

Going back to B-BBEE basics with 10 transformation tips

By [Andrew Allison](#)

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You'd be hard-pressed to find a responsible South African business that doesn't believe in the critical need for representative transformation and inequality reduction in South Africa. However, the intricacies of B-BBEE are confusing at best and can be incredibly expensive and stressful at worst. And the pressure from clients to be Level 2 or higher, and preferably black-owned, has never been greater.



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Navigating the B-BBEE landscape and ensuring your business plans properly and invests in the right areas is even more difficult in a recession, when it's hard enough just keeping your business above water.

If your organisation is still majority white-owned (i.e. more than 50%) and works with Government, SOEs or listed companies – or businesses that sit within their supply chains – then it probably does.

South African companies need to transform if they have any hope of succeeding and flourishing in future. This is not a political or legal threat, but simple business logic. This is especially pertinent in the marketing, advertising and communications (MAC) sector: brands and their agencies need to build strong and meaningful relationships with our black South African audience, and those that truly understand and represent this audience will win. The transformed will beat the untransformed in the marketplace.



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1. Get board and CEO buy-in and lead from here. If your senior-most decision makers aren't on board with transformation and aren't prepared to give it the strategic and operational focus and support it deserves, B-BBEE and the next nine tips below are going to be difficult. The journey has to start here.

2. Get a B-BBEE consultant. A lot of companies try to go it alone and flounder along. Unless they are very lucky, this will inevitably lead to B-BBEE plans that don't align with organisational strategy, wasted expenditure and sub-optimal scores. There are a number of good consultants out there who can help get you started, and grow with you as you go. Your time is better spent on running your business and not on re-inventing the basics of SME B-BBEE planning.

3. Become a black-owned company. This might seem radical, but there are tremendous advantages for SMEs (under R50m in annual turnover) in securing 51% black shareholding. The immediate benefit is that you will immediately and automatically qualify as Level 2 (minimum) and your black-ownership status is far more attractive to many clients than your recognition level.

Following recent amendments to the Generic Codes (carried forward into the MAC Charter), black-ownership status is more lucrative in terms of points than recognition level. In other words, all other things being equal in a pitch, an agency that is Level 2 and black-owned will win over an agency that is Level 2, but not black-owned. Another big advantage of black-ownership for SMEs is that they don't need to comply with any other elements on the scorecard (they will be at least Level 2 regardless). As responsible South African businesses, they should arguably continue to contribute to transformation at an industry level nevertheless.



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4. Get some books on B-BBEE for your business, read up on it, and go to seminars and workshops. There is plenty of this stuff around. A lot of it is free or very inexpensive, and B-BBEE seminars and workshops happen weekly across the country. Sign up to some mailing lists, buy a few books on the subject for your company and/or read articles online. Be curious.

5. Run basic internal B-BBEE training. Once you've established a high-level understanding of how the Codes work, spend some time with your Exco and Managers unpacking the various elements, how they piece together and the impact that they have on your business. You need buy-in across the business, and helping your colleagues understand why they need to prioritise black hires, and invest in training and mentorship, and support black-owned suppliers and businesses makes this task a lot easier. If you can get a consultant or specialist to come in and do this for you, even better.

6. Get intimately acquainted with the [Learning Programme Matrix](#). The matrix, which serves as an annexe to the Codes, breaks down all of the various forms of training in which a company can invest into 7 categories. Each of the categories carries different B-BBEE advantages (or disadvantages) which are stipulated in the Codes themselves (primarily

under Skills Development). Some are tremendous (such as the ability to recognise salary costs for employees engaged in learnerships, apprenticeships and internships). Seta funding and tax deductions are also available for some categories of training. If you're going to be investing up to 6% of your payroll in Skills Development, it's probably a good idea to invest a bit of time and effort into understanding how you plan on doing this.

7. Support small, black-owned businesses. Enterprise and Supplier Development points are available for companies that contribute towards small, black-owned suppliers (companies within their value chain) and enterprises (companies outside their value chain). The contribution can be in cash, but also in any number of non-cash means provided there is a 'fair market' means of valuing the contribution. Examples could include providing office space and facilities, back-office support, training, mentorship or free or discounted products or services. This can often be done at relatively low marginal cost to the business itself.

8. Build a relationship with your Seta. A large number of companies don't take full advantage – or any advantage – of training grants available from Setas (Sectoral Education and Training Authorities). Although navigating their bureaucracy and inconsistencies can be highly frustrating at times, when they do come to the party, the grants they award can help drastically reduce the net cost of training. If you don't know which Seta you belong with, check your Income Tax or PAYE registration certificate, or chat with your accountant. All companies in South Africa are registered with a Seta, and the SDL that you pay monthly gets allocated to them. Find out where their closest office is, and make an appointment to go and introduce yourself to them. Time and time again, we find that the companies that nurture their relationships with Setas have the best experience with them.

9. Plan. Once you have an understanding of how the B-BBEE elements work, do some basic modelling. I'm not talking about a massive spreadsheet exercise here (although that would be brilliant); just some basic three- to five-year forecasting, with rough estimate numbers that shouldn't be hard to extrapolate into the years ahead, will make a huge difference. High-level projections on revenue, profit and payroll (for agencies, probably somewhere between 50% and 70% of revenue) a few years into the future will allow you to calculate targets across the Scorecard elements and give you a framework to build and test scenarios. Do it. It really helps.

10. Embrace transformation through training. B-BBEE aside, the companies that will win time and time again are those that view money spent on training as a critical investment in their most valuable resource, and not merely a necessary cost of doing business. At Red & Yellow, we have developed the TTT (Transformation Through Training) Pyramid, which represents a medium-to-long term (three to five years) training and development philosophy that delivers against short-term development and transformation (B-BBEE and diversity) goal, whilst simultaneously building the foundations for management and succession planning at an organisation level, and focused, targeted career-path planning at an individual level.

The most important thing for SMEs is that they start tackling transformation and B-BBEE proactively and methodologically and stop burying their heads in the sand until the 11th month. I'm not for a second saying B-BBEE is easy, but it certainly shouldn't be as hard as many businesses make it.

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