



Tel: (011) 442-9711

Cell: (083) 227 1375

info@caird.co.za

“Creating BUSINESS sense out of BEE”

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The impact of broad-based black economic empowerment on the South African business environment.

There are few businesses operating within South Africa that are not aware of the necessity to comply with broad-based black economic empowerment (B-BBEE) in its various guises. This document is a simple overview of the business necessities of compliance with B-BBEE

1. B-BBEE is not a legal requirement

The South African constitution would struggle to uphold any piece of legislation that does not pass constitutional muster. Broad-based BEE legislation is a binding on the state and a variety of state-owned entities and is a voluntary process for the private sector.

2. Whilst levels of black ownership are deemed important by some industry sectors more sectors are concerned with BEE performance as measured by a scorecard. Often the ownership targets on the scorecard cannot be achieved, yet a company can still attract a favourable score under the remaining six elements of empowerment.

3. Certain industries are governed by legislation other than the B-BBEE Act and as such may require a certain level of black ownership in order to gain a license or concession to operate within South Africa. Mining is a particular example.

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4. Industry averages for BEE scores vary

We have noted that certain scores can be expected in different industries. For instance the average BEE level within the financial sector is a level 3 (75-85 points). The retail industry tends to lag quite far behind other industries with their BEE scores.

5. Certain industries have yet to feel the pressure to measure their BEE performance

As was mentioned in the paragraph above, those industries that focus on the end consumer who might not be a corporate have little reason to measure their transformation process via a scorecard. This is because the individual consumer has no need to measure their own buying patterns using a BEE scorecard. The Department of Trade and Industry has attempted to regulate certain industries that may require licenses to operate – the most notable being the liquor industry. Other fast moving consumer goods do not feel the same pressure.

In conclusion, our recommendation for any company wishing to enter the South African market is that they establish whether that industry is governed by legislation that may require a certain level of ownership or BEE performance. If this is the case then meeting the minimum requirements must be a serious consideration. If no legislation exists in the industry then there is most likely an average industry score. That company should aim to meet and maintain that score.

We would be happy to expand on this document if the reader requires it.



Paul Janisch
CEO – Caird Holdings (Pty) Ltd