

**A CRITICAL EVALUATION OF THE PREFERENTIAL PROCUREMENT
STRATEGY AND ENTERPRISE DEVELOPMENT STRATEGY OF A MAJOR
MOTOR MANUFACTURER IN THE EASTERN CAPE.**

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ABSTRACT

This research is born out of recognition of the challenges Black Economic Empowerment (BEE) in the private sector faces in South Africa, with preferential procurement being one of the components of South Africa's Broad Based Black Economic Empowerment Strategy. Over the past years, South Africa has witnessed the birth of a new economy, one that allows for investment in its people, makes provision for sustainable growth through skills transfer and development, and ensures economic empowerment.

The focus of this research is the Preferential Procurement strategy implemented at DaimlerChrysler South Africa (DCSA) as part of its overall Black Economic Empowerment strategy, the perceptions and expectations of how the current BEE preferential procurement strategy should work versus the perceived performance of how it is working.

An official definition of Black Economic Empowerment is presented in the study, followed by barriers to growth of BEE suppliers. The aim of defining Black Economic Empowerment is to provide a good reference point against which an organization like DaimlerChrysler can assess the implementation of its preferential procurement programmes. Having discussed the above, there will be a reflection on government scorecard and a brief discussion of the two charters namely, mining and financial services charter.

The study also presents the following requirements for a successful BEE corporate strategy:

- Strategic intent
- External Balanced Scorecard
- Financial Assistance
- Skills development
- Communication

A research methodology for conducting this study and data analysis is presented, followed by limitations of the study and recommendations for further research.

It is expected that the knowledge gained from this study will help to

1. Demonstrate the need to change perceptions and behaviour regarding Black Economic Empowerment.
2. Assist procurement officials to include BEE objectives into their procurement strategy.
3. Identify policy implications and assist in improving DCSA's Black Economic Empowerment Procurement strategy.

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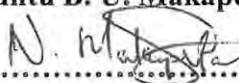
I am grateful to my friends and classmates (MBA 2001 class) who lived and endured all my emotions.

Thank you all.

DECLARATION

I hereby declare that this study is my own work and that it has not been presented to any other university/institution for the purpose of obtaining a degree.

Nobuntu B. U. Makapela


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Date: 18.03.05
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LIST OF ACRONYMS

ANC	African National Congress
BBBEE	Broad Based Black Economic Empowerment
BBSDP	Black Business Supplier Development Programme
BEE	Black Economic Empowerment
BEECom	Black Economic Empowerment Commission
BMF	Black Management Forum
COMM	Communication
DCSA	DaimlerChrysler South Africa
DTI	Department of Trade and Industry
EBSC	External Balanced Score Card
ECDC	Eastern Cape Development Corporation
ECPGDP	Eastern Cape Provincial Growth and Development Plan
EMBs	Ethnic Minority Businesses
FA	Financial Assistance
GCIS	Government Communication and Information System
GEAR	Growth, Employment and Redistribution
GDP	Growth Domestic Product
GP&S	Global Procurement and Supply
HDI	Historically Disadvantaged Individuals
HDPs	Historically Disadvantaged Persons
HRD	Human Resource Development
HSBC	HSBC Bank International Ltd
ICT	Information and Communication Technology

IDC	Industrial Development Corporation
JSE	Johannesburg Stock Exchange
LCC	Local Content Council
NAAMSA	National Association of Automobile Manufacturers of South Africa
NAFCOC	National African Federated Chamber of Commerce
NEF	National Empowerment Fund
NGOs	Non Governmental Organisations
NUMSA	National Union of Metal workers of South Africa
OEM	Original Equipment Manufacturers
PDI	Previously Disadvantaged Individual
P&E	Procurement and Export
PPM	Parts Per Million
PPP	Public Private Partnership
PPPFA	Preferential Procurement Policy Framework Act
PS	Purchasing Services
R	Rand, the South African currency
RDP	Reconstruction and Development Programme
RSA	Republic of South Africa
SAP	Systems Applications Products
SEP	Strategic Equity Partner
SETAs	Sector Education and Training Authorities
SD	Skills Development
SI	Strategic Intent
SMEs	Small and Medium Enterprises
SMMEs	Small, Micro and Medium Enterprises
DTI	Department of Trade and Industry

CHAPTER 1:

OVERVIEW

1.1 INTRODUCTION

2004 represents ten years of democracy in South Africa. However during this period not much economic progress has been observed in terms of employment and participation of the previously disadvantaged in the economy. Thabo Mbeki, President of South Africa, also pointed out at the BMF conference in 1999 that “Five years after the arrival of democratic order, we have not made much progress and this clearly indicates that something is not right” (Black Management Forum Conference, 1999).

However, a lot of work had to be done to get to where South Africa is today and this includes:

- The development and implementation of concrete programmes for expanding service delivery and eradicating the socio-economic disparities within South African society;
- Ensuring sustained economic growth in a competitive and volatile global setting; consolidating democracy and a culture of human rights; and
- Pursuing peace and democracy in the southern African region, the African continent and the world.

According to South Africa Yearbook (2002) indicators point to steady progress across all sectors.

“Millions of people have gained access to services of which they were deprived under apartheid, Macro-economic stability has been achieved, and South Africa’s standing in the international community and in particular as a voice of development is acknowledged” (South Africa Yearbook, 2002:1).

Thabo Mbeki’s Programme of Action to pursue a better life for all and building on what has already been achieved when he took office in 1999 was built on a solid foundation laid in the first five years of freedom. Principal elements of this programme of action include the following:

- “Macro-economic balance and stability
- International competitiveness of the economy
- Liberalisation of the transport sector
- Effecting new investments and restructuring in the rail, road and port infrastructure i.e. the new port at Ngqura or Coega.
- Special attention to be given to export sectors i.e. automobiles and components
- Major investments into the Wild Coast SDI
- Efforts to build public-private sector partnerships
- Human resource development programme”

(ANC, 2001:7)

“While significant progress was made in the first five years of democratic government 1994-1999, it was also the period that was necessary to develop an enabling policy and legislative framework” (South Africa Yearbook, 2002:1).

Some of the legislation introduced includes: The Promotion of Equality and Prevention of Unfair Discrimination Act, Extension of Security of Tenure Act, Restitution of Land Rights Act, Employment Equity Act, National Empowerment Fund Act, Competition Act, Telecommunications Act, Preferential Procurement Policy Framework Act, and the Minerals and Petroleum Development Act. In addition, government has implemented various policies, strategies and programmes aimed at overcoming economic inequalities and underdevelopment including the Integrated Human Resources Development Strategy,

Urban Renewal Programme, Integrated Sustainable Rural Development Programme, the Tourism Transformation Strategy, the Strategic Sector Plan for Agriculture and the National Small Business Development Promotion Programme (Department of Trade and Industry, 2003).

South Africa Yearbook (2002) points out that while the country is rich in natural resources there are still disparities in the control of wealth, joblessness and poverty, with serious implications for broader socio-political policy directions.

During this period there has been improved economic performance, sustained economic growth, significant capital inflows, a growing export sector and improved business and consumer confidence (South Africa Yearbook, 2002).

1.1.1 Performance of the economy

“Between 1995 and 2002, the number of people employed grew by 1,6 million from 9,6 million to 11,2 million. However, the number of people unemployed also grew by 2,4 million because many more people were seeking work. While many unskilled workers are unemployed, there are also shortages of skilled workers in many sectors” (South Africa Yearbook 2003/04:58).

In order to address problems of unemployment, government has focused on enterprise restructuring with the aim of promoting Black Economic Empowerment.

Empowerment in the work place is visible though it is slow.

“Black people in top management grew from 12% to 13% between 2000 and 2001, and in senior management from 15% to 16%. Black ownership of public companies was 9.4% in 2002 compared with 3,9% in 1997 (and was virtually non-existent before 1994)” (South Africa Yearbook 2003/04:59).

Empowerdex Chief Executive, Vuyo Jack says that “Black companies only get about three percent of the R515 billion that JSE-listed companies spend buying goods and services from other firms every year” (City Press Business, 2004:1).

According to Empowerdex, most listed companies have been reluctant to disclose their BEE spend and only 23,4% of listed companies have disclosed their BEE spend. The problem does not end there, Jack reports that there has been a huge backlog in implementing skills development programmes.

The following are reasons that have been reported for the backlog:

- “listed companies failing to make an effort to source and contract empowered suppliers
- empowerment companies not making themselves known and available to exploit opportunities” (City Press Business, 2004:1).

Absence of empowerment charters in some sectors has also contributed to slow progress in implementing BEE. Sectors with empowerment charters, such as the oil industry, and mining, have progressed in implementing BEE. Despite the slow progress reported by Jack, there is hope that with the signing off of more empowerment charters, progress will be more visible.

Those sectors that depend largely on government for their businesses will be forced to comply as well as those sectors that rely on government for the bulk of business.

1.1.1(a) The South African economy

South Africa is said to be having the following ‘two economies’ in one country:

- a) Advanced and skilled, becoming globally competitive
- b) Informal, marginalised and unskilled

The black majority is systematically excluded as an integral function of the economy. South Africa remains one of the most unequal societies of the global system. On the scale of the current hierarchy of states, South Africa is positioned in the category of middle-income countries (Martin, 2003).

Martin (2003) argues that an unmistakable social differentiation coupled with marked regional disparities (rural and urban) continues, and an extreme unequal distribution of income also characterises post-apartheid South Africa. According to Martin (2003) the shrinking of the salary-wage hierarchy has not produced an effective reduction of inequality between racial groups.

Martin (2003) argues that employment inequality persists as a most visible social factor and unemployment stands at above 30% of the employable population. Therefore, the generalisation and urgency of a coherent defined skills development strategy cannot be stressed sufficiently.

In South Africa black disempowerment has resulted in an over-dependence on big business and a lack of growth in Black Economically Empowered companies and black participation in the economy. This enforces the need for Black Economic Empowerment contracting policies from the private sector in order to assist black-owned businesses to gain access to the capital market. Motor manufacturing companies acknowledge therefore that BEE is a strategic necessity for the survival of business and the economy as a whole.

1.2 THE LEGACY OF APARTHEID

The Strategy for Broad-Based Black Economic Empowerment (2003) by the Department of Trade and Industry (the DTI) highlights the importance of government intervention required to address the systematic exclusion of the majority of South Africans from full participation in the economy.

South Africans were systematically deprived of viable business opportunities in the following ways:

- a) "Apartheid confined the majority of African people to homeland areas, which were not only the poorest in terms of living conditions, infrastructure and

business opportunities, but also lacked a dynamic business infrastructure and environment.

- b) Racially segregated areas enforced through the Group Areas Act not only uprooted millions from their places of residence, but also led to large capital losses and virtually destroyed the fabric of black small enterprises.
- c) The drastic curtailment of property ownership rights of black persons made it impossible for them to acquire assets that could serve as collateral for loan financing; it also excluded black persons from the long-run process of capital accrual and growth” (Department of Trade and Industry 2003:7).

In order to correct the legacy of the past, government introduced a programme known as Black Economic Empowerment.

1.3 BLACK ECONOMIC EMPOWERMENT (BEE) DEFINED

The South African Government defines BEE as:

“An integrated and coherent socio economic process that directly contributes to the economic transformation of South Africa and brings about significant increases in the number of black people that manage, own and control the country’s economy, as well as significant decreases in income inequalities” (Department of Trade and Industry, 2003:15).

1.3.1 *Black Empowerment Entities*

The following categories of BEE enterprises are proposed by the Department of Trade and Industry (2003) as a guide to enable preferencing and targeted support. These would form the basis of a code of practice.

1. “A “black enterprise” is one that is 50.1% owned by black persons and where there is substantial management control.
2. A “black empowered enterprise” is one that is at least 25.1% owned by black persons and where there is substantial management control.
3. A “black woman-owned enterprise” is one with at least 25.1% representation of black women within the black equity and management portion.
4. A “Community or broad-based enterprise” has an empowerment shareholder who represents a broad base of members such as a local community or where the benefits support a target group, for example black women, people living with disabilities, the youth and workers.

5. A “cooperative or collective enterprise” is an autonomous association of persons who voluntarily join together to meet their economic, social and cultural needs and aspirations through the formation of a jointly owned enterprise and democratically controlled enterprise” (Department of Trade and Industry, 2003:37-38).

1.3.2. Elements of BEE

According to the Department of Trade and Industry (2003) the following elements are critical in order to attain BEE compliance. These are:

- Ownership and management
- Human resource development and Employment equity
- Preferential procurement
- Enterprise development
- Residual

This therefore means that when assessing companies for BEE compliance, the focus should not be on one element of the scorecard. All the above-mentioned elements must be taken into consideration.

The focus of this dissertation will be preferential procurement as an integral component of BEE. More specifically the dissertation will be focusing on the preferential procurement strategy of DaimlerChrysler South Africa, one of the German Original Equipment Manufacturers (OEMs) in the automotive sector.

1.4 GOALS OF THE RESEARCH

- a) To determine the gap between expectations of how DCSA’s procurement strategy should work and perceived performance of how the strategy is working by DCSA group.

- b) To determine the gap between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by BEE suppliers.
- c) To determine the gap between DCSA group and BEE suppliers expectations of how DCSA's procurement strategy should work.
- d) To determine the gap between DCSA group and BEE suppliers' perceived performance of how the strategy is working.
- e) To make recommendations as to how all gaps in expectations of how DCSA's procurement strategy should work, may be closed.
- f) To determine the importance of characteristics of preferential procurement.

1.5 CHAPTER ORGANISATION

Chapter one of this report gave an introduction and background to this study, presented goals of the study, and a definition of Black Economic Empowerment.

Chapter two discusses South Africa's Broad-Based Black Economic Empowerment strategy, and the discussion highlights barriers to formation and growth of BEE companies. A brief overview of the Broad Based Black Economic Empowerment Act (2003) and empowerment charters is given, and lastly the chapter also explores requirements for successful implementation of BEE corporate strategy.

Chapter three focuses on preferential procurement, which is a component of Black Economic Empowerment, its benefits and weaknesses thereof.

Chapter four goes further to discuss DaimlerChrysler's BEE Strategy and current BEE initiatives i.e. dealerships and outsourcing. Lastly challenges for 2004 and beyond are presented.

Chapter five presents the research methodology i.e.

- The research design, population and sample as well as the instrument used.

- The pilot study and the main study
- Data capturing, data analysis and hypothesis testing are discussed, and lastly this chapter presents hypotheses.

Chapter six presents results and discussions of t-test analysis and chapter seven presents managerial implications, research limitations and recommendations for further research.

CHAPTER 2

BLACK ECONOMIC EMPOWERMENT

2.1 INTRODUCTION

This chapter defines and gives an overview of Broad-Based Black Economic Empowerment (BBBEE) and the score-card for BBBEE. A need for the Automotive charter is also brought to the fore because of the important role played by the automotive industry in the economy of South Africa and lastly, requirements for successful implementation of a BEE strategy are discussed.

Black economic empowerment (BEE) is part of government's strategies to promote growth and development.

“Following Cabinet's adoption of the main recommendations of a report in 2001 by the BEE Commission, it was decided to establish a BEE Advisory Council to advise government as it ensures that the legislative framework, procurement policies, and institutions set up to assist SMMEs consistently promote empowerment” (South Africa Yearbook, 2002:2).

The same council will advise DCSA and other OEM's on BEE issues, monitor progress and promote partnerships. This collaboration between government and private sector, including trade unions and Community Based Organisations (CBOs) becomes key in the implementation of BEE.

2.2 BROAD BASED BEE ACT

2.2.1 Black Economic Empowerment Commission

In the early stages, there was no clear definition of empowerment. There were however transactions but without a strategy for development and economic equity. For this reason the Black Management Forum (BMF) at a National Conference, held on 14 to 15

November 1997, in Stellenbosch, called for a BEECom under the auspices of the Black Business Council.

Developments in 1997 underlined the need for a clear policy framework and this led to the Black Business Council forming the Black Economic Empowerment Commission (BEECom) in May 1998.

Martin (2003:8) argues that BEECom mandate spelt out the following:

- a) "The need to redefine the concept of empowerment.
- b) The need to investigate the state of empowerment in South Africa.
- c) The need to identify problems.
- d) Recommend a policy to government".

Subsequent to the formation of this commission, the BEECom report was delivered in 2001 and the main elements of the report state the following:

- Setting empowerment targets
- Legislative interventions by government
- Establishment of the statutory Black Empowerment commission in the office of the presidency.

Martin (2003) points out that the BEECom report specifies actions towards implementation of measures to transform the formerly racially closed economy and it is aiming at increasing the number of black people that manage, own and control the economy.

BEE Commission also recommended that fundamental principles on BEE be encapsulated in a single legislation, called 'Black Economic Empowerment Act' (BEE Act).

2.2.2 The Economic Transformation Strategy for Broad-Based Black Economic Empowerment (2003)

The above mentioned Strategy document is a result of a long consultative process between Government and the private sector, and it provides some clarity about what is expected and how to go about transforming the economy.

The policy document came into existence soon after a report by the BEE Commission (BEECom), comprising prominent businessmen. The BEECom report was presented to government in 2001 with inputs from the Trade and Industry Chamber of the National Economic Development and Labour Council (Department of Trade and Industry, 2003).

The Strategy document consists of a policy statement and policy instruments such as **charters** and **'scorecards'**, that will be used by government to measure success of BEE implementation.

An economic transformation strategy is aiming at deracialisation and engendering of the South African economy which is a moral requirement in keeping with the values of equity prescribed in the constitution, and for South Africa to be integrated into the global economy, South Africa needs to be economically transformed (Department of Trade and Industry, 2003).

It is clearly articulated that the only way to achieve BEE objectives is to have a consistency of approach, appropriate flexibility to respond to different economic and enterprise conditions and the ability to measure progress.

2.2.3 A Scorecard for Broad-Based Black Economic Empowerment

According to the Department of Trade and Industry (2003) Government will use a 'scorecard' to measure progress made in achieving BEE by enterprises and sectors, and

that the use of a common scorecard by different stakeholders provides a basic framework against which to benchmark the BEE process in different enterprises and sectors.

“The scorecard also allows government departments, state-owned enterprises, and other public agencies, to align their own procurement practices and individual BEE strategies. The scorecard further facilitates the process of setting measurable targets for BEE, for BEE ratings and other measurement purpose” (Department of Trade and Industry, 2003:29).

DTI (2003) also points out that the scorecard allows for a measure of flexibility in order that it can be adapted to the particular circumstances of specific sectors or enterprises, while at the same time bringing a measure of standardisation to the definition and measurement of BEE.

2.2.3.1 Core components of BEE

This scorecard will measure three core elements of BEE:

- Direct empowerment through ownership and control of enterprises and assets
- Human resource development and employment equity
- Indirect empowerment through preferential procurement and enterprise development

(Department of Trade and Industry, 2003).

Figure 1 Government BEE Scorecard

Core component of BEE	Indicators	Conversion Factor	Raw Score	Weighting	Total Score
Direct empowerment score					
Equity Ownership	% share of economic benefits			20%	
Management	% black persons in executive management and/ or executive board and board committees			10%	
Human resource development and employment equity score					
Employment equity	Weighted employment equity analysis			10%	
Skills development	Skills development expenditure as a proportion of total payroll			20%	
Indirect empowerment score					
Preferential procurement	Procurement from black-owned and empowered enterprises as a proportion of total procurement			20%	
Enterprise development	Investment in black-owned and empowered enterprises as a proportion of total assets			10%	
Residual 10%					
To be determined by sector/ enterprise				10%	
Total Score out of 100%					

Adapted from: Department of Trade and Industry (2003).

- *Indicators*

According to the Department of Trade and Industry (2003), the indicators outlined in the scorecard are provided as a guide. In practice, enterprises and sectors may use these ratios, analysis tables or mini-scorecards to provide the most accurate reflection of progress in each of the core components of BEE.

- *Conversion factor*

The Department of Trade and Industry (2003:23) advocates that

“The conversion factor enables the scorecard to reflect progress made against the specific BEE targets that the enterprises and sectors have established. Targets will be set at sectoral level where sector charters have been agreed. With regard to

enterprises, codes of good practice will be issued on appropriate benchmarks or targets. The targets set out in the Mining Charter will be used as guide.

By way of illustration, the conversion factor in this scorecard is calculated as 100/target ratio. For example, if an enterprise established a target for procurement of 5%, i.e. black-owned and empowered enterprises will provide 5% of total procurement, and then the component factor for preferential procurement will be 100/5, which is equal to 20. When that enterprise achieves this target, it will receive a score of 5% times 20, 100%, for achieving its target. If the enterprise only procures 3% from black enterprises in the first year, it will receive a score of 3% times 20, or 60%”.

- *Weighting*

The Department of Trade and Industry (2003) clearly points out that the weighting of each component reflects the relative importance that government places thereon and as such, the six core components of BEE are weighted to bring the scorecard to a maximum of 100%. The weightings add up to 100 in order to bring the scorecard to a standardised maximum score.

- *Total score*

The total score will be calculated by the sum of the individual component scores and will be reflected as a score out of 100 percent.

2.2.3.2 Ranking enterprises using the scorecard

Government will use the scorecard as a guide to rank and categorise enterprises for the purposes of preferential procurement, restructuring of state-owned enterprises, financing and other kinds of support. The precise weighting and score will depend on the actual transaction and will be adjusted according to the economic, commercial and financial situation (Department of Trade and Industry, 2003).

The Strategy document also illustrates that Government will use the total score to rank enterprises according to their progress in achieving broad-based black economic empowerment. The following are samples of categories for preferencing:

- Total score of **65% and above** – **good** contributor to broad-based BEE

- Total score of **40% to 64.9%** – **satisfactory** contributor to broad-based BEE
- Total score of **below 40%** – **limited** contributor to broad-based BEE

These rankings are used to guide the direction of government support towards its BEE objectives. Preferential procurement policies and the qualifying criteria for government incentives and support schemes are reviewed and, where appropriate, amended on a case-by-case basis to reflect these rankings.

2.2.3.3 NUMSA's views on the scorecard

NUMSA (2003) has the following views on the scorecard:

- Supports the use of scorecards that aim to bring a measure of standardisation to the definition and target measurement to the process.
- Is of the view that weights should be structured to ensure a broader approach, rewarding substantial points for employment creation, observance of labour standards, and support for cooperatives.
- Ownership and control as weighing criteria should follow closely behind the outline criteria's.
- It should be followed by skills and training as well as provide tenders to local BEE companies.

2.2.4 Broad Based Black Economic Empowerment Act 2003

Subsequent to the above development, the Broad Based Black Economic Empowerment Act, an enabling act and as one of the main instruments has been introduced by the Minister of Trade and Industry. The Act gives more definition to Broad-Based BEE and its objectives and provides for the gazetting of sector charters, allowing industries to pursue discussions on BEE. The mining and financial sectors have charters and these are discussed later in this chapter.

2.2.4.1 Objectives of the BBEE Act (2003)

“The objectives of the Act are to facilitate broad-based black economic empowerment by:

- Promoting economic transformation in order to enable meaningful participation of black people in the economy
- Achieving a substantial change in the racial composition of ownership and management structures and in the skilled occupations of existing and new enterprises
- Increasing the extent to which communities, workers, cooperatives and other collective enterprises own and manage existing and new enterprises and increasing their access to economic activities, infrastructure and skills training
- Increasing the extent to which black women own and manage existing and new enterprises, and increasing their access to economic activities, infrastructure and skills training
- Promoting investment programmes that lead to broad based and meaningful participation in the economy by black people in order to achieve sustainable development and general prosperity
- Empowering rural and local communities by enabling access to economic activities, land, infrastructure, ownership and skills, and
- Promoting access to finance for black economic empowerment”

(Republic of South Africa, 2003:6)

Martin (2003:9) points out that the new policy aims

- “To apprehend alienation of the formerly disadvantaged from the new and globalised economy.
- To instill confidence in the formerly disadvantaged that this new economy can be theirs too.
- To reinforce the one South Africa idea of nation building and a growth economy”.

Khuzwayo (2004) argues that companies are likely to change focus from ownership-only driven black empowerment (BEE) towards more broad based empowerment initiatives, following the promulgation of the Broad Based Black Economic Empowerment Act of 2003

The Act obliges state-owned enterprises, government departments and public entities to take broad-based BEE into account when they do business with the private sector.

According to Jack (2004) a broad-based approach to empowerment will ensure that economic benefits are cascaded downwards instead of flowing only to the black elite. Jack also argues that this approach gives the opportunity to the ordinary man in the street to participate in the mainstream economy. The law will inject some urgency into BEE considerations, as companies that do not contribute towards BEE or have plans to implement BEE are unlikely to do business with government and its various enterprises.

The signing of the Act is also seen as a turning point, a historic moment which will have far reaching consequences for the economy and the country as a whole. The country now has a legal framework of redressing the economic imbalances of the past (Business Report, 11 January 2004). The signing of the Act has also been seen as a major breakthrough for Black business and the Act will be used to complement the different economic charters already in place (Business Report, 11 January 2004).

Brown (2004) argues that the success of the Act is chiefly dependent on sufficient commitment among companies, industries, trade unions, champions in government and effective officials and systems to facilitate implementation.

According to Brown (2004:2) the challenge is in the following two closely related areas:

- “The Act does not compel the private sector to set empowerment plans and report on progress. Although said to be the subject of a future code of practice, the absence of a legislated reporting requirement lessens the impact of the Act. As a result of this omission companies are and will implement BEE, purely to get business.
- While the act says that if we do not implement BEE, the stability and prosperity of the economy in the future may be undermined, the emphasis is inappropriate. Unless we understand BEE is fundamental to the development and growth of our economy, businesses will continue to implement it half-heartedly”.

2.3 EMPOWERMENT CHARTERS

Having discussed what is contained in the Black Economic Empowerment Commission Report, the BEE strategy document (2003) introduced by Government, and the BBBEE Act (2003), it becomes important to discuss Enterprise based charters.

According to the Department of Trade and Industry (2003:22) "Government seeks establishment of innovative partnerships with the private sector built around the specific circumstances of different sectors and enterprises. Enterprise based charters are some of the forms that partnerships could take".

The ANC has set itself a goal of 35% black participation in the economy by 2014, which HSBC Bank International Ltd political analyst Nic Boraine believes is the size of the envisaged middle class. The creation of a black middle class is seen as integral to achieving Black Economic Empowerment (Financial Mail, 2003).

Similar charters as the mining and liquid fuels and financial services are planned for the advertising, marketing, tourism and information technology sectors.

Vuyo Jack, Chief Executive Officer (CEO) of Empowerdex - which launched an index measuring South African companies' performance in black economic empowerment in 2002 - says:

"Through industry empowerment charters and legislation, government requires the private sector to facilitate black shareholding, skills development, source goods and services from black suppliers and channel investments to areas that have historically been neglected" (City Press Business, 2004:1).

2.3.1 Mining charter

Mantashe (2003:1) the general secretary of the National Union of Mine workers and member of the SACP Political Bureau argues that:

“The first thing this Charter does is to demystify the stereotype that black input lowers standards. The human and financial resources of all South Africa’s people are identified as the key success factors for our economy. These key success factors in the long-term will give South Africa a global competitive edge”.

The mining charter integrates Black Economic Empowerment, Employment Equity, and Skills Development.

Department of Minerals and Energy (2002) advocates that the charter has the following targets to strive for:

- 40% participation of HDSAs in management within five years
- 10 % women participation in the mining industry within five years
- Industry to be 26% owned by HDSA within 10 years
- Overseas placement and training targets

According to the Department of Minerals and Energy (2002) all stakeholders undertake to create an enabling environment for the empowerment of HDSAs.

2.3.2 Financial services charter

While Black Economic Empowerment has a number of positive aspects, there are nevertheless some perceived problems. According to Business Day (2002) foreign reinsurers in South Africa have warned that they will reject any empowerment charter for the financial services sector and possibly withdraw from South Africa if they are forced to comply with specific equity ownership targets. If the foreign reinsurers pulled out, South African insurance firms would have to source costly reinsurance directly from Europe or the US, pushing up insurance premiums.

The financial sector commits itself to fostering and developing new BEE companies. This includes, where appropriate, referring business opportunities to, and procuring financial services from, black owned financial institutions. Also high up on the agenda is private-public partnership, and to ensure that the country develops especially around infrastructure and projects.

Ownership only carries 14 points and is number five in importance out of the six attributes namely, employment equity, procurement and enterprise development, access to financial services, empowerment financing, ownership and control, and corporate social investment. This is where the huge difference with the Mining Charter comes in because the problems with the Mining Charter are around ownership (Moyo, 2003).

According to DTI (2003) the financial sector has set the following targets:

1. Employment Equity

- 25% black executives by 2008, and currently at Old Mutual, 20% of executives are black.
- 20-25% black representation at senior level by 2008 (4% black women)
- 30% black representation at middle level by 2008 (10% black women)
- 40-50% black representation at junior level by 2008 (15% black women)
- 33% representation at board level by 2008 (11% black women)

2. Procurement and enterprise development

- 50 % of the value of all procurement from BEE accredited companies by 2008 and 70% by 2014.

The challenge DaimlerChrysler is faced with is to exceed some of the Department of Trade and Industry's (DTI) empowerment weightings and to ensure that DCSA continues to help as many people to fulfil their dreams of becoming entrepreneurs, owners and stakeholders and thus dictate their own future.

2.3.3 The automotive sector charter

Having discussed various charters for various sectors, it becomes clear that there is a need for one in the automotive industry and the only way to develop this charter is to borrow from other charters which have been discussed earlier. It is imperative therefore, that DaimlerChrysler as a German Original Equipment Manufacturer (OEM) that has developed its own BEE strategy, should initiate this process.

The charter will assist in defining fronting, and hopefully give a clear guideline as to how fronting should be condemned. Issues of corporate governance, transparency as well as timelines should also be clarified. NUMSA (2003) strongly believes that the charter should promote good corporate governance and transparency.

2.3.3.1. Shortcomings in the automotive sector

A position paper submitted to the Motor Industry Development Council on 10 November 2003, at AIDC-CSIR Campus in Pretoria by NUMSA submits the following as shortcomings in the automotive sector:

- a) "The automotive sector still remain skewed and reluctant to transform in terms of equity, management, employment equity, and skills development
- b) A snapshot of the industry shows that ownership is still predominantly white and male in the entire value chain
- c) Multinational ownership predominates
- d) There are few blacks in "strategic core" and "senior management" positions
- e) Passive attitude management to black and female management development
- f) Implementation of Employment Equity Act not rigorous
- g) Skills development programmes not being used effectively
- h) There exist a *laissez faire* attitude toward training
- i) Shortage of industry focused education and training programmes
- j) There still exists the problem of fronting in the sector for government tenders
- k) Insufficient encouragement and development of black owned cooperatives and SMMEs in the sectors
- l) Insufficient encouragement and development of black entrepreneurship in the sectors
- m) Insufficient encouragement and development of white and black female entrepreneurship in the sectors" (NUMSA, 2003:6)

NUMSA's position paper tabled in Pretoria also points out the following as critical issues for consideration when putting together a BEE Charter in the automotive industry:

- "NUMSA believes that a broad-based empowerment charter is imperative for poverty eradication and employment creation.
- Must define fronting, condemn it and devise a mechanism of eliminating it.
- Should promote good corporate governance and transparency.

- There must be set definitions, targets and timelines that will guide the charter in achieving transformation.
- Must address ownership and should be broad-based and by implication should address employment creation, poverty and rural development.
- Must ensure that newly female and black owned enterprises are created and supported.
- Must ensure that within the next few years a particular percentage of female and black management positions in all levels of management are obtained.
- Develop a strong and effective regulatory regime to ensure compliance with regard to Employment Equity Act. Quotas and timeframes must be included. The Mining Act can serve as a model.
- The BEE definition adopted should be broad-based enough and avoid solely promoting elitism..." (NUMSA, 2003:9).

It is therefore clear that there can never be true transformation in the automotive industry without a charter that will commit all the players to achieve all the objectives included in it. The current status quo as it is now is, DCSA is arguably the best in the industry in terms of the progress made in BEE (NUMSA, 2003). The charter will therefore enable DCSA to guard against cosmetic transformation that will be reversible after a short while by not adhering to guidelines that will be clearly stipulated in the charter.

2.5 BARRIERS TO FORMATION AND GROWTH OF BEEs

Madi (1997) points out that just as there are disturbing tendencies from white business leaders, there are also disturbing tendencies from black people at the forefront of the economic struggle such as:

- The scramble for the deal or the job: This involves back-biting, fault-finding, foul-mouthing. Very few top business leaders speak highly of another competitor.
- Reverse racism: this may be in the form of
 1. Black subordinates refusing to take instructions from a black boss
 2. Black colleagues ignoring a suggestion from another black colleague
 3. Black professionals preferring their legal, accounting, medical or any other professional work to be done by a white firm of professionals.

2.5.1 Financial constraints

Under apartheid, blacks were prohibited from owning land and thus had no access to collateral for loans. Madi (1997) argues that the same finding was revealed by National Chamber Of Commerce (NAFCOC) in 1996, after conducting a study which sought to establish the kind of barriers that black entrepreneurs have to contend with upon entry into the business world. This study revealed that high collateral and deposits were required by banks when approached for funding by black entrepreneurs. Today, access to formal lenders is scarce unless the firm exceeds five employees and has been in operation for three to five years. Only 20% have received funding and the major source of funding is rotating savings clubs as well as the savings of the owner, friends or family. Lack of operating funds (working capital) is a problem among new firms, whereas lack of investment funds is a problem among older firms.

2.5.2 Market Constraints

In the past dispensation, blacks were restricted to operating a narrow range of businesses, mainly township based retail enterprises. They were prohibited from operating in so-called white areas. Today, competition is intense and largely confined to the low-income black market; and supplies are expensive (Chinje, 2003).

2.5.3 Inadequate business premises and tenure arrangements

Under apartheid, whites controlled the allocation of all formal business sites. Today, most micro-enterprises (71%) are operated in the home, far from commercial traffic. Half of those operating outside the home do not have permission to occupy their site. (World Bank Survey, 1992; cited in Riley, 1995)

In the South African context, the PLUS 94 HARRIS Report (2003) documents the stumbling blocks and dilemmas that affect most attempts to draw up, as well as implement, preferential procurement policies and programs as follows:

- Target setting

- Locating black economic enterprises
- Validation and accreditation (to make sure that a company meets the definition)
- Tender evaluation and tracking systems.

At a BEE conference held in Johannesburg, May 2003, the Deputy MD of TWBA Hunt Lascaris Gauteng, Ralebitso (2003) pointed out the following transformation constraints:

- Misperception that Previously Disadvantaged Individuals (PDIs), lack relevant skills.
- Hostile working environments typified by passive resistance to transformation.
- Loose management commitment to meaningful and lasting transformation.
- Low visibility of PDIs in the economy.
- Death of skills: Strategic and Business/Commercial.
- Awarding of tenders to cosmetically transformed companies (Fronts/window-dressing companies)

2.5.4 Window-Dressing

This occurs when black people are lending their faces to white businesses. These people are invited at equity level to give the company an artificial black empowerment profile. Most of the time the black shareholder does not get involved at operational level and the business is still run by white managers. This practice is undermining the affirmative procurement policies designed to develop black capacity and economic growth.

According to Madi (1997:93) the study conducted by NAFCOC, also pointed out the following barriers to growth of BEEs:

- a) “Monopolistic and oligopolist structure of the South African marketplace.
- b) The study also found discriminatory practices against small business (which is still largely the domain of black entrepreneurs).
- c) Unfamiliarity on the part of black entrepreneurs with established business practices.
- d) The concentration of banking facilities away from traditionally black areas
- e) The Usury Act”.

2.6 REQUIREMENTS FOR A SUCCESSFUL BEE CORPORATE STRATEGY

The five critical factors that the study focused on were identified during a process of interviews conducted with all the stakeholders i.e. 30 Black Economically Empowered suppliers (production and non production suppliers), and 30 DCSA employees (managers in various divisions, transformation forum representatives - management representatives, staff representatives and, organised labour). Out of the informal interviews conducted, five factors were identified and these were the issues that formed the basis of the questionnaire.

1. Strategic intent
2. External Balanced Score Card: Quality, cost, technology and supply.
3. Financial assistance
4. Skills development
5. Communication

In evaluating DCSA's preferential procurement strategy, the above criteria will be used. The following represents a brief justification of the importance and relevance of each factor.

2.6.1. Strategic intent

DCSA management should be committed to DCSA's BEE strategy, because without their commitment, chances of achieving objectives of the strategy will become minimal. The only way to ensure this commitment will be through performance agreements of senior management. BEE should therefore be a measurement, especially in Procurement and Export (Divisional manager, All commodity managers, Purchasing Services manager, Business Excellence manager, Marketing manager etc).

The strategy should have clear, measurable and realistic targets for review purposes.

2.6.1.1 Facilitate Alliances

Gunguluza (2003) President of South African Black Entrepreneurship Forum argues that true Black Economic Empowerment will result from the transfer of skill and knowledge creating more competition and distributing wealth. He also points out that the least whites can do is to share their trade secrets through alliances with BEE companies.

DCSA has already started to facilitate such alliances and according to the Manager Purchasing Services, Ernest Kleynhans, one of Black Economic Empowerment successes involves one of DCSA's preferred print suppliers, Sisonke printers, which has signed a co-operation agreement with Sommer Corporate Media in Waiblingen, Germany, one of DCAG's preferred print suppliers. The main objective for this partnership is to transfer the skill and to make sure that Sisonke becomes a leader in the local printing industry through technology, skills and knowledge transfer (Global Supplier, 2003e).

Some of the benefits for this partnership include:

- Transfer of state-of-the-art printing equipment
- Training of Sisonke team by engineers
- Implementation of ISO 9000.
- Shorter production times as a result of the digital workflow,
- Reduced workflow
- Reduced costs due to superior equipment

Other alliances such as those between Lobedu communications group and Starcom have also been supported by DCSA (Global Supplier, 2003e).

BEE suppliers may or may not know some of the big corporations that supply or provide a service to DCSA. Management needs to facilitate meetings between well-established and upcoming suppliers for skills transfer and by doing this, management will be complying with the Empowerment Act.

Well-established suppliers (First Tier) in construction, information technology and logistics must present their empowerment plans to DCSA and commodity managers need to monitor these plans carefully. Failure to do so will result in big corporations having the monopoly at DCSA.

2.6.1.2 Fair and transparent tendering processes

DCSA Management should ensure that BEE suppliers are given a fair chance to tender for services. The existing database should be used to invite BEE suppliers to tender. This strategy will assist management in defending themselves against accusations of not giving BEE companies a fair opportunity.

Tendering is the only way to ensure fairness of the supplier selection process. That is the main reason why management needs to review current tendering processes followed at DCSA.

2.6.1.3 No barriers to entry

Management should deal with negative perceptions that BEE suppliers lack relevant skills. The danger of this perception is that management might prejudice a number of black suppliers who have capacity to deliver.

Management also need to welcome transformation with open arms and hearts. Resistance to transformation might even lead to negative and unnecessary consequences that may have negative effects within the organisation.

2.6.1.4 Overcoming Risk perceptions

The paper outlining the Brenthurst Initiative (2003), states that:

“Successful transformation and Broad Based Black Economic Empowerment in South Africa required a sustained higher economic growth rate of at least 5% per annum and concludes that in order for South Africa to achieve higher growth rates – foreign investor perceptions of relatively high risk need to be addressed and

overcome. Consequently, the approach to transformation must reduce perceptions of risk, if it is to support the attainment of higher economic growth rates” (<http://www.naamsa.com/BEE/>).

The paper proposes that transformation and investment lead growth requires a package of specific measures to provide certainty and clarity in the operating environment, to promote partnerships in business participation and to provide confidence in the future value of investments.

Perceptions of risk are not always entirely valid or well informed, but nevertheless they have a real impact in the ability to attract investment and therefore growth prospects. If management’s approach to transformation reduces perceptions of risk, it will help to accelerate capacity to transform.

2.6.2. DCSA’s External Balanced Score Card (EBSC)

EBSC is a tool used by DCSA to measure BEE suppliers’ performance. This tool is there to support cooperative and transparent relationships between DCSA and suppliers and it is also used as an instrument for agreeing on targets and for management of the network, between DCSA and its suppliers. The measurement tool is particularly important for BEE suppliers as it highlights areas of developmental opportunities in order to ensure medium to long-term viability for such suppliers.

“DCSA’s External Balanced Scorecard for South African Procurement Suppliers is taking a lead in establishing a single platform for its scorecard EBSC applications, and introducing a cost-saving measurement within EBSC for suppliers. Although aligned with DCAG, local conditions have compelled DCSA to develop performance measures which motivate and drive local improvements, while constantly keeping in line with DCAG for global integration” (Global Supplier, 2003c: 19).

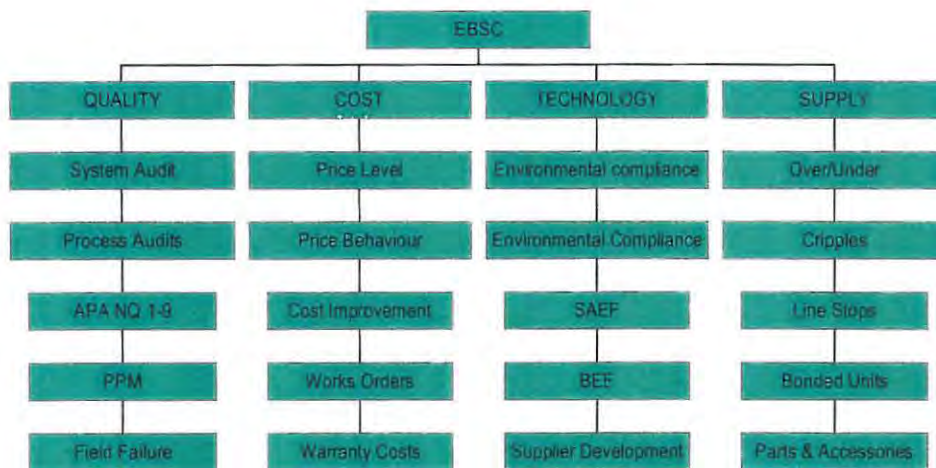
The Global Supplier (2003c) points out that the new system puts pressure on South African suppliers to conform to all DCAG standards. As a result, it has been reported through the Global Supplier that DCSA’s Procurement management is now challenging

local suppliers to provide the company with 12 cost improvement ideas. The objective of the cost improvement measurements is to evaluate the contribution of a supplier's ideas towards reducing the costs of components or parts through proposals on material, transport or processes. The drive for Continuous Improvement (CI) has given rise to the measurement, and each idea submitted by suppliers is investigated to establish its viability and benefits.

“The simplicity of the cost-reduction measurement is to utilise concepts and cascade them to suppliers. DaimlerChrysler is hoping that by including partners and obtaining ideas from them, that the company can achieve short, medium and long-term savings”(Global Supplier 2003c: 19). The other reason for introducing EBSC is to challenge suppliers to change their mindsets from local to a global one of continuously improving to become the “best in class”.

(a) *EBSC criteria and value drivers*

Figure 2 EBSC Criteria and Value Drivers



Adapted from DCSA (2003).

The EBSC is based on the four value drivers namely quality, cost, technology and supply. Each factor is described by a measurable quantity, individually defined according to the requirements of the internal division, such as non-conforming material (PPM), cost savings and environmental compliance or on-time delivery. The accumulated data is calculated in the scorecard to determine the fulfill rate. These figures are then used to draw up a bubble chart.

(b) *The Score Card*

Figure 3 Example of External Balanced Score Card

1 2 *	Ideal State	This Year Targets			This Month		Years Total	
		%Weight	Base	TargetV	Oct 03	%FFR	Value	%FFR
Supplier001				75				66
Quality		30		75				45
System Audit	1	15	4	1	TS	100	1	100
APA NO 1-9	0	45	17	9	1	98	9	75
PPM	0	40	0	0	2,309	0	3,095	0
Cost		30		75				98
Price Level	-10	0	10	-10		100	0	100
Cost Improvement	1	80	0	1	0	0	4	100
Work Orders	0	20	433,333	260,000	0	100	104,112	90
Technology		10		75				67
Environmental Compliance	1	33	0	1	NO	0	0	0
SASA	100	33	0	100	NO	100	100	100
SAEF	1.000	33	0	500	YES	100	500	100
Supply		30		75				50
Cripples	0.00000	30.00000	0.07481	0.06694	0.00000	100	0.00000	100
Line Stops	0.00000	50.00000	0.01969	0.01890	0.00000	100	0.02508	0
Bonded Units	0.00000	20.00000	0.03938	0.03150	0.00000	100	0.00791	100

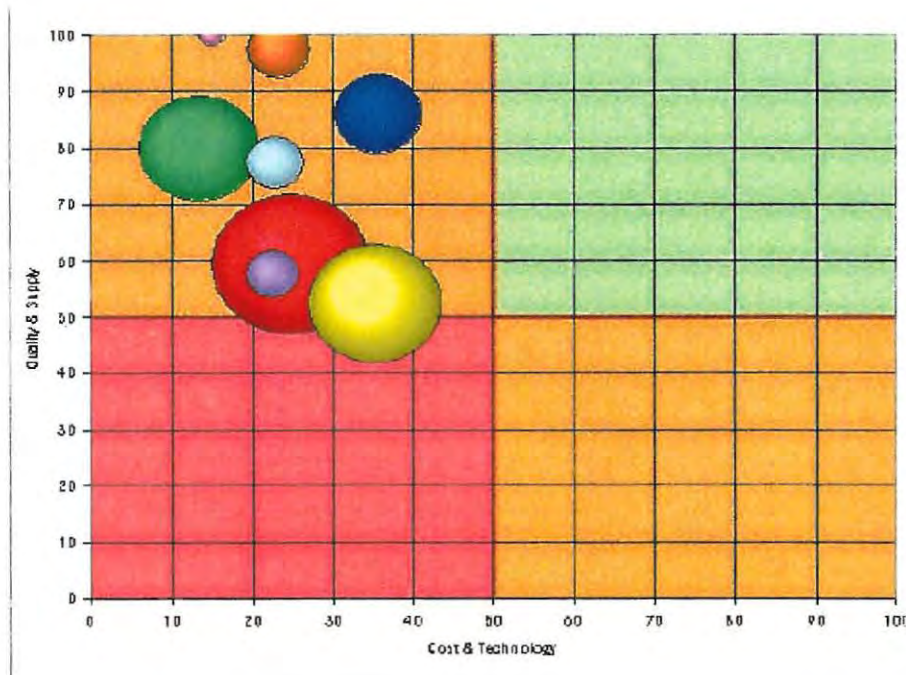
Fig 3: Adapted from DaimlerChrysler (2003)

Each and every supplier will have its own scorecard displaying its yearly targets, yearly weights, monthly and year to date figures, with all the applicable criteria. (DaimlerChrysler, 2003).

(c) *Bubble charts*

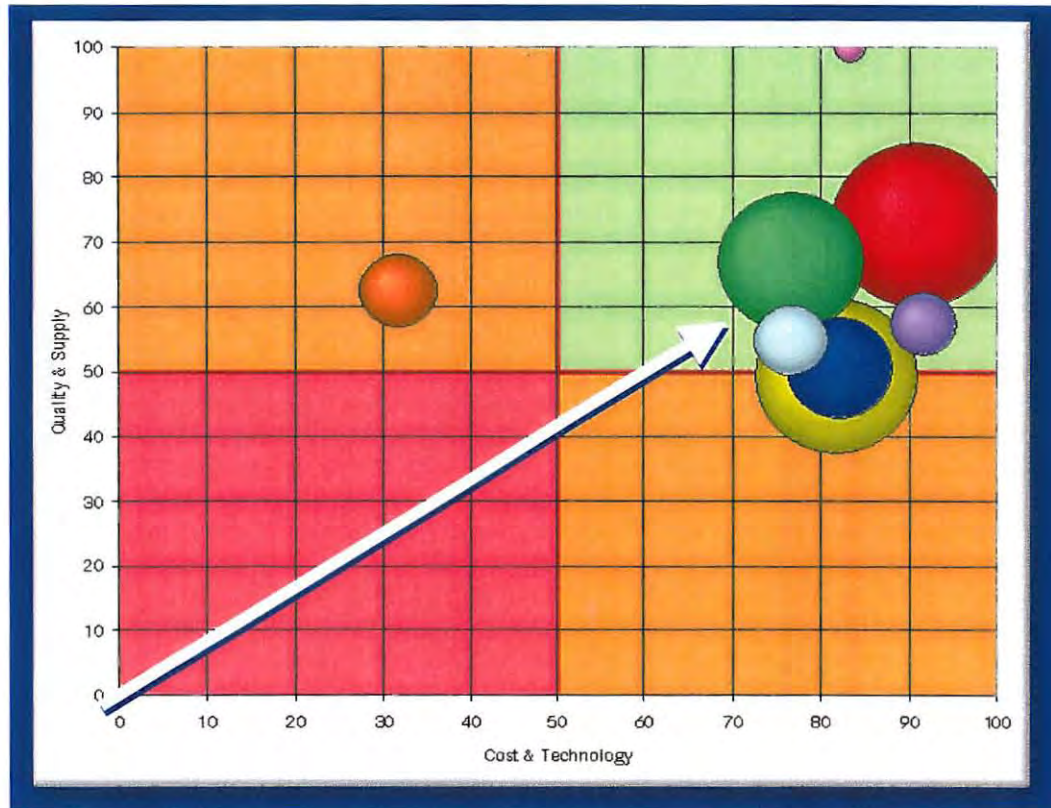
Bubble charts are graphical representations of supplier performance, and the area of a bubble is defined by the Value of Business (Turnover) (DCSA, 2003).

Figure 4 Bubble Charts



The above bubble chart, with all the bubbles on the top left illustrates poor performance by suppliers. The aim of the supplier should be to improve their performance. Action plans to rectify this situation are presented to DaimlerChrysler and implemented immediately by the supplier.

Figure 5 Bubble Chart - Ideal Situation. *Adapted from DCSA (2003)*



Ideally, DaimlerChrysler is striving towards seeing all its BEE Suppliers on the top right quadrant. *Fig 5* illustrates the ideal situation in Supplier performance. The system is designed such that suppliers are able to view only their own performance and not other suppliers' performances.

Fig 6 below, illustrates a basic management system that ensures continuous improvement of results. BEE suppliers need to adopt this model to improve their performance and to reflect positive results in the EBSC.

Figure 6 DaimlerChrysler Operating Model (DCOM) Steps Followed



Adapted from DCSA (2003).

The External Balanced Scorecard (EBSC) is now being extended by the Purchasing Services (PS) department to cover non-production material (NPM) suppliers, with a few minor differences (Global Supplier, 2003c).

“The EBSC for South African non-production and service suppliers will be based on the EBSC introduced by DaimlerChrysler’s International Procurement Services (IPS) in Germany. The main feature of the EBSC for NPM suppliers is that it is linked to an intranet-based Supplier Rating System called L@RS, which for the first time, gives DCSA’s internal customers a direct and sustained input

into how the performance of non-production suppliers is measured...” (Global Supplier, 2003c: 21).

This system also helps to provide valuable feedback to the supplier on areas for improvement to help secure their position.

Furthermore, by measuring suppliers consistently and regularly, the system helps suppliers to receive feedback that is compatible with current performance, ensuring that action can be taken in time. It also provides a basis for supplier development and training, and helps South African non-production suppliers to become world-class and thus generate higher order volumes (Global Supplier, 2003c).

2.6.3 Availability of financial assistance

Gunguluza (2003) argues that the first entry to cash flow for a black business entrepreneur is usually project sponsorship by an established corporate. The reason being that acquiring funding to start your own business is a problem. Banks send people from pillar to post. Corporates need to engage in empowerment sponsorship through which, black entrepreneurial projects receive preferential funding.

As part of corporate social responsibility, it is critical for DCSA to ensure that new black entrepreneurs are supported as much as possible. For large projects, management should refer BEE suppliers to development finance institutions such as: IDC, Umsobomvu Trust, Khula Provincial Equity Funds, Development Bank of South Africa, Ithala etc.

2.6.3.1 On-time Payments

The issue of payment has been raised frequently by BEE Suppliers thus it is important to ensure that payment of BEE suppliers is expedited timeously so that cash flow is maintained. Most of these suppliers depend solely on their payments to run their businesses and as such, cannot be subjected to lengthy payment cycles. If management continues to pay late, more harm than damage control will be done.

2.6.3.2 Assistance with business plans

It has been observed in the past, especially by the Supplier Selection Committee, that some BEE suppliers are experiencing problems constructing business plans. Managers must consider referring BEE companies to institutions like Eastern Cape Development Corporation (ECDC) for professional assistance with Business plans.

2.6.4 Skills Development

According to Madi (1997) South African companies are portrayed as spending little money on training and this lack of will to train is also occurring against the backdrop of serious skills losses in the country. Madi (1997) proposes that in order to realise transformation, more money should be spent on training and not less.

Martin (2003) shares the same sentiments by referring to Cyril Ramaphosa's comment that:

“The acquisition of a company by black business people will have limited effect if it is not accompanied by other transformative measures. These include adequate resourcing of education and training within the organization, affirmative policies of promotion and recruitment to redress demographic anomalies as well as efforts to transform those elements and structures of the corporate culture that are racially or gender exclusive” (Sunday Times 1/3/1998).

It is therefore against this background that ongoing training sessions for employees need to be scheduled with immediate effect and employers should not underestimate the importance of complying with the Act. The reality is that there are spin-offs in the whole process of BEE for both black and white suppliers, as well as employees.

DCSA has all the facilities required to train BEE suppliers and its employees. The Supplier Development team has a tool (SASA tool) that can assist managers in identifying areas of development. This team needs to ensure that they make maximum utilisation of available resources and facilities.

Most important of all, is training for Board members on BEE. There needs to be a common understanding at a board level first even before the rest of the staff is trained.

A programme needs to be developed specifically for German expatriates chosen to come to DCSA, to teach them about the different pieces of legislation implemented in South Africa. This should be a serious training programme of not less than a month, involving a written examination, and on completion of the course there needs to be a contract signed in which expatriates bind themselves to the implementation of the different policies in their divisions.

2.6.5 Communication plans

Educational forums for all stakeholders need to be organized for purposes of communicating the strategy, trends and expectations. These forums will assist in strengthening the relationship between DCSA and its stakeholders. Forums will assist in clarifying a number of issues that are not clear on both sides, that is DCSA and stakeholders.

DaimlerChrysler has also recently launched a supplier portal to improve communication between DCSA and the suppliers. The portal displays the following:

- Payment settlement documents;
- Release information for production suppliers;
- Payment settlement documents;
- Consignment stocks, receipts, issues and settlements.

Apart from these displays, there is general information such as the factory calendar, Who's Who in Procurement, purchasing processes, and much more.

The technology of partner.net, an electronic based system designed to improve communication between DCSA and suppliers, empowers DCSA and BEE suppliers to

give even greater effect to DaimlerChrysler's Extended Enterprise philosophy of developing a Global Supply Network Integration Program. Suppliers are able to truly "think global and act local" in that they have an immediate virtual connection to DCSA, and consequently DaimlerChrysler's global supply network, irrespective of their physical location (Global Supplier, 2002a).

The internet technology enables suppliers to work across all brands or supply activities, and the greater transparency and accountability results in more effective value chain management. Partner.net provides a virtual organization with seamless communication. This system of an integrated multi-tiered supply network that creates value for the consumer further improves network performance in terms of improved cost, quality, flexibility and cycle times (Global Supplier, 2002a).

Already, there are significant improvements in terms of a two-way communication with production suppliers, which is one of DCSA's strategic goals. The same communication network will significantly benefit BEE suppliers. Principles of developing customer-drive in procurement processes with suppliers, who are partners in shaping a common destiny, are underlying motivations for partner.net. Together with the External Balanced Scorecard (EBSC), partner.net promotes the values of trust, fairness, open communication and information, which are among the core principles of the Extended Enterprise program.

As information moves through Systems Applications Products (SAP), it is fully recorded, which means it can be tracked and retrieved when needed. The system also gives a complete breakdown on every part delivered, even to the extent of differentiating Rand and Euro values if necessary, and at the same time it enables managers to see what buyers are doing and track price fluctuations accurately. Suppliers are not able to invoice parts for more than the agreed price because the system automatically prevents the account from being payable. For localisation of a part, SAP helps keep all relevant departments informed throughout the process (Global Supplier, 2002a).

2.6.5.1 Supplier Day events

These are perfect events to communicate and interact with suppliers. More events of this nature need to be organised.

2.6.5.2 Educational Forums

DCSA needs to organise more educational forums in order to orientate DCSA management and BEE suppliers on BEE issues.

2.7 CONCLUSION

The challenges confronting the imperative of the full implementation of a Broad Based Black Economic Empowerment strategy ought not to be minimised. It would be no exaggeration to assert that transformation of the economy will be measured by the integration of the dangerously excluded millions through jobs. Eventually this will be the true test and measure of the social empowerment and development of a new democratic nation.

If DCSA continue to set low targets for BEE, the company may be unable to exploit business opportunities directed from Government. The organization needs to continue to align itself with the Government's requirements, and in that way DCSA will definitely have a competitive edge over its competitors when bidding for Government business.

CHAPTER 3

PREFERENTIAL PROCUREMENT

3.1 INTRODUCTION

Preferential procurement cannot be excluded from the broader discussion around BEE. Both preferential procurement and affirmative action are critical components in linking the emergent enterprises on the one hand and Previously Disadvantaged Individuals (PDI) on the other, to the economic mainstream in South Africa.

The rationale for preferential procurement in South Africa can be justified in view of legal, socio-economic, and socio-political reasons. In order for it to be successfully implemented, these reasons should be in the forefront rather than the notion of 'reverse racism'.

3.1.1. Rationale for preferential procurement

3.1.1.1 The Legal Case

The apartheid legislations constituted some of humanities greatest human rights violations. Under apartheid, blacks were restricted to operating within a narrow range of businesses, mainly township based retail enterprises. They were prohibited from operating in so-called white areas, consequently there was very little development of an indigenous non-white entrepreneurial tradition in South Africa (World Bank Survey, 1992; cited in Riley, 1995).

According to Kly (1994) there is a legal base for preferential procurement because, when it is viewed within the framework of international human rights law, it amounts simply to an action to achieve an effective remedy (by reversing the economic inequities of centuries of systematic black disempowerment during the colonial and apartheid eras)

and can thus be associated with any of the international legal obligations to respect, protect and promote the human rights of its citizens. It can also be associated with the obligations of government to compensate or provide restitution in the case of damages or harm caused by past gross violation of human rights such as the apartheid legislations.

The Preferential Procurement Framework Act (Act 5 of 2000) is intended to give effect to section 217(2) of the Constitution and provide a framework within which procurement policies must be implemented.

3.1.1.2 The Socio-economic Case

Preferential procurement is predominantly targeted at Black Economically Empowered companies and much discussion around Black Economically Empowered companies has been presented in chapter two. BEE companies have potential for job creation and the ability to strengthen the economic base of their communities.

(a) Opportunities in the Eastern Cape:

The Eastern Cape Provincial Growth and Development Plan (2003) points out that there has been a marked turn around in the Eastern Cape economy in the new century. In 2000 and 2001, the Eastern Cape was the fastest growing province in South Africa with growth in the economy of 6,2 % and 5,3% respectively, compared to South African growth of 3,5% and 2,8%. According to this plan, the challenge is to extend growth to sectors of the economy that can create jobs and to the districts with the greatest poverty.

It is against this background that it becomes important to mobilize partnerships, which will help to ensure that resources are well targeted and to increase the power of the poor in the fight against poverty.

Companies within the Eastern Cape like DCSA also recognize these opportunities. Kopke advocates that as one of the largest employers in the Eastern Cape region, DCSA needs to take to heart the challenges facing the Eastern Cape region. DCSA is not only

committed to its product, but also to people and its community. And in response to these challenges, the company, through its locational Corporate Social Responsibility, aims to actively contribute to the socio-economic development of the Eastern Cape (iZwi, 2003).

DCSA's objective of getting involved in Community work is to make a proactive and meaningful contribution towards the improvement and maintenance of the quality of life and education level of communities from which DCSA draws its employees and to other areas within the former Border-Kei.

To achieve these objectives an East London Locational Corporate Social responsibility Committee was formed in 2002, headed by a Management Board Member for Manufacturing, and comprising union, staff and management representatives. The focus areas identified for 2002 were: Education, Health, Sport Development, Safety and Security and lastly Tourism (iZwi 2003).

3.1.1.3 The Socio-political Case

According to Cazenove (2002) South Africa has the most unequal distribution of wealth in the World. This increases socio-political risk, including crime and capital flight, and on a racial basis income is heavily skewed towards whites who receive 8.8 times more income per capita than Africans. Whites account for 65% of top income deciles and 80% of the top Living Standard Measure (LSM). This is politically unpalatable where 90% of the population is non-white.

3.2. BENEFITS OF PREFERENTIAL PROCUREMENT

According to Rice (1992) cited in Ram et al (2002) the following are some of the benefits that disadvantaged businesses derive from affirmative procurement:

- It increases long-term competitive viability of disadvantaged businesses through the provision of businesses, which without such program they would not have obtained
- That as subcontractors, such businesses develop contacts with larger firms, role models and training, leading to greater business potential
- It enhances their ability to survive and achieve in the economic mainstream
- It represents a way of closing the business 'ownership gap' between disadvantaged and established businesses.
- It represents an economic development tool for disadvantaged communities, particularly in disadvantaged areas.
- It has potential social benefits by creating role models for marginalized youths by creating an expanded disadvantaged middle class

3.3. THE CASE AGAINST PREFERENTIAL PROCUREMENT

Despite some notable successes in the implementation of affirmative procurement programs, opponents have attacked it. According to Adversity (2000); cited in Ram et al, 2002; and PLUS 94 HARRIS (2003), some of the weaknesses associated with preferential procurement programs as identified by its critics include:

- It is the inability of the Black Economically Empowered companies to compete which prevents them from enjoying a larger market share. Therefore, preferential treatment shelters BEEs from true competition and thus further entrenches their alleged initial inability to compete.
- Black Economically Empowered businesses receive contracts that are considered 'poor and deserving', therefore standard accounting controls are not applied.
- Targets are seen to be set politically rather than on the basis of empirical evidence (LaNoue, 1995:24; cited in Ram et al, 2002).
- When preferential targets are set, contracts are awarded to what critics perceive as less qualified firms on the basis of their historically disadvantaged status. When

these are set too high, fronting occurs, serving to negate the value of preferential procurement.

- Frequently, no independent verification of a supplier's claimed status is performed
- Greatly relaxed competitive bidding procedures are applied, or none at all, which virtually guarantees the worst work for the worst price.
- Any criticism of these programs is condemned as 'racism'.
- Lastly, critics add that preferential procurement amounts to reverse discrimination, which is hurtful for the excluded group.

According to Bates, 1995; cited in Ram et al (2002), an instructive case with regard to opponents of preferential procurement in the US is that of New Jersey, where the administration of a preferential procurement program, proved problematic. In the early 1980s, the New Jersey State government adopted a goal of having Minority Business vendors (BEEs in a South African context) receive 7% of state procurement dollars. This was because, despite the fact that minority businesses accounted for approximately 7% of the New Jersey State's businesses, they were only receiving 1% of procurement dollars.

The problem with this 'headcount' approach, which proliferated in the US during the 1980s, was that it took little account of how many Ethnic Minority Businesses (EMBs) were 'qualified, willing and able' to undertake contracts provided by the public and private sectors. As long as EMBs received less than 7% of New Jersey's public procurement dollars, by definition, a disparity existed. The goal of preferential procurement was to end this disparity (Bates, 1995; cited in Ram et al, 2002).

Bates also noted that the New Jersey state procurement officials did not have sufficiently accurate records to monitor whether the state was meeting its 7% goal. An example of this was the fact that state procurement records only tracked payments to the prime contractor, despite the fact that most of the EMBs were sub-contractors. Thus, "using the state's haphazard procurement records to determine the impacts of New Jersey's

preferential procurement program upon the minority business community was quite impossible” (Bates and Williams, 1996; cited in Ram et al, 2002:35).

Engdahl and Hauki, (2001:30-31) argue that:

“Due to institutional weaknesses and insufficient monitoring of performance by the government, the procurement system has left scope for companies to evade the requirements of substantial involvement by the historically disadvantaged persons. Thus contracts have been won by registering black persons as owners in white companies. These conducts, referred to as ‘window dressing ‘ have been condemned”.

In the above context, Bates, 1997; cited in Ram et al, 2002, suggested the following specific policies that are likely to help minority vendors and the minority business community in the US context:

- “Procurement is handled by staff whose specific responsibility is to assist potential and actual minority vendors
- Working capital is provided by government to minority contract recipients, through short-term loans; quick pay provisions; and/or direct payment of minority sub-contractors.
- On small and medium-sized procurement contracts that have traditionally required that the vendor is bonded, bonding is waived or provided by a local government source for minority businesses.
- Large contracts are broken up to increase their accessibility to minority-owned businesses that are often smaller than their established competitors and thus, unable to accept big contracts.
- Since businesses are subjected to a rigorous certification process, assisted firms are likely to be genuine, functioning EMBs.
- Significant penalties are imposed upon minority firms that circumvent program regulations; front firms are weeded out, leaving more for genuine minority-owned small businesses.
- Procurement departments look for significant value accruing to the minority community, by not permitting agencies to meet their set-aside goals by buying

goods from minority brokers that carry no inventory and do not service the applicable products” (Bates, 1997:235-236).

3.4. CONCLUSION

The reality therefore is that the government has to act to advance Black Economic Empowerment if we are to attain the equitable, non-racial and non-discriminatory society embodied in the Constitution.

Lessons from the United States (Minority groupings) also clearly highlight pitfalls inherent in the implementation of preferential procurement programmes. US experience also proves that application of strict policies to BEEs will assist in improving the “poor” service that they sometimes provide.

CHAPTER 4

DCSA's BLACK ECONOMIC EMPOWERMENT STRATEGY

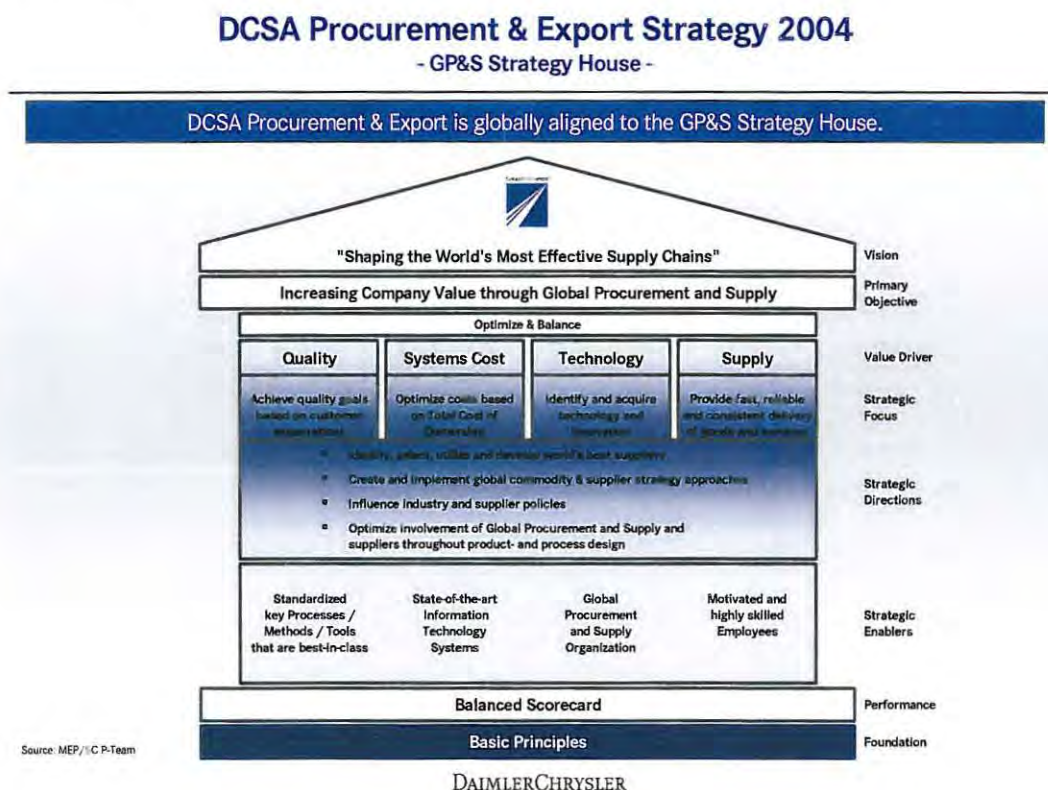
4.1 INTRODUCTION

Having discussed the Broad Based Black Economic Empowerment Act of 2003, the two charters, mining and financial services charters, as well as preferential procurement, it becomes important to reflect on DaimlerChrysler's group of companies Black Economic Empowerment strategy. A brief overview of the strategy house will be given, collaboration between German OEMs, and DCSA's different BEE initiatives i.e. dealerships and outsourcing, will also be presented.

4.2 DAIMLERCHRYSLER'S BEE STRATEGY

Figure 7 below illustrates DCSA's strategy, based on the Global Procurement and Strategy House (GP&S).

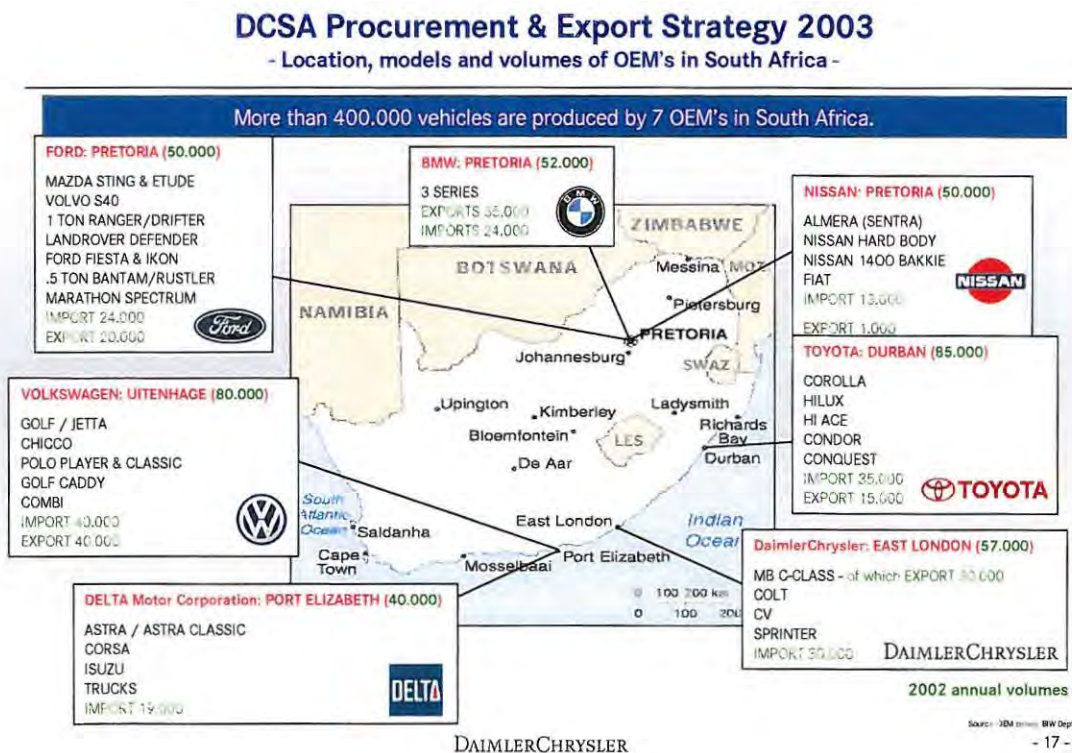
Figure 7 Strategy House



According to DaimlerChrysler (2003) the main vision of Global Procurement and Supply (GP&S) is to shape the world's most effective supply network and this is represented by the roof of the Strategy House. GP&S organisation's objective is to support this vision and to increase the company's value. To provide value, GP&S is balancing and optimizing the key value drivers of Quality, Systems Cost, Technology and Supply. Value drivers guide DCSA along the strategic directions using various processes and tools (strategic enablers). With this strategic focus, GP&S measures the performance of DCSA employees and supplier partners. An external balanced scorecard tool is then used with DCSA suppliers. Lastly, the foundation of GP&S is based on the Global performance Based Cooperation that guides the behaviour.

In South Africa, BEE in the motor industry is tackled jointly by all seven Original Equipment Manufacturers (OEMs) as illustrated below (fig 8), and the department of Trade and Industry (DTI) in order to ensure that Global Procurement and Supply standards are met.

Figure 8 German Original Equipment Manufacturers (OEMs)



Adapted from DCSA (2003)

DCSA's Procurement and Export (P&E) Black Economic Empowerment Strategy is in line with the South African Broad-Based Black Economic Empowerment Strategy (2003), a strategy drafted by DTI to address the economic imbalances of the past, since procurement within the group plays a significant role in the transformation process. It is against this background that DCSA values BEE companies, as they play a critical role in the procurement opportunities downstream and throughout the value chain.

The Procurement and Export division of DCSA covers the procurement scope of:

- Parts and Accessories in the aftermarket
- Motor vehicle components
- Vehicle components exported to other Chrysler Vehicle Manufacturing locations
- Products and services used by the DCSA group of companies in South Africa.

DCSA's Procurement and Export (P&E) BEE strategy points out that it is critical that activities, allocation of resources, facilitation of access to business opportunities and interventions impact on the fundamental issues, as outlined in the definition of Broad-Based Black Economic Empowerment (DCSA, 2003).

At DaimlerChrysler, Black Economic Empowerment is broad based and part of DCSA's growth strategy. Most importantly, DCSA subscribes to the fact that Black Economic Empowerment is an inclusive process, which encompasses Ownership, Management/Executive Responsibility, Employment Equity and HRD, Black Economic Procurement, Enterprise Development and Social Responsibility (DCSA, 2003).

DCSA (2003) advocates that

- The company aligns its definition of BEE with that of the government, and is aimed at redressing the imbalances of the past by seeking to substantially and

equitably transfer and confer the ownership, management and control of South Africa's financial and economic resources to the majority of its citizens.

- The company ensures broader and meaningful participation in the economy by black people to achieve sustainable development and prosperity.

The strategy points out that the economy has become increasingly integrated into global markets and has become a successful exporter of manufactured goods and value-added services. South Africa is now able to position itself as an advanced manufacturing economy. In order to develop and grow our business and our economy, more enterprises are needed to produce value-added goods and services, to attract investment, and to employ more of our people in productive activities (DCSA, 2003).

DCSA's strategy is aimed at the deliberate redistribution of business opportunities to black enterprises and to encourage joint ventures and partnerships. This may involve both new business development as well as revising existing black business development. Thus, a core component of the BEE strategy is the creation and nurturing of new enterprises and the strategy applies to purchasing functions in all performance centers (DCSA, 2003)

According to DCSA (2003:4) the BEE strategy fulfills the following requirements:

1. "BEE development and capacity building
2. It endeavors that BEE suppliers deliver products and services without compromising quality, quantity, delivery and cost of the product or service.
3. It covers the scope of both (a) Production component and material supply, and
(b) Non-Production material, component and services
Supply (Direct and Indirect Supply)."

(a) Production Material Suppliers:

Specific characteristics of Production Material Suppliers pointed out at a NAAMSA BEE meeting, will help to explain the difficulties in developing BEE suppliers:

- They are invariably part of Multinational groups,
- They are Technology advanced and may even supply assemblies such as Black Box items where the manufacture of these items is a carefully guarded secret and of a patented nature. Even the customer (the OEM in this case) does not always know what goes into the finer make up of the assembly.
- Some have huge R&D budgets, that necessitate a great deal of capital intensity and they must be internationally price competitive in order to survive.
- Universally recognised and implemented Quality systems are not an option, but a pre-requisite

(b) Non-Production suppliers:

The situation is not all that different to that of the Production suppliers. A large range of skills, products, services and expertise is what all the OEM's demand. The OEM's buy from hundreds of these suppliers, ranging from the sophisticated, through to the unsophisticated, from the supply of stationery through to robotic automated body and paint shops, advertising agencies and finally involving vehicle distribution networks both locally and at times, internationally.

Invariably, the larger the expenditure, the greater the level of sophistication and complexity. Once again, a large number are multinationals and have been in the business a long time and hold a commanding control over their specific area of supply and expertise. Many have supply and license agreements and provide world-class levels of technology and skills. The key once again in most, if not all instances, is the world-class level of supply in terms of PRICE, QUALITY, SERVICE and TECHNOLOGY.



4.2.1. Strategic targets

According to DCSA (2003) BEE strategy for Procurement and Export Division makes a commitment to support the Black Economic Empowerment procurement initiative in the following manner:

- An alliance with the Department of Trade and Industry (DTI) in order to have access to development support mechanisms and grants offered by the DTI for BEE companies.
- DCSA ensures that:
 - BEE Suppliers have a valid contract with DCSA;
 - BEE Suppliers have a minimum annual turnover of R100 000,00;
 - BEE Suppliers meet DCSA's Balanced scorecard objectives

Within the next 10 years (2004-2014), DCSA Procurement and Export Division has committed to the following:

- a) "A substantial increase in the number of Black enterprises (i.e. 50.1% owned and managed by black people), black-empowered enterprises (i.e. 25.1% owned and managed by black people) and black woman-owned enterprises (i.e. 25.1% owned and managed by black woman)
- b) Set internal procurement targets for both production suppliers and non-production suppliers.
- c) That all suppliers have a Human Resource Development and Employment Equity plan in place.
- d) Within the next 12 months DCSA shall ensure/will endeavour that all First Tier Suppliers implement a Preferential Procurement Strategy and action plan.
- e) Within the next 18 months DCSA shall ensure/will endeavour that First Tier suppliers have a BEE procurement scorecard in place that will support BEE Strategy (i.e. support the attainment of the internal target).
- f) Within the next 24 months DCSA will endeavour that all Purchasing Services Suppliers implement BEE Procurement Strategy and Action Plan."

(DCSA, 2003:5)

BEE Scorecard targets are built into DCSA's existing measurement structures to ensure compliance by all suppliers.

According to Global Supplier (2003e: 28) “screening methods are employed by DCSA to verify true BEE status and to ensure that white owned companies are not simply fronted by BEE enterprises”.

4.3 DAIMLERCHRYSLER’S BEE INITIATIVES

4.3.1. Dealerships

DCSA Chairman, Christoph Kopke announced in the Star Flash, a DaimlerChrysler journal, that DaimlerChrysler South Africa has started embarking on a ground-breaking Black Economic Empowerment funding initiative that will assist in the acquisition of a 25 per cent black shareholding in local Mercedes-Benz, Chrysler, Jeep, Mitsubishi and freightliner dealerships within the next three years (Star Flash, 2002).

According to DCSA’s Chairman, Christoph Kopke, BEE initiative forms an integral and compulsory part of DCSA’s new Dealer Network Strategy, and has, in principle, been accepted by the entire DaimlerChrysler dealer body. The initiative is also designed to put wealth into the pockets of local businessmen and communities, not those businessmen who have already benefited from previous BEE initiatives. Kopke also states that bringing black partners into DCSA’s dealerships is a sound business decision, and the expectation is that empowerment partners will add value to the business (Star Flash, 2002).

A fund has been set up by DCSA and its dealers to facilitate the process by allowing approved BEE investors requiring financial assistance to acquire preferential funding.

Philip Michaux, Chairman of DaimlerChrysler SA Dealer Council, states that this empowerment initiative has the full backing of the dealer network (Star Flash, 2002).

DCSA realise the importance of involving empowerment partners in the business, not only as a way of generating new business and ensuring continued prosperity, but also to become more integrated into the communities in which DCSA operates.

The principle that the BEE scheme be jointly funded by DCSA and the dealer network is regarded as extremely important to demonstrate the collective commitment to the greater objective of transformation in South Africa. It is envisaged that the initiative will take 3-4 years to complete, giving DCSA and its dealers sufficient time to ensure that the correct partners are found (Star Flash, 2002).

4.3.2. Outsourcing

According to Thompson and Strickland (2001) outsourcing non-critical value chain activities can produce the following advantages:

- Can decrease internal bureaucracies
- Can flatten the organization structure
- Can speed decision making
- Can heighten the company's strategic focus
- Can improve its innovative capacity
- Can increase competitive responsiveness

In addition to the above advantages, outsourcing allows a company to concentrate its own energies and resources on those value chain activities where it can create unique value, where it can be best in the industry and where it needs strategic control to build core competencies, achieve competitive advantage and manage key customer-supplier distributor relationships (Quinn in Thompson and Strickland, 2001).

Critics contend that the danger of outsourcing is that a company can go overboard and lose its knowledge base and capabilities, leaving itself at the mercy of outside suppliers and short of the resource strengths to be master of its own destiny (Quinn, in Thompson and Strickland, 2001).

DaimlerChrysler has developed an outsourcing policy, and Ikhwezi Trucktech is one of those initiatives. The majority shareholder of Ikhwezi is a black empowerment group, Ikhwezi Investment Holdings, which owns 30% and is chaired by Kallie Mabentsela, which owns 30%. Other initiatives of this nature include FAJA (wheel assembly), KKS food services (catering), and Security (Securicor).

4.3.2.1 Principles that underpin DCSA's outsourcing philosophy

There are three fundamental principles that underpin DCSA's outsourcing philosophy, namely:

- a. The Company's commitment to achieve optimum business results by focusing on its core business processes and work activities
 - b. Realising the Company's Affirmative Action strategy through black economic empowerment, ensuring that disadvantaged communities participate meaningfully in the main stream economy of South Africa;
 - c. Contributing to the long term social vision of creating employment in South Africa
- (DCSA, 2003)

Purpose

- To provide a framework for DCSA to define which areas of the Company's operation do not constitute part of its core business and the reasons why these could be best performed by outside contractors.
 - To give impetus to DCSA's business imperative through its Affirmative Action policy of empowering disadvantaged communities.
 - To address strategic issues impacting on employment terms and conditions of service. This applies to employees employed by contractors to perform outsourced work, and the contracts imposed by DCSA global sourcing strategy.
- (DCSA, 2003)

4.4 CHALLENGES FOR 2004 AND BEYOND

The Business Excellence department at DaimlerChrysler South Africa is committed to addressing the following challenges for BEE during 2004 and beyond:

- Implementation of the first and second tier supplier BEE Strategy
- Stretched targets for purchasing services on BEE expenditure
- BEE Supplier development (capacity building)
- Develop new BEE first tier suppliers for production purchasing
- Identify products and services with high probability for each commodity or family
- Align activities with other OEMs to create critical business mass
- Maintain cost discipline within BEE Enterprises
- Finalise a guide on how to do business with DCSA

(DCSA, 2003)

4.5 CONCLUSION

This strategy and policy confirm that DCSA's targets are a long-term 10-year plan based on government recommendations. The Strategy also points out that DCSA is committed to aligning targets to Government requirements on an annual basis. DCSA's commitment also demonstrates that the company will further use its best endeavors to participate with other OEM's in the development and creation of BEE Suppliers. Introducing black partners is a sound business decision and these partners will add value to the business. DaimlerChrysler South Africa wants to make sure that the empowerment initiatives add value to the communities in which dealers operate.

In order to ensure a smooth and successful implementation of BEE, DCSA must include BEE in the strategic plans of all the affected divisions. This will ensure that BEE is enhanced as a business imperative rather than as an additional unnecessary activity.

CHAPTER 5

RESEARCH METHODOLOGY

5.1 INTRODUCTION

The previous chapters have defined and presented Black Economic Empowerment, requirements for a successful BEE corporate strategy, preferential procurement as a component of BEE, and DCSA's BEE strategy.

The purpose of this chapter is to present the research methodology used in conducting this study.

The focus of this study is based on a South African context in the motor manufacturing industry. Six main objectives of the study were formulated and the researcher is interested in finding out whether there are any gaps between the expectations of BEE suppliers and DCSA group of how DCSA's preferential procurement strategy should work.

5.2 GOALS OF THE RESEARCH

- a) To determine the gap between the expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.
- b) To determine the gap between the expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by BEE suppliers.
- c) To determine the gap between DCSA group and BEE suppliers' expectations of how DCSA's procurement strategy should work.
- d) To determine the gap between DCSA group and BEE suppliers' perceived performance of how the strategy is working.

- e) To make recommendations as to how all gaps in expectations of how DCSA's procurement strategy should work may be closed.
- f) To determine the importance of the characteristics of preferential procurement.

5.3 HYPOTHESES

Hypothesis defined

“A hypothesis is a tentative assumption or preliminary statement about the relationship between two or more things that need to be examined. In other words, a hypothesis is a tentative solution or explanation of the research problem and the task of the research is to investigate it” (Welman and Kruger, 2001:11).

Statistical validity

A statistical hypothesis consists of two complementary statements known as

1. A null hypothesis; and
2. A complementary, alternative hypothesis

“Typically the alternative hypothesis reflects the research hypothesis, so that the null hypothesis plays the role of devil's advocate. Consequently the research hypothesis will be supported by the rejection of the null hypothesis” (Welman and Kruger, 2001:197).

A *t*- or *F*-test statistic is used to test a null hypothesis and this test is made up of the following ratio:

$$\frac{\text{Between-group variation (numerator)}}{\text{Within-group variation (denominator)}}$$

“The higher the ratio, the greater the power of the statistical test, that is, the probability that the null hypothesis will be rejected” (Welman and Kruger, 2001:199).

Accepting or rejecting the null hypothesis

If the p-value is less than 0.05, the null hypothesis is rejected in favour of the alternative hypothesis and it can be concluded that there is a significant difference in the mean of the two samples.

Hypothesis 1

- Ho There is no significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.
- H1 There is a significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.

Hypothesis 2

- Ho There is no significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by BEE suppliers
- H1 There is a significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by BEE suppliers.

Hypothesis 3

- Ho There is no significant difference found between DCSA group and BEE Suppliers' expectations of how DCSA's procurement strategy should work.
- H1 There is a significant difference found between DCSA group and BEE Suppliers' expectations of how DCSA's procurement strategy should work.

Hypothesis 4

- Ho There is no significant difference found between DCSA group and BEE suppliers' perceived performance of how the strategy is working
- H1 There is a significant difference found between DCSA and BEE suppliers' perceived performance of how the strategy is working.

5.4 RESEARCH DESIGN

According to Welman and Kruger (2001) a research design is a plan according to which we obtain research participants (subjects) and collect information from them. In it we describe what we are going to do with the participants with a view to reaching conclusions about the research problem.

This research is of a quantitative nature and it was conducted in an exploratory paradigm. The purpose of exploratory research is to determine whether or not a phenomenon exists, and to gain familiarity with such a phenomenon, not to compare it with other phenomena (Welman and Kruger, 2001).

5.5 RESEARCH POPULATION AND SAMPLE

The population is the study object, which may be individuals, groups, organizations, human products and events, or the conditions to which they are exposed (Welman J. et al. 2001).

The population for this research consisted of 30 Black Economically Empowered suppliers (production and non production suppliers) in South Africa, and 30 DCSA employees (managers in various divisions, transformation forum representatives-management representatives, staff representatives and, organised labour). The researcher used a sample selected purposely from the following divisions:

- Procurement and Export
- Logistics
- Information Technology
- Finance
- Quality Assurance
- Manufacturing

- Paint Shop
- Plant Engineering
- Group H R
- HR& Business Development

The majority of BEE Suppliers employ less than 100 people, and have a turnover of more than R1 million per annum for W203 (the current mercedes benz model), whilst only three have indicated that they have a turnover of more than R1 million per annum for Colt. Out of all BEE suppliers, DCSA has only one BEE supplier for export market with a turnover of more than R1 million. This therefore, clearly indicates that there is a combination of both large and small corporations.

The research population of BEE suppliers was obtained from the Purchasing Services Database. After eliminating much duplication, in the supplier list, a final list of participants was compiled. Names of 30 suppliers were included in the final list. These suppliers were contacted individually by the researcher, but some difficulties were experienced, due to a number of reasons. Some of the reasons can be attributed to the actual timing of the distribution of questionnaires. Both suppliers and Management were left with three weeks before year-end shutdown. Other suppliers were just on the database, but had never been awarded any business. On the DCSA group, in various divisions including procurement and export, some participants just did not show any interest in the study. Eventually only 25 people from the DCSA group and 24 suppliers were included in the study.

As expected, the majority of respondents from suppliers were owners/managers or partners in the business.

5.6 RESEARCH INSTRUMENT

A questionnaire with two sections was used to conduct the research. Section A of the questionnaire was designed to obtain the expectations of both DCSA group and BEE suppliers of how the BEE Strategy should work. Section B focused on the perceived performance and respondents were expected to outline a true reflection of the way BEE strategy is currently being implemented (perceived performance). See appendix A for the questionnaire, which is based on the requirements for successful implementation of a BEE strategy as discussed in chapter two. The requirements include the following:

- Strategic Intent: (SI)
- External Balanced Score Card: (EBSC)
- Financial Assistance: (FA)
- Skills Development: (SD)
- Communication: (Comm)

Answers were measured on a Lickert scale that ranges from 1 to 7, where 1 was strongly disagree and 7 was strongly agree. For the purpose of data analysis, the following coding has been used: 1 = strongly disagree, 2 = recoded as 3 = disagree, 4 neutral, 5 = recoded as 6 = agree, 7 = strongly agree.

In the last part of the questionnaire, participants were requested to allocate a total of 100 points amongst the five factors, according to the level of importance.

5.7 PILOT STUDY

A pilot study involves the pre-testing of instruments in an attempt to identify unforeseen problems of administration, coding and analysis (Guy, 1987).

The main study was preceded by a pilot study in an attempt to check if modifications made to the questionnaire were understood. Although there were modifications made on the questionnaire, the researcher retained the original seven point Likert scale.

The pilot study was conducted amongst 10 senior managers in order to identify problems with the questionnaire and to ascertain whether participants would be able to understand and respond accordingly. The pilot study therefore assisted in identifying areas which needed attention. A number of statements had to be reconstructed in order to be specific to Black Economically Empowered suppliers only.

5.8 THE MAIN STUDY

A total of 60 participants, which were purposely selected from DCSA group (management representatives, staff representatives, organised labour) and BEE suppliers, were asked to complete a questionnaire. A letter (See appendix B) was e-mailed to the two groups introducing the researcher and the main goals of the research, thereby seeking their co-operation and participation in the research. BEE suppliers were also contacted by telephone and they agreed to participate in the study.

Questionnaires were faxed and some e-mailed to suppliers. The researcher delivered questionnaires to DCSA group by hand and completed questionnaires were collected the same week. Reminders were sent out a week later to all those participants who did not respond.

5.9 DATA COLLECTION

According to Kruger and Welman (1994) there are three methods of data collection and these are, systematic observation, survey questionnaires, and personal interviews. For this research as mentioned earlier, questionnaires were used to collect data.

The researcher used a personal technique to collect data by physically collecting questionnaires from DCSA group, while suppliers were asked to fax their questionnaires to the researcher. Local BEE suppliers delivered their questionnaires by hand and only a handful had to be collected from the suppliers. Participants were asked to call the researcher for more clarity on the actual questionnaire.

5.10 ETHICAL CONSIDERATIONS

The researcher promised respondents that all information gathered would be confidential and anonymous. The first page of the questionnaire segmented respondents, and this was done for the purpose of data analysis only. Results of this study would not reveal anyone's names.

The researcher will ensure that a presentation of the report is made to all participants. This report will demonstrate ethical considerations by the researcher. The researcher's presentation will also demonstrate that all the respondents' concerns have been taken into consideration and hopefully this will encourage more people to participate in similar studies. In order for the results to be credible, it has been important that the researcher does not manipulate responses.

5.11 DATA CAPTURING

On return of completed questionnaires, the researcher coded responses in each questionnaire and all the codes were captured onto an Excel spreadsheet in order for responses to be statistically analysed.

5.12 DATA ANALYSIS

The aim of the analysis is to produce descriptive statistics for the whole sample, combining both qualitative and quantitative evidence and recognizing different views on how successful implementation must be judged.

The questionnaire was structured such that it covered all important elements of preferential procurement strategy. 50 questionnaires were returned and all 50 were included in the final statistical analysis. The questionnaire had 32 statements specific to BEE suppliers.

5.13 HYPOTHESIS TESTING

The research has four hypotheses and the t-test will determine whether to accept or reject the hypotheses.

5.13.1 Level of significance

Alpha = 0.05 (This means there is only a 5% chance that the conclusion to reject the null hypothesis will be a mistake).

5.13.2 Accepting or rejecting the null hypothesis:

If the p-value is less than 0.05, the null hypothesis is rejected in favour of the alternative hypothesis and then it can be concluded that there is a significant difference between the means of the two samples.

Two sample t-tests for independent samples to test for differences between BEE suppliers and DCSA group were performed using a computer programme called Statistica.

5.14 CONCLUSION

This chapter has presented the research methodology and the process of data collection and analysis. A meeting between the researcher and the divisional manager, Procurement and Export, preceded the whole process of data collection. At this meeting the researcher discussed what the study was about and its objectives.

The researcher segmented the two groups of respondents using a coding system and thereafter distributed questionnaires personally to DCSA group and BEE suppliers together with a covering letter detailing goals of the research and thanking participants in advance for participating in the study. As a result of this personal interaction, the researcher received a 90% response rate.

The following chapter presents the results obtained from the two Sample t-tests for independent samples which were completed in order to test the hypotheses.

CHAPTER 6:

RESULTS AND DISCUSSION

6.1 INTRODUCTION

The previous chapter focused on data collection. The process following data collection was the statistical analysis to test for differences between the perceptions and expectations of BEE suppliers and DCSA group. Chapter six discusses the results of the analysis and implications thereof and reference is made to issues raised in the literature review.

6.2. RESULTS OF T-TEST ANALYSIS

The hypotheses in this study seek to establish if there is a difference between the perceptions and expectations of BEE suppliers and DCSA group in the implementation of BEE Strategy.

The results of this study are presented in four Categories.

1. Expectations and Perceptions of DCSA group only
2. Expectations and perceptions of BEE suppliers only
3. Expectations of the two groups (BEE Suppliers and DCSA group) will be presented.
4. Perceptions of the two groups will be presented.

6.2.1. DCSA GROUP ONLY

6.2.1.1. Strategic Intent

The Table below illustrates the fact that expectations for Strategic Intent issues exceed perceptions.

Table 1 Strategic Intent: Expectations and Perception mean scores

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	t	df	P
SI1 Exp	6.75	0.442326						
SI33 Perc	5.375	1.714706	24	1.375	1.555146	4.331489	23	0.000246
SI2 Exp	5.666667	1.522774						
SI34 Perc	4.583333	2.083406	24	1.083333	2.394135	2.216762	23	0.036805
SI3 Exp	6.375	0.875388						
SI35 Perc	3.958333	2.404329	24	2.416667	2.263446	5.230608	23	0.000026
SI4 Exp	6.416667	0.717282						
SI36 Perc	4.958333	2.115762	24	1.458333	2.08471	3.427022	23	0.002303
SI5 Exp	6.25	1.259745						
SI37 Perc	4.958333	2.235663	24	1.291667	1.988645	3.18199	23	0.004154
SI6 Exp	6.291667	0.999094						
SI38 Perc	3.958333	2.312145	24	2.333333	2.425708	4.712419	23	0.000095
SI Exp	6.291667	0.579959						
SI Perc	4.631944	1.604627	24	1.659722	1.516001	5.363417	23	0.000019

For all Strategic Intent (SI) items, there are significant differences between expectations and perception mean scores ($p < 0.05$).

The last column on the table indicates P-values between expectations and perceptions. All those P-values that are highlighted bold/in red are clearly less than 0.05. Overall, the last column shows that the p-value for strategic intent statements is **0.000019**. Clearly this indicates that overall, there is a difference in expectations and perceptions.

SI 1 Expectation	SI 33 Perception
1. DCSA senior management should buy in and be committed to DCSA's BEE Strategy/Policy	33. DCSA senior management is buying in and is committed to DCSA's BEE Strategy/Policy
<p>p-value = 0,000246 RESULT: The expectation of buy in and commitment to DCSA's policy exceeds perceived performance and this creates a gap therefore a programme needs to be in place that will ensure realisation of this expectation.</p>	

SI 2 Expectation	SI 34 perception
2. BEE should be part of indicators in the performance agreements of DCSA senior management	34. BEE is part of indicators in the performance agreements of DCSA senior management
<p>p-value = 0,036805 RESULT: Currently BEE is not a performance measurement for a number of managers at DCSA. This group's expectation is much higher than the perceived performance</p>	

SI 3 Expectation	SI 35 perception
3. BEE strategy should have clear targets with regards to <ol style="list-style-type: none"> a. BEE spend b. Number of BEE suppliers developed per annum, and c. Timelines that will guide DCSA in achieving its objectives	35. BEE strategy has clear targets with regards to <ol style="list-style-type: none"> a. BEE spend b. Number of BEE suppliers developed per annum, and c. Timelines that guide DCSA in achieving its objectives
<p>p-value = 0,000026 RESULT: DCSA group expect to see clear targets for BEE spend and timelines. This expectation exceeds perceived performance.</p>	

SI 4 expectation	SI 36 perception
4. The formation of strategic alliances between BEE and established suppliers should be encouraged	36. The formation of strategic alliances between BEE and established suppliers is encouraged
<p>p-value = 0,002303 RESULT: DCSA group is clearly expecting to see more strategic alliances between established suppliers and BEE suppliers.</p>	

SI 5 expectation	SI 37 perception
5. BEE suppliers should be invited by DCSA to tender for services	37. BEE suppliers are invited by DCSA to Tender for services
<p>p-value = 0,004154 RESULT: The difference clearly shows that expectations exceed perceived performance. This group believes that BEE suppliers should be invited to tender for services. Results as they stand illustrate that not enough is being done in terms of publicly advertising tenders.</p>	

SI 6 expectation	SI 38 perception
6. Barriers to entry such as: <ul style="list-style-type: none"> • Misperception that BEE suppliers lack relevant skills • Hostile working environments • Passive resistance to transformation • Access to capital should be overcome.	38. Barriers to entry such as: <ul style="list-style-type: none"> • Misperception that BEE suppliers lack relevant skills • Hostile working environments • Passive resistance to transformation • Access to capital are overcome.
<p>p-value = 0,000095 RESULT: Expectations of this group are much more higher than perceived performance in overcoming barriers to entry. DCSA group is expecting to see more barriers removed and more BEE suppliers coming on board.</p>	

Overall expectations: mean score	Overall perceptions: mean score
6,291667	4,631944
<p>The overall p-value is, 0.000019, (less than 0.05).</p>	
<p>Overall Results: The total mean scores for all the above mean statements clearly indicate that expectations exceed perceived performance therefore, management needs to ensure that the gap between expectations and Perceived performance is closed.</p>	

These differences clearly indicate that management needs to put an action plan together to close these gaps.

Result for Hypothesis 1:

- Ho There is no significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.
- H1 There is a significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.

Ho is rejected in favour of H1 because of the difference in means for DCSA group therefore a plan to close these gaps must be developed.

6.2.1.2 External Balanced Score Card

Table 2 EBSC: Expectations and Perceptions

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	t	df	P
EBSC7 Exp	5.625000	1.906796						
EBSC39 Perc	3.333333	2.443566	24	2.29167	2.645409	4.24389	23	0.000307
EBSC8 Exp	6.000000	1.560379						
EBSC40 Perc	3.375000	2.533472	24	2.62500	2.763308	4.65378	23	0.000110
EBSC9 Exp	6.041667	1.627993						
EBSC41 Perc	4.000000	2.653955	24	2.04167	2.999698	3.33436	23	0.002881
EBSC10 Exp	2.833333	2.140026						
EBSC42 Perc	2.875000	2.383138	24	-0.04167	2.216130	-0.09211	23	0.927409
EBSC11 Exp	6.583333	0.775532						
EBSC43 Perc	5.625000	1.860633	24	0.95833	1.805286	2.60062	23	0.015988
EBSC12 Exp	5.708333	1.944427						
EBSC44 Perc	4.375000	2.446159	24	1.33333	3.002414	2.17557	23	0.040116
EBSC13 Exp	1.958333	1.781039						
EBSC45 Perc	2.208333	2.126012	24	-0.25000	2.893020	-0.42334	23	0.675976
EBSC14 Exp	5.750000	1.893926						
EBSC46 Perc	5.291667	2.196423	24	0.45833	3.050006	0.73618	23	0.469061
EBSC15 Exp	5.875000	1.361345						
EBSC47 Perc	3.750000	2.269840	24	2.12500	2.507597	4.15152	23	0.000386

EBSC16 Exp	5.916667	1.411649						
EBSC48 Perc	3.583333	2.320357	24	2.333333	3.016861	3.78902	23	0.000949
EBSC17 Exp	5.875000	1.295897						
EBSC49 Perc	3.625000	2.392243	24	2.250000	2.816875	3.91310	23	0.000698
EBSC Exp	5.287879	0.804080						
EBSC Perc	3.821970	1.675955	24	1.46591	1.720773	4.17339	23	0.000365

All **P-values highlighted in red** indicate that there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

EBSC 7 expectation	EBSC 39 perception
7. DCSA should assist BEE suppliers in achieving required quality standards such as ISO/TS 16949 for continuous improvement	39. DCSA is assisting BEE suppliers in achieving required quality standards such as ISO/TS 16949 for continuous improvement
p-value = 0.000307	
RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they assist BEE suppliers with the necessary resources in order to achieve the required standards.	

EBSC 8 expectation	EBSC 40 perception
8. DCSA should assist BEE suppliers to implement Quality Systems and processes	40. DCSA is assisting BEE suppliers to implement Quality Systems and processes
p-value = 0.000110	
RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they assist BEE suppliers with quality systems and processes.	

EBSC 9 expectation	EBSC 41 perception
9. DCSA should have the same systems and process audits for BEE suppliers	41. DCSA has the same systems and process audits for BEE suppliers
p-value = 0.002881	
RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they assist BEE suppliers with quality systems and processes.	

EBSC10 expectation	EBSC 42 perception
10. BEE suppliers should be treated differently with regards to costs by agreeing to price premium.	42. BEE suppliers are treated differently with regards to costs by agreeing to price premium.
p-value = 0.927409	
RESULT: Results confirm that there is no significant difference between expectations and perceived performance.	

EBSC 11 expectation	EBSC 43 perception
11. BEE suppliers should be expected to generate cost improvement ideas.	43. BEE suppliers are expected to generate cost improvement ideas.
p-value = 0.015988 RESULT: Results confirm that expectations exceed perceived performance. BEE suppliers need to ensure that they generate cost improvement ideas	

EBSC 12 expectation	EBSC 44 perception
12. DCSA should assist BEE suppliers in acquiring required technology	44. DCSA assists BEE suppliers in acquiring required technology.
p-value = 0.040116 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they assist BEE suppliers in acquiring the required technology.	

EBSC 13 expectation	EBSC 45 perception
13. BEE suppliers should be exempted from on time delivery penalties.	45. BEE suppliers are exempted from ontime delivery penalties.
p-value = 0.675976 RESULT: Results confirm that the difference between expectations and perceptions is insignificant. Suppliers are not exempted from ontime deliveries and the expectation is that they should not be exempted from ontime delivery penalties.	

EBSC 14 expectation	EBSC 46 perception
14. BEE suppliers should be penalised for cripples, line stops and bonded units.	46. BEE suppliers are penalised for cripples, line stops and bonded units.
p-value = 0.469061 RESULT: Results confirm that the difference between mean scores is insignificant. This indicates that the current practise of penalising is correct and should continue to happen.	

EBSC 15 expectation	EBSC 47 perception
15. Procurement opportunities in core components/services and Professional services should be given to BEE suppliers	47. Procurement opportunities in core components/services and Professional services are given to BEE suppliers
p-value = 0.000386 RESULT: Results confirm that expectations exceed perceived performance. BEE suppliers are expecting to see a lot more opportunities given to them to provide a service in core components and services.	

EBSC 16 expectation	EBSC 48 perception
16. BEE suppliers should not be seen to constitute a business risk	48. BEE suppliers are not be seen to constitute a business risk
<p>p-value = 0.000949 RESULT: Results confirm that expectations exceed perceived performance. The majority of BEE suppliers is expecting to see a change from the negative perception that BEE suppliers are a business risk. BEE suppliers expect to be given business opportunities even in those 'High risk' services.</p>	
EBSC 17 expectation	EBSC 49 perception
17. Major contracts should be given to BEE suppliers to enhance their capacity to deliver	49. Major contracts are given to BEE suppliers to enhance their capacity to deliver.
<p>p-value = 0.000698 RESULT: Results confirm that expectations exceed perceived performance. The majority of BEE suppliers are expecting to get major contracts.</p>	

Overall EBSC expectations	Overall EBSC perceptions
Mean score = 5.287879	Mean score = 3.821970
<p>Overall p-value = 0.000365, (less than 0,05)</p>	
<p>Overall Results: The overall mean scores for all the above EBSC statements clearly indicate that expectations of BEE suppliers exceed perceived performance therefore, management needs to ensure that the gap between expectations and perceived performance is closed.</p>	

Result for Hypothesis 1:

- Ho There is no significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.
- H1 There is a significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.

Null Hypothesis is rejected in favour of H1 because of the difference in means for the DCSA group.

6.2.1.3 Financial Assistance

Table 3 Financial Assistance: Perceptions and Expectations

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	t	df	P
FA18 Exp	5.083333	1.665942						
FA50 Perc	3.875	2.507597	24	1.208333	2.888947	2.049051	23	0.052033
FA19 Exp	4.75	1.983629						
FA51 Perc	3.666667	2.548088	24	1.083333	3.463056	1.532527	23	0.139033
FA20 Exp	4.541667	2.245366						
FA52 Perc	3.541667	2.206299	24	1	3.064524	1.598611	23	0.123556
FA21 Exp	5.875	1.454005						
FA53 Perc	3.583333	2.375906	24	2.291667	2.726348	4.117901	23	0.00042
FA22 Exp	5.25	1.870829						
FA54 Perc	3.666667	2.140026	24	1.583333	3.147348	2.464525	23	0.021617
FA Exp	5.1	1.427677						
FA Perc	3.666667	1.743227	24	1.433333	2.526841	2.778912	23	0.010674

For Financial Assistance (highlighted in red) there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

The first three P-values on financial assistance clearly indicate that although there are differences between expectations and perceptions, those differences are not significant.

Overall expectations	Overall perceptions
Mean score = 5,1	Mean score = 3,66667
Overall p-value = 0,010674	
Overall p-value for all Financial Assistance statements is 0.010674, and this indicates that there is a significant difference between expectations and perceived performance of DCSA's group. DCSA group expects to see more financial assistance being offered for BEE suppliers therefore an action plan to close this gap must be in place.	

6.2.1.4 Skills development

Table 4 Skills Development: Expectations and Perceptions

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	t	df	p
SD23 Exp	6.125	0.797414						
SD55 Perc	3.541667	2.225918	24	2.583333	2.394135	5.286124	23	0.000023
SD24 Exp	5.666667	1.785611						
SD56 Perc	3.583333	2.301543	24	2.083333	2.811725	3.629874	23	0.001403
SD25 Exp	5.708333	1.545798						
SD57 Perc	3.208333	2.186503	24	2.5	2.781929	4.402502	23	0.000206
SD26 Exp	6.5	1.063219						
SD58 Perc	4.458333	2.245366	24	2.041667	2.274225	4.398017	23	0.000209
SD27 Exp	5.541667	1.641292						
SD59 Perc	3.875	2.490198	24	1.666667	3.116111	2.620243	23	0.0153
SD Exp	5.908333	0.970843						
SD Perc	3.733333	1.665681	24	2.175	2.058545	5.176121	23	0.00003

For all Skills Development (SD) items there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

SD 23 expectation	SD 55 perception
23. DCSA employees should be educated on socio economic impacts of affirmative procurement	55. DCSA employees should be educated on socio economic impacts of affirmative procurement
p-value = 0.000023	
RESULT: Results confirm that expectations exceed perceived performance therefore Management needs to ensure that this gap is closed.	

SD 24 expectation	SD 56 perception
24. Skills development programmes should be introduced for BEE suppliers	56. Skills development programmes should be introduced for BEE suppliers
<p>p-value = 0.001403 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that this gap is closed by introducing more skills development programmes.</p>	

SD 25 expectation	SD 57 perception
25. Multinationals should be encouraged to amend their procurement strategies, to channel spend through BEE suppliers.	57. Multinationals are encouraged to amend their procurement strategies, to channel spend through BEE suppliers.
<p>p-value = 0.000206 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that this gap is closed.</p>	

SD 26 expectation	SD 58 perception
26. Multinationals operating in South Africa should conform to South African laws of empowerment	58. Multinationals operating in South Africa conform to South African Laws of empowerment
<p>p-value = 0.000209 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that this gap is closed.</p>	

SD 27 expectation	SD 59 perception
27. DCSA management should be penalised for not meeting empowerment obligations	59. DCSA management is penalised for not meeting empowerment obligations
<p>p-value = 0.0153 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they meet this obligation in order to close the skills gap is closed.</p>	

Overall SD expectations	Overall SD perceptions
Mean = 5.908333	Mean = 3.733333
<p>RESULT: Overall p-value = 0.00003, therefore DCSA management needs to ensure that an action plan is in place to close skills development gaps that have been highlighted.</p>	

6.2.1.5 Communication

Table 5 Communication : Expectations and Perceptions

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	T	df	P
COM29 Exp	6.083333	1.100066						
COM60 Perc	3.25	2.026992	24	2.833333	2.371326	5.853451	23	0.000006
COM30 Exp	6.25	0.84699						
COM61 Perc	4.208333	2.08471	24	2.041667	2.349453	4.257197	23	0.000297
COM31 Exp	6.291667	0.690253						
COM62 Perc	3.541667	2.166527	24	2.75	2.381998	5.655838	23	0.000009
COM32 Exp	5.833333	1.761093						
COM63 Perc	3.375	1.974016	24	2.458333	2.484371	4.847634	23	0.000068
COM Exp	6.114583	0.893756						
COM Perc	3.59375	1.838319	24	2.520833	2.08764	5.915535	23	0.000005

For all Communication items there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

Overall com expectations	Overall SD perceptions
Mean = 6.114583	Mean = 3.59375
RESULT: Overall p-value = 0.000005 , therefore DCSA management needs to ensure that an action plan is in place to close the skills development gaps that have been highlighted.	

Hypothesis 1

- Ho There is no significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.
- H1 There is a significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by DCSA group.

Results for Hypothesis 1: Null Hypothesis is rejected in favour of H1 because of the difference in means for the DCSA group.

6.2.2. BEE SUPPLIERS ONLY

6.2.2.1 Strategic Intent

Table 6 Strategic Intent: Expectations and Perceptions

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	T	df	P
SI1 Exp	6.615385	0.852147						
SI33 Perc	4.538462	2.195099	26	2.076923	2.331061	4.543112	25	0.000122
SI2 Exp	6.538462	1.139501						
SI34 Perc	4.461538	2.469506	26	2.076923	2.770171	3.822967	25	0.00078
SI3 Exp	6.307692	1.123182						
SI35 Perc	4.692308	2.074015	26	1.615385	2.450746	3.360968	25	0.002498
SI4 Exp	6.653846	0.485165						
SI36 Perc	4.576923	2.402883	26	2.076923	2.448233	4.325679	25	0.000214
SI5 Exp	6.48	0.87178						
SI37 Perc	4.88	2.350886	25	1.6	2.708013	2.954196	24	0.006917
SI6 Exp	6.038462	1.586966						
SI38 Perc	4.076923	2.331061	26	1.961538	2.720011	3.677162	25	0.001129
SI Exp	6.42	0.78928						
SI Perc	4.453333	1.979361	25	1.966667	2.260265	4.350523	24	0.000217

For all SI items there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

Overall expectations: mean score 6.42	Overall perceptions: mean score 4.453333
The overall p-value = 0.000217. (less than 0.05).	
Overall Results: The total mean scores for all the above mean statements clearly indicate that expectations exceed perceived performance therefore, management needs to ensure that the gap between expectations and Perceived performance is closed.	

6.2.2.2 EBSC

Table 7 EBSC: Expectations and Perceptions

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	t	df	p
EBSC7 Exp	6.615385	0.496139						
EBSC39 Perc	3.961538	2.235724	26	2.65385	2.399038	5.64060	25	0.000007
EBSC8 Exp	6.500000	0.509902						
EBSC40 Perc	3.961538	2.144402	26	2.53846	2.353394	5.50000	25	0.000010
EBSC9 Exp	6.076923	1.412036						
EBSC41 Perc	4.615385	1.877806	26	1.46154	2.353394	3.16667	25	0.004032
EBSC10 Exp	4.846154	2.129644						
EBSC42 Perc	4.423077	2.579505	26	0.42308	2.844969	0.75828	25	0.455374
EBSC11 Exp	6.038462	1.112862						
EBSC43 Perc	5.346154	2.077350	26	0.69231	2.204890	1.60103	25	0.121933
EBSC12 Exp	6.153846	1.286618						
EBSC44 Perc	3.884615	2.658224	26	2.26923	3.014070	3.83895	25	0.000748
EBSC13 Exp	3.538462	2.485651						
EBSC45 Perc	3.192308	2.383598	26	0.34615	3.174175	0.55606	25	0.583110
EBSC14 Exp	4.269231	2.219147						
EBSC46 Perc	5.153846	1.953301	26	-0.88462	2.702990	-1.66877	25	0.107641
EBSC15 Exp	5.692308	1.568929						
EBSC47 Perc	3.923077	2.480695	26	1.76923	2.860877	3.15335	25	0.004165
EBSC16 Exp	5.884615	1.773740						
EBSC48 Perc	4.076923	2.431840	26	1.80769	2.814523	3.27496	25	0.003090
EBSC17 Exp	6.038462	1.660862						
EBSC49 Perc	3.730769	2.706403	26	2.30769	3.171993	3.70965	25	0.001040
EBSC Exp	5.604895	0.796248						
EBSC Perc	4.206294	1.763272	26	1.39860	1.918001	3.71819	25	0.001018

For the EBSC items (high lighted) there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

EBSC 7 expectation	EBSC 39 perception
7. DCSA should assist BEE suppliers in achieving required quality standards such as ISO/TS 16949 for continuous improvement	39. DCSA is assisting BEE suppliers in achieving required quality standards such as ISO/TS 16949 for continuous improvement
<p>p-value = 0.000007 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they assist BEE suppliers with the necessary resources in order to achieve the required standards.</p>	

EBSC 8 expectation	EBSC 40 perception
8. DCSA should assist BEE suppliers to implement Quality Systems and processes	40. DCSA is assisting BEE suppliers to implement Quality Systems and processes
<p>p-value = 0.000010 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they assist BEE suppliers with quality systems and processes.</p>	

EBSC 9 expectation	EBSC 41 perception
9. DCSA should have same systems and process audits for BEE suppliers	41. DCSA has same systems and process audits for BEE suppliers
<p>p-value = 0.004032 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they assist BEE suppliers with quality systems and processes.</p>	

EBSC 12 expectation	EBSC 44 perception
12. DCSA should assist BEE suppliers in acquiring required technology	44. DCSA assists BEE suppliers in acquiring required technology.
<p>p-value = 0.000748 RESULT: Results confirm that expectations exceed perceived performance. Management needs to ensure that they assist BEE suppliers in acquiring the required technology.</p>	

EBSC 15 expectation	EBSC 47 perception
15. Procurement opportunities in core components/services and Professional services should be given to BEE suppliers	47. Procurement opportunities in core components/services and Professional services are given to BEE suppliers

p-value = 0.004165
RESULT: Results confirm that expectations exceed perceived performance. BEE suppliers are expecting to see a lot more opportunities given to them to provide a service in core components and services.

EBSC 16 expectation	EBSC 48 perception
16. BEE suppliers should not be seen to constitute a business risk	48. BEE suppliers are not seen to constitute a business risk
<p>p-value = 0.003090 RESULT: Results confirm that expectations exceed perceived performance. The majority of BEE suppliers is expecting to see a change from the negative perception that BEE suppliers are a business risk. BEE suppliers expect to be given business opportunities even in those 'High risk' services.</p>	
EBSC 17 expectation	EBSC 49 perception
17. Major contracts should be given to BEE suppliers to enhance their capacity to deliver	49. Major contracts are given to BEE suppliers to enhance their capacity to deliver.
<p>p-value = 0.001040 RESULT: Results confirm that expectations exceed perceived performance. The majority of BEE suppliers is expecting to get major contracts.</p>	

Overall EBSC expectations	Overall EBSC perceptions
Mean score = 5,604895	Mean score = 4,206294
<p>Overall p-value = 0,001018, (less than 0,05)</p>	
<p>Overall Results: The overall mean scores for all the above EBSC statements clearly indicate that expectations of BEE suppliers exceed perceived performance therefore, management needs to ensure that the gap between expectations and perceived performance is closed.</p>	

Hypothesis 2

- Ho There is no significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by BEE suppliers
- H1 There is a significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by BEE suppliers.

Null Hypothesis is rejected in favour of H1 because of the difference in means for the BEE group.

6.2.2.3 Financial assistance

Table 8 Financial Assistance: Expectations and Perceptions

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	t	df	p
FA18 Exp	5.692308	1.667794						
FA50 Perc	3.807692	2.433421	26	1.884615	2.790368	3.443879	25	0.002032
FA19 Exp	5.692308	1.667794						
FA51 Perc	3.653846	2.481005	26	2.038462	2.91864	3.5613	25	0.001513
FA20 Exp	6	1.788854						
FA52 Perc	4.269231	2.646623	26	1.730769	2.691582	3.278825	25	0.003061
FA21 Exp	5.52	1.734935						
FA53 Perc	3.92	2.691344	25	1.6	2.614065	3.060368	24	0.005374
FA22 Exp	6.269231	1.282426						
FA54 Perc	3.923077	2.480695	26	2.346154	2.74142	4.363827	25	0.000194
FA Exp	5.88	1.344123						
FA Perc	3.896	2.374953	25	1.984	2.461653	4.029813	24	0.000489

For all FA items there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

Overall financial assistance expectations	Overall financial assistance perceptions
Mean score = 5.88	Mean score = 3.896
Overall p-value = 0.000489, (less than 0,05)	
Overall Results: The overall mean scores for all the above EBSC statements clearly indicate that expectations of BEE suppliers exceed perceived performance therefore, management needs to ensure that the gap between expectations and perceived performance is closed.	

6.2.2.4 Skills development

Table 9 Skills Development: Expectations and Perceptions

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	t	df	p
SD23 Exp	6.423077	0.856648						
SD55 Perc	4.615385	2.2817	26	1.807692	2.416927	3.813709	25	0.000798
SD24 Exp	6.038462	1.39945						
SD56 Perc	4.192308	2.466078	26	1.846154	3.06845	3.06786	25	0.005127
SD25 Exp	5.961538	1.636601						
SD57 Perc	3.923077	2.65214	26	2.038462	2.91864	3.5613	25	0.001513
SD26 Exp	6.307692	1.225373						
SD58 Perc	4.115385	2.519157	26	2.192308	2.65359	4.212641	25	0.000286
SD27 Exp	5.807692	1.876576						
SD59 Perc	4.346154	2.46483	26	1.461538	2.901459	2.568506	25	0.016571
SD Exp	6.107692	1.140148						
SD Perc	4.238462	2.310338	26	1.869231	2.483187	3.838312	25	0.00075

For all SD items there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

Overall skills development expectations	Overall skills development perceptions
Mean score = 6.107692	Mean score = 4.238462
Overall p-value = 0.00075 , (less than 0,05)	
Overall Results: The overall mean scores for all the above skills development statements clearly indicate that expectations of BEE suppliers exceed perceived performance therefore, management needs to ensure that the gap between expectations and perceived performance is closed.	

6.2.2.5 Communication

Table 10 Communication: Expectations and Perceptions

T-test for Dependent Samples								
	Mean	Std.Dv.	N	Diff.	Std.Dv.	t	df	p
COM29 Exp	6.230769	1.365509						
COM60 Perc	4.115385	2.58189	26	2.115385	2.818892	3.826463	25	0.000773
COM30 Exp	6.307692	1.289007						
COM61 Perc	4.307692	2.445718	26	2	2.742262	3.718842	25	0.001016
COM31 Exp	6.423077	1.301478						
COM62 Perc	4.653846	2.348486	26	1.769231	2.566051	3.515653	25	0.001697
COM32 Exp	6.076923	1.718676						
COM63 Perc	4.153846	2.648657	26	1.923077	2.910987	3.36855	25	0.002451
COM Exp	6.259615	1.299001						
COM Perc	4.307692	2.405522	26	1.951923	2.594243	3.836531	25	0.000753

For all COMM items there are significant differences between Expectation and Perception mean scores ($p < 0.05$).

Overall communication expectations	Overall communication perceptions
Mean score = 6.259615	Mean score = 4.307692
Overall p-value = 0.000753 , (less than 0,05)	
Overall Results: The overall mean scores for all the above communication statements clearly indicate that expectations of BEE suppliers exceed perceived performance therefore, management needs to ensure that the gap between expectations and perceived performance is closed.	

Hypothesis 2

- Ho There is no significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by BEE suppliers
- H1 There is a significant difference found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working by BEE suppliers.

Result for Hypothesis 2: Null Hypothesis is rejected in favour of H1 because of the difference that exists between expectations and perceptions of BEE suppliers.

6.2.3 EXPECTATIONS

On **Strategic intent and EBSC**, data on Table 11 below illustrates that there are significant differences found between BEE and DCSA groups for SI2, EBSC7, EBSC10, EBSC13 and EBSC14 ($p < 0.05$).

6.2.3.1 Strategic intent and EBSC

Table 11 Strategic intent and EBSC: DCSA and BEE mean scores

T-tests; Grouping: Group 1: BEE Group 2: DCSA									
	Mean BEE	Mean DCSA	t-value	Df	P	Valid N	Valid N	Std.Dev. BEE	Std.Dev. DCSA
SI1	6.615385	6.75	-0.69223	48	0.492127	26	24	0.852147	0.442326
SI2	6.538462	5.666667	2.30362	48	0.025618	26	24	1.139501	1.522774
SI3	6.307692	6.375	-0.23495	48	0.815249	26	24	1.123182	0.875388
SI4	6.653846	6.416667	1.37911	48	0.174254	26	24	0.485165	0.717282
SI5	6.5	6.25	0.82506	48	0.413418	26	24	0.860233	1.259745
SI6	6.038462	6.291667	-0.66858	48	0.506966	26	24	1.586966	0.999094
EBSC7	6.615385	5.625	2.55826	48	0.013731	26	24	0.496139	1.906796
EBSC8	6.5	6	1.54795	48	0.128202	26	24	0.509902	1.560379
EBSC9	6.076923	6.041667	0.08198	48	0.935007	26	24	1.412036	1.627993
EBSC10	4.846154	2.833333	3.33112	48	0.00167	26	24	2.129644	2.140026
EBSC11	6.038462	6.583333	-1.99254	48	0.052014	26	24	1.112862	0.775532
EBSC12	6.153846	5.708333	0.9625	48	0.340621	26	24	1.286618	1.944427
EBSC13	3.538462	1.958333	2.56452	48	0.013515	26	24	2.485651	1.781039
EBSC14	4.269231	5.75	-2.52748	48	0.014836	26	24	2.219147	1.893926
EBSC15	5.692308	5.875	-0.43812	48	0.663267	26	24	1.568929	1.361345
EBSC16	5.884615	5.916667	-0.07031	48	0.94424	26	24	1.77374	1.411649
EBSC17	6.038462	5.875	0.38571	48	0.701413	26	24	1.660862	1.295897

Significant differences found between BEE and DCSA groups for SI2, EBSC7, EBSC10, EBSC13 and EBSC14 ($p < 0.05$).

Result for Hypothesis 3: Null Hypothesis is rejected in favour of H1 because of the difference that exists between mean scores of the two groups.

BEE Strategic intent expectations	DCSA strategic intent expectations
2. BEE should be part of indicators in the performance agreements of DCSA senior management Mean score = 6.538462	BEE should be part of indicators in the performance agreements of DCSA senior management Mean score = 5.666667
p-value = 0.025618, (less than 0,05)	

Overall Results: The difference in mean scores for the above statement clearly indicates that BEE suppliers feel stronger that managers should be measured on BEE.

BEE Strategic intent expectations	DCSA strategic intent expectations
7. DCSA should assist BEE suppliers in achieving required quality standards such as ISO /TS 16949 for continuous improvement. Mean score =6.615385	DCSA should assist BEE suppliers in achieving required quality standards such as ISO /TS 16949 for continuous improvement. Mean score = 5.625
p-value = 0.013731 , (less than 0,05)	
Overall Results: The difference in mean scores for the above statement clearly indicates that BEE suppliers feel stronger that they must be assisted ni achieving the required standards	
BEE Strategic intent expectations	DCSA strategic intent expectations
10.BEE suppliers should be treated differently with regards to cost by agreeing to price premium Mean score = 4.846154	BEE suppliers should be treated differently with regards to cost by agreeing to price premium Mean score = 2.833333
p-value = 0.00167 , (less than 0,05)	
Overall Results: The difference in mean scores for the above statement clearly indicates that BEE suppliers feel stronger that they must be given time to improve their cost competitiveness (therefore they expect DCSA to pay a price premium until the gap is closed.)	

BEE Strategic intent expectations	DCSA strategic intent expectations
13. BEE suppliers should be exempted from on time delivery penalties Mean score =3.538462	BEE suppliers should be exempted from on time delivery penalties Mean score = 1.958333
p-value = 0.013515 , (less than 0,05)	
Overall Results: The difference in mean scores for the above statement clearly indicates that BEE suppliers feel stronger that they shouldn't be penalised for not delivering on time because of systems and proceses that are not the same as well established suppliers.	

BEE Strategic intent expectations	DCSA strategic intent expectations
14. BEE Suppliers should be penalised for cripples, line stops and bonded units Mean score = 4.269231	BEE Suppliers should be penalised for cripples, line stops and bonded units Mean score = 5.75
p-value = 0.014836 , (less than 0,05)	
Overall Results: The difference in mean scores for the above statement clearly indicates that BEE suppliers feel that they shouldn't be penalised for cripples, line stops and bonded units, whilst DCSA group strongly feels that BEEs must be penalised (Business as usual).	

The rest of the statements on table 11 have no significant difference between mean scores, therefore that means the two groups have more or less the same expectations on those issues. These include: commitment of DCSA management, clear targets i.e. BEE

spend, formation of alliances and joint ventures between BEEs and non BEE suppliers; inviting BEE suppliers to tender for services, overcoming barriers, implementing quality systems, cost improvement ideas, acquiring technology, opportunities to BEE suppliers, business risk and major contracts to be given to suppliers.

6.2.3.2 Financial assistance, Skills Development, and Communication

On financial assistance items, there are significant differences found between BEE and DCSA groups for FA20 and FA22 ($p < 0.05$). BEE group is significantly more in agreement than the DCSA group. (See Table 12 below)

Table 12 financial assistance, Skills Development, and communication: DCSA and BEE mean scores

T-tests; Grouping: Group 1: BEE Group 2: DCSA									
	Mean BEE	Mean DCSA	t-value	df	P	Valid N	Valid N	Std.Dev. BEE	Std.Dev. DCSA
FA18	5.692308	5.083333	1.29061	48	0.203021	26	24	1.667794	1.665942
FA19	5.692308	4.75	1.823091	48	0.074521	26	24	1.667794	1.983629
FA20	6	4.541667	2.549781	48	0.014027	26	24	1.788854	2.245366
FA21	5.538462	5.875	-0.74854	48	0.457787	26	24	1.702487	1.454005
FA22	6.269231	5.25	2.262071	48	0.028259	26	24	1.282426	1.870829
SD23	6.423077	6.125	1.270542	48	0.210015	26	24	0.856648	0.797414
SD24	6.038462	5.666667	0.822862	48	0.414656	26	24	1.39945	1.785611
SD25	5.961538	5.708333	0.561259	48	0.577232	26	24	1.636601	1.545798
SD26	6.307692	6.5	-0.59048	48	0.557638	26	24	1.225373	1.063219
SD27	5.807692	5.541667	0.531631	48	0.597433	26	24	1.876576	1.641292
COM29	6.230769	6.083333	0.418218	48	0.677653	26	24	1.365509	1.100066
COM30	6.307692	6.25	0.185348	48	0.853737	26	24	1.289007	0.84699
COM31	6.423077	6.291667	0.44053	48	0.661531	26	24	1.301478	0.690253
COM32	6.076923	5.833333	0.494805	48	0.622995	26	24	1.718676	1.761093

BEE Financial assistance expectations	DCSA Financial assistance expectations
20. Payments of BEE suppliers should be expedited to shorten payment cycles	20. Payments of BEE suppliers should be expedited to shorten payment cycles
p-value = 0.014027 , (less than 0,05)	
Overall Results: The difference in mean scores for the above statement clearly indicates that BEE suppliers expect to be paid faster than developed suppliers.	

BEE Financial assistance expectations	DCSA Financial assistance expectations
22. DSCA should introduce BEE suppliers to other corporations	22. DSCA should introduce BEE suppliers to other corporations
p-value = 0.028259	
Overall Results: The difference in mean scores for the above statement clearly indicates that BEE suppliers expect to be introduced by DCSA management to other corporations.	

On the rest of the issues on table 12, there is no significant difference between mean scores.

Hypothesis 3

- Ho There is no significant difference found between DCSA group and BEE Supplier's expectations of how DCSA's procurement strategy should work.
- H1 There is a significant difference found between DCSA group and BEE Supplier's expectations of how procurement strategy should work.

Results: Null Hypothesis is rejected in favour of H1 because of the difference in Mean scores for the two groups.

6.2.4 PERCEPTIONS

6.2.4.1 Strategic intent and EBSC perception scores

Table 13 Strategic Intent and EBSC: BEE and DCSA mean scores

	Mean BEE	Mean DCSA	t-value	df	P	Valid N	Valid N	Std.Dev. BEE	Std.Dev. DCSA
SI33	4.538462	5.375	-1.49291	48	0.142004	26	24	2.195099	1.714706
SI34	4.461538	4.583333	-0.18767	48	0.851924	26	24	2.469506	2.083406
SI35A	4.692308	3.958333	1.15839	48	0.252437	26	24	2.074015	2.404329
SI36	4.576923	4.958333	-0.59361	48	0.555557	26	24	2.402883	2.115762
SI37	4.88	4.958333	-0.11943	47	0.905447	25	24	2.350886	2.235663
SI38A	4.076923	3.958333	0.18042	48	0.857581	26	24	2.331061	2.312145
EBSC39	3.961538	3.333333	0.94937	48	0.347189	26	24	2.235724	2.443566
EBSC40	3.961538	3.375	0.88591	48	0.380085	26	24	2.144402	2.533472
EBSC41	4.615385	4	0.95229	48	0.345719	26	24	1.877806	2.653955
EBSC42	4.423077	2.875	2.19869	48	0.032753	26	24	2.579505	2.383138
EBSC43	5.346154	5.625	-0.4984	48	0.620476	26	24	2.07735	1.860633
EBSC44	3.884615	4.375	-0.67703	48	0.501638	26	24	2.658224	2.446159
EBSC45	3.192308	2.208333	1.53549	48	0.131229	26	24	2.383598	2.126012
EBSC46	5.153846	5.291667	-0.23483	48	0.815342	26	24	1.953301	2.196423
EBSC47	3.923077	3.75	0.25669	48	0.798516	26	24	2.480695	2.26984
EBSC48	4.076923	3.583333	0.73294	48	0.467162	26	24	2.43184	2.320357
EBSC49	3.730769	3.625	0.14592	48	0.884597	26	24	2.706403	2.392243

A Significant difference has been found between BEE and DCSA groups for EBSC42 ($p < 0.05$). DCSA group is significantly more in disagreement than the BEE group on this item. See table 13 above.

EBSC perceptions: BEE suppliers	EBSC perceptions: DCSA group
42. BEE suppliers are treated differently with regards to cost by agreeing to price premium	42. BEE suppliers are treated differently with regards to cost by agreeing to price premium
p-value = 0.032753	
Result: The difference in mean scores for the above statement clearly indicates that DCSA group disagrees that BEE s are treated differently with regards to cost.	

Hypothesis 4

- Ho There is no significant difference found between DCSA group and BEE supplier's perceived performance of how the strategy is working
- H1 There is a significant difference found between DCSA and BEE supplier's perceived performance of how the strategy is working.

Result: Null Hypothesis is rejected in favour of H1 because of the difference in Means for the two groups.

6.2.4.2 Financial assistance, Skills development and Communication perception scores

Table 14 Financial assistance, Skills development and Communication: DCSA and BEE suppliers

T-tests; Grouping: Group 1: BEE Group 2: DCSA									
	Mean BEE	Mean DCSA	t-value	df	p	Valid N	Valid N	Std.Dev. BEE	Std.Dev. DCSA
FA50	3.807692	3.875	-0.0963	48	0.923686	26	24	2.433421	2.507597
FA51	3.653846	3.666667	-0.01802	48	0.985698	26	24	2.481005	2.548088
FA52	4.269231	3.541667	1.050999	48	0.298522	26	24	2.646623	2.206299
FA53	3.92	3.583333	0.463472	47	0.645165	25	24	2.691344	2.375906
FA54	3.923077	3.666667	0.389819	48	0.698395	26	24	2.480695	2.140026
SD55	4.615385	3.541667	1.68199	48	0.099066	26	24	2.2817	2.225918
SD56	4.192308	3.583333	0.900644	48	0.372274	26	24	2.466078	2.301543
SD57	3.923077	3.208333	1.03477	48	0.305962	26	24	2.65214	2.186503
SD58	4.115385	4.458333	-0.50652	48	0.61481	26	24	2.519157	2.245366
SD59	4.346154	3.875	0.671956	48	0.504833	26	24	2.46483	2.490198
COM60	4.115385	3.25	1.310656	48	0.19621	26	24	2.58189	2.026992
COM61	4.307692	4.208333	0.153958	48	0.878288	26	24	2.445718	2.08471
COM62	4.653846	3.541667	1.736097	48	0.088962	26	24	2.348486	2.166527
COM63	4.153846	3.375	1.170978	48	0.247388	26	24	2.648657	1.974016

Table 14 illustrates that there have been no significant differences found between the two groups on all the statements (from 50 – 63 of the questionnaire) see appendix 1.

6.3 CONCLUSION

Significant differences that have been noted throughout this chapter indicate that DCSA Management needs to put together a plan that will be implemented in order to close these gaps.

CHAPTER 7 RECOMMENDATIONS

7.1. INTRODUCTION

Having observed the results in chapter six, the null hypothesis is rejected because of significant differences found between expectations of how DCSA's procurement strategy should work and perceived performance of how the strategy is working.

It has not been surprising to see the differences especially in this industry where Black Economic Empowerment is still a new concept. Results have revealed that expectations are much higher than perceptions on both sides. The question that has to be addressed then is how does DaimlerChrysler close these gaps?

High expectations usually put pressure on any group of people who put together a strategy/policy and later implement it. In order to close these gaps, both groups need to improve by putting processes in place that will be implemented and monitored. Chapter seven presents limitations and recommendations for further research, and lastly recommendations to close gaps identified are made to DCSA management .

7.1.1 BEE suppliers need to ensure that they do the following:

- Obtain the basic level of Quality Audit standards ISO/TS 16949
- Strive to achieve zero defect
- Strive to improve Parts Per Million (PPMs):

“Parts Per Million” is a ratio of parts rejected against parts received subject to receiving a million parts. At DCSA the inventory control system is designed to provide PPM figures and this system generates a report on a monthly basis on all suppliers.

PPM is calculated using the formula below:

$$\text{PPM} = \frac{\text{Quantity of Parts Rejected (the quantity of parts rejected by the customer. This includes Reworks, Scrap Parts returned to the supplier for various reasons and faults from Audit Bay).}}{\text{Quantity of Parts Received (parts received from the supplier).}} \times 1000000$$

(PPM = Quantity of parts rejected divided by quantity of parts received multiplied by one million) (DCSA, 2004).

- Have a cost improvement strategy that generates ideas on cost reduction
- Move towards automation of equipment and facilities
- Have skills to provide the required service and meet the required standards and
- Have all the necessary technology.
- Choose the right business/empowerment partner

According to the Business Map (1999) before entering a partnership with a non BEE company, it is of utmost importance to define for what purpose the collaboration is established, and to clearly express the value that is expected from the non BEE partner. This will help to avoid an inappropriate structure for the partnership and dissatisfaction regarding the levels of involvement, value added and skills transfer.

Performance orientation in all relations between DCSA and suppliers is the basis for the suggested cooperation. Suppliers who show the required performance standard, can expect to get more business from DCSA.

7.2. MANAGERIAL IMPLICATIONS

DCSA, as a company that is dependent on contracts with state entities must continue to understand the importance to show commitment to the empowerment process.

7.2.1 Transformation within the Corporation

Engdahl and Hauki (2001) advocate that for a company seeking to develop Black Economic Empowerment into one of its core strategies, the transformation process has to begin with the organisation. A solid starting point in this process is the understanding of the fact that the regulatory requirements on a company's diversity profile can lead to a positive result, if the commitment is there. It becomes critical therefore for a company to create a company culture that embraces and encourages empowerment.

7.2.2 The importance of a visionary leader

The CEO/Chairman as well as top management must drive the development of empowerment as a central business imperative and sincere commitment at the middle manager level is to be ensured. One way to clarify the importance of BEE is to integrate links between management remuneration and the performance they show in managing empowerment objectives. Given the importance of a strong leader to drive the empowerment process within the organization, it is critical for DCSA or any other company starting in South Africa to appoint a visionary leader with a firm commitment to BEE (Engdahl and Hauki, 2001).

7.2.3 Diversity management

As the majority of South African workplaces are becoming more representative of the society, the need for diversity management has been recognized and discussed within the corporate South Africa. Management must ensure that diversity is managed in a proper way. Neglect of diversity management will lead to a slow transformation process, therefore companies need to have a vigorous campaign to change mind-sets.

Madi (1997) proposes the following changes that will have an impact on the bottom line of the organisation:

- a) From a search for existing skills to a search for potential.
- b) From authoritarian to participative.
- c) From exclusive to inclusive: all stakeholders must feel that they are part of the organisation.
- d) From secrecy to transparency: rules of disclosure are emphasised. The organisation must communicate more about what is happening within the company.
- e) From withholding to empowering.
- f) From politics obsession to technology obsession.

Madi (1997:32) argues that “managers need to understand that in the midst of all this they themselves have to change the way they manage. They have to align themselves with the

evolving culture of the new South Africa, in order to cope with the cultural shifts mentioned above". For Madi (1997) managers must change from :

- a) Being aloof to being approachable
- b) Being punitive to being supportive
- c) Being formal to being informal
- d) Being competitive to being cooperative

DCSA needs to be robust in executing the above proposals and for management to succeed, management needs to drive the following processes:

7.2.4 Cooperation

DaimlerChrysler embraces the concept of co-operation alternatively known as Extended Enterprise, and as such encourages DaimlerChrysler management and BEE suppliers to subscribe to it. This concept is about ensuring that cooperation is expanded to all DCSA'S suppliers. This is a corporate initiative of all divisions in contact with suppliers. The extended enterprise will assist in shaping the world's most effective and most successful supply network (DaimlerChrysler, 2003).

Figure 9 below, illustrates important aspects of the relationship that needs to exist between BEE suppliers and management. The ideal relationship is one in which there is a high commitment in terms of quality, system cost, cost reduction, technology and supply. Management needs to ensure that these aspects are achieved by providing the necessary support to BEE suppliers.

Figure 9 Extended Enterprise



Adapted from DaimlerChrysler (2003)

The relationship between the suppliers and management must be transparent and should result in globally accepted standards. Transparency can only be enhanced through open communication and information dissemination to existing platforms such as Local Content Council, Joint OEM Council, etc. These forums will help in building relationships and trust. A culture of Public Private Partnership will also be engendered as a result of this interaction.

Management must encourage competition between partners and BEE suppliers. Companies who transform will pay less corporate tax and therefore have greater ability to invest in growth and new projects.

Innovative and creative financing options need to be developed. Management needs to work closely with Government to develop plans to promote sources of equity funding and debt funding in order to close the gap.

There should be consideration given to the access of a finance element in the BEE strategy and in the short term, DCSA must ensure that suppliers who require funding, are assisted as such by referring them to funding agencies and relevant government departments i.e. DTI, Ntsika, Khula, DBSA etc.

As Bates (1997) suggested in the USA, this might include short term loans for working capital to small firm participants; quick pay provisions; and/or direct payment of small firm sub-contractors.

Management needs to ensure that BEE suppliers are not overloaded with work beyond their capabilities, and as such, ongoing monitoring will assist in determining such problems should they arise. If the need arises to increase production, DCSA must ensure that they assist in building the required production capacity.

Management must ensure that BEEs are not given once-off projects. Projects must be continuous in order to make BEE a sustainable part of core procurement activities. Capacity to deliver will also be enhanced by giving BEE suppliers large contracts, as opposed to once-off contracts. DCSA should therefore set up contracts which last for at least three years before being put out to re-tender, after which the contract will be advertised in all the relevant trade journals, and certain preferred suppliers will be invited to join the process.

DCSA needs to make the procurement process easier and more accessible for Black suppliers. BEE suppliers should not be penalized for not meeting deadlines for submission of tenders. Some small BEE suppliers find it difficult to meet the deadline because of the need to gather information together. Developed suppliers have full time staff performing this function on a full time basis.

DCSA should engage in a process of identifying women and disabled business owners to join the pool of suppliers.

In order to ensure that BEE suppliers provide quality service and products, DCSA must embark on quality assurance programmes with BEE suppliers. This will inevitably expose suppliers to the standards required by DCSA.

The skills gap must be addressed by exposing BEE suppliers to various training programmes offered at the training centre and to programmes developed by the Supplier Development Team which is a cross functional team composed of experts in various areas i.e. quality, logistics, etc. These programmes need to be extended to communities, in partnership with Government, wherein DCSA will contribute by building community halls for the benefit of the society, sponsoring youth clubs, sport etc.

Training must include financial planning, inventory management, invoicing, reconciliations, payroll and human resource management. These initiatives make business sense and fulfill a sense of social responsibility.

DCSA board member for Human Resource Management Johan Evertse, believes that organized business, tertiary institutions and individuals need to take collective ownership by ensuring that meaningful skills development occurs.

Evertse (2002:12) believes that:

“Organized business has a corporate responsibility to roll up its sleeves and work co-operatively with learning institutions to ensure that their courses serve the requirements of industry. For Evertse, companies need to display a real commitment to develop their own employees through structured internal programmes and he believes this should take a disciplined approach where performance is objectively measured and companies must provide support when performance doesn’t meet standards”.

The empowered and elite managers must make time from their heavy schedules to nurture and mentor employees and BEE Suppliers.

“Clearly mentoring has a valuable role to play as management faces the challenge of making employment equity legislation work. However, Rhodes University

management lecturers Trevor Amos and Noel Pearse in People Dynamics caution that in the South African context subtle and complex dynamics shouldn't be underestimated when planning mentoring programmes" (Schofield, 2003:11).

Amos and Pearse, Rhodes University lecturers, believe that the political context must be taken into account when designing these programmes and that the effect of these programmes on the organisation's career planning for both mentor and mentee must be explicit (Schofield, 2003).

DCSA must make use of formal collaboration agreements with tertiary institutions to ensure that DCSA's requirements are met.

The author of Affirmative Action in Corporate South Africa, Phinda Madi, emphasises that a multi-pronged approach is necessary and that it may take more than five years to see legislation aimed at redressing this, bear fruit (Schofield, 2003).

Madi in Schofield (2002:12), also states that:

"The Employment Equity Act pressurizes employers to play a role in up skilling people as does the Skills Development Act. Entities like Sector Education and Training Authorities ensure that training is regulated. At the same time the National Qualifications Forum (NQF) looks at what people have learnt and recognizes that for many people access to qualifications was impossible and it shifts the focus onto competencies".

Madi welcomes the move towards education that emphasizes technical skills.

The president of Border-Kei Chamber of Business (BKCOB) Zolile Tini, states that in order to be a winning nation, all companies and institutions should adopt the SAEF model. For Tini, human capital management needs to be focused and skills development that is project linked tends to work best (Schofield, 2002).

To survive in today's competitive global operating environment, DCSA needs to strive to develop a culture of continuous improvement and in a sense aspire towards excellence.

According to Global Business Solutions (2002), organisations need to use the South African Business Excellence Model, which is a hybrid between the European Quality Model (EFQM) and the Malcom Baldrige Model of the United States in-order to meet requirements of a benchmark organization. The model has the ability to link all business processes, whilst at the same time providing the framework for management education, self-assessment and continuous improvement. The excellence model, correctly implemented, may be used as a framework to drive continuous improvements within various organizations.

Linked to skills development is the Urban Renewal initiative, aimed at developing DCSA'S neighbourhood and it makes business sense for DCSA to be on the forefront in this programme.

More alliances need to be encouraged by DCSA management in order to cater for BEE suppliers that are still in development phases. This strategy will surely have positive spin-offs for the business at the end of the day. DCSA must facilitate consortia according to Purchasing Services different families especially for Information Technology, Construction, and Logistics. These will assist in bidding for big contracts.

DCSA Management needs to introduce BEE suppliers to the supplier portal, so that suppliers are able to access the new markets, and increase sales. Management must ensure that financial and procurement systems are linked to curb the problem of transparency in procurement.

In order to enhance the service perception of BEEs, management needs to encourage suppliers to start using an electronic catalogue on which to display product information. The quality of this information will have a direct impact on the perception of services from BEE suppliers (Naude, 2003).

Management must ensure that financial and procurement systems are linked to curb the problem of transparency in procurement.

Senior management especially Procurement and Export must be measured on BEE and heavy penalties must be imposed on managers who do not achieve their BEE targets. These managers need to ensure that they direct a reasonable percentage of their budget towards BEEs.

Managers need to engage in a careful screening and scrutiny of suppliers to eliminate those suppliers who are fronting (claiming to be BEE). Madi (1997) defines fronting as companies who probably have an African name and some black official or officials at the top who have share options, but who do not even work there in the true sense of the word. Madi (1997:101) says that:

“There is a practice right now where some companies have reserved scores of black names with the Registrar of Companies, and these names are unsheathed like a pack of cards and used as and when necessary, that is when there is an empowerment contract which is open for bidding”.

For Madi (1997) in the above situation all that a company requires is a black executive for hire just to show up at the presentation for the contract as the senior official of that empowerment company, collect his commission upon the awarding of that contract and move on to another opportunity.

Management therefore has to ensure that fronts are subjected to criminal sanctions. Verification of information and physical assessments by Black Economic Empowerment specialist must be done before tender awards.

Management has a duty to nurture BEE suppliers until they get to the same level as first and second tier suppliers. When contracts are awarded, DCSA needs to monitor performance closely and constantly feed back to various suppliers. For those that are performing well, management needs to recognize and reward them. All the above initiatives will contribute to the bottom line and overall sustainability of DCSA.

The taxi recapitalisation project is in the pipeline and it puts pressure on companies to transform. A major consideration when awarding a contract would be to look at companies that meet criteria of Government's transformation agenda. The following are some of the proposals that the Government is contemplating:

The rate of corporate tax a company pays should depend on its transformation performance, and secondly the use of direct incentives. These proposals are a clear justification of why DCSA needs to increase BEE targets, and vigorously and aggressively pursue the transformation agenda for the survival of the company.

In addition to the above, management also needs to ensure that the following changes illustrated in Table 14 below, do take place.

Table 15 "The Change Imperative" for Procurement Process

	From	To
Organisational positioning:	Back office	Strategic
Role:	Narrow	Broad
Top management agenda:	Low relevance	High relevance
Staff profile:	Clerical	Professional
Culture:	Re-active	Pro-active
Procurement process:	Bureaucratic	Streamlined
Vendor/Contractor relations:	Adversarial	Cooperative, long-term
Transactions:	Paper driven	IT enabled
Performance criteria:	Unit price	Value-for-money

(Source: SA Government Procurement Reform Strategy, 1998)

Dlamini (2002) recommends the following three-pronged approach to help the private sector achieve procurement transformation:

- Transforming existing suppliers in the core procurement areas of opportunity, by introducing qualified black equity partners and offering incentives for skills transfer.
- Introducing accredited BEE suppliers into the supply chain using an internet based introduction solution as an enterprise development coordinator.
- Piggy backing on the co-operatives to introduce unskilled and semiskilled business entities into the no-risk areas of opportunity.

Tshehla (2003) argues that implementers of Black Economic empowerment

- Should be custodians of the BEE policy.
- Should be empowered and have authority to take decisions
- Should liaise with government and other external organizations with similar interests.
- Should review policies and be able to close loopholes.
- Should have integrity and be able to draw a line between fronting, tokenism and genuine black suppliers.
- Should be BEE advisers and be able to help suppliers to qualify as BEEs.
- Should have passion, the right attitude and black interest at heart.
- Should be trustworthy.

7.3 RESEARCH LIMITATIONS

The main limitation of this study was a lack of understanding of DCSA's preferential procurement strategy amongst DCSA group and BEE suppliers. Another limitation for suppliers was the fear of losing business. As a result, some suppliers were not honest in their responses, especially on section B - perceptions.

The fact that Black Economic Empowerment is a new phenomenon in South Africa, also contributes to limited research done on preferential procurement within South Africa. The researcher had to rely heavily on legislation, journals, unpublished papers, dissertations and newspaper clippings for the literature review.

Lack of interest demonstrated by some key managers in Procurement and Export also contributed to problems encountered.

The tool that was used for data collection, was too long and some respondents could not even differentiate between perceptions and expectations.

7.4 RECOMMENDATIONS FOR FURTHER RESEARCH

Due to the nature of statements in the questionnaire that require respondents to be honest, it is recommended that the researcher should guarantee confidentiality and emphasise that there will be no victimisation from the side of DCSA management.

Further research should be conducted to investigate progress made by DCSA management in closing the gaps that exist between expectations and perceptions of the two groups.

In addition to the above recommendation, a thorough skills audit needs to be conducted followed by a person to position matching exercise in order to solve the current problem of bottlenecks and gaps experienced by BEE suppliers.

Lastly, research needs to be conducted on the transformation of executive membership at board level in DaimlerChrysler South Africa, as a critical element of implementing Black Economic Empowerment.

7.5 CONCLUSION

Although government has provided the blueprint, the future success of BEE will depend on fostering a spirit of co-operation with, and encouraging initiatives from the private sector.

Significant long-term benefits are expected to accrue to corporations if they choose to assist South Africa's economic reformation. These benefits include the following:

- Significant increase of the consumer market.
- A rise in the level of internal stability.
- Improved overall socio-economic picture.

DCSA as one of the big corporate in South Africa is committed to South Africa's economic reform and this has been witnessed through a number of plans and structures that are in place such as:

- BEE Strategy
- Employment Equity plan
- Employment Equity Forum
- Human Resource Development plans and
- Local Content Council

However, much more still needs to be done to close the gaps existing between expectations and perceptions of the two groups, which were subjects of this study.

A framework needs to be created in which there will be punitive consequences for institutions and managers who undermine Black Economic Empowerment. Proper investment in the development of entrepreneurs is critical because that is where the success of BEE lies.

DCSA needs to move away from zero-sum games wherein the economy does not grow. The cake must be split and shared equally by both developed and Black Economically Empowered suppliers. BEE policies alone can never deal with the issues of economic transformation, therefore there is a need to focus on a growth agenda wherein the inclusion of Black people will be the top priority.

Currently, the major problem is that those who truly deserve, suffer as a result of fronts. Therefore serious acid tests have to be put in place in order to improve the situation.

According to African Leader (2004:69) “affirmative procurement in the private sector should increase on the back of the proliferation of charter initiatives. Companies that do not transform will find themselves at a competitive disadvantage in the economy”.

Shongwe, the MD of Letsema Holdings, a strategic management consulting firm, and chairman of businessmap, a research organization tracking empowerment in the South African economy argues that “If real empowerment succeeds, ten years from now we shouldn’t talk about black business and white business because we will have managed to mainstream people into the economy” (African Leader, 2004).

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APPENDIX A

QUESTIONNAIRE DAIMLERCHRYSLER BEE SUPPLIER

NAME OF SUPPLIER _____

SERVICE PROVIDED _____

LOCATION OF A SUPPLIER _____

DURATION OF CONTRACT _____

ANNUAL TURNOVER
(DCSA PORTION) W203 _____

COLT _____

EXPORT _____

STAFF COMPLEMENT _____

MARKET SHARE (DCSA PORTION) _____

NET LOCAL CONTENT _____

No. OF COMPANIES
(OTHER THAN DCSA)
YOU ARE SERVICING _____

TO: BEE SUPPLIERS (Please answer **BOTH SECTIONS** - A and B)

SECTION A: How the Preferential Strategy SHOULD WORK

Based on your own experience as a BEE Supplier to DaimlerChrysler (customer), please tell us **your expectations** of how DCSA’s procurement strategy **should** work. If you strongly feel that a statement is not important for implementation of DCSA’s procurement strategy, circle number 1. If you feel a statement is critical, circle number 7. If your feelings are not strong, circle one of the numbers in the middle. There are no right or wrong answers. All we are interested in is the number that shows your expectations of how the strategy should work.

Example: DCSA should mentor BEE suppliers

Strongly disagree
Strongly agree
1 2 3 4 5
6 7

Strategic Intent

- | | | | | | | | | |
|--|--|---|---|---|---|---|---|---|
| 1. DCSA senior management should buy in and be committed to DCSA's BEE Strategy/Policy | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 2. BEE should be part of indicators in the performance agreements of DCSA senior management | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 3. BEE strategy should have clear targets with regards to | | | | | | | | |
| • BEE spend | | | | | | | | |
| • Number of BEE suppliers developed per annum, and | | | | | | | | |
| • Timelines | | | | | | | | |
| that will guide DCSA in achieving its objectives | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 4. The formation of strategic alliances between BEE and established suppliers should be encouraged | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 5. BEE suppliers should be invited by DCSA to tender for services | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 6. Barriers to entry such as: | | | | | | | | |
| • Misperception that BEE suppliers lack relevant skills | | | | | | | | |
| • Hostile working environments | | | | | | | | |
| • Passive resistance to transformation | | | | | | | | |
| • Access to capital | | | | | | | | |
| should be overcome. | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

External Balanced Score Card (EBSC)

Quality

- 7. DCSA should assist BEE suppliers in achieving required quality standards such as ISO /TS 16949 for continuous improvement. 1 2 3 4 5 6 7
- 8. DCSA should assist BEE suppliers to implement Quality Systems and processes 1 2 3 4 5 6 7
- 9. DCSA should have same systems and process audits for BEE suppliers 1 2 3 4 5 6 7

Cost

- 10. BEE suppliers should be treated differently with regards to cost by agreeing to price premium 1 2 3 4 5 6 7
- 11. BEE suppliers should be expected to generate cost improvement ideas 1 2 3 4 5 6 7

Technology

- 12. DCSA should assist BEE suppliers in acquiring required technology 1 2 3 4 5 6 7

Supply

- 13. BEE suppliers should be exempted from on time delivery penalties 1 2 3 4 5 6 7
- 14. BEE Suppliers should be penalised for cripples, line stops and bonded units 1 2 3 4 5 6 7
- 15. Procurement opportunities in core components/services and Professional services should be given to BEE suppliers 1 2 3 4 5 6 7
- 16. BEE suppliers should not be seen to constitute a business risk 1 2 3 4 5 6 7
- 17. Major contracts should be given to BEE suppliers to enhance their capacity to deliver 1 2 3 4 5 6 7

Financial assistance

- 18. DCSA should facilitate access to financial assistance for BEE suppliers 1 2 3 4 5 6 7
- 19. On the issue of ownership, DCSA should develop funding innovations for the purchase of equity in DCSA by black partners 1 2 3 4 5 6 7
- 20. Payments of BEE suppliers should be expedited to shorten payment cycles 1 2 3 4 5 6 7
- 21. DCSA should facilitate assistance with business plans for BEE suppliers 1 2 3 4 5 6 7
- 22. DCSA should introduce BEE suppliers to other corporations 1 2 3 4 5 6 7

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

Skills development

23. DCSA employees should be educated on socio economic impacts of affirmative procurement 1 2 3 4 5 6 7
24. Skills development programmes should be introduced for BEE suppliers 1 2 3 4 5 6 7
25. Multinationals should be encouraged to amend their procurement strategies, to channel spend through BEE suppliers 1 2 3 4 5 6 7
26. Multinationals operating in South Africa should conform to South African Laws of empowerment 1 2 3 4 5 6 7
27. DCSA management should be penalised for not meeting empowerment obligations 1 2 3 4 5 6 7

Communication

29. Educational forums should be organised to orientate DCSA management and BEE suppliers on trends and expectations 1 2 3 4 5 6 7
30. There should be frequent communication with BEE suppliers 1 2 3 4 5 6 7
31. Employees and other stakeholders should be informed of what DCSA has accomplished on BEE 1 2 3 4 5 6 7
32. DCSA should organise networking seminars to broaden the participation base of BEE suppliers 1 2 3 4 5 6 7

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

Cost

42. BEE suppliers are treated differently with regards to cost by agreeing to price premium 1 2 3 4 5 6 7
43. BEE suppliers are expected to generate cost improvement ideas 1 2 3 4 5 6 7

Technology

44. DCSA assists BEE suppliers in acquiring required technology 1 2 3 4 5 6 7

Supply

45. BEE suppliers are exempted from on time delivery penalties 1 2 3 4 5 6 7
46. BEE Suppliers are penalised for cripples, line stops and bonded units 1 2 3 4 5 6 7
47. Procurement opportunities in core components/services and Professional services are given to BEE suppliers 1 2 3 4 5 6 7
48. BEE suppliers are not seen to constitute a business risk 1 2 3 4 5 6 7
49. Major contracts are given to BEE suppliers to enhance their capacity to deliver 1 2 3 4 5 6 7

Financial assistance

50. DCSA facilitates access to financial assistance for BEE suppliers 1 2 3 4 5 6 7
51. On the issue of ownership, DCSA develops funding innovations for the purchase of equity in DCSA by black partners 1 2 3 4 5 6 7
52. Payments of BEE suppliers is expedited to shorten payment cycles 1 2 3 4 5 6 7
53. DCSA facilitates assistance with business plans for BEE suppliers 1 2 3 4 5 6 7
54. DCSA introduces BEE suppliers to other corporations 1 2 3 4 5 6 7

Skills development

55. DCSA employees are educated on socio economic impacts of affirmative procurement 1 2 3 4 5 6 7
56. Skills development programmes are introduced for BEE suppliers 1 2 3 4 5 6 7

	Strongly disagree				Strongly agree		
	1	2	3	4	5	6	7
57. Multinationals are encouraged to amend their procurement strategies, to channel spend through BEE suppliers			1	2	3	4	5 6 7
58. Multinationals operating in South Africa conform to South African Laws of empowerment			1	2	3	4	5 6 7
59. DCSA management is penalised for not meeting empowerment obligations			1	2	3	4	5 6 7

Communication

60. Educational forums are organised to orientate DCSA management and BEE suppliers on trends and expectations	1	2	3	4	5	6	7
61. There is frequent communication with BEE suppliers	1	2	3	4	5	6	7
62. Employees and other stakeholders are informed of what DCSA has accomplished on BEE	1	2	3	4	5	6	7
63. DCSA organises networking seminars to broaden participation base of BEE suppliers	1	2	3	4	5	6	7

Listed below are five critical factors for successful implementation of preferential procurement strategy in DaimlerChrysler. We would like to know how important each factor is to you. Please allocate a total of 100 points among the five factors according to how important each factor is to you. The more important a factor is to you, the more points you should allocate to it. Please ensure that the points you allocate to the five factors add up to 100 points.

- 1. Strategic intent _____ points
 - 2. External Balanced Score Card: Quality, cost, technology and supply _____ points
 - 3. Financial assistance _____ points
 - 4. Skills development _____ points
 - 5. Communication _____ points
- TOTAL points allocated 100 points

Which factor of the above five is most important to you? _____ (please enter the factor's no.)

Which factor is second most important to you? _____

Which is the least important factor to you? _____

Thank you for taking time to complete this questionnaire. Results of this study will assist us to make recommendations to DCSA Senior management as to how DCSA should go about implementing BEE strategy.

TO: DCSA EMPLOYEES/GROUP (Please answer **BOTH SECTIONS** - A and B)

SECTION A: How the Preferential Strategy SHOULD work.

Based on your own experience as a DCSA employee, please tell us **your expectations** of how DCSA’s procurement strategy **should** work.

If you strongly feel that a statement is not important for implementation of DCSA’s procurement strategy, circle number 1. If you feel a statement is critical, circle number 7. If your feelings are not strong, circle one of the numbers in the middle. There are no right or wrong answers. All we are interested in is the number that shows your expectations of how the strategy should work.

Example: DCSA should mentor BEE suppliers

Strongly disagree							Strongly agree
1	2	3	4	5	6	7	

Strategic Intent

- | | | | | | | | |
|--|---|---|---|---|---|---|---|
| 1. DCSA senior management should buy in and be committed to DCSA’s BEE Strategy/Policy | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 2. BEE should be part of indicators in the performance agreements of DCSA senior management | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 3. BEE strategy should have clear targets with regards to | | | | | | | |
| • BEE spend | | | | | | | |
| • Number of BEE suppliers developed per annum, and | | | | | | | |
| • Timelines | | | | | | | |
| that will guide DCSA in achieving its objectives | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 4. The formation of strategic alliances between BEE and established suppliers should be encouraged | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 5. BEE suppliers should be invited by DCSA to tender for services | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| 6. Barriers to entry such as: | | | | | | | |
| • Misperception that BEE suppliers lack relevant skills | | | | | | | |
| • Hostile working environments | | | | | | | |
| • Passive resistance to transformation | | | | | | | |
| • Access to capital | | | | | | | |
| should be overcome. | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

Skills development

Strongly disagree

Strongly agree

1 2 3 4 5 6 7

23. DCSA employees should be educated on socio economic impacts of affirmative procurement 1 2 3 4 5 6 7
24. Skills development programmes should be introduced for BEE suppliers 1 2 3 4 5 6 7
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31. Employees and other stakeholders should be informed of what DCSA has accomplished on BEE 1 2 3 4 5 6 7
32. DCSA should organise networking seminars to broaden the participation base of BEE suppliers 1 2 3 4 5 6 7

APPENDIX B

17 Snowwater Road
Dorchester Heights
East London
18 December 2003

Dear Sir/Madam

Re: A critical evaluation of Preferential Procurement Strategy and Enterprise Development Strategy of a major motor manufacturer (DCSA) in the Eastern Cape.

My name is Nobuntu Makapela and I am studying for Masters of Business Administration Degree at Rhodes Investec Business School (RIBS). I am currently doing a research to evaluate DaimlerChrysler's Preferential Procurement Strategy and Enterprise Development Strategy. The aim of the research is

- (a) To determine the differences if any in expectations and perceptions between DCSA on the one hand, and preferred BEE suppliers on the other, with regard to the efficacy of the company's enterprise development strategy.
- (b) To make recommendations as to how any gaps in expectations may be closed.

Your assistance in completing the attached survey will not only be greatly appreciated, but will also represent an important contribution to DaimlerChrysler South Africa.

Please be assured that all information submitted to the researcher will be treated in a strictly confidential manner. The survey should take 25 minutes to complete. Please answer all questions and fax your questionnaire to 043-706 2443. Please note that due to **urgency** of this matter, you are requested to fax these questionnaires back **NOT LATER THAN FRIDAY, 19.12.2003**. For any points of clarity, please do not hesitate to contact Ms N. Makapela on 043 – 706 2090

Your assistance in this matter will be greatly appreciated.

Yours Sincerely

Nobuntu Makapela

