the agenda of the African Union has been undermined:

- ❖ Women are still not trusted enough for leading roles specifically at strategic level.
- ❖ Access to funding or sponsors is still a challenge for those women who are in Small and Medium Enterprises.

- ❖ In Large Enterprises in the private sector, discrimination and racial issues are still a number one challenge for women, therefore in general it is concluded that BEE didn't change the lives of women in the private sector.
- ❖ The public is trying its best to place women at strategic positions but there is a lot to be done.
- ❖ Generally, most government initiatives favour women, however the challenge is in the implementation and monitoring of those initiatives.

A significant number of interviewees in this study indicated that in their opinion the government was doing everything possible to implement the BEE policy. However, the researcher's observation is that some of the government officials are still a barrier to the effective implementation of BEE, as a result most of them benefit from tenders either through their families or life partners. This kind of behaviour of government officials who benefit from tenders instead of empowering black-owned businesses as prescribed in the BEE policy, has a direct negative impact on South African Economic growth. Since 2009, our economy has not shown positive economic growth, as a result, we have witnessed more job losses than job creation or employment opportunities.

On Black Empowerment, the majority of benefits are felt by men, yet the majority of employed South Africans are women. BEE has been in place for more than a decade. There are those few individuals who benefited from it, or who are benefiting from it. This is illustrated by the fact that though women have better credit records than men, they still find it hard to raise finance for their businesses than their male counterparts.¹³ For some government employees who are appointed in strategic positions by the ruling ANC party, it has made a difference in their lives. For some black women this policy has not changed anything specially those who are in small and medium enterprises. The BEE policy was intended to undo the wrongs of the apartheid against black South Africans and women. Black Empowerment programs are not achieving the initial objectives set. BEE is not only implemented at the expense of white South Africans, but it has neglected the majority of the black population, especially women. Most of our black business people are not benefiting anything from BEE, especially the majority of employed women. Few elite blacks who are empowered are men. Where are women in the economic mainstream? One of the interviewees noted that business has become communal in that, for example, Jewish and Afrikaans communities circulate money amongst themselves. She added that real transformation is not taking place where more women are funded and supported to grow their businesses and fully participate in the mainstream economy. There are predefined quotas that are enforcing the growth of women, however very few women are holding the strategic positions. They make up to 1% of the 45,1% of the women who are the working class of the total population. Findings confirmed that intersection of race, gender, age and class does have an impact on the career progression of women and their life experience, even though the Equity Bill was published in Government Gazette no: 37005 of 6 November 2013 to enforce compliance with stipulated minimum representation of women at strategic levels in both Private and Public sectors. Clearly the aim of the Equity Bill has not been realised. This study with its objective of reaching an understanding of the effect of BEE on women is therefore timeous. Getting the perspective of management on the effect of BEE on women could add value and benefit the decision makers in business and government.

V. RECOMMENDATIONS

- ❖ It is recommended that the government come up with a radical approach to ensure that the BEE policy is implemented effectively in both private and public sector.
- ❖ The owners of Businesses, Managers, and implementers should change their perception regarding the BEE policy, so it can be implemented effectively to achieve its intended purpose and grow the economy.
- ❖ The government should look into developing a new policy that will uplift millions of our people out of poverty; a policy that will create jobs and reduce unemployment and help the majority of women.
- ❖ The government should also enforce improved education opportunities for women from a high school to tertiary level.

VI. CONCLUSION

In conclusion, it is quite clear that the topic of BEE has been widely debated. Many people believe that it has benefited only a few black elites. The policy has not served the common good it was intended for. Our economy has been negatively impacted since the second quarter of 2009, and as a result it has failed to create opportunities for employment, and instead we have witnessed a huge loss of jobs. It is time for our government to come up with a different strategy to improve the South African economy that will include all South African Citizens.

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³Mlambo Ngcuba, The Guardian, Countries with Higher Levels of Gender Equality perform Better in Education, Health and Economic Growth, 2014, accessed on<https://www.theguardian.com>.

⁴Department of Trade and Industry (DTI), Annual Review of Small Business in South Africa (DTI: Pretoria 2005-2007), 4.

⁵International Finance Corporation (IFC), Gender Entrepreneurship Markets programme, 2005.

⁶United Nations Development Programme, www.unwomen.org/en/what-we-do/economic-empowerment/facts-and-figures.

⁷Ngcuba, Countries with Higher Levels of Gender Equality perform Better in Education, Health and Economic Growth.

⁸World Bank, 2006, Gender equality as smart economics: A World Bank Group Gender Action Plan (Fiscal years 2007-10) (Washington DC: World Bank Group).

⁹American Chamber of Commerce (AmCham), General Economic Affairs, Meeting held November 2005.

¹⁰L. P. Krüger, "The impact of Black economic empowerment (BEE) on South African business: Focussing on ten dimensions of business performance", *Southern African Business Review* 15 (1) (2011): 201-233.

¹¹Department of Trade and Industry (DTI), Broad-Based Black Economic Empowerment Act (53/2003), Codes of Good Practice on Black Economic Empowerment, Government notice No. 12, (DTI: Pretoria 2007a), 9.

¹²C. V. Azzara, *Questionnaire Design for Business Research* (Oklahoma: Tate, 2010), 111.

¹³International Finance Corporation (IFC), Gender Entrepreneurship Markets programme, 2005.