Wrestling with Empowerment: A BBBEE (Enterprise Development) case study and model for the waste sector from Durban

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ABSTRACT
Small business, including small, medium and micro-sized enterprises (SMMEs), is seen as the corner stone of economic development in South Africa, with reported contributions of up to 42% to the Gross Domestic Product (GDP). The South African Government recognises the contributions made by this sector, and amongst other initiatives has gazetted the Broad-Based Black Economic Empowerment (BBBEE) Act (53/2003): Codes of Good Practice, to assist in strengthening and supporting this emerging sector.

This paper discusses a successful case study where an emerging SMME or developing organisation (DevO) in the waste management sector received support in the form of mentorship and training from an established organisation (EsIO) over a three year period. Lessons learnt from two other failed attempts at developing similar relationships with other DevO are also discussed. These lessons include the selection of beneficiaries for this type of program and how factors such as physical proximity or location of the stakeholders, frequency of interaction, demonstrated eagerness or enthusiasm for the program, the setting of milestones and the maturity of the DevO influenced the success or failure of the relationship. The paper also talks to the challenge of showing progress from one assessment period to another, the importance of achieving buy-in from stakeholders, the administrative burden and the expectations held by stakeholders.

Keywords:
BBBEE, Enterprise Development, waste contractor, mentorship, case study, transformation, seven pillars IWSMA, waste training.

1. INTRODUCTION
What started out as informal advice and guidance to a developing organisation (DevO) was formalised through the development of an Enterprise Development (ED) program. Most references to empowerment or BBBEE in the waste sector refer to community development projects (skills development) such as the Mondipak Kulls River, or equity ownership and management projects (Sustainability Institute, 2008; Elbiary, 2010). This paper documents an enterprise development program in the waste management sector, and provides insights for transformation of this sector.

1.1 Small, Micro and Medium-sized Enterprises (SMMEs) and the South African Economy
As Elbiary (2010) points out, the definition of a Small, Micro and Medium-sized Enterprises or SMME differs according to industry. However, this is generally considered an enterprise which generates a turnover of less than thirty five million Rand. A more purposeful definition should be based on the type of industrial sector, turnover, number of employees and asset value as suggested by Smal (2008). The potential impact of the SMME to the South African economy is well documented, in particular the potential contributions to job creation and sustainable livelihoods (Elbiary, 2010).

Following a survey for the uThungulu District Municipality, Urban Econ (Bay, 2010) reported that technical skills shortage, access to mentorship, access to information and advisory services, are amongst the challenges SMMEs (urban and rural based) face within the District. The South African Department of Trade and Industry (DTI) estimates that SMMEs account for over half of the formal employment in the job market, while they also contribute to no less than 42% of the country's Gross Domestic Product (GDP). Some of the challenges faced by SMMEs are also well documented by Makgoe (2008).

Rogerson (2008) discusses the recurring themes of financing, skills development or training, and the regulatory environment and links the issues of SMME success to education and on-going training, and experience of the entrepreneur and the workers. The general lack of understanding on behalf of the entrepreneur (and the workers) to the laws that govern their activities is also highlighted.
1.2 Government Support of SMMEs

As indicated previously, Government recognises the existing and future potential contributions that can be made by SMMEs in terms of job creation and contributions to local economy. Thus, there are a number of Government supported or directed initiatives for SMMEs. These include streamlining resource initiatives for financial and non-financial support (from public and private sector), increasing the demand for SMME services through for example preferential procurement by Government and BBBEE codes of good practice to increase this demand from private sector, and lastly reducing small enterprise regulatory constraints (DTI, 2008).

1.3 Broad Based Black Economic Empowerment

The Broad-Based Black Economic Empowerment (BBBEE) Act, 2003 (RSA, 2003a) establishes the legislative framework for the promotion of Black Economic Empowerment in South Africa. When a company applies for a BBBEE certificate they are audited on application and then again every year thereafter by verification agencies accredited with the South African National Accreditation System (SANAS). They thus obtain a certificate which outlines their points or scores in meeting the requirements of the BBBEE process. These could be described as being either Exempted Micro Enterprises, Qualifying Small Enterprises or based on the Generic Scorecard. Non Profit Organisations (NPO) such as “umbrella” or professional associations can also be assessed in terms of their BBBEE status, and there is nothing to stop them being evaluated on all seven pillars to track progress towards meeting transformation objectives and reporting on progress made to members on an annual basis in the broad sense of the Act”.

1.4 Seven Pillars or Codes of Good Practice (CoGP)

Sections 9 and 12 of the Act empower the Minister of Trade and Industry to establish Codes of Good Practice (CoGP) and also give the Minister power to publish transformation charters. A number of transformation charters were developed prior to the Minister gazetting a guideline charter (Empoweredex, 2012; Ponte, et al., 2007). These include the Mining Charter and Scorecard which is published under chapter 7 of the Mineral and Petroleum Resources Development Act, 2002 (RSA, 2002), and the Petroleum and Liquid Fuels Industry Charter which is contains in the Petroleum Products Amendment Act, 2003 (RSA, 2003b). In order to control future charters, the Minister published CoGP. In terms of the Act (RSA, 2003a), to provide some guidance to the way these charters should be developed. Therefore, the BBBEE Act, the CoGP and the various transformation charters form the basis for the post-apartheid economic development transformation agenda. The construction industry codes of good practice forms the basis of the case study described in this paper because most of the Estio turnover was derived from construction related activities within the Built Environment profession (DTI, 2009: 6-10).

Nair (2008: 38-51) discusses the CoGP in relation to the DTI’s BEE Strategy, and also in relation to the specific requirements under each of the seven components of the generic BBBEE scorecard, also referred to in the literature as the seven pillars. The generic score card can also be applied to industry where there is no specific industry charter. Reference will be made to the seven pillars in the Construction Sector Codes of Good Practice (DTI, 2009), because this charter was directly applicable to the case study presented in this paper. Under the Construction Sector Charter, the following seven pillars are identified:

- Code 2100: Ownership Element
- Code 2200: Management Control Element
- Code 2300: Employment Element
- Code 2400: Skills Development Element
- Code 2500: Preferential Procurement Element
- Code 2600: Enterprise Development Element
- Code 2700: Socio-Economic Development Element

Enterprise Development (ED) under BBBEE is a policy response of the South African Government to support SMMEs’ growth and development. The purpose of the ED pillar (code 2600) is to create an enabling environment in which established organisations which need to compete for government tenders or undertake specific licensing process contribute to the growth and development of SMMEs.
2. THE PURPOSE OF THIS PAPER

The main purpose of this paper is to describe a case study of an ED association between an SMME operating in the waste sector and an established South African multinational organisation (EsO). Some lessons learnt in the implementation and management of this ED program are also shared, as well as some ideas of how more of these interactions can be fostered.

3. ENTERPRISE DEVELOPMENT CASE STUDY

3.1 How the Relationship Came To Be (Region Map)

The DevO, for this case study, is an SMME contracted to provide waste collection services within the Inanda (refer to Figure 1) area, on behalf of Durban Solid Waste (DSW). The DevO applied for membership to the Institute of Waste Management of Southern Africa (IWMSA), KwaZulu-Natal branch.

![Diagram of region map showing proximity of Inanda in relation to Durban](http://www.mapstudio.co.za/locationmap.php?loc=inanda)

On review of the membership application it was found that there were a number of issues with regards to the operations of the applicant that required some intervention. However, since these identified issues were issues around best practice and company policy that the contractor was not aware of, and because the contractor was already contributing meaningfully to the practice of waste management, the application for membership into the IWMSA was accepted. The issues of non-compliance were then brought to the attention of the candidate for resolution.

The author then engaged the DevO, informally, to assist with resolving some of the discrepancies. It was then discussed that there may be an opportunity for a built environment professional or Established Organisation (EsO) to assist or sponsor these mentorship sessions. This would enable a formal programme to be drawn up of areas that needed intervention, and that this interaction should be structured along the lines of an Enterprise Development programme in terms of code 2600 of the Construction Sector Charter (see section 1.3). The identified non-compliance issues from the site visit checklist would form the basis of this mentorship relationship. The following section reports on the pre-requisites and requirements to establish an ED program.
3.2 Pre-Requisites for an ED Relationship

Pre-requisites for an ED relationship are:

- Signed agreement of cooperation between the two parties (the DevO and the EstO).
- Declaration of equity shareholding between the two parties (the EstO did not have any shareholding in the DevO).
- SARs registration as a legal entity.
- Proof of employing three or more staff (Pay slips, and Department of Labour).
- Beneficiary Black Ownership status.

The association between the DevO and EstO commenced with the signing of an agreement of cooperation and assistance in 2009. This agreement indicated the type of support or assistance to be received as “mentorship and advice”. With these pre-requisites in place, it was possible to refer to an enterprise development relationship, between the two entities.

3.3 Requirements for an Enterprise Development Program

Once the ED relationship has been established, documented proof of an ED programme being put in place was required. This included evidence of a needs assessment having been compiled, on which the programme of intervention was then based. The programme of intervention provided milestones for completion for which the DevO agreed to implement together with the mentor (milestones should be broken down into a schedule of activities). This would be accompanied by an indication of who would provide what aspect of intervention (resource allocation according to the required tasks) and also the champion for the programme was to have been specified in the report. The following information was recorded:

3.3.1 Needs Analysis

An evaluation in terms of the beneficiaries’ compliance with current waste policy, legislation and best practice as it relates to waste management issues was conducted. This was done against an IWMSA checklist used to evaluate prospective members through conducting site visits etc. The checklist is based on fifty six (56) separate questions, completed during the site assessment; seventeen (17 or 30%) in total were identified as areas of non-compliance. Non-compliance could refer to either an item identified as being partially complaint (5 items were identified) or completely non-complainer (12 items identified). Together these two items made up the seventeen areas of non-compliance as reported previously. Thirty nine (70%) questions were identified as not being relevant to the DevO.

3.3.2 Milestones

Milestones are set at the beginning of the program with proposed dates for completion of each of the individual milestones apportioned over a short- (within 1 year) and medium-term (over 2 years) period as applicable. A record of the actual completion date for each milestone, the amount of time spent on each milestone was to have been maintained and signed off by both the beneficiary and the staff member providing the training. The actual implementation of milestones as indicated above was designed to be flexible on both parties, with an understanding of why deliverables were achieved ahead of time or not met within the agreed timeframes as the case may be.

3.3.3 Resources

Resources intended for the programme need to be clearly specified as well as an estimation of the contact time to resolve each of the areas of non-conformity. Resources include human resources with the requisite administrative support, but also any understands for use of facilities for training purposes (i.e. after hour’s use of board rooms for training purposes).

An indication of the value of the mentorship training provided was made. This was done by placing a monetary value on the resource allocated time. Quantifying other things like travel and disbursements was also necessary. As was indicated earlier, it is imperative that impeccable records are kept, this responsibility falls on the EstO.

3.3.4 Champion

A champion is listed as a responsible or accountable person in the construction CoGP. A champion is necessary from both the DevO (usually one of the shareholders / cc members) and EstO. A senior member of management from the EstO was selected. The champion is expected to have a hand in the process of drawing up the portfolio of evidence, and ensuring that agreed timeframes are met by the resources. See under selection of beneficiaries below for some notes on the demonstrated enthusiasm from the DevO.
4. KEY FINDINGS AND LESSONS LEARNT

The programme covered three periods (2010-2011, 2011-2012, and 2012-2013), during which attention to meeting the milestones was dedicated.

During the assessment period 2010-2011, there were two conversions from non-compliant to fully compliant. During 2011-2012 and the 2012-2013 period the remainder of the 15 conversions from non-compliant to fully compliant were completed. Follow-up needs analysis were undertaken with the beneficiary at the beginning of each of the three (3) periods to establish the needs and compliance on a year to year basis. See a summary of some of the challenges faced below (section 4).

The following notes relate to the experiences of the author, the DevO and the EstO on this three year programme. These interactions were with DevO, as well as two other identified beneficiaries whose programs were discontinued for reasons outlined below.

4.1 The Selection of Beneficiaries

It is critical to establish a good marriage or fit between the EstO and the DevO. The program initially commenced with two other DevO about the same time this program started. Unfortunately the relationship with the other two DevO did not progress beyond initial discussions and discussing agreements. Some reasons for this could be attributed to:

4.1.1 Physical proximity and logistics:

A DevO located in relatively close proximity to the EstO makes for easy communication and accessibility, i.e. impromptu meetings and attendance to relatively urgent matters also become easier to manage. Costs such as travel, courier services, increase proportionally with distance. Even though video conferencing, Skype and conference calling are available, DevO participants often shied away from these technology tools because they were unfamiliar with or preferred to interact face-to-face. It is important that participants feel comfortable with technology used. This is not to say that a relationship cannot develop between a DevO and EstO. The champions from both organisations will need to drive the relationship, and make it happen.

4.1.2 Frequency of interaction:

Every effort should be made to keep the channels of communication open between the DevO and the EstO. However care should be taken not to overwhelm the DevO with superfluous information. The milestone activities developed for this programme were agreed to and signed off with the DevO. Also meetings were scheduled in the evenings or weekends outside of valuable working hours. The frequency of interaction in developing the relationship at the beginning stages is obviously higher during the “honeymoon period”. Like any relationship this should be grown and nurtured.

4.1.3 Lack of a demonstrated eagerness:

It is important that the DevO through one of the shareholders or cc members exhibit an enthusiasm for the programme. This enthusiasm can be nurtured early on when first discussing the potential benefits of the program to the DevO. If however after a number of interactions there appears to be none or muted enthusiasm for the programme, this unfortunately is likely to be the case throughout (see also managing expectations below).

4.1.4 Short-term view of the programme:

It is important that the timeframes for the program are well communicated and understood by all parties. In certain instances depending on the nature of the DevO, there may be a lot of short-term milestones, while for another DevO a long-term view is necessary. It is important that these expectations are communicated up front and discussed. The lead on these discussions should be taken by the EstO.

4.1.5 Established enterprise:

The program appears to have been more successful with an already established entity (the DevO was registered and operational in 2000), already making a contribution within the waste industry. This is contrasted against another entity which was more recently established (within the last 3 years of engaging on the proposed program), and trying to find their feet within the industry. There can be no doubt that there is a case to be made for incubating emerging entities, however a mentorship program such as this one should be considered for a more established entity. The alternative is that the focus of the programme be geared towards those challenges the juvenile start-up is trying to solve.

4.2 Challenge to Show Progress on Agreed Milestones

Another challenge encountered during the implementation of this programme was showing progress from one period to another. The first period consisted mainly of establishing a relationship between the two parties (DevO and EstO). This included regular meetings and awareness of issues in relation to the waste industry (i.e. encouraging attendance at sponsored workshops and training sessions, including IWMSA AGM and meetings etc.). The second period consisted of developing company policy and procedures, including documentation for implementation. This period saw the bulk of the procedures and policy being developed, however because of the wording of the needs assessment, prevented that these
items could be checked off until the documents were signed off by (DevO) management and then staff were trained in these new procedures and policy. The early part of the third period saw training of staff in terms of these policies and procedures, which were developed with the DevO management.

It is recommended that channels of communication between all parties involved in the process are maintained and nurtured. The risk of making unilateral decisions as the EstO is that the beneficiary loses faith in the implementation of the program. Also, the EstO needs to be aware that the beneficiary may have other operational pressures and challenges directly attributed to managing their business or taking place in their personal life (as in the case of sole member entities), as was demonstrated throughout this relationship, and that patience and perseverance from both parties would generate long-term benefits. There should not be a problem in revising milestones, but this needs to be done with the awareness and full buy-in of all parties concerned.

4.3 Achieving Buy-In

Achieving buy-in is critical for the success of the programme. However, this must not be done at the cost of creating unreasonable expectations (see below). In identifying the needs of the DevO, these were based upon the KZN IWMSA Branch site visit checklist. However, through discussions with the DevO it emerged that they were keen to be kept abreast of industry developments, implement best practice within the organisation and the training of staff. Therefore, the key milestones were developed in such a way so as to include development of policies or procedures, on which the staff were then trained during the last period of the programme.

Benefits of this ED programme for the SMME include:

- Awareness of applicable waste best practice, policy and legislation,
- Developing company policy with regards to identification of waste, waste handling, emergency preparedness, maintenance of records, good housekeeping, safe working practices, Personal Protective Equipment requirements, and finally
- Training of staff on the above identified policies.

4.4 Managing Expectations

In a mentorship relationship, it is apparent that there are many opportunities for expectations to grow and develop. It is very important to manage and deal with these expectations at an early enough stage to prevent disappointment and ill feeling which are likely to scuttle the program. Meetings in an informal setting help towards building up a good relationship between the various parties. Meeting with the DevO on his premises, or on site reduces these tensions. This then is an opportunity to understand the expectations of everyone sitting around the table.

- Established Organization - It is reasonable for the EstO to expect that the DevO will participate as an active partner in the implementation of the program, and therefore also in assisting the EstO to meet its year on year BBBEE targets. This expectation further extends to include the mundane things like attending and being on time for scheduled meetings, and assisting in compiling the necessary background documentation for the program etc. This needs to be communicated upfront to all stakeholders so that there is no risk of misunderstanding.
- Developing Organization - It is reasonable for the DevO to expect that the EstO will be assisting with growing the capacity of staff, upgrade skills, and build awareness in terms of best practices. The DevO expected that staff will be trained and equipped to deal with forecast situations. Through the interaction with the EstO, the DevO has become aware of other business possibilities in the waste sector, and is considering how to become involved in source collection of recyclables within the community.
- Staff - It is reasonable to expect that staff from the DevO and EstO will have expectations as well. These expectations include documentation and recognition for learning, payment for overtime, or any out of hour’s work that may be required. Recognition in terms of a certificate for attending training sessions or being trained in company policy was also well received.

4.5 Administrative Challenge and Documentation Requirements

As alluded to earlier, when undertaking an Enterprise Development (ED) mentorship programme, the initiators should be prepared to contend with the administrative and paperwork requirements the program comes with. This challenge starts with drawing up the programme documentation, and updating this information on an annual basis with progress in achieving the milestones. This programme needs to demonstrate how the pre-requisites of the ED programme and guideline requirements have been followed and implemented in the programme.

It is strongly advised that it is important to work closely with the accredited verification agency (see section 1.3), as they will be able to advise what it is they will be looking for in the documentation. It therefore makes sense to include them in every stage of the process.

The following documents were required from the DevO, the EstO and the resource staff involved in the programme:

- Signed agreement between the DevO and EstO for assistance.
- A letter from the EstO acknowledging support received.
- Indication of the EstO turnover (affidavit declaration or accounting letter to this effect).
• Legal entity registration CIPRO listing members of cc or directors.
• Certified copies of identity documentation for members of the cc / company.
• Tax clearance certificate from SARS.
• Proof of permanent staff (UIF certificate of compliance).
• Letter from accounting officer confirming names and identity number of staff employed.
• Copy or duplicate payslips (3 months per staff member) for each of the staff, for the period under consideration.
• Timesheets of all staff involved in the ED program, milestone activities, the time spent on addressing each milestone, travel and disbursements (timesheets to be signed by the DevO) etc.
• Proof of costs incurred (receipts, invoices for work on other projects).

By far the greatest challenge in facilitating this programme has been securing the documentation necessary to show progress from year to year.

5. RECOMMENDATIONS FOR EXPANDING THE PROGRAMME

In conclusion, an ED programme involving an SMME in the waste management sector is presented as a viable opportunity for implementation by established organisations. Stakeholders or those considering embarking on a similar path need to be aware of the challenges highlighted above. The benefits of such interactions are growth and development of those emerging SMMEs, with the spin off of additional job creation, and the improvement of services.

In addition to the opportunities for growth or mentorship of the emerging players in the industry, there is also an opportunity for the IWMSA to play a role. This role can initially take the form of pairing up emerging SMMEs with big brother established corporates. This role can also grow to benchmarking transformation within the Institute, which should not be limited to the traditional “ownership” or management control function aspect at branch committee level. It must be remembered that Enterprise Development is only one aspect of the seven pillars or seven BBBEE elements. Investigation of the other aspects and how these can contribute to growing the waste industry should also be considered.

It is recommended that the following be considered:

• Consideration of the IWMSA to formally develop a programme of fostering Enterprise Development, between established members (providing mentorship) and emerging SMMEs in the waste sector. In addition to this, consideration to showing how the Institute can incorporate corporate social responsibility, skills development, preferential procurement, and management control, which are all aspects being talked about and which are also a part of the seven pillars or seven elements of BBBEE, into its strategy is the challenge. These aspects can be incorporated into existing institute policy.
• The institute can consider adopting the BBBEE score card as a framework of reporting progress on the seven pillars to members on an annual basis (see endnote 3).
• Consideration should be given to reviving and encourage updating of the IWMSA site visit checklist. This should be updated to include current policy and legislation\(^{iii}\), and should be done to increase the impact on specifically SMME.

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REFERENCES


End Notes:

1 The author is also a committee member for the IWMSA, KwaZulu-Natal branch, and an employee of the CSIR in Durban. However, the views expressed in this paper do not represent official IWMSA or CSIR policy or opinion, and must be taken as the personal views of the author.

2 “According to a BEE survey by KPMG, 50 per cent of small medium and micro enterprises (SMME) responded that more than 25 per cent of their business was generated from the public sector” (Small, 2008:1).

3 Entities with a turnover of equal or less than five million rand are termed “Exempted Micro Enterprises”. These entities are automatically recognized as Level Four BBBEE Contributors with a procurement recognition level of one hundred percent. Where the turnover exceeds five million rand but is less than thirty five million, the company is termed a “QUALIFYING SMALL ENTERPRISES”. Qualified Small Enterprises (QSE) can elect to be rated on any four of the seven pillars (see below) or BBBEE elements. Where turnover exceeds thirty five million these companies are assessed on the GENERIC SCORECARD. These companies are assessed on all of the seven pillars or BBBEE elements.

4 Evaluation can be on all seven of the pillars or BBBEE elements. See also section 2.2 for a brief description of these elements or pillars.

5 Construction industry codes of good practice were used, because the EstO operated within the ambit of the Built Environment. Therefore they were assessed according to the construction sector codes of good practice.

6 This will be required by the Verification Agency that undertakes the audit on an annual basis.

7 This needs to be confirmed with the verification entity as requirements may vary, in terms of what proof the agency requires.

8 With the National Waste Management Strategy recently being adopted, and other developments in government policy and legislation.