

A BIRD'S EYE VIEW

TRANSACTIONAL VS TRANSFORMATIONAL B-BBEE



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I have had what I believe is the privilege of working in the B-BBEE space for 11 years. My unique experience in this space has allowed me to have a bird's-eye view of how organisations have approached B-BBEE since the implementation of the Codes of Good Practice (Codes). Over the years, I have seen many organisations moving from the transactional approach to the transformational one in implementing their B-BBEE Strategy. However, more attention still needs to be paid to moving more organisations towards embarking on the transformational approach when developing or evaluating their B-BBEE Strategy.

In my experience working in the B-BBEE arena, I have witnessed various B-BBEE approaches undertaken by organisations. Some are impressive – entirely transformational. Others are short-sighted – a mix of transformational and transactional; and of course, there are the ones that simply boggle the mind – totally transactional, as they do not benefit the organisation or 'Black' People. A good indication of whether an organisation will implement a B-BBEE Strategy that is transformational versus transactional is its initial approach towards strategic development or evaluation. My birds-eye view of the initial process, more often than not, provides two scenarios:

- 1 "Let's get this done quickly; where do we find the points and people to make this happen"; and
- 2 "If we're gonna do this, let's do it sustainably, so we yield a long-term return on our investment".

The first scenario indicates that an organisation is going to throw money at their B-BBEE Strategy and create an illusion of transformation. The second scenario, indicates it is going to meaningfully contribute to a transforming South Africa. Although these approaches are at separate ends of the scale, they do have one common denominator: each organisation believes its approach makes good business sense. However, each scenario establishes whether it is gearing towards a transformational or transactional approach.

The idiom 'Penny wise, Pound foolish' pops to mind when comparing a Transformational and Transactional approach to B-BBEE.

Transformational Approach	Transactional Approach
Applying a transformational approach to B-BBEE Initiatives means an organisation's focus is on changing its internal DNA. Consideration should be on what a transformed organisational DNA will mean for the business and the economy at large.	Applying a transactional approach means an organisation focuses on the points they can earn, not considering what impact it will have on its internal DNA.
Based on the desired outcome, an organisation must evaluate the scorecard they are measured on, then decide what initiatives will support the end goal. Using the B-BBEE Scorecard as a benchmark of transformation, as opposed to the end goal itself, the points on a B-BBEE Scorecard will organically lead to a transformational approach.	More often than not, an ill-considered transactional approach is at arms-length. The focus is on circumvention, a minimal investment in people and quick-fix solutions. Thus, it creates an illusion of transformation with no long-term benefit.
Four questions to consider when developing or evaluating a B-BBEE Strategy that will yield long-term results:	Organisations applying this approach generally return to the B-BBEE drawing board annually to rehash another transactional approach with no tangible return on their investment.
<ul style="list-style-type: none">1 What sustainable internal changes must take place to realise the points offered on the B-BBEE Scorecard?2 How will this impact business over five years?3 How can we use the indicators in the B-BBEE Scorecard to optimise performance and productivity?4 Is the B-BBEE Strategy robust enough to be sustainable in the long term?	Four questions to consider when developing or rehashing a B-BBEE Strategy that yields quick fix results: <ul style="list-style-type: none">1 How much money will have to be spent to get the points on offer?2 What are the cheapest points available on the B-BBEE Scorecard on which the organisation is measured?3 How do we claim the points using as few resources as possible?4 Can we recoup the money we spend?

Suppose there was no B-BBEE framework in place. Would organisations consider who owns a business before procuring from them? Would they have processes in place to ensure fair representation of employees in their workforce? Would they invest in Skills Development? Would their preferred suppliers be representative of our national demographics? Would they develop small 'Black'-owned businesses? Would they participate in income-generating activities to develop 'Black' Beneficiaries? Perhaps they would, marginally, but not to the extent necessary to include more 'Black' People in the economy and balance out the deficit of wealth facing our country. B-BBEE legislation may not be the perfect solution. Still, it is the chosen policy to transform the country, which is optional for organisations, as they are not legally obliged to have a B-BBEE Certificate.

Granted, B-BBEE has garnered reputational damage over the years as tenderpreneurs, profit-driven Joint Venture agreements and questionable ownership schemes drive the transactional approach to B-BBEE. Unfortunately, they have outshone the meaningful and sustainable impact B-BBEE has had on many organisations and 'Black' People alike. However, regardless of which approach organisations take, one must remember that B-BBEE legislation guides organisations. Still, people of all races and genders either embrace it or circumvent it.

It is essential to accept that B-BBEE is an economic policy that aims to invite more people into the economy. By design, it creates a synergy between all South Africans, as it is an unworkable policy without the buy-in of white-owned businesses or the participation of 'Black' People. South Africa's B-BBEE legislation is globally unique. However, we have to remember that the foundation for B-BBEE began when the Native Land Act of 1913 was promulgated.

Over the years of my in-the-field experience in the B-BBEE arena there have been negative connotations attached to 'Black-owned businesses winning tenders. There is an immediate assumption that the business was gained through corruption. In effect, if a legitimate 'Black'-owned business wins a tender, it highlights the success of B-BBEE legislation.

I was recently party to a discussion whereby members of a white-owned family business did not want to change their ownership structure as they wished the business to be passed down in the family. The answer is simple, as B-BBEE compliance is not a legal requirement. They should not go the route of B-BBEE. However, in choosing to implement B-BBEE, it must be done within the legal parameters and spirit of the Codes. Such an organisation would have to measure the pros and cons of not transforming. Subsequently, if they choose not to have a B-BBEE Certificate and its clients have chosen the transformation route, there may well be a challenge to gain and retain business. It is essential to further take on board how such a white-owned family business established itself during the Apartheid era.

From my bird's-eye view, like it or not, a B-BBEE Certificate is key to conducting business in South Africa. Over the years, I have seen more organisations choose the 'Penny wise Pound foolish' approach to B-BBEE that commands financial output, little resources and instant gratification that benefits nobody. Remember, the bigger picture, sustainable B-BBEE, invites more people into the economy, allowing government coffers to invest in the national infrastructure to benefit all.