

BEE for SMEs

Positive takes for small businesses from the Revised Codes of Good Practice. *By Lindsay Grubb*

The Revised Codes of Good Practice (RCoGP) have set off alarm bells for many SMEs which are concerned about the impact that these codes will have on their businesses, most notably the controversial compulsory minimum ownership score. In terms of ratings, the Exempt Micro Enterprise (EME) will receive an instant Level 1 status for 100% black ownership, Level 2 for 51% and Level 4 for all others. The Qualifying Small Enterprise (QSE) requires significantly more changes, as ownership is just one element out of five against which they are judged.

Amanda Dambuza is the CEO of Uyandiswa Project Management Services.



Deciding whether to look at potential partnerships, and giving up a percentage of their company could be daunting for SMEs and QSEs, but there are many enterprises who have successfully transitioned.

A successful partnership

In 2014, Johannesburg Stock Exchange (JSE) listed company, Adapt IT, acquired a 49% stake of Uyandiswa Project Management Services, a 100% black woman-owned, project-management consultancy founded by CEO Amanda Dambuza.

Dambuza says her company shares similar values to those of Adapt IT. Prior to the 49% acquisition by Adapt IT, she says she had made a personal choice to partner with an entity. “I believed there was strength in having a more established partner,” she says. “Majority ownership was, of course, very important for me in order to still retain elements of independence and credentials as a black women-owned enterprise.”

The acquisition formed part of Adapt IT’s commitment to enterprise development. CEO Sbu Shabalala said at the time that there were excellent synergies between the two businesses, both of which were firmly established and committed to being

leading Broad-Based Black Economic Empowerment (B-BBEE) companies. Adapt IT retained its Level 3 B-BBEE status and is ranked as the 28th most empowered company on the JSE, and ranked sixth within the Information and Communications Technology (ICT) sector. Uyandiswa is a Level 1 black

woman-owned company, which favourably influences its customers’ B-BBEE scorecards.

Dambuza says there has been a big shift in the way Uyandiswa operates today, compared to before the acquisition. “We are operationally more structured and more astute,” she says. “We have a competent team of shared-services people who take the load off the executives of the company. They help us with proper governance and adherence to the Companies Act. We can therefore focus on building a commercially viable and sustainable business. We have been afforded the opportunity to focus on attracting the right talent and giving them exciting employment opportunities.”

She says the real value realised thus far is the level of governance that Adapt IT brings to Uyandiswa. “As an experienced business, they lead the way for us and we are learning through this,” she says. “Furthermore, the association with an established JSE-listed company affords Uyandiswa the opportunity to be seen as a stable entity, albeit a fairly new one.”

Dambuza says Adapt IT benefits from doing business with highly networked professionals who come from established corporates, adding to the strategic thinking and operational efficiencies. Adapt IT has also been able to positively influence its B-BBEE scorecard through this partnership with a majority black women-owned entity.

Her advice for SMEs who are looking into potential BEE partners in order to become compliant with the new codes comes from personal learning. “It is very important to understand you will struggle to be successful on your own, regardless of your B-BBEE status,” she warns. “There are so many operational and governance matters that need to be taken care of that you only learn on the job. Also, you need to have access to investment funding and working capital for growth if you are to achieve anything worthwhile. When you have made the decision to partner, choose your partners very carefully. Make sure you share similar values and that there are real synergies between your companies or complementary service offerings.”

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The compliance journey

While owners of EMEs and first-year startups might not be ready to look into BEE partnerships just yet, there are other ways to ensure that their organisation is more appealing to their customers and current and potential employees.

Dr Robin Woolley, Transformation Facilitator at Transcend Corporate Advisors and author of *Everyone’s Guide To Black Economic Empowerment And How To Implement It*, says that successful growth in the SME sector will all depend on how companies work with the tools. He believes that if companies seek ways to ensure their business is in strategic symbiosis with the environment of business, then everyone will be better off. The key, however, is for business owners to understand their options.

When it comes to skills development requirements, for example, Woolley says there are interesting options for those SMEs that are in a position to capitalise off this requirement. He says there is a need for SMEs to significantly invest in not only current employees, but future employees or future customers. The main challenge for many SMEs appears to be that they are in survival mode and not able to plan ahead.

In his guide, Woolley states that there is a desperate need to develop the broad base of skills in the country. He says the issue South Africa faces in many ways is opposite to that of the advanced economies, where there are not enough people to fill the skills gap.

“In South Africa’s case, we have too many people and too few jobs,” he says. “This is exacerbated by the fact that many South Africans are structurally marginalised as a consequence of a lack of basic skills training. The focus is therefore not just on employment per se, but rather on employability. This is where the skills development section of the transformation

scorecard can now have a big influence on the future of the South African economy. It just makes business sense to equip your resources with the skills and ability to do their jobs. The shift in the RCoGP to include non-employees opens up this opportunity and is a positive and interesting development in the country’s journey, given the size of the education crisis we’re currently facing as a nation.”

Woolley suggests that learnerships form an ideal mechanism for developing a career path where there is a scarcity of skills, and act as a structured approach for vocational competence through ‘learning while you work’. While companies will be responsible for a sponsored salary (stipend), training fees, coaching fees and administrative costs for the learner, they will be able to receive government grants for undertaking the learnership, which takes the form of a tax incentive and placement incentive (depending on the SETA).

SMEs should treat learnerships as an important business tool in talent attraction and retention, as there are five bonus points awarded for the retention of learners, if the company fully intends hiring the learners that they take on, if the courtship process works and if their performance is at the desired level. Woolley shares a number of critical success factors, but recommends starting the process by being clear on your organisation’s business needs by identifying where the specific skills gaps occur. Then ensure your development strategy is clearly linked to your organisational strategy. “The human capital section requires a long-term strategy of talent attraction and retention, and not just a quick fix,” he says. The question that companies need to be asking is: How can I influence these attraction and

retention factors to ensure my organisation is the best place to be?

It will be those SMEs that look at their business holistically and take concrete steps to comply with the revised codes that will catch the eye of the bigger corporates, who are looking to expand their list of current suppliers to include new ones. Companies in the past might have used specific suppliers due to a common shareholder, regardless of whether they were the best option for them or not. This makes it difficult for new suppliers to get a foot in the door and it means there might be less competitiveness and growth within the supply chain.

Supplier development is used to drive change in this area. It is focused on the development of the capacity of black companies, and contributions to these companies are measured based on a target of 2% of net profit after tax, invested annually. The aim is not simply to expose these organisations to a structured development programme, but to support them in the future. ●

Dr Robin Woolley is the Transformation Facilitator at Transcend Corporate Advisors.

