

Bring on the fronting law, say black business leaders

Issued by [Topco Media](#)

28 Jun 2012

Some 84 percent of top black business leaders say that fronting is a significant problem and it's high time it is addressed in South Africa. This comes ahead of the implementation of the gazetted Broad Based Black Economic Empowerment (BBBEE) Amendment Bill, which proposes tough new penalties for fronting, including fines and imprisonment of directors.

The findings came out of *Impumelelo's* magazine's Black Empowerment Survey, which looked at the opinion of key black decision makers and business leaders. The annual survey, conducted at the publication's prestigious Oliver Empowerment Awards held at Johannesburg in May, polled 300 top black business leaders.

The fines carry a ten-year prison sentence or a massive fine for any individuals found to be involved in fronting. Fronting is when companies pretend to be compliant with the Act by placing black people in positions that would make them seem as if they either own the company, or are at a level to make decisions in the company.

"Business leaders and accreditation agencies know that fronting is a systemic problem," says Tyronne Naidoo, executive director of BEE Online.

Naidoo says that very often fronting is a panic decision, or it comes out of a misconception of what it takes to get BEE compliant or accredited. "Companies panic. They think black ownership is essential in order to stay afloat or stay trading in South Africa. They think that putting black people on boards will get them government contracts. But this is not the case. BEE certification is far more holistic and there are many factors under the seven pillars that companies are assessed on - ownership only making up a portion of the scorecard.

"You can be fully BEE accredited with no black ownership at all."

Impumelelo is an annual reference guide of credible black empowered companies and it identifies and lists only companies with a level 1,2,3 or 4 BEE scorecard. The key results from the *Impumelelo* Black Empowerment Survey show:

- * BEE wins business: Seventy percent of business leaders say their BEE rating helps them secure business contracts, 21 percent says it makes no difference to winning contracts.
- * BEE needs to get tougher: 72 percent of business leaders think that tougher action is needed to make businesses comply with BEE codes of good practices.
- * BEE is making changes: 60 percent of business leaders say BEE is having a real impact on grassroots development level.

Impumelelo will go on sale in August and is distributed to the public and private sector. Contact Chris Hoffmann on 086 000 9590 or chris.hoffmann@topco.co.za
www.impumelelo.net

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