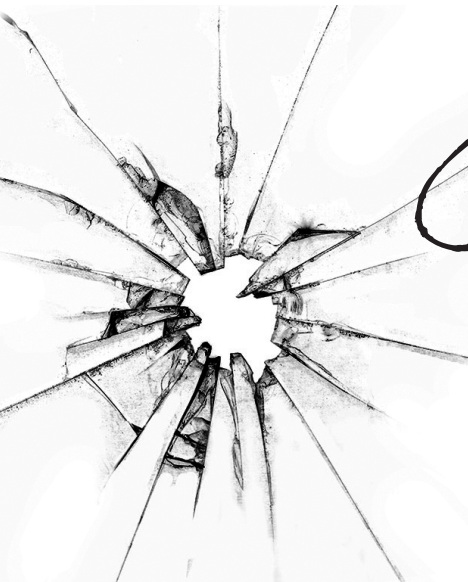


Shatter the Glass Ceiling



Gcina Mahlaba is the founder and Managing Director of Trans4mation Consulting, with more than five years experience in the Transformation and B-BBEE arena. During this time she has forged a solid track record with a unique perspective on Transformation through working as a B-BBEE Consultant, Verification Analyst and corporate Transformation Manager. Gcina is passionate about Transformation and is unyielding in her belief that Transformation is an economic imperative that will take South Africa forward in terms of development and job creation.



Gcina Mahlaba
Founder & Managing Director
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Although it has been more than a decade since the Codes of Good Practice were implemented, the glass ceiling of Transformation remains firmly intact. Although, in my humble opinion, organisations have only been taking Transformation seriously since the Amended Codes came into play in 2013. One of the dire shortfalls for organisations, choosing to Transform is often the lack of insight into the complexity of the interpretations of the Amended Codes. Depending on the size and ownership structure of an organisation, many are obliged to use the services of verification agencies. Alongside a verification agency, many organisations opt to use the services of B-BBEE consultants.

Many verification agencies and B-BBEE consultants collaborate their service offerings to provide a 'one-stop B-BBEE shop' providing both verification and consulting services as one holistic service offering to their clients. Although this often makes perfect sense, it takes away any impartiality. Therefore, organisations should consider using a verification agency and a consultant that are independent of one another. Put it this way; there are cross-checks in place in terms of the way an organisation runs its financial system, so why would there not be similar cross-checks in place for Transformation. This is especially so, as either consciously or sub-consciously participating in Fronting Practices is a criminal offence, much like tax evasion.

Hence, in order to mitigate the risks associated with procuring services from a 'one-stop B-BBEE shop', it is vital that organisations grasp what each should offer in terms of services and what credentials to consider when choosing an agency or consultant. First and foremost is the moral fibre of both. A massive 'red flag' are those 'one-stop B-BBEE shops' that guarantee results, as well as the ones that have a solution which binds an organisation to use a verification agency or consultant from the same stable, due to a unique solution they are offering.

A Verification Agency

The verification process can be challenging and complex, to say the least. Over the past decade, there have been a magnitude of verification agencies established. It is, therefore, imperative that before contracting the services of a verification agency, they are properly vetted. Choosing a verification agency without sufficient capacity or experience can be detrimental to an organisation's overall B-BBEE outcome. Hereunder are some risk areas that should be taken into account when vetting a verification agency.

- ① SANAS Accreditation is a non-negotiable, as any B-BBEE Certificate not issued by an accredited verification agency is deemed invalid. Furthermore, using a SANAS accredited verification agency provides assurance that an agency has been assessed and meets the necessary technical competencies to successfully and credibly conduct a verification. A SANAS accreditation symbol must appear on a B-BBEE Certificate issued. It is essential that the verification agency's accreditation number appears alongside it. The SANAS website provides a comprehensive list of accredited verification agencies including their accreditation number, status and contact details¹.

- ② If an organisation is measured by a specific Sector Code, it is vital that the verification agency is accredited to conduct a verification on that specific Sector Code. Verification agencies must be accredited per Sector Code to ensure that they have the technical competency to adequately conduct a verification based the specifications of that particular Sector Code.
- ③ To minimise the risk of errors, ensure a verification agency has an in-house technical signatory, the capacity and technical skills to adequately service the verification process end-to-end. The consequences of erroneous results can be disastrous to an organisation's overall B-BBEE status level and reputation.
- ④ Both the Amended Codes and the art of verification have evolved over the past decade; however, one element remains unchanged, which is the wide range of interpretations. The Department of Trade and Industry (DTI) published the Verification Manual, Gazette No. 810, on 18 July 2008. This contains transparent and coherent standards applicable to verification agents. It is, therefore, advisable that organisations familiarise themselves with the manual and are mindful of what is expected from their verification agency. At the time of going to print, the Amended Verification Manual was yet to be gazetted in terms of the Amended Codes.
- ⑤ A verification agency must contribute to an organisation's Preferential Procurement scorecard. It is, therefore, essential that when choosing a verification agency, they have a favourable Preferential Procurement recognition.

Upon settling on a chosen verification agency, ensure that all communication is done in writing so any discrepancies picked up at a later stage can be referred back to the instruction given by the verification agency. It is vital that an organisation has a good understanding of their chosen verification agency's interpretations of all elements of the Amended Codes or specific Sector Code.

It is important to bear in mind that even after contracting the services of a verification agency, there is no law against getting a second opinion on an interpretation that you are not completely comfortable with.

A B-BBEE Consultant

B-BBEE Consultants typically assist organisations in navigating the Amended Codes. Services include, but are not limited to, strategy development, B-BBEE verification preparation, in-house and public training courses and software solutions.

To navigate the Amended Codes unaided can be costly in terms of an organisation not optimising their strategic input or accurately evidencing vital contributions made over a measurement period. Therefore, using the services of a reputable B-BBEE Consultant will support organisations in successfully rolling out their B-BBEE strategy to optimise their overall score. There are a number of B-BBEE Consultants in the market, most of which consult in the spirit that Transformation was intended. A B-BBEE Consultant should take into account an organisation's Transformational needs, their budget, as well as their commitment to delivering quality products or services. However, be aware, as there are charlatans in the market whose core aim is to guide organisations to circumvent the Amended Codes. Key considerations to take into account before contracting a B-BBEE Consultant are:

- ① Price – There is no set rate for the services of a B-BBEE Consultant. Cost structures vary from consultant to consultant and organisation to organisation, mainly depending on the size of the organisation. Always ensure that a B-BBEE Consultant's pricing is based on the current needs of the organisation. Where possible, be upfront about the budget available.
- ② Knowledge and expertise – Of paramount importance is a good holistic understanding of the Amended Codes or the Sector Code applicable.
- ③ Sub-contracting – Be mindful of who your B-BBEE Consultant sub-contracts your deliverables to. It is advisable to deal directly with downstream consultants. Bear in mind that there are often huge commissions paid between consultants as compensation for passing work downstream.
- ④ References - A consultant's experience, reputation and available resources must be taken into account. Ensure that credible references are attained. This should include a true evaluation of the impact and effectiveness of strategies rolled out in other organisations.
- ⑤ A B-BBEE Consultant must contribute to an organisation's Preferential Procurement scorecard. It is vital to ensure that they have a favourable Preferential Procurement recognition.

It is critical to note that B-BBEE Consultants are just that, they are not legally allowed to conduct a verification or issue a B-BBEE Certificate. Only a SANAS Accredited verification agency can conduct a verification and issue a B-BBEE Certificate.

Over the past decade, the B-BBEE arena has become infiltrated with many verification agencies and B-BBEE Consultants whose core aim is to encourage organisations to circumvent the codes. It is, therefore imperative that organisations do their homework before contracting any services. As many organisations are investing millions in Transformation, it is imperative that there is real value in the investment. Choose carefully and do not be party to creating the illusion that the glass ceiling of Transformation has been shattered.



Other considerations :

Other areas which organisations should take into consideration is gazetted Notice 545 of 2017 dated 21st July 2017. The Notice further published Draft Statement 005 for 60-day public commentary. Upon this gazette coming into effect, further considerations to take into account:

- > The Notice appointed the B-BBEE Unit under the administration of the DTI as the B-BBEE Verification Professional Regulator.
- > The B-BBEE Management Development Programme course will be replaced by a B-BBEE Capacity Development Programme (CDP). All B-BBEE Verification Professionals must pass the B-BBEE Capacity Development Programme.
- > A verification agency will need accreditation by both SANAS and the Accreditation Authority which needs approval thereof by the Regulator.
- > A verification agency must be verified against all five elements of the scorecard regardless of its size. It further requires a B-BBEE Status Level ranging between 1 and 3 with at least 51% 'Black' Ownership using the normal flow-through principle. The required B-BBEE status must be achieved within 12 months from final publication of the statement.