BLACK ECONOMIC EMPOWERMENT PROJECT
SCIS Working Paper

BBBEE – Engineered at the Apartheid Workshop and Piloted under HF Verwoerd

Irony of expecting turkey to vote for Christmas

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Introduction

The architectural genesis of what became the Broad Based Black Economic Empowerment (B-BBEE) policies of democratic South Africa must be connected to the drawing room of apartheid engineers.

Put crudely, the B-BBEE policy roots can be linked to the days of HF Verwoerd. Contrary to popular belief, the radicle of the B-BBEE plan was bequeathed to the African National Congress government. It was never a design by radical liberation fighters who sought to transform the lopsided economic design of South Africa at the advent of democracy.

At the dawn of democracy in 1994, a number of established white-owned businesses rejigged this empowerment instrument as part of a strategy to align their institutions with respected black leaders, some of whom had proximity to the liberation movements. There was a stampede on the side of established corporates to align themselves with those seen to be close to new political power.

While at the time of Verwoerd “black empowerment” was partly used as a strategy to manage urban migration dynamics, in the post-1994 period a number of white-controlled companies adjusted the black empowerment model into a sharp corporate affairs tool aimed at reducing regulatory risks under a new government. Black empowerment was also used as a strategy to access markets that were previously misunderstood by white businesses.

This corporate affairs modus operandi was used in the seventeenth century when the English and Dutch East India Companies did not understand, and sought to capture, the market environment on the shoreline of what is now Cape Town. The European merchants allied with community leaders of the Khoi in order to establish themselves profitably. Community leaders such as Autshumato were corporate affairs agents used to open up trade between Europeans, the Khoi and many indigenous communities in what is now Cape Town. The subjugation of the indigenous people was done under the guise of empowering them and through the exchange of less valued European trinkets, such as copper plates, with movable property, such as cattle.

In essence, black empowerment was never a device brought by a good Samaritan. There was a survival agenda attached to it.

It is vital to highlight the differences between the racial engineering of the black economic empowerment chassis versus the concept of black economic empowerment which became part of the vocabulary among black business people before the dawn of democracy. The etymology of “black economic empowerment” as a concept is widely contested and has come to mean different things to a variety of people.

Citing Lot Ndlovu, the black business doyen of the Black Management Forum lobby group, the writer and public intellectual Duma Gqubule wrote that black economic empowerment was about the creation of a new value system, the restructuring of the social economic order, the elimination of the apartheid-caused inequalities and deracialisation of the economy. While an attempt is made to locate the origins of the concept, Gqubule acknowledges the etymology of the concept is widely contested, with some tracing it to the conferences of the 1988 established Foundation for African Business and Consumer Services (FABCOS). Before the official establishment of FABCOS, The Washington Post newspaper in the United States of America had already made reference to “black empowerment” in September 1987. It linked the term to black American politician, Alan Keyes, accused by many of defying the struggle of black South Africans because of his anti-sanction views. Keyes was accused of arguing that sanctions during apartheid were against black empowerment as the practice eroded the economic base of black people. Keyes was seen as a sell-out.

1 Gqubule, D et al, Making Mistakes, Righting Wrongs, Insights Into Black Economic Empowerment, p1
At the advent of democracy, the term black empowerment was appropriated by many large companies in South Africa looking to partner with well-known public leaders who had proximity to power. After the 1994 democratic elections, the African National Congress government passed the Black Economic Empowerment Act in 2003. What the governing ANC economic mandarins did with B-BBEE, over 25-years of democratic rule, was to perfectly prune a tree planted originally to create a façade of economically empowered black South Africans. But, rather than throwing the baby out with the bath water, a number of black people fought hard in the boardrooms, turning the sour lemons on the table into some juice.

What black-loving good Samaritan crafted BEE?

Under the stewardship of the last Prime Minister of the Union of South Africa, Hendrik Verwoerd, the apartheid state passed the Bantu Investment Corporation Act of 1959. The legislation was a strategy to create a toy economy for black people in line with the Bantustan pseudo-sovereignty framework. The law created the Bantu Investment Corporation (BIC), a finance institution located in all the homelands. The BIC funded the acquisition and transfer of white-owned businesses in the Bantustans to black people with business ambitions.

The ploy behind this economic empowerment ruse during apartheid, was to stall the migrant patterns of black people to the urban areas. Other than stunted agricultural activity, the black homelands had minimal economic action and were reduced to labour reserves for the white-owned mines and farmers. A strategy to quasi-industrialise the Bantustans was created to avoid the probability of black people crowding the white minority in the cities.

In 1950, an agriculture academic Professor Frederick Tomlinson was appointed to head a commission aimed at drafting a plan to develop the Native Areas. The following year, out of a population of eight million Africans, less than half remained in the native undeveloped areas, with the bulk in the urban areas and on white-owned farms. Tomlinson wrestled with two options. He had to think about either integrating black and white people into one society or creating separate development. The economic set-up in the homelands was unsustainable. The Tomlinson Commission called for an investment into the reserves, but the government had to balance this with the need for migrant labour.

In 1954, the Tomlinson Report was presented to the government, represented by the then Minister of Native Affairs, Hendrik Verwoerd. In 1958, Verwoerd would become Prime Minister of South Africa and, during his tenure, the Bantu Investment Corporation Act of 1959 was enacted, in line with the Promotion of Bantu-Self Government Act of 1959. The legislation was a strategy to create a miniature economy for black people in line with the Bantustan pseudo-sovereignty framework. It is important to note that the apartheid authorities did not implement the capital investment remedies required to make the reserves habitable.

Verwoerd rejected the Tomlinson recommendation that 104 million pounds be spent on developing the homeland reserves over a period of ten years. The apartheid architects posited that the Nationalist government could not spoon-feed the natives.3

While the Bantu Investment Corporation (BIC), a finance institution located in all the homelands, funded the acquisition and transfer of white-owned businesses in the Bantustans to black people with business ambitions, its aim was not to create complete independence for black people. There had to be dependence on Pretoria – after all, all funding came from central government in Pretoria. The BIC was started with a share capital of 500 000 pounds and this was doubled in 1962. In 1961, the BIC advanced 82 loans, the bulk of which went to African general dealers, butchery owners and shoemakers. However, less than two percent of loan applications were approved in

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3 Lipton, M, Capitalism & Apartheid, South Africa, 1910-1986, p32
September 1962. Activist, economist and journalist Govan Mbeki saw this as a sign of a lack of willingness to genuinely empower black people.⁴

“Black Empowerment” in the apartheid homelands

In the Transkei in the 1960s, the Bantu Investment Corporation funded the transfer of white-owned small businesses to black owners.

Govan Mbeki argued in the Peasants Revolt that it could never have been a genuine intention of the apartheid government to cultivate an industrialised noteworthy capitalist and middle class in the African reserves. This would undermine the fundamentals of apartheid, as reserves were engineered to be fountains of migrant labour for the urban areas. Mbeki said schemes such as the Bantu Investment Corporation were part of a strategy to minimise the presence of Africans in white designated areas. Mbeki contended that the provision of small financial aid to an African middle class to start small businesses was aimed at bribing beneficiaries to “remain quiescent, while enabling the government, through the officials of the Bantu Affairs Department, to keep a constant eye on those who obtain loans and engage in trade”.⁵

In the late 1960s there was further legislation crafted to help homeland heads of State to establish homeland specific corporations. The legislation was known as the Promotion of the Economic Development of Bantu Homelands Act 46 of 1968. Before the formation of any homeland-based development corporation, there had to be consultation with the Bantu Investment Corporation.⁶

The first development corporation to be started was the Xhosa Development Corporation. This was followed by the Bophuthatswana National Development Corporation, the QwaQwa Development Corporation, the Shangaan/Tsonga Development Corporation, the Venda Development Corporation, the Lebowa Development Corporation, the Ciskeian National Development Corporation and the Transkei Development Corporation. The Transkei and Ciskeian Development Corporations emerged from the Xhosa Development Corporation. The other corporation to be formed was the Bantu Mining Corporation, concerned with “prospecting for and mining of minerals and metals in the homelands”. Its aim was to collaborate with black entrepreneurs and encourage white-owned mining groups to pursue mining in the homelands. All the activities of the Bantu Investment Corporation and any homelands development corporation rested with the apartheid authority in Pretoria. The only shareholder in the Bantu Investment Corporation was the Bantu Trust, established as far back as 1936.⁷

The companies of homeland leaders with chiefly authority over people were part of the small group of people that enjoyed the proceeds from the Pretoria-controlled Bantu Investment Corporation. In the Transkei, Rhoda Bantu (Pty) LTD, a company linked to the homeland leader KD Matanzima, was deep in the deal making. Transkei businessman Archie Nkonyeni would complain that Matanzima’s company had dominated the acquisition of hotels in a manner that blocked him from doing so.⁸

As seen in the Matanzima experience, historically, the “black empowerment project” has yielded the greatest harvests for those black people with proximity to State power and some form of leadership roles over black people. Before 1976, a government-driven proposal was made in the Umtata House of Assembly that formerly white-owned farms be given to paramount chiefs and farmers who had rendered “faithful service to the development of the Transkei”. Whether KD Matanzima could farm productively was “beside the point”. The view was that paramount

⁴ Mbeki, G, South Africa: The Peasants’ Revolt, p86
⁵ Mbeki, G, South Africa: The Peasants’ Revolt, p86-89
⁷ Ibid, p142-p144
⁸ Nkonyeni, A, Black Property Pioneer, p59
chiefs ought to be recognised for the role they had played in the “long and non-violent progress to independence”. The Matanzima brothers Kaizer and George, armed with State power and as chiefs, were deep in the Transkei “empowerment project”. They were linked to the acquisition of two farms earmarked for a big-cattle ranching project of the Transkei Development Corporation.9

In the Xhosa reserves, the institution doing the work of the Bantu Investment Corporation was the Xhosa Development Corporation. In the Transkei this became Transkei Development Corporation (TDC). The Xhosa Development Corporation (XDC) engaged in the acquisition of white-owned businesses in the reserves. In return, the former white owners of the enterprises were hired on a salary to manage their old businesses on behalf of the XDC. Some of the former white owners were employed by the XDC as loan officers to train black people looking to take over the shops.10

When Transkei businessman Archie Nkonyeni bought Jobs Hardware (Pty) Ltd. from the Transkei Development Corporation for R250 000 in 1978, the latter took a 49% stake in the business and Nkonyeni 51%. The TDC had 50% representation in the Board.11

Another example of an apartheid era transaction that mirrored the black empowerment transactions of the democratic era was that of the retailer Pep. In 1973, the Coloured Development Corporation started Pep Stores Peninsula (Pty) Limited in partnership with Pepkor to access the Coloured townships in order to grow market share. A Coloured company then was defined as 51% Coloured shareholding. By early 1974, the Coloured Development Corporation had invested R20 million in commerce and industry owned by Coloured people.12

In KwaZulu under the leadership of Prince Mangosuthu Buthelezi, the Inkatha Freedom Party became involved in business. There was a similar modus operandi to the Transkei. In KwaZulu-Natal, there was the KwaZulu Development Corporation formed in 1978 which later became the KwaZulu Finance Corporation. The Board of Directors of KwaZulu Finance Corporation were appointed by Prince Buthelezi. As in the Transkei, the Bantu Investment Corporation would transfer its shares in business to the KwaZulu Finance Corporation. The latter would then fund black-owned businesses based in KwaZulu-Natal to acquire shares in white-owned businesses. The Inkatha Freedom Party created an investment arm called Khulani Holdings in 1979 with 660 shareholders, an issued share capital of R500 000 and loans from the KwaZulu Development Corporation. In 1980, Khulani Holdings did a transaction through its subsidiary Khulani-Brown Wholesalers. Khulani-Brown Wholesalers was created in February 1980 with 51% of its equity held by Khulani Holdings and the remainder by WG Brown, a subsidiary of Tiger Oats.13

There are some similar empowerment phrases, although not strictly the same, that were used in the KwaZulu homeland that were seen in the post-1994 democratic lexicon. Quite interesting is the fact that the Inkatha-led government had used the term “Codes of Employment Practice” as part of a strategy to improve the economic and labour conditions of black people.14

The “Code of Employment Practice” in KwaZulu had been borrowed from the Sullivan Codes designed to apply economic pressure and in protest against ill-treatment of black workers under apartheid. In post-apartheid South Africa, the term and initiative of “Codes of Good Practice” were implemented to drive the black economic empowerment project.

A clear illustration exposing the counterfeit empowerment of a black business class during apartheid is the restrictions placed on African merchants. The masquerade of the BIC as an enabler of Black economic advancement

10 Nkonyeni, A, Black Property Pioneer, p44-45
11 Ibid, p89
13 Mare G and Hamilton, G, An Appetite for Power, Buthelezi’s Inkatha and the Politics of Loyal Resistance, p106-113
14 Ibid, p103-p104
was exposed in the new trade restrictions stacked against black people. These included a prohibition to trade for some black companies in urban areas outside urban black townships. There was a limit on the number of businesses that black people could run. From a commercial property-owning perspective, black people with trading rights in the townships were not allowed to construct their own buildings. The local authorities were tasked with the provision of such infrastructure to black people on a tenancy basis. There was now a limit on existing companies to expand and merge with other black-owned companies. Black businesses were reduced to selling basic household necessities and new licences for businesses, such as dry-cleaners and petrol stations, were restricted. The control of financial institutions by black people was restricted. The black merchant was not allowed to sell goods to white people residing outside the black designated townships.\(^\text{15}\)

The limitation on owning the buildings used to do businesses constrained the ability of black people to enhance their capital through appreciating property. The inability to own financial institutions meant black people could not coordinate financial resources adequately – it meant banking with white-controlled banks and finance institutions. Such restrictions were not in sync with the idea of using the BIC to genuinely build a robust black business class.

As expected, the oppression of black people in business bred resistance. The National African Federated Chamber of Commerce was formally formed in 1964 after black business people came together to fight against the racial tyranny. At the height of apartheid in the late 1970s, the apartheid government instituted reforms, partly aimed at sustaining white power while quelling down racial resistance. Black traders were now allowed to run more than one business. They could now own a business in the homeland without losing the one in urban areas. Black people were now allowed secure collateral for raising loans from lenders.\(^\text{16}\)

The late 1970s would see increased cooperation between NAFCOC and established white-owned businesses. After the formation of African Bank in 1975, NAFCOC moved to start the African Development and Construction Company, which was a joint venture with Murray & Roberts. It was hoped the partnership with Murray & Roberts would help black people acquire key skills in the construction sector, such as civil engineering. NAFCOC entered into an agreement in which Murray & Roberts managed the venture. It was hoped that within this arrangement the company would operate under skilled and experienced management, but the company posted losses. Over a nine-year period, the African Development and Construction Company had built hundreds of houses and business premises in townships such as Kwa Thema, Garankuwa, Welkom and Krugersdorp. After more than seven years with Murray & Roberts, NAFCOC commissioned a study to look into why the business was suffering loss. One conclusion was that not much had been done to impart skills to black workers. Massive competition had also made it difficult for the company to compete in tendering against large companies. The African Development and Construction Company also did not have the financial resources to bid for contracts that were capital intensive. Banks needed security to lend and many black people did not have enough collateral. Despite these challenges, the African Development Construction Company had been instrumental in building NAFCOC’s supermarket company, Black Chain. Black Chain was formed in 1977 to establish large shopping centres in townships and to capture the buying power of black people. Even Pick ‘n Pay founder Raymond Ackerman was interested in doing a joint venture with Black Chain, but NAFCOC rejected this. Black Chain collapsed in 1994 after battling with managerial and cash flow problems.\(^\text{17}\)

**BEE as a corporate affairs strategy to retain wealth**

In May 1975, the apartheid government engaged with NAFCOC. Following that meeting the then Minister of Bantu Administration announced government’s intention to ease policies restricting operations of urban black entrepreneurs. Between the 1970s and 1980s the South African economy was also under pressure due to a number of factors including inflation, unemployment and shortage of skilled labour. After a series of meetings with

\(^{15}\text{Maseko, S, From Pavement Entrepreneurs to Stock Exchange Capitalists, The Case of the South African Black Business Class, p84-86}\)

\(^{16}\text{Kondlo, K, A Legacy of Perseverance; NAFCOC: 50 Years of Leadership in Business, p24-25}\)

\(^{17}\text{Motsuenyane, S, A Testament of Hope, pg 70-104}\)
NAFCOC, the government in November 1977 granted concessions. These concessions included increasing the number of business activities open to black entrepreneurs in townships from 26 to 66, widening the size of trading sites permitted to black traders from a limit of 150 square meters to 350 square meters, and cancelling requirements that forced black entrepreneurs to hold homeland citizenship before being allowed to have a trading site in urban areas. 18

The bloody spectacle of children killed in the 1976 student uprising added to the pressure against the apartheid government. Afrikaner business groups such as the Afrikaans Handelinstituut called on government to allow black business people to operate small industrial and manufacturing plants. This led to the establishment of the Urban Foundation which financed projects such as construction of houses in black townships. The reforms allowed black people to grow their businesses and increase profits.19

The very slender reforms in the late 1970s were not enough to ease the political instability in South Africa. Due to sanctions, South Africa was starved of foreign capital inflow. There was panic among white-owned businesses about the worsening state of affairs.

When PW Botha took over from BJ Vorster as head of South Africa in 1979 a policy known as “Total Strategy” was announced. This enabled black people to gain a small stake in the capitalist economy. Black people were now given access to state contracts that were previously closed. Black people started participating in franchise businesses. Bonitas Medical Aid, which was black run, was started in 1982 with a 27% stake shareholding in Medscheme. The black and privately owned Lesedi Clinic established in the mid-1980s in Soweto received a loan of R15.5m from the Industrial Development Corporation to purchase more medical equipment to grow its business.20

Insurer Sanlam started an entity called Sankorp. Part of the strategy was to use client money to invest in the domestic economy. Its other strategy was to build relations with black leaders in business and in the community, especially those cadres perceived to be closer to political power or earmarked to control government levers. Sankorp had understood as far back as the late 1980s that it was not in the interest of business and the economy to block black people from filling managerial positions. For the South African economy to grow, the social mobility of black people in the corporate sector had to be advanced. South Africa was suffering from a shortage of skilled labour and only 4.8% of black workers were hired as professionals or semi-professionals. Sankorp moved to develop black people for management positions.21

The company developed confidential action plans to connect with black people while improving the employment status of black people. A company employment opportunity strategy was developed. This took into consideration limitations and disadvantages of certain employees that had to be considered when advancing equal employment. Sankorp shied away from calling it Affirmative Action. In early 1987, Sankorp made a call to engage black business parties not through “cocktail parties” but in a manner that was to the benefit of black communities, especially where black people had strong buying power. It understood that black people were itching to enter the mainstream economy, but had limited land, capital and resources. The group devised a strategy that would benefit the disadvantaged black leaders while also making profit. This came to be known as black economic empowerment.22

In 1991, Sankorp made a call to do a black empowerment deal by selling a 10% stake in its insurance business Metropolitan Life. The insurer was deemed a strategic business to do an empowerment deal. In 1986, 50% of Metropolitan Life’s new business was from black people, 30% from coloured people and only 20% from whites. About 86% of the company’s representatives were black people. In March 1993, Metropolitan Life Investment

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19 Ibid, p168-169
20 Ibid, p170-178
22 Ibid, p33-34
Holdings acquired a 10% stake in Metropolitan Life from Sankorp. Capital of R135m was raised from the Industrial Development Corporation. The transaction was led by activist, physician and businessman Dr Nthato Motlana and the acquiring entity was Metropolitan Life Investment Holdings (Methold) which later changed to New Africa Investments Limited. There was no free lunch but restrictions. The black group that bought the Metropolitan Life stake could only sell their shares to other black people or organisations. In 1994, New Africa Investments Limited (NAIL) subscribed for a further 20% share in Metropolitan Life.23

National Sorghum Breweries pre-dates Sanlam empowerment deals

While the Sankorp and Metropolitan Life transaction has been touted as the pre-eminent black empowerment transaction, it must be noted that just after the release of Nelson Mandela from prison in 1990, Professor Mohale Mahanyele, a former leader of NAFCOC, led the creation of National Sorghum Breweries, an entity that bought over 20 state-owned breweries for R45m. The National Party government decided to sell its municipal beer halls to Mahanyele’s National Sorghum Breweries. The deal was supported by the Industrial Development Corporation and became a model of black economic empowerment. About 40 million National Sorghum Breweries shares were transferred to the hands of distributors, consumers and employees. As an underwriter of the deal, the Industrial Development Corporation held 4 million shares. In 1996 India’s United Breweries acquired 30% of National Sorghum Breweries before assuming full control of the business. This is after the new black management had made mistakes and found it difficult to compete. Mahanyele resigned from the company in 1997 after internal strife. After the Sankorp deal, Anglo-American followed a similar strategy to that of Sankorp. Two months before South Africa’s first democratic elections, Real Africa Holdings Limited, led by Donald Ncube, a former executive at Anglo American, was given the opportunity to buy insurance company African Life. The JSE-listed African Life entity was owned by Anglo-Americans’ Southern Life. The latter sold 51% of its stake to a consortium led by Ncube and trade union aligned provident funds. The deal was valued at R162m. Southern Life bought R41m worth of shares in Real Africa thus reducing the payment consideration that needed to be made to R138m. The deal was valued at R4 per share, which was a 15% discount to a market value of R4.70 per share. Standard Corporate Merchant Bank was a key financier of the deal.24

The Ncube African deal followed just after the Argus newspaper group sold its flagship Sowetan publication to a consortium led by Dr Motlana.25

As democracy emerged, there was a pandemonium in the markets where established white companies were seeking to partner with key black business people and institutions.

Later in 1994, Real Africa Holdings Limited and Tiger Brands acquired a 50% share each, in Octfish Holding Company, an entity with a 48% interest in Oceana. In that particular transaction, Real Africa Holdings Limited became party to a 1994 Shareholders Agreement “permitting alienation of its shares in the holding company (Octfish) only to empowerment parties, in order to maintain the strong BEE ownership profile” for Oceana.26

This fishing deal had to be looked at in the context of a new government now having control over the award of fishing quotas. Established companies knew that BEE was good for sustainability of the business as previously under-tapped markets in the townships would now be open.

Dr Motlana was quite popular. Ton Vosloo, a former CEO of media giant Naspers, would remark in his biography “Across Boundaries” that when they started mobile operator MTN they “brought in a strong black-empowerment

23 Ibid, p34-42
24 Thackwray, T, Structures of Black Economic Empowerment in South Africa, p14-17
25 Makhanya, M, Weekly Mail and Guardian, February, 10, 1994
26 Oceana annual report 2003, p3-19
partner in the form of NAIL, led by Dr Nthato Motlana (who had been Madiba’s doctor), as well as a foreign partner, Cable & Wireless, which could contribute technical expertise”.

The finance structures of the black empowerment deals in the pre- and post-democracy had some form of resemblance with those done in the homelands under apartheid, such as the acquisition of Jobs Hardare by Transkei businessman Archie Nkonyeni. When black-owned empowerment firm Safika and Shanduka alongside Standard Bank employees and trusts bought a 10% stake in Standard Bank South Africa through the Tutuwa consortium, Standard Bank equally bought a 20% stake in Safika with rights to appoint a person on the Safika Board and with powers to veto certain decisions in Safika. Standard Bank held 15% shareholding in Shanduka.

**BEE and the emotional scars**

Not all was sweet in the BEE honey pot. As deals were done a number of black leaders were stung and suffered a lot of emotional scars. Those joining management ranks of established white companies as directors and executives felt the pain and resistance of white colleagues who feared loss of power because of BEE deals. They would have been made to look incompetent and unacceptable.

At National Sorghum Breweries, Mahanyele would recall that for the first six months after the deal, he was literally kept out. He was the chairman of the entity but could not even get a parking spot at the office. He told the New York Times in 1995 that 80% of employees, “virtually all white”, left the company. Many of the people had not imagined being led by a black person. It was too much to ask.

While turkey was not expected to hand itself over for a Christmas slaughter there were some powerful, dedicated people who were determined to takeover despite BEE as an instrument having been originated as a ruse. One of these women was Irene Charnley from the National Union of Mineworkers (NUM). In 1996, NUM had been part of the National Empowerment Consortium, a black investor group that had acquired a 34.9% shareholding in Johnnic, an investment company owned by Anglo American. Johnnic had a number of investments in media, telecommunications, entertainment, breweries and pharmaceuticals. In 1999, Johnnic had just below 50% shareholding in MTN. At that time, Charnley was seconded from Johnnic to occupy an executive director-role at the telecoms company. When she joined the company from maternity leave, their entire executive was white, save for one coloured man. About 80% of senior managers were white. As the company was growing there were opportunities to bring in black people without displacing the white managers. Charnley would insist that more black people be considered for management roles.

As expected, there was resistance, with many arguing when openings in professional and managerial positions arose. These moves were often met with resistance. There were various concerns expressed. Some were of the view that black candidates did not have as much experience as white candidates. But Charnley nipped that in the bud arguing that 95% of the employees at MTN did not previously work in the telecommunications industry. Of course, she knew too well that motivating the hiring of black people was not enough as some had resorted to racism in order to make it untenable for black people to remain. One of the black women who battled discrimination was Felleng Molusi, a lawyer, and former chair of the Independent Broadcasting Authority. She had been employed in the role of International Business Development, but felt unwelcomed when she joined MTN. Apparently a few of the MTN colleagues knew about her qualifications. The standard assumption was that she was hired purely because of her strong melanin. But as people came to understand her better, a number of colleagues started accepting her. Charnley

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27 Vosloo, T, Across Boundaries, A life in the media in a time of change, p34
28 Decision by Competition Tribunal Republic of South Africa on the merger between Standard Bank South Africa Limited and Safika (PTY) LTD, Case number: 30/LM/May05
29 Standard Bank 2004 Annual Report, p9
had to motivate her black appointees to work even harder to prove themselves. By the time she left, there were five black executives in top management. Out of a total of five group-wide executive directors two were black men, one a black woman, one white woman, and one white man. Phuthuma Nhleko had emerged as CEO.32

MTN is one example of a company that was transformed from a white-dominated organisation to a black-led group. Since the departure of Nhleko and at the time of this publication, MTN had one white and two black CEOs.

Sanlam, a 102-year-old financial services company with deep Afrikaner roots is another organisation that has been transformed through a combination of resilience and long-term goals. In 2020, Sanlam, for the first time in history, appointed a black chairperson, finance director and chief actuary. This is credit to businessman Patrice Motsepe who has managed to patiently advance the transformation agenda at the insurer. It must be noted that the fruits of Motsepe’s executive change agenda at Sanlam only popped almost 15 years after he joined the group.

The widely used instrument to measure transformation of the corporate sector in democratic South Africa is the B-BBEE generic code of good practice that assesses commitment to ownership, management control, skills development, enterprise and supplier development, and socio-economic development. In its last B-BBEE certificate before the publishing of the paper, Sanlam had a Level 1 B-BBEE status, the highest grade a corporate could score. MTN had a Level 3 contributor status. The lowest compliance grade a company can score in terms of B-BBEE compliance is Level 8. It must be stated though that the B-BBEE scorecard cannot accurately reflect the fact that businesses are controlled through intellectual capital. This type of capital requires an understanding of a business rather than a dominant number of black executives in management.

**Recommendations**

Although the faulty origins of the “black empowerment project” have been highlighted and its challenges recorded, the paper does not recommend the idiomatic throwing out of the baby with the bathwater.

To avoid throwing out the good with the bad, the analysis of B-BBEE must not be narrowed to the ownership element.

There are certain elements in the amended B-BBEE model that play a role in increasing the economic participation of black people in South Africa’s economy. These include elements such as Skills Development and Enterprise and Supplier Development.

The Skills Development element pushes established companies to invest in bursaries, internships and learnership programmes targeted at black people. Investment in skills development is key to the training of an economically active class of black people. Equally, under Enterprise and Supplier Development B-BBEE codes encourage corporates to invest in 51% black-owned small businesses with revenues not exceeding R50m. The enterprise and supplier development elements unlock funding opportunities that black people would not have received from traditional lending institutions. However, tighter monitoring on fronting is required as some small enterprises may be black-owned by name only.

Capitalism is about dominance in a sector or niche market. B-BBEE players have been reluctant to aggressively combine their successful interests into large conglomerates that can compete with established white-owned investment companies. These mergers ought to be encouraged.

Linked to this is competition policy. Historically in South Africa anti-competitive behaviour was used to flush out black owned businesses out of the mainstream economy. Competition policy could be central to correcting the historical anti-competitive behaviour. The competition authorities could consider restrictions on white-owned

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32 Ibid
entities acquiring established black-owned entities. The question that might arise is what should happen if no black entity is interested in taking over its counterpart?

Policy makers in South Africa could look to the history of homelands, as faulty as this was. There are lessons to be learnt in the homeland development corporations. The Industrial Development Corporation, the Development Bank of Southern Africa and the National Empowerment Fund ought to create a large “B-BBEE Development Corporation Fund” with the capacity to acquire solid and established black-owned firms. If there are no black buyers of large black-owned entities the “B-BBEE Development Corporation Fund” could step in to warehouse the black-owned companies and facilitate the entrance of other black business owners.

Failure to do this will dilute the entire black empowerment exercise as companies run the risk of being gobbled by white-owned or foreign companies. Therefore, strict rules governing the acquisition of black-owned companies by a “B-BBEE Development Corporation Fund” would need to be crafted.

Another strategy to grow the number of large black-owned companies could be through the acquisition of state-owned assets in addition to procurement. From time to time, the state unbundles or sells its entities to unlock value in the fiscus. The sale of these state assets must be given to black-owned consortia that have garnered resources together. In the past, state-owned assets have been sold to foreign investors.

The notion of state-driven empowerment is not new. Companies such as Mitsubishi in Japan arose as a result of a takeover of state corporate assets. In South Africa, companies such as Arcelor Mittal and Kumba Iron Ore trace their roots to the state-owned enterprise Iron and Steel Corporation.

More work could be done in investing in social good. It must be reflected that many black business people do give, subtly and overtly. Patrice Motsepe, Tokyo Sexwale and Sandile Zungu have been key enablers in the development of footballers to achieve professional status. This was demonstrated in their investments in the Mvela and ABC Motsepe football leagues and clubs AmaZulu FC and Sundowns. While the black billionaires perform well in distributing to charities and leisure initiatives, there is strategic room for them to donate more to academia, especially to research institutes and professorial chairs at institutes of higher education. They must be seen as supporting research and innovation.

Unfair criticism of B-BBEE, though, is the notion of expecting black business people to be Socialist. The entire notion of attacking a rich few must be looked at through a prism as a clique that is unaccepting of the few black billionaires. No questions are ever asked about the few wealthy white billionaires yet B-BBEE must be communist. The moral bar placed upon the wealthy black elite versus its white counterparts requires deep interrogation. Such criticism raises further suspicions on the genuine intentions of creating a real black elite whose wealth can stretch over 200 years. Correct, black billionaires cannot ape the racial attitudes of some backward white businessmen. That must be condemned. Equally so, they cannot be expected to be Marxists. They must be allowed to make money. After all, capitalism enriches only a few.