

■ EMPOWERMENT

The WHEELS *are starting* TO TURN

And now, more than ever, BEE has to show that it has more staying power than some give it credit for

The *Top Empowerment Companies (TEC)* survey this year is published in the midst of a poisoned black economic empowerment (BEE) landscape.

SA's shifting political ground and worldwide market turmoil have caused a great deal of uncertainty on the BEE market. Hundreds of billions of rand are at stake. Corporations are concerned about the status of their BEE initiatives.

On the political front, the birth of the new political party, Congress of the People (Cope), from within the ranks of the ANC has caused severe tension within the BEE space. The chasm stems from the perception that Cope founders who benefited from ANC BEE policies are now working against their previous benefactor. On the other hand, Cope is out to ensure that BEE does not remain the preserve of their former comrades, the ANC oligarchs. It's a case of what was good for the goose should still be good for the gander.

This dynamic explains the rising demand for BEE review. Such calls have come from within the ranks of the ANC and its allies, who are now preaching a grassroots-based BEE. The tripartite economic summit held late last year stopped short of calling for the scrapping of the prevailing BEE framework. "We seek a new BEE deal," says Congress of SA Trade Unions (Cosatu) secretary-general Zwelinzima Vavi. "Policies which benefit a few individuals should go."

Cope is not about to be outdone in this political scoring game and has joined the chorus for a BEE review. This prompted minister of trade & industry Mandisi Mphahlela to summon BEE stakeholders to an urgent half-day BEE indaba in December last year. "Our view is that a review is always necessary, but we do not think we are at that stage for the existing measures," he said. His point was



Ajay Lalu A review now would be a blunder

that the BEE codes of good practice, which were made law in 2007, were only fully introduced in August last year after allowing for a transition from the narrow-based scorecard.

Mphahlela's BEE guru Nomonde Mesatywa, the chief director of BEE in the department of trade & industry (DTI), concurs. "Now is not the time for seeking ways to dismantle what has taken years to

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Mandisi Mphahlela Not yet time for a review

conceptualise and design, in terms of the current BEE framework," she says.

Certainly, the BEE market has been on tenterhooks with all this talk of a review. The situation was well captured by Sasol executive and former Black Management Forum (BMF) president Nolitha Fakude. The political situation is a bit unsettling, said Fakude at the BMF convention. She said some businesses are faced with hard questions: Did I choose the right BEE partner? Will I be expected to do another deal?

"A review at this point will be a blunder," says veteran BEE analyst Ajay Lalu of Bravura Empowerment Consulting. Such a move will bring back uncertainty which will then slow down implementation, he says.

People will want to wait to see the outcome of

the review before moving, he says.

"It would be unfortunate because industry was really beginning to warm up to the codes and many of our clients (large corporations such as Anglo American) are in the throes of implementing significant BEE strategies. You don't want to disturb that momentum. Also, it sends the wrong signals to foreign investors that the goalposts keep shifting."

Says Empowerdex executive director Chia-Chao Wu: "Any uncertainty over possible changes in BEE policies and regulations will further slow down the momentum of the BEE process."

The momentum referred to by Lalu and Wu is palpable in the latest *TEC* data. Rumours of a huge impending collapse of BEE deals because of the global financial crisis are proving to be just that rumours. The prophets of doom have committed the cardinal sin of the BEE discourse — they have reduced BEE into a single element of ownership.

Those days are over, BEE is now measured against a broad-based scorecard covering seven elements. These are ownership, which has a weighting of 20%, management (10%), employment equity (15%), skills development (15%), enterprise development (15%), preferential procurement (20%) and socioeconomic development (5%).

"The major BEE challenge lies in changing people's perceptions," says BMF president Jimmy Manyi. "People who are complaining about BEE have not shifted their mindsets from the narrow-based empowerment era into the new broad-based approach."

The *TEC* survey shows that a significant number of SA corporations have moved to endorse the broad-based BEE scorecard. Firstly their attitude towards BEE has changed. This can be extrapolated from the increasing number of willing participants in the *TEC* survey. Corporate SA is falling over itself to feature in the survey. *TEC* is compiled through the application of the broad-based BEE scorecard to all entities listed on the JSE.

The first port of call is through voluntary supply of information to rating agency Empowerdex. In the case where corporations have failed to supply information out of their own volition, Empowerdex relies on publicly available data to score such entities. Though this is obviously limited, *TEC* feels justified to do this because these are public companies that must observe disclosure of critical information to investors and the public.

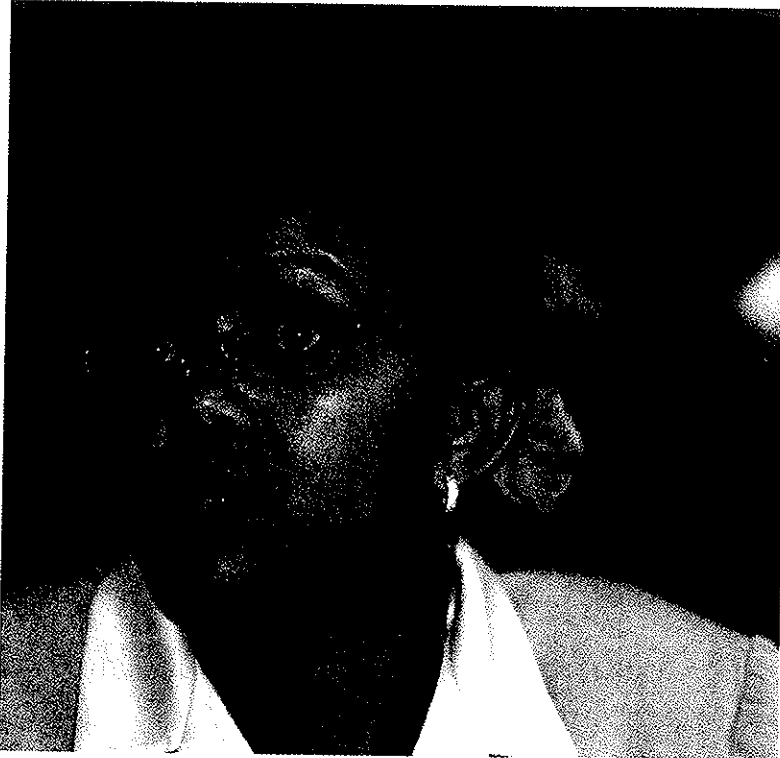
When *TEC* was launched six years ago, the top-level rankings were dominated by what one can call traditional BEE entities. These are entities that were established under the BEE ticket and grew to be mainstream economic actors. Examples include groups like Tokyo Sexwale's Mvelaphanda Group,

Iqbal Survé's Sekunjalo, Brimstone and Hosken Consolidated Investments (HCI).

Over the years, traditionally white entities that had to adopt BEE as an external factor have crept up the TEC ladder. Human capital services group Adcorp has for the second consecutive year claimed the top spot in the TEC rankings. The group produced a total score of 88,71% – up from 81,69% in the previous year. This reflects consistently high performance across the seven elements of the broad-based BEE scorecard. Adcorp is alone in level 2 BEE status – where the BEE score ranges between 85% and 95%.

Four other groups have achieved a total BEE score above the 80% mark. These are HCI at 84,63%, Nedbank Group (82,45%), Kelly Group (82,28%) and GijimaAst (80,92%). That list finishes the Top Five.

The Top 10 list includes financial services group Glenrand MIB, which is placed in sixth position and commands a total BEE score of 79%. Then comes AdaptIT in seventh position, with a score of 77,76%, and then Tongaat Hulett (76,17%), Faritec (75,74%) and FirstRand in 10th position with a score of 75,57%. Outside the Top 10, though, two other companies have scored higher than 75%. These are Netcare (75,42%) and Primeserv Group (75,57%). That means 12 JSE-listed entities are ranked higher than level 3 – with scores ranging between 75% and 85%. Outside this follows a



Russell Roberts

Nolitha Fakude The political situation is a bit unsettling

group of 22 companies, which are level 4 contributors, with scores ranging between 65% and 75%.

This represents a marked improvement, says Empowerdex executive director Chia-Chao Wu. A total of 35 listed companies have already exceeded the important level of 65%, says Wu. The DTI scorecard recognises this level to be fully compliant with broad-based BEE. "In 2005, our analysis of the JSE listed companies yielded only one company above 80% and another four that came above 65%," says Wu.

The performance of the financial services sector in this survey is something to be singled out, particularly in the light of the brawl within the financial sector charter council. The disagreement over the ownership target in the council suggests that banks and financial services players are resisting transformation.

The TEC data suggest otherwise. Key appointments made in the sector in the past few months are testimony to this. The sector is on par with the rest of the economy. Nedbank is featured in third position followed by Glenrand in 6th position and FirstRand in 10th. Standard Bank takes the 13th position, Investec 17th, Metropolitan 18th and Old Mutual 19th. It's a wake-up call for groups such as Sanlam at 30, Santam (32) and Absa (41).

It might not be fast enough but the BEE wheels are beginning to turn.

Sibonelo Radebe

TOP 10 COMPANIES OVERALL

Rank	Company	Sector	2008 score
1	Adcorp	Support serv	88,71
2	Hosken	Financial	84,63
3	Nedbank	Financial	82,45
4	Kelly	Support serv	82,28
5	GijimaAst	ICT	80,92
6	Glenrand MIB	Financial	79,06
7	AdaptIT	ICT	77,76
8	Tongaast Hulett	Food & bev	76,17
9	Faritec	ICT	75,74
10	FirstRand	Financial	75,57

SOURCE: EMPOWERDEX